FISF 复旦大学国际金融学院
FUDAN INTERNATIONAL SCHOOL OF FINANCE

第九届复旦国金经济金融研讨会

The 9th FISF Economics and Finance Workshop

2024 年 6 月 18 日星期二 9:30 – 17:00
Tuesday, 18th June 2024

上海市黄浦区西藏中路 18 号港陆广场 1113 北京厅
1113, No.18 Middle Xizang Rd, Harbour Ring Plaza, Huangpu District, Shanghai

Rule of presentation: Each regular paper has 30 min in total: 20 min for presentation and 10 min for Q&A. No question is allowed for the first 20 min.

9:15 – 9:30 Registration and Reception

	Opening Remarks & Chairman's Address
9:30 – 9:35	**Opening Remarks - Huasheng Gao, FISF**
9:35 – 9:45	**Chairman's Address - Shang-Jin Wei, FISF**

Session 1	**Session Chair: Liang Jiang, FISF**

9:45 – 10:15 **Equity Financing and Export Activities**
By Shang-Jin Wei, FISF

Abstract: We study the consequences of a firm obtaining equity financing for its ability in undertaking risky investment (such as exploring new markets) and in accumulating intangible assets. Our identification comes from comparing Chinese firms that are approved for an IPO and the near-misses in the same IPO application cohort (i.e., the firms that have gone through the staff review process for IPO, made all the way to the final IPO approval meeting, but failed at the last minute).

10:15 – 10:45 **Disclosed Analyst Corporate Site Visits, Audit Adjustments, and the Quality of Financial Statements** (Lixin Huang, Wei Li, Liansheng Wu, and Bernard Yeung)
By Bernard Yeung, SUST & NUS

Abstract: Using a difference-in-differences research design that exploits the mandatory full disclosure of an analyst's corporate site visit in China, we find robust evidence that full disclosure improves the quality of financial statements via increased audit adjustments. First, after the full disclosure regulation, audit adjustments are significantly greater for firms with analyst site visits in which forward-looking information and accounting and finance topics are discussed during the visits but not those covering nonfinancial and miscellaneous information. The results are also stronger for firms with higher asset tangibility, followed by fewer analysts, experienced less past informed risk arbitrage, and in the cases where auditors have more pressure to avoid audit failures. These results support the idea that detailed public disclosure of site visits can reveal useful information and press auditors to examine company financial records with extra care. Second, due to the spillover of relevant information, the disclosure also raises audit adjustments for firms in the same industry

audited by the affected auditor or her peer auditors working in the same audit firm. Finally, after the full disclosure regulations, these affected firms, as mentioned in the first and the second points, compared with other firms, and conditioned on that they have audit adjustments, issue higher-quality financial reports – they have less discretionary accruals and a lower likelihood of issuing restatement. Overall, the evidence supports the notion that full disclosure of analyst site visits via a public digital platform improves the quality of financial reporting via improving auditing services.

10:45 – 11:00 Coffee Break

11:00 – 11:30 **Overpaid Lottery and Overpaid Insurance: Evidence from Retail Structured Products** (Gang Li, and Chu Zhang)
By Chu Zhang, HKUST

Abstract: The negative relationship between the first moment and the third moment of asset returns is often attributed to a lottery effect (i.e., overweight of the right tail of the return distribution). We show that overpaid insurance (i.e., overweight of the left tail) also drives such a relationship. Callable bull/bear contracts (CBBCs) have curtailed time values and small residual values when called back. The combination makes these products apparently cheap and favorable among retail investors. The negative association between expected returns and return skewness on CBBCs is more a result of overpaid insurance than overpaid lottery.

11:30 – 12:00 **Capital Controls in Emerging and Developing Economies and the Transmission of U.S. Monetary Policy** (Jongrim Ha, Haiqin Liu, and John Rogers)

By John Rogers, FISF

Abstract: Under the prevalent view that U.S. monetary policy is the key driver of the global financial cycle, countries inherit U.S. monetary policy if cross-country commonalities in returns and flows occur independently of financial openness and exchange rate regimes. Analyzing country-level data from 78 countries and firm-level data for over 130,000 firms in 59 of those countries, we find that more stringent capital controls countries exhibit systematically smaller responses of interest rates, exchange rates, and equity returns to U.S. monetary policy shocks. This is stronger for EMDEs than advanced economies. By pinpointing the exact dates of 3,950 capital control events that represent staggered changes in country's capital control status, we document robust evidence that the spillover effect of U.S. monetary policy shock to global firms is smaller (larger) after a sudden increase (decrease) in capital controls. Finally, we find only weak evidence that the degree of exchange rate flexibility affects the foreign interest rate and exchange rate responses.

12:00 – 13:30 **Photo Shooting & Lunch**

Session 2 Session Chair: Haihan Tang, FISF

13:30 – 14:00 **Technology, Legal Reforms, and Bank Lending** (Yi Huang, Yuchao Peng, Yangfan Sun, and Bernard Yeung)

By Yi Huang, FISF

Abstract: This paper investigates the relationship between technological innovation and bank lending decisions by analyzing the effects of collateral reforms – deploying online court auctions – in China using granular loan-level data between 2007 and 2017. It proposes that these reforms, based on digital capabilities, distinctly enhance judicial efficiency in ex-post bankruptcy resolutions of collateral-backed loans, thus raising the ex-ante valuation of secured loans. These reforms change both the demand and supply of secured loans and the composition of loan contracts, resulting in a higher proportion of secured loans and increased lending to marginal borrowers at higher borrowing costs. Empirical evidence shows a rise in secured compared to unsecured lending at elevated interest rates for both types of loans and for both new and existing borrowers. However, in line with the differential treatment of state-owned and privately owned firms in capital markets, the increase in lending at higher borrowing rates primarily affects private firms in more marketized regions that rely more heavily on collateral and external financing, including those with poorer credit ratings. Those results suggest that technological innovations in raising the efficacy of collateral-based bankruptcy resolution result in more credit supply and more new firm entries to previously underserved businesses due to financial friction and credit rationing.

14:00 – 14:30 **Why Do Chinese Mutual Fund Investors Underperform?** (Xiaomeng Lu, Jun Qian, Lin Sun, and Hantian Xiao)

By Lin Sun, FISF

Abstract: Using data on Chinese mutual fund flows, we empirically examine the performance of Chinese mutual fund investors. From 2004 to 2022, the realized returns of these investors were 5.48% lower than the average returns generated by the mutual funds themselves. This underperformance gap is particularly pronounced among retail investors, during bear markets, and within equity and mixed mutual funds. Our findings suggest that Chinese mutual fund investors exhibit poor market timing ability. The timing and scale of mutual fund issuance also contribute to the gap in fund investor returns.

14:30 – 15:00 **Intermediating Insider Trades: Evidence from Over-the-Counter China Block Sales** (Donghui Shi, Sheridan Titman, Chishen Wei, and Bin Zhao)

By Donghui Shi, FISF

Abstract: Using granular trade- and account-level data on over-the-counter (OTC) block trades from the Shanghai Stock Exchange, we study how dealers intermediate large sales by corporate insiders. Our evidence indicates that dealers acquire private information in the process of negotiating the block sale. To account for adverse selection risk when transacting with insiders, dealers require larger discounts and quickly liquidate these positions in the secondary market. When adverse selection risk is low, dealers sell positions slowly and time their trades to earn a round-trip profit that exceeds the discount. Dealers tend to sell shares from insiders to small retail accounts in the secondary market, but sophisticated market participants avoid purchasing these shares.

15:00 – 15:15 Coffee Break

Session 3	**Session Chair: Chloe Yang, FISF**

15:15 – 15:45 **The Combined Effects on Inequality of Independent Tax Policies** (Xiaxin Wang, and Zhiwei Tian)
By Xiaxin Wang, FISF

Abstract: This paper explores the combined effects of independent tax policies on inequality. We demonstrate that the overall impact of a combined tax policy bundle on inequality (measured by the Gini coefficient) does not equal the simple sum of the impacts of independent policies. When two policies both improve or exacerbate income distribution, their combination can lead to a larger improvement or exacerbation of income distribution than the sum of the improvements or exacerbations from the two policies alone. When two policies separately affect inequality in opposite directions, we provide conditions determining which direction dominates. Among all scenarios, one is particularly striking: a tax policy that is individually progressive may exacerbate income distribution when implemented within a multi-policy environment, while an individually regressive policy can improve income distribution. Our findings emphasize the need for policymakers to carefully assess potential synergies or conflicts between tax policies, highlighting the importance of understanding the complex interplay between policy measures to address income inequality effectively.

15:45 – 16:15 **Consumption out of Investment Proceeds under Limited Attention** (Guodong Chen, Xiaomeng Lu, Yiqing Lü, and Michaela Pagel)
By Xiaomeng Lu, FISF

Abstract: This paper studies how individual attention to investments affects consumption out of capital gains. We leverage granular account-level data of 200,000 active investors from a leading mobile payment platform. The platform connects mutual fund investments with expenditure records of investors. We find that investments that attract more attention elicit a greater consumption response. We first show that the marginal propensity to consume (MPC) out of capital gains is larger for more recent investments and better-performing ones. This het erogeneity in MPCs across investments suggests that selective attention may render money non-fungible for investors. We then exploit two quasi-experiments that introduce exogenous variations in what funds are displayed. First, the platform's default setting presents the fund that was most recently acquired by investors at the top of their fund holding page. Additionally, mutual funds from the same fund company as the recently invested fund, even if the former were acquired a long time ago, will be grouped together with the recently invested fund in a single block. We show that investors' consumption response is stronger to investment proceeds of the funds that were from the same fund company as the recently invested fund than funds that were not. Second, we exploit a change in the display setting on the platform that allowed investors to sort their portfolio funds based on holding period performance. We find that after the change, the consumption response to proceeds from top-performing funds relative to worse-performing funds are more different.

16:15 – 16:45 **Uncovering the Risk-Return Relation: A Tale of Two Premiums** (Liya Chu, Wenyun Shi, Kent Wang, and Guofu Zhou)
By Wenyun Shi, FISF

Abstract: We find that the risk-return relation can be significantly positive when market risk premium is estimated conditioning on macroeconomic fundamentals. This relation, however, becomes insignificant or even negative when a subjective equity premium component conditioning on various behavioral predictors including anomalies driven by prospect theory risk attitudes and investors' incorrect beliefs are considered, suggesting that

the subjective component does bias investors' expectations about the market and their reactions towards the market risk. Our findings help explain the existing risk-return puzzle, which is driven by the aggregation of two types of conditional equity premiums as they have opposite risk-return patterns.

	Closing Remarks and Dinner
16:45 – 17:00	**Closing Remarks by Jun Qian, FISF**
17:30	**Dinner (晶小院 - 2F, Metropolo Jinjiang Hotels, 123 South Xizang Road)**

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