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41TH INTERNATIONAL CONFERENCE

OF THE FRENCH FINANCE ASSOCIATION (AFFI)

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MAY 2025

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41TH INTERNATIONAL CONFERENCE OF THE FRENCH FINANCE ASSOCIATION (AFFI)

PHD WORKSHOP

Monday, May 26

2:30 pm – 5:00 pm

Pôle Economie Gestion (PEG)

SESSION 1

Title	Speaker	Authors	Discussant
Session 1: ESG 1 - *Room 101 PEG* Chairman: Sentis Patrick			
Regulatory Biodiversity Risk and Firm Investment	Martinez-Solis Keller	Martinez-Solis Keller Toulouse School of Management Research (France)	Pijourlet Guillaume
ABSTRACT: I study the effect of regulatory biodiversity risk on the investment level of U.S. public firms. I first construct a panel dataset that includes firm-level accounting and biodiversity data over the period from 2010 to 2022. Panel regressions results indicate a negative and significant association between regulatory biodiversity risk and firm investment over the period from 2010 to 2022. Using the ESA revisions complaint of 2019 as natural experiment, I then estimate a standard difference-in-differences model to identify the causal impact of increased uncertainty about the future stringency of biodiversity regulation on firm investment. I find a negative effect that is both statistically significant and economically sizable for firms operating in industries highly exposed to biodiversity risks. The decline in investment appears to be driven by both the industry's proximity to biodiversity-sensitive areas and the relevance of biogenic carbon emissions. The effect does not differ between firms discussing and omitting regulatory biodiversity risks in their 10-K annual reports. Finally, I do not find evidence that this drop in investment is accompanied by a change in the overall capital allocation efficiency of the firm.			
Navigating the Unknown: Unraveling the Impact of Economic Policy Uncertainty on Investment Inefficiency with the Guiding Light of ESG Practices	Nasraoui Mahbouba	Nasraoui Mahbouba (1) (2), Ajina Aymen (3), Herve Fabrice (1), 1 - Université Bourgogne Europe - CREGO (France), 2 - IHEC Sousse, University of Sousse, Tunisia (Tunisia), 3 - FSEG Sousse, University of Sousse, Tunisia (Tunisia)	Firas Thraya Mohamed
ABSTRACT: «This study investigates the impact of Economic Policy Uncertainty (EPU) on corporate investment inefficiency, with consideration of the moderating role of Environmental, Social, and Governance (ESG) practices. Using a dataset of 4,836 firm-year observations from U.S. companies from 2010 to 2022, we employ panel fixed effects and generalized least squares (GLS) techniques. Our findings reveal a positive relationship between EPU and investment inefficiency, indicating that higher EPU leads to both overinvestment and underinvestment. This effect is pronounced at moderate levels of uncertainty, and then tends to decline in the high quartiles. Firms also shift investment toward R&D rather than capital expenditures (CAPEX) under uncertainty, which reflects a strategic focus on flexibility. ESG practices are found to mitigate this effect, underscoring their role in navigating uncertainty. Moreover, information asymmetry exacerbates the positive impact of EPU on investment inefficiency. The results suggest that promoting financial transparency and embracing ESG practices can reduce agency costs and improve corporate investment efficiency. Policymakers can leverage these findings to create a more secure and sustainable investment environment through regulations that encourage strong corporate governance and transparency. This study contributes to the literature by being the first to explore the relationship between EPU and investment inefficiency in the U.S. context, while also examining the moderating role of ESG practices during times of uncertainty.»			

PHD WORKSHOP

Monday, May 26
2:30 pm – 5:00 pm
Pôle Economie Gestion (PEG)

SESSION 1

Title	Speaker	Authors	Discussant
Session 1: ESG 1 - *Room 101 PEG* Chairman: Sentis Patrick			
Biden's Effect: The Impact of ESG Performance on Debt Cost in U.S. Syndicated Loans	Razzaki Sophie	Razzaki Sophie (1), Statnik Jean-Christophe (1), Vigneron Ludovic (2), Université de Lille - LUMEN (France),	Gomes Mathieu
ABSTRACT: This paper examines the impact of ESG performance on debt costs, with a focus on political changes in the U.S. context. As sustainability concerns grow, firms with strong ESG performance are viewed as more resilient, leading to lower borrowing costs. We analyse a sample of 722 syndicated loans from 391 firms between 2017 and 2022, using OLS and difference-in-differences (DiD) models. Our results show that ESG performance reduces debt costs, with a notable reduction in the spread for firms with strong ESG scores following President Biden's election in 2020, reflecting the shift towards pro-sustainability policies. Conversely, firms with weaker ESG scores experience an increase in debt costs. This suggests that political factors amplify the financial benefits for firms with strong ESG scores, while those with weaker ESG performance may face higher borrowing costs in response to changing political priorities.			
Female Skin in the Game: Bridging the Gender Financing Gap	Sahakyan Kristine	Sahakyan Kristine ESCP Business School (France)	Burkhardt Kirsten
ABSTRACT: I examine the role of skin in the game, such as paid-up equity or collateral, in narrowing the gender financing gap in entrepreneurship. I find, first, that skin in the game reduces this gap: a 10 percent increase in collateral value raises bank debt by around 4 percent for women—twice as much as for men. Similarly, one standard deviation increase in paid-up equity ratio (46 percentage points) boosts bank debt by 6.22 percent more for female-owned firms, or at least 1.7 times more than for men. This aligns with cross-country evidence that more equal property rights are associated with improved access to credit by women and female entrepreneurship. Second, I find the return on investment from an additional dollar of debt is higher for women, implying that women face more significant financial constraints and forgo higher NPV projects. The economic magnitude is large: for a female-owned business with one standard deviation larger leverage, the performance gap (2 percentage points lower ROA for females) shrinks by at least 60 percent. My findings imply that policies like subsidizing unsecured credit or increasing collateral availability for women (e.g., through property rights) could help reduce the gender financing gap.			

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41TH INTERNATIONAL CONFERENCE OF THE FRENCH FINANCE ASSOCIATION (AFFI)

PHD WORKSHOP

Monday, May 26
2:30 pm – 5:00 pm
Pôle Economie Gestion (PEG)

SESSION 2

Title	Speaker	Authors	Discussant
Session 2: FINANCING AND BEHAVIOURAL FINANCE - *Room 105 PEG* Chairman: Gajewski Jean-François			
Does Industry Sentiment Explain Industry Returns?	Truong Thi Thuy Trang	Truong Thi Thuy Trang ESCP Business School (France)	Jawadi Fredj
ABSTRACT: This paper examines whether industry sentiment can explain industry returns. I find that a sentiment index, constructed using the partial least squares approach with an expanding window, predict returns in the cross-section of industry portfolios. Previous studies have shown that market sentiment is negatively correlated with future returns. However, at the industry level, I find that a strategy of going long in high-sentiment industries and short in low-sentiment industries generates significant excess returns. This strategy remains profitable when controlling for industry momentum and concentration. The findings also hold when using the RavenPack news sentiment index, aggregated at the industry level, as an alternative measure of sentiment.			
Law of One Price in the Equity Market: When it Tends to Hold and When it Might Not	Savatier Marius	Savatier Marius Université Paris Dauphine-PSL (France)	Roger Patrick
ABSTRACT: This paper contrasts two sets of U.S.-listed parent/subsidiary pairs to examine the extent to which the Law of One Price (LOP) holds in the equity market. The first set includes three rare cases where a listed parent firm holds shares in a listed subsidiary without any unlisted assets. In these cases, the LOP tends to hold, countering well- known twin-stock anomalies, with the distinction that both firms are U.S.-traded. In contrast, when a publicly traded parent holds unlisted assets alongside its stake in a listed subsidiary, verifying the LOP generally becomes impossible. Suspicions may still arise if the market value of the parent is less than its ownership in the subsidiary, a situ- ation termed Negative Stub Value (NSV). The second set includes three rare NSV cases among large U.S. firms. Due to unlisted assets, verifying the LOP remains imperfect, as NSV and LOP are not necessarily incompatible. This limitation may hinder arbitrage, as arbitrageurs cannot entirely dismiss alternative rational explanations. Yet, at least two of the three NSV cases would have yielded substantial returns for an investor, as seemingly forgotten billions of dollars promptly resurfaced. In sum, this paper contrasts cases where the LOP can be verified and tends to hold with those where it cannot be verified and might not hold, suggesting that it is precisely this unverifiability that limits arbitrage. If so, arbitrage may be restricted on a broader scale.			

PHD WORKSHOP

Monday, May 26
2:30 pm – 5:00 pm
Pôle Economie Gestion (PEG)

SESSION 2

Title	Speaker	Authors	Discussant
Session 2: FINANCING AND BEHAVIOURAL FINANCE - *Room 105 PEG* Chairman: Gajewski Jean-François			
Time-Varying Salience Effect	Eroglu Busra	Eroglu Busra University of Mannheim (Germany)	Lajili Souad
ABSTRACT: I investigate the role of selective attention in financial markets, particularly during different economic states. Employing salience theory, I examine how investors' focus on salient returns—either significantly high or low compared to the market average—affects stock performance across business cycles. Analyzing U.S. stock data from 1931 to 2015, the research finds that selective attention, especially during recessions, leads to a marked preference for stocks with salient upside returns, influencing return predictability. This tendency contributes to lower future returns for these stocks, offering new insights into the impact of biases on market dynamics and return patterns across economic cycles.			
Business Angels Capital: From Local Roots to Global Reach	Rahman Muzna	Rahman Muzna Université de Bordeaux- IRGO (France)	Enjolras Geoffroy
ABSTRACT: The evolving spatial dynamics of business angel (BA) investments are demonstrating a transition from predominantly local engagements to an increase tendency for cross-border investments. This study investigates the role of institutional and cultural proximities at country dyad level in shaping this transition, both in developed and developing countries. Moreover, this study also considers the role of social trust of BA country in motivating BAs in variance with local bias. The results show that overall institutional and cultural distances are negatively influencing the outflow of BA funds, while the role of social trust appears to be context dependent. Cultural distances and social trust are meaningful in motivating BAs from developing countries for cross border investments compared to BAs from developed countries. The study provides valuable insights for policymakers and investors seeking to navigate and facilitate cross-border BA investments.			

PHD WORKSHOP

Monday, May 26

2:30 pm – 5:00 pm

Pôle Economie Gestion (PEG)

SESSION 3

Title	Speaker	Authors	Discussant
Session 3: FINANCE & BANKING - *Room 109 PEG* Chairman: Petey Joel			
Labor Markets and Financial Risk - How Bankers' Outside Options Amplify Credit Cycles	Schneider Georg	Kecht Valentin, Schneider Georg, University of Bonn (Germany)	Weill Laurent
ABSTRACT: «Theory predicts that labor market conditions affect agency problems in employment relationships, but the empirical evidence supporting this link remains limited. This paper provides causal evidence on how banker labor mobility impacts risk-taking in the financial industry. Using LinkedIn profile data, we construct a bank-level measure of outside options, capturing labor demand shocks in other financial institutions. We find that a one standard deviation improvement in outside options corresponds to a 3.3% reduction in the share of investment-grade loans and a 7% increase in lending volume. Banks exposed to positive outside option shocks also exhibit increased financial risk and significantly larger contributions to systemic risk. These results are consistent with the idea that enhanced outside options weaken the capacity of performance-based compensation to discipline loan managers. Our findings suggest a labor mobility channel in the amplification of credit cycles and highlight the role of labor markets for financial stability.»			
Systemic Analysis of All Credit Channels during the Subprime Cycle	Juliaan Bol	Juliaan Bol, Vrije Universiteit Amsterdam (The Netherlands)	Petey Joel
ABSTRACT: I provide an overview of the largest changes throughout the financial system during the subprime credit cycle, by applying systemic analysis to the entire US financial system. I find that the largest channel during the boom is from foreign official reserve inflows into safe assets while private foreign and domestic creditors to reallocate to risky mortgage securities. After mid-2007, amid changes in many channels, household credit growth decreases ultimately due to foreign outflows. After the collapse of Lehman, both foreign and domestic creditors reallocate from credit to households to the government debt expansion. I interpret these results in an asset supply and demand system to derive policy implications.			

41TH INTERNATIONAL CONFERENCE OF THE FRENCH FINANCE ASSOCIATION (AFFI)

PHD WORKSHOP

Monday, May 26

2:30 pm – 5:00 pm

Pôle Economie Gestion (PEG)

SESSION 3

Title	Speaker	Authors	Discussant
Session 3: FINANCE & BANKING - *Room 109 PEG* Chairman: Petey Joel			
Are bank and Non-Bank Lending Substitutes? Evidence from the 1848 Financial Crisis in Antwerp	De Sola Perea Maite	De Sola Perea, Peeters Ruben, Deloof Marc, University of Antwerp (Belgium)	Godlewski Christophe
ABSTRACT: The 1848 revolution in France triggered a run on Belgian banks and reduced their lending. Since this bank crisis was an exogenous shock, it provides a unique opportunity to investigate whether bank lending and non-bank lending were complements or substitutes in this period. We exploit a new database on notarial credit in Antwerp to measure the effect of a reduced availability of bank loans on notarial credit. Our findings suggest that notarial lending was an important substitute for bank lending. The total amount of notarial lending significantly increased during the crisis in the city of Antwerp where bank lending was prevalent, while it did not change in rural areas where bank lending was rare. Individual loan amounts increased but loan conditions did not significantly change, suggesting that the perceived risk of notarial loans did not increase during the crisis.			
State Aid in Times of Crisis " How Did Fixed Cost Grants Help Firms to Cope with COVID-19?	Weuschek Nadine	Weuschek Nadine, University of Münster (Germany)	Broihanne Marie-Hélène
ABSTRACT: This paper examines the effect of fixed cost grants on post-COVID firm performance. Using a unique dataset of grant disbursements under the largest German COVID-19 financial aid program, I estimate the impact of the approved funding amount on performance indicators, such as sales, earnings, cash flow, equity ratio, and employment. I show that a higher funding volume is associated with slower business recovery. While my results indicate that fixed cost grants, on average, helped firms stabilize earnings and cash flow, and retain employees, they were not sufficient to fully offset losses incurred during the pandemic. The results are heterogeneous across industries and firm types, suggesting potential for a more efficient allocation of government support. In addition, I investigate the role of government support for investments in digitalization in the recovery of firms and find slight evidence for a positive effect.			

PHD WORKSHOP

Monday, May 26
2:30 pm – 5:00 pm
Pôle Economie Gestion (PEG)

SESSION 4

Title	Speaker	Authors	Discussant
Session 4: ASSET PRICING - *Room 116 PEG* Chairman: Dupuy Philippe			
High-Frequency Trading and Price Discovery: The Role of Strategic Runs	Cestonaro Tino	Cestonaro Tino, Goethe-University Frankfurt (Germany)	Scaillet Olivier
ABSTRACT: Strategic runs are an outcome of high-frequency trading strategies that lead to alternating cycles of order submissions and cancellations within a short time interval. Examining granular limit order book data, we ?nd that submissions and cancellations resulting from these runs have less permanent price impact and contribute less to price discovery than similar trading activities not part of a strategic run. Once other market participants can recognize that an order belongs to a strategic run, its contribution to price discovery diminishes signi?cantly. Our ?ndings indicate that such high-frequency trading activities do not enhance price discovery but rather dilute it by triggering a substantial number of orders with limited informational value.			
The Aggregated Equity Risk Premium	Riedersberger Christoph	Azevedo Vitor (1), Riedersberger Christoph (1), Velikov Mihail (2), 1 - School of Business and Economics, RPTU Kaiserslautern-Landau (Germany), 2 - Smeal College of Business, Penn State University (The USA)	Bertrand Philippe
ABSTRACT: We propose a new approach for predicting the equity risk premium (ERP) that first estimates expected returns on individual stock before aggregating them to the market level. Our deep learning combination forecast aggregates firm-level return predictions from neural networks of varying complexity, trained on a comprehensive two-dimensional feature set of post-publication firm-level characteristics and aggregate macroeconomic variables. Using this aggregation method, we achieve an out-of-sample R^2 of 2.74% in a sample from 2000 to 2021. The forecasts demonstrate strong economic significance in trading strategies even with transaction costs. While the market generated a return of 376% over this period, a simple market-timing strategy based on our model's forecast signs yields a net cumulative return of approximately 768%. Our results show that aggregating firm-level predictions can lead to profitable market timing signals, challenging the conventional wisdom that the ERP is unpredictable out-of-sample and suggesting that valuable market-wide information can be extracted from the cross-section of individual stocks.			
The CDS Market and Earnings Call Sentiment	Wang Fangfang	Wang FangFang (1), Wang Maosen (2), Silaghi Florina (1), 1 - Autonomous University of Barcelona (Spain), 2 - ESADE Business School (Spain)	Moraux Franck
ABSTRACT: We explore the effect of earnings call sentiment on the CDS market by analyzing 6,103 quarterly earnings call transcripts of 226 U.S. firms from 2014 to 2022. Our results show that abnormal CDS spreads drop 0.676 basis points during the three days surrounding earnings calls in response to positive sentiment. In addition, the CDS market can only anticipate negative sentiment and increases spreads by 1.521 basis points one month before the earnings calls, but this dampens the concurrent market effect. Our results also confirm a stronger market impact of earnings call sentiment for speculative-rated firms. We also find that the market impact of earnings calls diminishes when there is a substantial disparity in the comments provided by managers and analysts. Finally, our results show that earnings calls contain incremental informational value beyond earnings announcements and that analysts' talk contains more informational value than managers' talk.			

PARALLEL SESSIONS 1

Tuesday, May 27

10:30 am – 12:15 pm
Pôle Economie Gestion (PEG)

Title	Speaker	Authors	Discussant
CORPORATE FINANCE 1 - *Room 101 PEG* Chairman: Isakov Dusan			
Shareholders' Portfolio Overlap and Corporate Governance: A Risk-Taking Perspective	Zhang Shuran	Zhang shuran, The Hong Kong Polytechnic University (Hong Kong SAR China)	Gajewski Jean-François
ABSTRACT: This paper explores the implications of shareholders' portfolio overlap for the risk-related agency problem. Managerial risk-taking increases with the degree of portfolio overlap among a firm's institutional shareholders. An instrumental variable analysis supports a causal interpretation. Consistent with the hypothesis that shareholders' portfolio overlap facilitates intervention in managers' risk choices, the effect is more pronounced when risk-taking is personally costlier for managers, when shareholders' risk preference is intensified by stakeholder considerations, when managers receive lower risk-taking incentives from compensation, and when firms' ownership is less concentrated. The increased risk-taking is in alignment with shareholder value maximization.			
When Corporate Risk Management Amplifies Risks: Evidence from Europe's Energy Crisis in 2022	Kirilova Antonia	Giannozzi Alessandro (1), Kirilova Antonia (2), 1 - Università degli Studi di Firenze (Italy), 2 - CUNEF Universidad (Spain)	Zhang Shuran
ABSTRACT: Derivatives are important risk management tools for hedging price risks but can expose firms to the risk of margin calls in times of market stress. This study investigates the impact of large margin calls on companies' financial outcomes. We document that most companies meet margin requirements through borrowing, but firms without preexisting relationships with lenders resort to asset sales. Importantly, we show that margin calls have significant negative consequences for companies' default risk, cost of debt, and profit margins, and some of these effects persist for more than a year after the margin calls. Our evidence derives from the European energy crisis in 2022, when energy corporations had to deposit significant amounts of cash to cover margin calls related to commodity hedges. However, the results may be generalized to other markets and highlight the need for corporate risk management to consider margin call and liquidity risks tied to derivatives use.			
Audit Opinion and Earnings Management: The Case of Covid	Gajewski Jean-François	Cudjoe eunice Yaa (1), Gajewski Jean-François (2), 1 - Université Lyon 3 - Magellan (France), 2 - Université de la Nouvelle-Calédonie - LARJE (France)	Kirilova Antonia
ABSTRACT: This study investigates auditors' reporting behavior during a period characterized by aggressive earnings management and a radical change in the auditors' operating environment. Precisely, we examine the audit opinion and earnings management (proxied by discretionary accruals) relationship during the COVID-19 pandemic period, for a sample of non-financial firms in Europe. For an in-depth analysis, the authors segregate the audit opinion qualifications into two categories; qualifications for going-concern uncertainty and those for non-going concern reasons. The results demonstrate that more often than not, audit qualifications are not related to the levels of earnings management in Europe. However, during the pandemic, the likelihood of auditors issuing a qualified audit opinion for going-concern uncertainties is associated with earnings management. We observe that this change in auditors' reporting behavior for going-concern issues ceases after the pandemic period. Additionally, the likelihood of auditors issuing a non-going concern audit qualification is not related to earnings management but is largely driven by the type of audit opinion issued in the preceding year. Finally, the results indicate that in Europe, most audit qualifications are not going-concern-related and the BIG4 auditors qualify less. Overall, the findings are relevant to investors and financial statement users as prior studies have linked auditor reporting decisions to investor behavior.			

PARALLEL SESSIONS 1

Tuesday, May 27

10:30 am – 12:15 pm
Pôle Economie Gestion (PEG)

Title	Speaker	Authors	Discussant
CLIMATE FINANCE 1 - *Room 105 PEG* Chairman: Enjolras Geoffroy			
Environmental Footprint, Water Intensity, and Resilience to Droughts	Foulon Brice	Foulon Brice, Université Clermont Auvergne - ESC Clermont (France)	Tahri Fatima Ezzahrae
ABSTRACT: This empirical study tests the effect of environmental performance on the resilience of 345 public firms headquartered in the U.S. to severe droughts that arose between 2006 and 2018. Using a survival analysis methodology and an assessment of the direct environmental footprint of companies provided by Trucost, the results from the survival analysis methodology exhibit that firms with heavier direct environmental footprint require more time than their peers to recover from the losses caused by droughts. This effect of environmental footprint on resilience is demonstrated to be independent from the effect of water dependency, and robust to various model specifications, time frames of analysis, and sampling methodologies. This result supports the Natural Resource-Based View, which implies that efficient pollution reduction strategies underly the creation of specific capabilities that lead to sustainable competitive advantages, including resilience to slow-onset nature adversity.			
The Impact of Climate Change on Farm Accounting Practices	Yue Hang	Yue Hang (1), Enjolras Geoffroy (2), Madies Philippe (3), 1 - Université Grenoble Alpes - CERAG (France), 2 - Université Grenoble Alpes - CERAG (France), 3 - Université Grenoble Alpes - CERAG (France)	Foulon Brice
ABSTRACT: This study examines the long- and short-term impacts of climate change on farm earnings management practices. Farm earnings are indeed highly sensitive to the increasing volatility of weather conditions, and farmers adopt several strategies to mitigate the negative impacts of climate risk. While technical risk management practices (diversification, irrigation) or financial risk management practices (crop insurance) have been studied in the literature, little is known about the impact of climate threats on farm accounting decisions, in particular on earnings management. We identify and measure earnings management using the Modified Jones model. We use accounting data from the Farm Accountancy Data Network (FADN), which is representative of French professional farms, and weather data from Météo France over the period 2000-2022. A series of regressions explains the long-term effect of temperature and rainfall deviations on earnings management and further examines the impact of adverse weather conditions on earnings management. The results clearly show that in both the short and the long run, annual warm and dry conditions, the occurrence of a natural disaster, and deviations from long-term temperature and rainfall trends lead to a significant downward earnings management strategy. Farmers therefore incorporate the effects of weather and climate into their accounting decisions, presumably with the aim of increasing their resilience to these structural changes.			
Climate Conditions and Firm Performance: An Analysis of Temperature and Precipitation Effects on SMEs	Tahri Fatima Ezzahrae	Tahri Fatima Ezzahrae, University of Lyon (France)	Yue Hang
ABSTRACT: Using location-specific annual data of temperature and precipitation, this study examines the impact on the financial performance of SMEs from 1987 to 2022. We find that high temperatures can decrease sales and productivity, while ROA is unaffected. Whereas, high precipitation levels show no significant effect on SMEs' performance. Our findings further investigate the differential impacts of climate conditions across firm sizes, industry sensitivities and sectors.			

PARALLEL SESSIONS 1

Tuesday, May 27

10:30 am – 12:15 pm

Pôle Economie Gestion (PEG)

Title	Speaker	Authors	Discussant
COMMODITIES - *Room 109 PEG* Chairman: Jawadi Fredj			
Commodity Returns: Lost in Financialization	Bondatti Massimiliano	Bondatti Massimiliano, (1), Baba-Yara Fahiz, (2) 1 - CUNEF University (Spain), 2 - Indiana University (The USA)	Bonnier Jean-Baptiste
ABSTRACT: «The financialization of commodity markets, characterized by a dramatic increase in institutional investors and index capital flows into the commodity futures market around 2004, has significantly impacted the asset class. This paper investigates the effect of this growth in investment capital on the average returns of popular commodity futures trading strategies over time. Our findings reveal that approximately 80% of commodity futures strategies that generated statistically significant average returns before financialization are no longer profitable. Our results suggest that this decline in strategy returns is primarily driven by an adverse change in the average returns of a few systematically priced factors in the cross-section of commodity futures. Furthermore, we find that commodity strategies with relatively higher exposure to the Dow Jones Commodity Index experience a significant reduction in average returns, providing a possible channel for this observed effect. Robustness tests indicate that the publication of commodity strategies in the academic literature accounts for only about 25% of the observed decrease in commodity futures strategy returns.»			
Commodity Inflation Shocks and Cost Pass-Through for French Companies	Foreau Constantin	Foreau Constantin (1, 2), Girerd-Potin Isabelle (1), Khoali Youssef, (2) 1 - Université Grenoble Alpes (France), 2 - COFACE (France)	Bondatti Massimiliano
ABSTRACT: Based on companies' financial statements, this article analyzes how costs are passed on in companies during periods of high inflation The COVID-19 pandemic and Russo-Ukrainian war severely disrupted the global economy since 2020. This has driven up commodity and energy costs, causing an inflation spike in 2022. Using panel linear regression, we demonstrate inflation on agricultural goods, industrial metals and energy have a significant impact on cost pass-through estimated by the variation in the ratio of value added to sales. Our analysis demonstrates that firms with stronger turnover growth, greater export intensity, higher profitability, higher productivity and higher leverage are better positioned to pass through cost increases. We show that even low energy-intensive sectors were significantly and negatively affected by energy price shocks. Also, companies in the agriculture, food, and beverage sectors demonstrate excess pass-through of agricultural product cost increases. We demonstrate that, despite significant commodity shocks during the inflationary period, sectoral responses vary widely, highlights the importance of sector-specific factors.			
Disentangling the Impact of CH Functions in Futures	Bonnier Jean-Baptiste	Ait-Youcef Camille (1), Bonnier Jean-Baptiste (2), 1 - Nantes Université - LEMNA (France), 2 - Université Franche-Comté (France)	Foreau Constantin
ABSTRACT: This paper investigates the effects of clearing house (CH) innovations—specifically multilateral netting and novation—on the grain futures market at the Chicago Board of Trade (CBOT). We analyze how each affected market pricing. Using difference-in-differences (DID) and synthetic difference-in-differences (SDID) methodologies, we compare the CBOT to other Midwest grain markets to isolate the causal impacts of these institutional changes. Our findings reveal that the introduction of multilateral netting led to a decrease in futures prices, accompanied by an increase in trade flows to Chicago, suggesting enhanced market participation due to reduced adverse selection. Conversely, the implementation of novation was associated with rising prices, indicating potential deterrent effects from increased transparency and higher trading costs rather than concerns over moral hazard. This paper contributes to enriching the literature on the impact of CH functions on financial markets by isolating the effect of each function and backing it with comprehensive narrative evidences. It offers a historical perspective on how central clearing mechanisms can influence market dominance and risk distribution in commodity futures markets.			

PARALLEL SESSIONS 1

Tuesday, May 27

10:30 am – 12:15 pm
Pôle Economie Gestion (PEG)

Title	Speaker	Authors	Discussant
CLIMATE FINANCE 2 - *Room 116 PEG* Chairman: Gomes Mathieu			
Mutual Fund Carbon Footprint Around the World	Tran Dieu Linh	Tran Dieu Linh, Paris-Saclay University (France)	Bertrand Philippe
ABSTRACT: Although fund carbon footprint attracts the attention of investors, asset managers, and regulators, very little research has focused on this metric. We explain funds' carbon footprint around the world. Using a sample of equity mutual funds domiciled in 17 countries, representing more than 80% of the equity fund worldwide market, we can explain fund carbon footprint by fund characteristics such as style of management and investment sectors. Even after controlling for fund characteristics, differences across countries remain. Funds domiciled in Scandinavian countries appear to have the lowest carbon footprint. The most robust factors explaining these cross-country differences in carbon footprint are the average level of education, reflecting investor sophistication and awareness about environmental issues, and fund investment zone's environmental performance. Fund carbon footprint is lower in countries with a high education level and in investment zones with a higher environmental performance index.			
An Anatomy of Decarbonizing Firms	Qiu Borui	Qiu Borui (1, 2), Coqueret Guillaume (1), Giroux Thomas (3), 1 - EMLyon Business School (France), 2 - Université Lyon 2 (France), 3 - CREST (France)	Tran Dieu Linh
ABSTRACT: This article sheds light on the drivers of decarbonization in the cross-section of global publicly-listed firms. We find that reported and estimated emissions depend on very different sets of variables. With respect to reported footprint, biodiversity loss, R&D expenditures and institutional ownership matter the most. In terms of predictive accuracy, we find that sophisticated models based on panel data do not best simple benchmarks and that linear extrapolation is not the best alternative. Moreover, we report marked difference in forecasting errors across sectors, with utilities being the easiest to predict and information technology the hardest. All in all, our findings deliver insights to asset managers seeking net-zero targets.			
On Sustainable Portfolio Management: Optimal Allocations and Performances under Tracking-Error Constraints	Bertrand Philippe	Bertrand Philippe (1), Prigent Jean-Luc (2), 1 - Aix-Marseille Université - CERGAM (France), 2 - CY Cergy Paris Université	Qiu Borui
ABSTRACT: Nowadays, investors are increasingly concerned about environmental, social and gov- ernance (ESG) issues. Thus, it is important to analyze how ESG criteria impact their optimal portfolio allocations. W e note also that the use of a benchmark portfolio has become a standard in asset management. The problem of minimizing the T racking Error Volatility (TEV) has been originally solved by Roll (1992). Then, Jorion (2003) show that adding a constraint on total portfolio volatility can improve significantly the portfo- lio performance. In this paper, we integrate ESG scores into the mean-variance criterion of the portfolio optimization problem while controlling the TEV. The corresponding portfolios satisfy four-fund separation. W e show also that the portfolio's information ratio remains constant along the Mean/Variance/ESG frontier so that we can rename it as the ESG/Iso-IR Frontier. We characterize also the beta of the optimal portfolio allocation and provide explicit conditions on both financial and ESG parameters ensuring that it is smaller or higher than one.			

PARALLEL SESSIONS 1

Tuesday, May 27

10:30 am – 12:15 pm

Pôle Economie Gestion (PEG)

Title	Speaker	Authors	Discussant
MARKET MICROSTRUCTURE 1 - *Room R02 PEG* Chairman: Cenesizoglu Tolga			
Overnight Return Momentum and the Timing of Trading Volume	Wallmeier Martin	Perreten Thomas, Wallmeier Martin, University of Fribourg (Switzerland)	Trimpe Niklas
ABSTRACT: We document that the overnight return anomaly for S&P 500 firms is related to the pattern of intraday trading volume: stocks with heavy trading near the open (U-shaped pattern) tend to have higher overnight returns than stocks with thin trading near the open (L-shaped pattern). This finding is inconsistent with explanations of the overnight anomaly based on distorted opening prices due to thin trading near the open. Our results suggest that over the sample period from October 2008 to December 2023, the overnight break played a crucial role in a gradual adjustment to higher price multiples, as evidenced by the increase in the Campbell-Shiller P/E ratio from 15 to 31. In this view, the overnight momentum in this period reflects the momentum in the Campbell-Shiller P/E ratio, moderated by differential but stable trade timing patterns.			
On the (Market Microstructure) Origins of the Return Distribution	Cenesizoglu Tolga	Cenesizoglu Tolga, Grass Gunnar, HEC Montréal (Canada)	Wallmeier Martin
ABSTRACT: We propose a reduced-form microstructure model of price formation in an order-driven market. In this framework, the shape of the return distribution is determined jointly by the distribution of market orders and the shape of the limit order book. Our model implies: (1) the mean and skewness of the return distribution are increasing functions of the LOB imbalance (the ratio of the slopes of the ask and bid sides); (2) the return variance is a decreasing function of the LOB convexity (the ratio of the slopes of the higher and lower levels); (3) the return kurtosis is an increasing function of the LOB convexity; (4) a higher LOB imbalance shifts both the left (below the median) and right (above the median) parts of the return distribution to the right, while leaving the median fixed at zero; (5) all quantiles below (above) the median increase (decrease) as LOB convexity increases; (6) ask-side convexity primarily affects the right side of the return distribution, while bid-side convexity influences the left side. We test and provide empirical support for the predictions of our model using comprehensive ultra-high-frequency limit order book data for a sample of NYSE stocks from 2002 to 2012. We establish the causal effect of the shape of the limit order book on the distribution of stock returns using RegSHO as an exogenous shock to the shape of the limit order book.			
Efficient or Not? Price Measures in Market Microstructure	Trimpe Niklas	Cestonaro Tino, Trimpe Niklas, Goethe-University Frankfurt (Germany),	Cenesizoglu Tolga
ABSTRACT: We assess the informational efficiency of five price measures in approximating the true value of an asset using high-frequency data from German blue-chip stocks. Using the predictability of future price movements as an inverse measure of efficiency, we find that more sophisticated measures, such as the micro-price, reflect public information within two seconds, whereas established price measures like the transaction price and midpoint take at least 30 seconds to incorporate public information. The use of inefficient proxies for the true asset value can result in significant and systematic biases in trading outcomes and study results. For example, execution prices in dark pools deviate on average 1.7 basis points from the most efficient true value proxy, while transaction costs show biases ranging from 8% to 38%, depending on the chosen price measure. Our findings offer practical guidelines for selecting efficient true value estimators, informing both the design of future research and investor decision-making.			

PARALLEL SESSIONS 2

Tuesday, May 27

1:45 pm – 3:30 pm

Pôle Economie Gestion (PEG)

Title	Speaker	Authors	Discussant
CRYPTOCURRENCIES - *Room 101 PEG* Chairman: Coqueret Guillaume			
Tracing the Learning Curve: On Cryptocurrency Prices, Volatility, and Eventual Adoption	Wulfsohn Michael	Wulfsohn Michael, University of Oxford (United Kingdom)	Lehar Alfred
ABSTRACT: «Public debate about cryptocurrency reveals strong and disparate opinions on potential adoption. The paper argues that gradual resolution of this adoption uncertainty is the driving factor of cryptocurrency prices. The paper's model assumes that risk-averse investors gradually learn about a cryptocurrency's eventual adoption demand amount. The model closely fits the long-term decline in price growth rates and variance of Bitcoin and other major cryptocurrencies. The model can forecast expected price growth and variance conditional on little adoption, providing guidance to cryptocurrency allocation sizing within an investment portfolio. The model also estimates the probability distribution of a cryptocurrency's eventual adoption, making an objective contribution to a polarised debate.»			
Market Power and the Bitcoin Protocol	Lehar Alfred	Lehar Alfred (1), Parlour Christine (2), 1 - Haskayne School of Business, University of Calgary (Canada), 2 - Haas School of Business, UC Berkeley (The USA)	Wulfsohn Michael
ABSTRACT: Bitcoin users can offer fees to the miners who record transactions on the blockchain. We document the blockchain rarely runs at capacity, even though there appears to be excess demand. Further, higher fee orders are not always prioritized. We show these patterns are consistent with miners exercising market power: If users believe that only high fee transactions will be executed expeditiously we show how strategic capacity management can be used to induce higher fee revenue. Using a novel data set, we provide evidence consistent with market power, and estimate that mining pools have extracted least 300 million USD a year in excess fees by making processing capacity artificially scarce.			
Producing AI Innovation and Its Value Implications	Kecskes Ambrus	Ahmadi Ali (1), Kecskes Ambrus (1), Michaely Roni (2), Nguyen Phuong-Anh (3) 1 - Schulich School of Business at York University (Canada), 2 - University of Hong Kong Faculty of Business and Economics and ECGI (China), 3 - School of Administrative Studies at York University (Canada)	Zainine Ratiba
ABSTRACT: We quantify the proliferation of artificial intelligence innovation since 1990. Then, studying publicly traded firms, we find that they direct their production of innovation toward AI, motivated by their own, and their customers', labor's exposure to AI technology. We instrument actual AI production by interacting exogenously measured innovation capacity and AI exposure. We find that, consistently during the past three decades, producing AI transitorily increases profitability, durably decreases risk (both systematic and idiosyncratic), and increases a firm's future stock returns. We can empirically distinguish production of AI innovation from AI adoption, automation, and other potential confounds. The results suggest that AI innovation is firm value increasing but underestimated by investors.			

PARALLEL SESSIONS 2

Tuesday, May 27

1:45 pm – 3:30 pm
Pôle Economie Gestion (PEG)

Title	Speaker	Authors	Discussant
CORPORATE GOVERNANCE 1 - *Room 105 PEG* Chairman: Pijourlet Guillaume			
Complexity Words and Board Structure	Loughran Tim	Loughran Tim, Mcdonald Bill, Yang Jun, University of Notre Dame (The USA)	Vu Thi Le Giang
ABSTRACT: Prior evidence suggests that companies whose management needs advice tend to have more directors on their boards, whereas companies requiring more monitoring tend to have fewer board members. We show that usage of complexity terms (i.e., lawsuits, worldwide, mergers, and derivatives) within annual reports significantly predicts board size. Firms in need of advice from their directors will contain more accounting, hedging, international, and organizational form words in their annual report while firms in need of better monitoring will use more finance and legal complexity terms. Complexity language in 10-Ks is also significantly linked to Tobin's Q.			
Legal Form and Shareholder Value	Belot François	Belot Francois (1), Ginglinger Edith (1), Waxin Timothée (2) 1 - Université Paris Dauphine-PSL (France), 2 - Ecole de management Léonard de Vinci (France)	Loughran Tim
ABSTRACT: Since 2004, a new legal form, the Societas Europaea (SE), has been available to European companies. It offers greater contractual flexibility than national legal forms. This article examines why companies decide to change their legal form and the impact of such a change on shareholder wealth and firm outcomes. Compared with their peers, we show that companies that change their legal form have higher operating growth and R&D expenditures, pay more taxes, and have a lower Tobin's Q. The legal change leads to a negative subsequent stock market performance and lower growth. Markets react negatively to the implementation of change, except for companies relocating their headquarters. Our results suggest that increasing contractual flexibility is not always valuable to shareholders, especially if it generates higher opacity.			
Board Reform and Firm Performance: Evidence from Vietnam	Vu Thi Le Giang	Filbien Jean-Yves, Cousin Jean-Gabriel, Vu Thi Le Giang, Université de Lille - LUMEN (France)	Belot François
ABSTRACT: This paper examines the impact of board reforms introduced by Circular 121/2012/TT-BTC on the financial performance of Vietnamese listed firms. Using a dataset of 6,261 firm-year observations spanning 2008–2022, we analyze the effects of these governance reforms, which aimed to enhance board independence and reduce CEO duality. Our findings indicate that while the reforms achieved their intended goals of improving governance practices, they paradoxically led to a decline in overall financial performance. This adverse effect is particularly pronounced in state-owned enterprises (SOEs), where managerial entrenchment undermines the reforms' effectiveness. Conversely, non-SOEs experienced performance gains when accompanied by CEO turnover. These results highlight the complex interplay between governance reforms and firm ownership structures, offering critical insights for policymakers and emerging economies navigating the transition toward market-oriented governance frameworks. Our study underscores the need for tailored reform strategies that consider the institutional realities of SOEs in emerging markets.			

PARALLEL SESSIONS 2

Tuesday, May 27
1:45 pm – 3:30 pm
Pôle Economie Gestion (PEG)

Title	Speaker	Authors	Discussant
INFORMATION AND FINANCE - *Room 109 PEG* Chairman: Lajili Souad			
Fake News and Options Trading	Lehnert Thorsten	Lehnert Thorsten, Luxembourg School of Finance (Luxembourg)	Tremblay Andreanne
ABSTRACT: Research suggests that AI-powered social bots manipulate social media sites, evidently during the 2016 US presidential election, where 25% of X posts have been identified to spread either fake or extremely biased news. I hypothesize that on top of financial news, fake news induces options trading activity and analyze if X-based measures of financial market uncertainty (XMU) affect expectations about equity volatility. I identify such expectations in financial market prices by studying volatility dependent claims, claims that provide insurance against future volatility. XMU is expected to be an incremental predictor of variance risk and, hence, an increase in XMU negatively predict the premium on short straddles, constructed from equity option prices. I find that a managed S&P500 short straddle portfolio that decreases the exposure to variance risk when XMU is high significantly outperforms an unmanaged portfolio by nearly 9% annually. In line with my fake news hypothesis, the effect is particularly strong during the 2016 US presidential election, is substantially stronger when reposts are incorporated and cannot be explained with available financial news.			
Political Bias in the Coverage of Corporate Misconduct: Effects on Employees and Managers	Zhang Minjia	Zhang Minjia, Marchica Maria-Teresa, Petry Stefan, University of Manchester (United Kingdom)	Lehnert Thorsten
ABSTRACT: We document a political bias in the media coverage of corporate violations and examine how it affects the company's labor force. Media outlets with a political leaning that is incongruent with that of the firm tend to write articles with a more negative tone when covering the company's misconduct. This worsens the employees' perception of their employer, senior managers, and expectations about the company's future, negatively affecting their productivity. It also amplifies the negative effects of low abnormal stock market performance on the likelihood of top management dismissal.			
Don't Stop the Presses! Online News Coverage and Financial Markets	Tremblay Andreanne	Tremblay Andreanne, Kim Gunchang, Laval University (Canada)	Zhang Minjia
ABSTRACT: We use a sample of paired online and print news published by the same source, written by the same journalists, with similar titles and published within a day of each other to examine whether online news coverage improves price efficiency. We find that the negative relation between online news coverage and price efficiency is driven by retail investors' trading. The undifferentiated retail buys and sells patterns suggest that retail investors react to non-informational (non-factual) characteristics of online news. Indeed, we document that online news use more sensationalistic language than (matched) print news, thereby obfuscating the transmission of value-relevant information.			

PARALLEL SESSIONS 2

Tuesday, May 27
1:45 pm – 3:30 pm
Pôle Economie Gestion (PEG)

Title	Speaker	Authors	Discussant
QUANTITATIVE FINANCE 1 - *Room 116 PEG* Chairman: Poincelot Evelyne			
Size Distortions in Robust Estimators: Implications for Asset Pricing	Gregoire Vincent	Sanford Anthony (1), Harvie Nicolas (2), Gregoire Vincent (1), 1 - HEC Montréal (Canada), 2 - University of Toronto, Department of finance (Canada)	Giannetti Antoine
ABSTRACT: Predictors of excess returns exhibit persistence and time-varying variance, implying the need for heteroskedastic and autocorrelation consistent errors (HAC) in linear tests. Using simulations, we show that although they lead to important improvements, such corrections fail to provide adequate size properties under the null hypothesis of zero abnormal returns. Even optimally specified robust estimators suffer from size distortions, implying that the best HACs remain imperfect. We propose a standardization of the robust estimator that addresses the problem, albeit not completely. We find that between 2006 and 2021, more than 20% of a wide panel of predictors differ in significance status at the standard 5% level in comparing this estimator to ordinary least squares, and more than 30% at a more restrictive level.			
Modeling Interdependent Assets: a Global Perspective	Francesco Roccazzella	Francesco Roccazzella (1), Luisi Angelo (2), 1 - IESEG School Of Management (France), 2 - U-Ghent (Belgium)	Gregoire Vincent
ABSTRACT: Existing literature has acknowledged two fundamental characteristics of asset returns: they are drifting and interconnected. We show that it is possible to account for such features jointly, through Global Vector Error Correction modeling and employ this framework to study comovements across asset classes or investment styles. We show how this novel methodology systematically improves the fit of buy-and-hold strategies and, therefore, delivers realistic forecasts of long-term returns, regardless of the asset class under analysis. Moreover, through Generalized Impulse Response analysis we show how to intuitively identify portfolio strategies featuring low exposure to equity market shocks. Such strategies consistently outperform traditional approaches mitigating exposure to market fluctuations like minimum variance portfolios or those concentrating on diversified bond portfolios, especially across annual and semi-annual periods.			
Random Sampling and Linear Asset Pricing Models	Giannetti Antoine	Giannetti Antoine Florida Atlantic University (The USA)	Francesco Roccazzella
ABSTRACT: Recent literature has focused on exploiting large panels to test linear asset pricing models. In such settings, it is natural to treat returns as randomly drawn from a common population. In the paper, we investigate the impact of random sampling rules on model evaluation. We propose a simple test based on the significance of the estimated unconditional mean of the assets' distribution. In the applied work, it is found that the empirical CAPM is rejected under all entertained sampling scenarios. On the other hand, under some particular sampling scheme, the Fama French (1993) model stands. The results highlight the fact that, when no stock-sorting into portfolio is used, model misspecification is still related to the interaction between the proposed risk-factors and the test-assets selected to estimate the factor model.			

PARALLEL SESSIONS 2

Tuesday, May 27
1:45 pm – 3:30 pm
Pôle Economie Gestion (PEG)

Title	Speaker	Authors	Discussant
MUTUAL FUNDS - *Room R02 PEG* Chairman: Tran Dieu Linh			
Carbon Footprint Tournament in the Mutual Fund Industry: An International Study	Tran Dieu Linh	Tran Dieu Linh, Paris-Saclay University (France)	Hubner Philippe
ABSTRACT: We investigate whether investors are sensitive to fund carbon footprint and whether funds adjust their carbon footprint to attract more investors. Using a sample of mutual funds domiciled in 17 countries. We observe differences in flow-carbon footprint relation across countries. We find a convex relation between fund flows and fund carbon footprint in the European market. The lowest carbon footprint funds experience higher net flows, while the highest carbon footprint does not have significant outflows. In contrast, in the US market, the relationship is not significant, suggesting that investors do not respond to fund carbon footprint. In line with the flow-footprint relation, while European funds adjust their carbon footprint to “climb up” the rankings to attract investors, this carbon footprint tournament does not exist in the US market. This difference between these two markets might be due to cultural and social norms differences.			
Machine Learning Mutual Fund Flows	Frigg Moreno	Fausch Juerg (1), Frigg Moreno (1) (2), Ruenzi Stefan (3), Weigert Florian (2), 1 - Lucerne University of Applied Sciences & Arts (Switzerland), 2 - University of Neuchâtel (Switzerland), 3 - University of Mannheim (Germany)	Tran Dieu Linh
ABSTRACT: We present improved out-of-sample predictability of future fund flows using state-of-the-art machine learning methods. Nonlinear machine learning models significantly outperform linear models in terms of out-of-sample R-squared. Using interpretable ML methods, we identify past flows and the Morningstar rating as the most important predictors for net-flows, while other past performance variables are of minor importance. We find that the importance of Morningstar ratings and expenses has increased over time. In addition, the interaction effect of past flows with the Morningstar rating has a substantial impact on future flows. Furthermore, our results demonstrate that machine learning-based fund flow predictions can be used to ex-ante differentiate between high and low-performing mutual funds.			

PARALLEL SESSIONS 2

Tuesday, May 27
1:45 pm – 3:30 pm
Pôle Economie Gestion (PEG)

Title	Speaker	Authors	Discussant
MUTUAL FUNDS - *Room R02 PEG* Chairman: Tran Dieu Linh			
Can US Equity Funds Time ESG Score updates?	Faverjon Anouck	Faverjon Anouck (1, 2), Darolles Serge (1), Lambert Marie (2), 1 - Université Paris Dauphine, PSL (France), 2 - HEC Liège, Université de Liège (Belgium)	Frigg Moreno
ABSTRACT: This paper derives the implications of a time gap between the publication of the disaggregated ESG information and the final ESG scores for asset allocation. We focus on MSCI, leader in the ESG providers universe, which requires a series of checks between the publication of the ESG raw data and the resulting scores. As a result, we show that it is possible to reconstruct the ESG score from the raw data before they are integrated into the final score. We use this information to build a portfolio long in the stocks which ESG score will go up and short in the stocks which ESG score will go down. Consistent with the idea that ESG scores incorporate fundamentals that predict performance, we find that timing the announcement of ESG scores yields a significant 0.22% monthly alpha. Additionally, we identify a subsample corresponding to 18% of the active equity funds that already use this strategy. We confirm that these funds tend to trade stocks before ESG score changes.			
Measuring the Time-Varying Systemic Risks of hedge Funds: an Extreme Value Regression Approach	Hubner Philippe	Hubner Philippe, Hambuckers Julien, HEC Liège (Belgium)	Faverjon Anouck
ABSTRACT: With the rise of shadow banking, the threat posed by hedge funds to financial stability has become a major concern for regulators. However, the short reporting history of hedge funds in commercial databases poses several statistical challenges when measuring their systemic risks over time. To tackle these issues, we propose first a definition of hedge funds systemic risk based on the sensitivity of a banking index to hedge funds extreme losses. We then detail an estimation strategy based on extreme value regression methods to estimate this quantity, overcoming data scarcity. This approach allows us to estimate the time-varying systemic risk contribution of hedge funds at the fund level, as well as the marginal effects of its determinants. Empirically, we find that the fund's size, the use of leverage as well as market conditions associated with high uncertainty and low market liquidity all indicate higher systemic risk levels. Moreover, we show that hedge funds systemic risk significantly increased after 2008.			

PARALLEL SESSIONS 3

Tuesday, May 27

4:00 pm – 5:45 pm
Pôle Economie Gestion (PEG)

Title	Speaker	Authors	Discussant
OWNERSHIP STRUCTURE - *Room 101 PEG* Chairman: Desbrières Philippe			
Government Ownership and Stock Price Crash Risk in Banks: International Evidence	Cotelioglu Efe	Boubakri Narjess, Cotelioglu Efe, Samet Anis, American University of Sharjah (United Arab Emirates)	Enjolras Geoffroy
ABSTRACT: We investigate how government ownership affects stock price crash risk in banks using an international sample spanning developed and emerging economies from 2002 to 2023. While state ownership may reduce crash risk through soft budget constraints, it could also increase this risk due to agency problems and political interference. We find that government ownership significantly lowers banks' crash risk, with this stabilizing effect operating primarily through enhanced perceptions of sovereign support rather than improvements in standalone financial strength. The effect of government ownership in reducing crash risk is more pronounced during the global financial crisis and in countries with higher government subsidies, supporting the soft budget constraint channel. However, the effect diminishes in countries with left-leaning governments, where political interference offsets the stabilizing benefits of state ownership. Our results remain robust after addressing potential endogeneity through instrumental variables and propensity score matching.			
Mutual-to-Stock Conversions and Customer Welfare: Evidence from U.S. Savings Banks	Girotti Mattia	Girotti Mattia (1), Meade Richard (2, 3, 4), Girotti Mattia (1), 1 - Université Paris Dauphine-PSL (France), 2 - Auckland University of Technology (New Zealand), 3 - Griffith University (Australia), 4 - Cognitus Economic Insight (New Zealand)	Cotelioglu Efe
ABSTRACT: We study the customer welfare implications of conversions from mutual to stock ownership in the banking industry. Using U.S. data and a structural model of deposit account demand, we show that when a bank is mutual, depositors are less sensitive to price, and each unit of cash and liquidity services is valued more positively. We measure the effect of mutual-to-stock conversions on deposit account characteristics, and combine this with demand estimates to assess the impact on depositor welfare. If all mutuals convert to stock form, each depositor gains on average $4.69 annually, for a county-level annual gain of $1.73 million.			
Do Agricultural Cooperatives Outperform Investor-Owned Firms? An Analysis of the French Wine Sector	Enjolras Geoffroy	Enjolras Geoffroy (1), Charlotte Disle (1), Janin Rémi (1), 1 - Université Grenoble Alpes - CERAG (France)	Girotti Mattia
ABSTRACT: This study aims to compare the economic and financial performance of agricultural cooperatives and investor-owned firms (IOFs) in the wine sector, and identify the factors driving any differences. Cooperatives are member-owned, with profits focused on fair remuneration for farmers and maintaining self-financing, while IOFs are profit-driven private companies. The analysis uses common financial indicators (profitability and margins) and an original margin metric based on EBITDA adjusted for raw material costs, specifically grape purchases. Using DIANE data for French wine companies from 2008 to 2022, the results reveal that cooperatives typically underperform IOFs in standard financial measures (lower ROA and profit margin), reflecting their non-profit goals. However, cooperatives offer farmers higher compensation for their raw materials (higher adjusted EBITDA margin) and show better management, solvency, and cash positions. This suggests strong long-term sustainability. The study calls for a reassessment of performance indicators for cooperatives to better reflect their true value.			

PARALLEL SESSIONS 3

Tuesday, May 27

4:00 pm – 5:45 pm
Pôle Economie Gestion (PEG)

Title	Speaker	Authors	Discussant
ESG 2 - *Room 105 PEG* Chairman: Sentis Patrick			
Bank Credit Risk, Greenwashing and ESG Reputation	Wu Mengya	Papanikolaou Nikolaos, Wu Mengya, Newcastle University (United Kingdom)	Mathurin Hélène
ABSTRACT: The concept of green banking has gained global prominence, reflecting the strategic integration of environmental practices into traditional banking models in response to climate change. However, there is evidence that banks have been lately engaged in making green-related statements, which do not reflect their sustainability profile, a practice that has been widely known as greenwashing. We use an international sample of banks to shed light on the relationship between bank credit risk, greenwashing, and ESG reputation. Our results reveal that the banks which are engaged in greenwashing suffer from higher levels of credit risk. ESG reputation is found to exacerbate the impact of greenwashing and credit risk. Although a high ESG reputation alone does not directly impact credit risk, banks with high ESG reputations experience significant increases in credit risk when they engage in greenwashing, largely because their ostensibly strong ESG standing mislead borrowers and investors.			
When Green Turns Red: Is the Perception of Greenwashing a Barrier to Individual Green Investment?	Gacem Syrine	Gacem Syrine, Hervé Fabrice (1), Marsat Sylvain (2), 1 - Université Bourgogne Europe - CREGO (France), 2 - Université Clermont Auvergne - CLERMA (France)	Wu Mengya
ABSTRACT: Does greenwashing really deter investors from investing in green funds? Based on a survey of 2,215 French investors, this study examines the impact of greenwashing perception on individual investment decisions. Our findings reveal that greenwashing perception acts as a significant barrier to green investing, discouraging conventional investors from considering green funds as attractive options and dissuading existing green investors from increasing their green investments. In line with the negativity bias, we also find an asymmetrical effect, particularly pronounced when perceptions of greenwashing are very high, whereas very low perceptions have no positive impact.			
A Greenwashing Index	Mathurin Hélène	Gourier Elise (1, 2), Mathurin Hélène (1), 1 - Essec Business School (France), 2 - Center for Economic Policy Research (United Kingdom)	Gacem Syrine
ABSTRACT: We construct a news-implied index of greenwashing salience. Our index reveals that greenwashing has become more prominent in the past five years. This increase was driven by skepticism towards the financial sector, specifically ESG funds, ESG ratings and green bonds. Furthermore, we build a measure of general anti-ESG sentiment from opinion pieces, and show that increases in greenwashing salience tend to be followed by increases in anti-ESG sentiment. In line with this finding, greenwashing salience affects investors' behavior. Following unexpected increases of greenwashing salience, retail investors invest less in all funds, and institutional investors invest less in funds with high ratings and self-labelled as sustainable.			

PARALLEL SESSIONS 3

Tuesday, May 27

4:00 pm – 5:45 pm

Pôle Economie Gestion (PEG)

Title	Speaker	Authors	Discussant
BANKING & FINANCIAL INTERMEDIATION 1 - *Room 109 PEG* Chairman: Godlewski Christophe			
CMBS and Bank Systemic Exposure: Empirical Evidence	Gilevska Biljana	Gilevska Biljana (1), Cole Rebel (2), 1 - CUNEF Universidad (Spain), 2 - Florida Atlantic University (The USA)	Weil Laurent
ABSTRACT: We use small commercial banks' balance sheet data to analyze banks' portfolio holdings of CMBS and bank systemic exposure. We examine the period before the GFC when the CMBS market was uniquely characterized by unprecedented growth and a drop in bank capital requirements from 8% to 1.6% to fund CMBS holdings. Based on panel data fixed-effects analysis and quantile regression, we present unexpected patterns of CMBS on bank balance sheets. We show that banks' holdings of CMBS contributed to a latent buildup of systemic risk exposure. Our results have two important implications. For bank management, our results indicate that the risk attributes of CMBS are different for banks holding these securities than for banks issuers of CMBS. For systemic risk regulation, our results emphasize the great importance of systemic risk being also controlled at the level of systemically important assets and liabilities.			
The Dividend Policy of State-Owned Banks during an Economic Crisis	Isakov Dusan	Isakov Dusan (1), Keane Allistair (2), Alain Schatt (2), 1 - University of Fribourg (Switzerland), 2 - University of Lausanne (Switzerland)	Gilevska Biljana
ABSTRACT: This study examines Swiss state-owned banks' dividend policies during the COVID-19 economic crisis. Our empirical analysis shows that these banks have larger dividend payouts than other Swiss banks before the crisis. While other banks reduced dividend payouts during the crisis, state-owned banks maintained higher dividend levels and consistent payout rates throughout the economic downturn. Thus, the difference between state-owned banks and other banks increased from 18% before the crisis to 24% during the crisis. However, we find no substantial differences in dividend yields, except when comparing publicly traded state-owned banks and private ones. Overall, this research reveals the significant influence of majority state shareholders on financial policies during an economic shock.			

PARALLEL SESSIONS 3

Tuesday, May 27

4:00 pm – 5:45 pm
Pôle Economie Gestion (PEG)

Title	Speaker	Authors	Discussant
BANKING & FINANCIAL INTERMEDIATION 1 - *Room 109 PEG* Chairman: Godlewski Christophe			
Are Bank Branches Closed More in Poor Municipalities? The French Case	Serve Stéphanie	Serve Stéphanie (1), 1 - UPEC, IRG (France)	Isakov Dusan
ABSTRACT: The retail banking sector has undergone major transformations in developed countries in the last two decades, thus leading to a transformation of the traditional retail banking model towards a multichannel model that includes digital self-service banking. This evolution, combined with low interest rates and increased competition among banks, has fostered the rationalization of bank branch networks via closures. As the question of whether banks close more branches in disadvantaged markets remains open, we address this issue in the case of the French retail banking market during the 2012–2018 period. By using a merged banking dataset from the French data provider Info Stat Marketing (OGRB) and a second dataset from the French National Statistics Office resulting in 146 971 branch-year observations for the period 2012–2018, we measure the probability of bank branch closure by using a maximum likelihood estimation method for a Poisson probit. We find that the poverty rate increases the probability of bank branch closure at the municipality level, whereas the population growth rate reduces this probability. Another key result is that the presence of a mutual bank in the municipality acts as a moderating variable: it reduces the probability of branch closure regardless of the poverty rate and the population growth rate. Our results thus fuel the debate on whether banks may decide to close more branches in disadvantaged markets.			
The Bright Side of Relationship Lending: Cooperative Banks and Corporate Loans	Weil Laurent	Nicolas Théo (1), Weill Laurent (2), 1 - Banque de France - ACPR (France), 2 - LaRGE - Université de Strasbourg (France)	Serve Stéphanie
ABSTRACT: This paper examines whether cooperative banks have different loan terms from commercial banks for corporate loans. We conduct our analysis using a unique dataset of approximately 233,000 corporate loans granted by all French private banks. We find that cooperative banks charge higher rates and require less collateral than commercial banks. However, we show that relationship lending has opposite effects on loan terms depending on the type of bank. Longer relationships reduce interest rates and collateral requirements for cooperative banks, but increase these lending conditions for commercial banks. Furthermore, we find that the beneficial effects of relationship lending for cooperative banks are amplified for financially fragile firms. We therefore support the view that cooperative banks are initially more expensive, but that relationship lending allows them to overcome this over time and ultimately pass on information gains to borrowers through better lending terms.			

PARALLEL SESSIONS 3

Tuesday, May 27

4:00 pm – 5:45 pm

Pôle Economie Gestion (PEG)

Title	Speaker	Authors	Discussant
QUANTITATIVE FINANCE 2 - *Room 116 PEG* Chairman: Dupuy Philippe			
Credit Selection in Collateralized Loan Obligation: Efficient Approximation Through Linearization and Clustering	Germain Arnaud	Germain Arnaud (1), Vrins Frédéric (2), 1 - Université Catholique de Louvain (Belgium), 2 - Université Catholique de Louvain (Belgium)	Hubner Georges
ABSTRACT: Despite its role in the global financial crisis, collateralized loan obligation (CLO) remains a powerful tool to direct funds towards the real economy. In particular, it enables development banks to increase credit supply to SMEs. Public financial institutions thus face the challenge of identifying a subset of credits to be pooled in a CLO for the sake of reaching a specific financial target. This is a mixed-integer nonlinear program, known to be NP-hard. In this paper, we provide an efficient method to tackle this problem by relying on the large pool approximation combined with clustering and linearization of ancillary variables. As illustration, we consider two objective functions. We rely on the celebrated one-factor Gaussian copula in the main examples, but make clear that this assumption is not a restriction and can be relaxed. Our results contribute to reduce the funding cost of SMEs and are of direct interest for securitization stakeholders such as public financial institutions, commercial banks and pension funds.			
Optimal Shrinkage of the Covariance Matrix for Portfolio Selection	Vanderveken Rodolphe	Vanderveken Rodolphe, Lassance Nathan, Vrins Frédéric, Université Catholique de Louvain (Belgium)	Germain Arnaud
ABSTRACT: We introduce a shrinkage estimator of the sample covariance matrix that is optimal for the portfolio selection problem. Unlike classical methods based on statistical loss functions like the mean squared error, our shrinkage covariance matrix optimizes the expected out-of-sample portfolio performance and accounts for the impact of estimation errors stemming from the mean vector. We apply our methodology to find an analytical solution for linear and nonlinear shrinkage estimation of the sample covariance matrix. Whereas conventional methods shrink the sample covariance matrix to correct its eigenvalues, our approach corrects the squared Sharpe ratios of principal components, which implies a more intensive shrinkage. Empirically, this higher level of shrinkage delivers significant portfolio gains. Overall, our methodology estimates the covariance matrix and the optimal portfolio jointly, which improves upon the conventional two-step approach.			
The Impact of Risk Mismatch on Personal Portfolio Performance	Hubner Georges	Hubner Georges, HEC - Management School of the University of Liège (Belgium)	Vanderveken Rodolphe
ABSTRACT: Within the Modern Portfolio Theory framework, personal portfolio choice is driven by the investor's risk aversion. In practice, this criterion is usually replaced by a target volatility level, potentially leading to similar allocation choices. Reconciling these two approaches leads to the design of a performance measure that explicitly allows us to isolate a penalty for the portfolio unsuitability, defined as the mismatch between the actual and targeted portfolio risks. This penalty is particularly strong for defensive investors and when the market risk premium is high. We also show that the target volatility criterion leads to inadequate portfolio choices when the market conditions change or when the investor is confronted with a well-performing active portfolio. We extend this approach to attitudes towards extreme risks, through the investor's preference for skewness. The resulting performance measurement framework involves a penalty for unsuitability that can be substantially aggravated, especially for investors who simultaneously exhibit a strong aversion to volatility and asymmetry risks.			

PARALLEL SESSIONS 3

Tuesday, May 27

4:00 pm – 5:45 pm

Pôle Economie Gestion (PEG)

Title	Speaker	Authors	Discussant
CORPORATE FINANCE 2 - *Room R02 PEG* Chairman: Cousin Jean-Gabriel			
The Real Effects of Offshore Data Leaks: Evidence from Private Firms	Imbet Juan	Imbet Juan (1), Ortiz Marcelo (2), 1 - Université Paris Dauphine-PSL (France), 2 - Universitat Pompeu Fabra [Barcelona] (Spain)	Cousin Jean-Gabriel
ABSTRACT: This study investigates the real effects of major offshore data leaks on private firms. By matching leaked data with firm-level information, we identify a large sample of small private firms involved in offshore activities in tax havens and analyze their corporate policies. Employing the sequence of leaks in a staggered difference-in-difference design, we observe that exposed firms invest more in fixed assets and labor pre-leaks but then significantly decrease their investments after the leaks. Our cross-sectional analyses show that unproductive firms and firms with faster deduction of investment expenditures benefit the most from offshore tax evasion before the leaks. The leaks also reduced corporate taxation, an effect that is not driven by fewer sales. Overall, our results suggest that offshore tax evasion boosts domestic investment among less productive firms, an effect that is muted or even reversed after the leaks.			
The Impact of the Dodd-Frank Act on Acquisition Activity	Blomkvist Magnus	Blomkvist Magnus (1), Basnet Anup (2), Felixson Karl (3), Liljeblom Eva (3), Vyas Hitesh (4), 1 - EDHEC Business School (France), 2 - University of Western Ontario (Canada), 3 - Hanken School of Economics (Finland), 4 - Audencia Business School (France)	Imbet Juan
ABSTRACT: The Dodd-Frank Act in 2010 increased ex ante downgrade threats without changing credit rated firms' underlying credit quality. We show that the Act had negative impacts on credit rated firms' acquisition activities, especially among speculative grade firms as they face greater downgrade induced costs. The more selective acquisition strategies led to higher announcement returns and greater post-acquisition upgrade probabilities. Consistent with that firms refrain from taking on overall acquisition risk rather than financial risk, we show significant reductions in both cash and stock settled deal making following Dodd-Frank. In sum, our study highlights that increased legal stringency on CRAs has important spillover effects on firm's M&A activity and quality.			
Product Market Interactions, Stock Price Informativeness, and Managerial Learning	Cousin Jean-Gabriel	Aktas Nihat (1), De Bodt Eric (2), Cousin Jean-Gabriel (3), 1 - WHU Otto Beisheim School of Management (Germany), 2 - NHH Norwegian School of Economics (Norway), 3 - Université de Lille - LUMEN (France)	Blomkvist Magnus
ABSTRACT: This paper posits product market interactions as potential drivers of stock returns and quantifies their impact on stock price informativeness. The of stock return regressions increases on average by 8.70 percentage points after accounting for the firm's strategic interactions with its nearest product market neighbors. We find that stock prices reflecting product market interactions enhance learning, as managers incorporate these signals into their investment decisions. This learning effect is particularly strong and remains robust to endogeneity concerns for R&D investments. It is also more pronounced in subsamples where focal firms are less financially constrained, are industry leaders, operate in R&D-intensive markets, and interact with rivals in high-quality information or highly competitive environments. Additional analyses of innovation outcomes, including patents and changes in the firm's product offerings, confirm the robustness of the R&D results. These findings reveal how product market-driven improvements in stock price informativeness shape corporate decision-making.			

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41TH INTERNATIONAL CONFERENCE OF THE FRENCH FINANCE ASSOCIATION (AFFI)

PARALLEL SESSIONS 4

Wednesday, May 28

8:45 am – 10:30 am

Pôle Economie Gestion (PEG)

Title	Speaker	Authors	Discussant
ASSET PRICING 1 - *Room 101 PEG* Chairman: Ketian Guan			
Market-Level Tug of War and Asset Pricing	Tao Ran	Tao Ran (1), Wese-Simen Chardin (2), Zhao Lei (3)? 1 - University of Bristol (United Kingdom), 2 - University of Liverpool (United Kingdom), 3 - ESCP-EAP (France)	Volkan Kayaçetin
ABSTRACT: We propose a simple indicator function based on the aggregate tug-of-war between overnight and intraday traders, and use it to identify two types of trading days: quiet and noisy days. We analyze these days and document that the security market line is upward sloping on quiet days and downward sloping on noisy days. This result is robust to a number of additional tests. Moreover, the result holds on both (i) important macroeconomic and earnings news days and (ii) other days, challenging some proposed explanations in the literature. We present and test a mechanism based on the over-correction hypothesis to rationalize the finding.			
Do Exogenous Uninformed Order Flows Move Stock Prices?	Guan Ketian	Li Sida, Guan Ketian, Brandeis University (The USA)	Tao Ran
ABSTRACT: The literature suggests that stock prices can be influenced by exogenous order flows, even when they do not convey any information about future cash flows. Empirical studies employ various identification strategies to test this hypothesis, though it is difficult to find an exogenous, unexpected large order flow uncorrelated with cash flow news. In this paper, we analyze a large, exogenous, unprecedented asset purchase program around the boundaries of the CSI 500 and CSI 1000 indices. These boundaries are predetermined by market capitalization rankings well in advance of the asset purchase program. Stocks in the CSI 500 index receive a significant exogenous purchase equivalent to 4.49% of their market capitalization, while stocks in the CSI 1000 index receive only 0.51%. We find the CSI 500 stocks result in a 6.4% higher Fama-French 5-factor alpha.			
Predictable Portfolio Flows and the Risk Return Relation	Volkan Kayaçetin	Kayacetin Volkan (1), Kaul Aditya (2), Watanabe Masahiro (2) 1 - ISIK University (Turkey), 2 - University of Alberta (Canada)	Guan Ketian
ABSTRACT: In this paper, we empirically examine the possibility that asset pricing models hold more closely at times of predictable portfolio flows. Our cross-sectional tests show that expected returns for portfolios and individual stocks are positively related to market beta over a six-day window that brackets the turn-of-the-month, a period prior to which shares are sold by institutions to meet cash needs and over which shares are purchased back by investors with fresh liquidity supplies. The expected return-beta relation is stronger when macroeconomic news is scheduled for release during this window. Periods of high market volatility and heavy trading are also followed by a positive expected return-beta relation. Our analysis suggests that market makers pay closer attention to the risk-return tradeoff when they must accommodate intense marketwide trading, causing asset pricing models to perform better.			

PARALLEL SESSIONS 4

Wednesday, May 28

8:45 am – 10:30 am

Pôle Economie Gestion (PEG)

Title	Speaker	Authors	Discussant
CORPORATE FINANCE 3 - *Room 105 PEG* Chairman: Hirth Stefan			
State Aid in Times of Crisis, How Did Fixed Cost Grants Help Firms to Cope with COVID-19?	Weuschek Nadine	Weuschek Nadine University of Munster (Germany)	Hirth Stefan
ABSTRACT: This paper examines the effect of fixed cost grants on post-COVID firm performance. Using a unique dataset of grant disbursements under the largest German COVID-19 financial aid program, I estimate the impact of the approved funding amount on performance indicators, such as sales, earnings, cash flow, equity ratio, and employment. I show that a higher funding volume is associated with slower business recovery. While my results indicate that fixed cost grants, on average, helped firms stabilize earnings and cash flow, and retain employees, they were not sufficient to fully offset losses incurred during the pandemic. The results are heterogeneous across industries and firm types, suggesting potential for a more efficient allocation of government support. In addition, I investigate the role of government support for investments in digitalization in the recovery of firms and find slight evidence for a positive effect.			
Exchange Offer, Prenegotiated, or Freefall Restructuring	Martel Jocelyn	Martel Jocelyn (1), Fisher Timothy (2), Naranjo Lorenzo (3), 1 - Essec Business School (France), 2 - The University of Sydney (Australia), 3 - Washington University in St. Louis (The USA)	Weuschek Nadine
ABSTRACT: This study examines the roles of institutional investors in corporate restructuring decisions between exchange offers, «freefall» Chapter 11, and «prenegotiated» Chapter 11. We expand the existing empirical literature by considering a comprehensive list of institutional investors and assessing the impact of their equity and debt holdings on restructuring outcomes. Using a unique sample of 74 Chapter 11 freefall cases, 57 prenegotiated Chapter 11 cases, and 138 exchange offers from 2000 to 2018, we find that financial health and debt servicing ability are strongly associated with exchange offers, while higher short-term debt correlates with freefall and prenegotiated plans. Our econometric analysis employs a multinomial logit model to evaluate the choice among restructuring alternatives. Our findings indicate that equity holdings by government, individual, investment advisor, and pension fund investors are positively related to exchange offers and negatively to freefall plans. Conversely, bond holdings by bank, hedge fund, and VC/PE investors are negatively related to exchange offers and positively to freefall plans. Instrumental variable analysis confirms these relationships, highlighting the influence of institutional ownership on restructuring outcomes. Our results underscore the critical role of investor type in shaping corporate restructuring strategies.			
Financial Flexibility and Debt Maturity Concentration	Hirth Stefan	Ghanbari Negar (1), Hirth Stefan (2, 3), Kumar Anil (2, 3), 1 - BI Norwegian Business School (Norway), 2 - Aarhus University (Denmark), 3 - Danish Finance Institute (Denmark)	Martel Jocelyn
ABSTRACT: We investigate the effect of an exogenous shock to firms' financial flexibility on debt maturity concentration. We utilize variations in real estate prices, and thus changes of the firm's collateral value, as exogenous shocks to firms' debt capacity and, thus, to their financial flexibility. Our theoretical model predicts that debt maturity concentration increases in collateral value. This prediction finds robust support in the data, for different measures of the firm's real estate value and debt maturity concentration. We further examine the effect of different debt types and firm characteristics, as well as the effect of financial flexibility on newly issued debt. The effect of financial flexibility on maturity concentration is most pronounced for corporate bonds rather than bank loans, and stronger for unsecured than secured debt.			

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41TH INTERNATIONAL CONFERENCE OF THE FRENCH FINANCE ASSOCIATION (AFFI)

PARALLEL SESSIONS 4

Wednesday, May 28

8:45 am – 10:30 am

Pôle Economie Gestion (PEG)

<table>
<tr><th>Title</th><th>Speaker</th><th>Authors</th><th>Discussant</th></tr>
<tr><td colspan="4">CLIMATE FINANCE 3 - Room 109 PEG
Chairman: Marsat Sylvain</td></tr>
<tr><td>Roy Sorting: Climate and Status Quo Strategies</td><td>Klein Christian</td><td>Cauthorn Thomas, Drempetic Samuel,
Hoepner Andreas,
Klein Christian,
Morse Adair,
University of Kassel (Germany)</td><td>Le Courtois Olivier</td></tr>
<tr><td colspan="4">ABSTRACT:
We posit that firms enact competitive sorting to value-optimizing strategies towards transition or status quo opportunities, drawing inspiration from Roy (1951) – where the best fishers fish, and the best hunters hunt. We apply latent variable techniques from Heckman, Stixrud, Urzua (2006) using a novel dataset of active manager edits of ESG fundamentals, focusing on the industrial base economy sectors. We find 52 (24) and 83 (77) basis point revaluations in energy and mining respectively, when firms competitively sort toward transition (status quo) growth strategies. For industrials and basic materials, we find one-sided results of positive returns in sorting toward status quo opportunities. Our effects largely go away in countries with high environmental stringency, reflecting perhaps a pooling toward transition investment induced by policy inhibiting the status quo. We validate our results in negative performance of firms with grey zone strategies, firms with growth strategies that align with neither transition nor status quo. We conclude that the clarity of Roy sorting matters to climate finance.</td></tr>
<tr><td>The Non-Financial Spillovers of Financial Information Processing Costs: Evidence from the U.S. XBRL Mandate</td><td>Zakriya Mohammed</td><td>Zakriya Mohammed,
Errico Marco,
IESEG School of Management (France)</td><td>Klein Christian</td></tr>
<tr><td colspan="4">ABSTRACT:
We study the impact of market participants' financial information processing costs on firms' environmental, social, and governance (ESG) engagement. By leveraging the eXtensible Business Reporting Language (XBRL) mandate in the U.S. as an exogenous shock to financial information processing costs, we report a significant increase in firms' ESG performance after XBRL adoption. Further analyses reveal that the mandate affected the Governance Score the most, which is consistent with XBRL being beneficial to institutional investors who value governance mechanisms more, as is also revealed by their voting behavior. Additionally, the magnitude of the mandate's effect wanes over time. Our results are robust to multiple falsification tests and alternative identification strategies. We argue that when market participants' constraints in processing financial information are relaxed, they allocate more time to processing non-financial (ESG) disclosures, especially in financially opaque firms. Facing this increased attention, firm managers respond by improving their ESG engagements. Consistent with this view, we find that the positive effects of the XBRL mandate are concentrated in firms that are either financially opaque or have risk-taking managers.</td></tr>
<tr><td>On the Insurance of Environmental Risks: Modeling and Pricing with Mean-Reverting Regime-Switching Lévy Processes</td><td>Le Courtois Olivier</td><td>Le Courtois Olivier,
EMLYON Business School (France)</td><td>Zakriya Mohammed</td></tr>
<tr><td colspan="4">ABSTRACT:
The insurance business is a core component of the economic system, which is faced with expanding environmental challenges. By adequately protecting against climate risks, insurance companies are an important factor in ensuring that other businesses persist and grow. The claims associated with environmental risks, such as shrinking soils or hail, are quickly increasing in both severity and frequency, where predictability is an additional key concern for insurance companies. This paper constructs and compares several models to tackle and price environmental risks. These models mean-revert towards a seasonality function, present jumps with infinite arrival rates - via Lévy processes, and display a regime switching nature to allow for a variety of scenarios for the coming future years. We introduce structural and reduced-form frameworks, that is, frameworks that are more phenomenological or more e?iciency-based. An empirical illustration and a sensitivity analysis conclude the paper.</td></tr>
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41TH INTERNATIONAL CONFERENCE OF THE FRENCH FINANCE ASSOCIATION (AFFI)

PARALLEL SESSIONS 4

Wednesday, May 28

8:45 am – 10:30 am

Pôle Economie Gestion (PEG)

<table>
<tr><th>Title</th><th>Speaker</th><th>Authors</th><th>Discussant</th></tr>
<tr><td colspan="4">MARKET MICROSTRUCTURE 2 - Room 116 PEG
Chairman: Jawadi Fredj</td></tr>
<tr><td>Shorting in the Dark: The Dual Role of Short Sales in Off-Exchange Trading</td><td>Schlie Sebastian</td><td>Schlie Sebastian (1),
Zhou Xiaozhou (2),
1 - University of Hagen (Germany),
2 - University of Quebec at Montreal (Canada)</td><td>Cengiz Umur</td></tr>
<tr><td colspan="4">ABSTRACT:
Using transaction-level data, we examine the role of short sales in U.S. off-exchange trading for liquidity and price discovery. Short sales emerge as the primary off-exchange liquidity providers and improve price discovery. They represent the passive side in 55% of buyer-initiated volume and the active side in one-third of seller-initiated volume. Compared to long sellers, short sellers provide liquidity at wider spreads and consume liquidity at narrower spreads. Seller-initiated short sales tend to be better informed than long sales but less informed than on-exchange sales. In addition, short selling increases after positive returns over the past week. Finally, we show that short sellers’ contribution to higher off-exchange trading levels leads to reduced on-exchange liquidity.</td></tr>
<tr><td>Collateral Choice</td><td>Ballensiefen Benedikt Fabian</td><td>Ballensiefen Benedikt Fabian,
University of Cologne (Germany)</td><td>Schlie Sebastian</td></tr>
<tr><td colspan="4">ABSTRACT:
I provide the first systematic analysis of collateral choices in one of the main short-term funding markets, the repurchase agreement (repo) market. Repos establish a natural connection between short-term and long-term funding markets as long-term bonds serve as collateral in short-term funding trades. In general collateral repos, banks can choose which bond they post as collateral out of a predefined list. In the aggregate, on-the-run bonds are more likely to be delivered than cheapest-to-post securities, which is surprising given that the former are more expensive. I rationalize those findings in a theoretical framework that links the repo to the bond market.</td></tr>
<tr><td>Liquidity Spirals and Repo Specialness</td><td>Cengiz Umur</td><td>Cengiz Umur (1) (2), Beaupain Renaud,
Wuyts Gunther,
1 - IESEG School Of Management Lille-Paris (France),
2 - KULeuven (Belgium)</td><td>Ballensiefen Benedikt Fabian</td></tr>
<tr><td colspan="4">ABSTRACT:
«Following the global financial crisis, the repo market has emerged as a primary secured funding source for broker-dealers. Fluctuations in repo funding conditions push broker-dealers to modify their marketmaking activities, potentially leading to disruptions that affect the cash market. This paper focuses on the pivotal role of liquidity spirals within market dynamics, particularly under conditions of funding stress, emphasizing the importance of the repo market in these interactions. Using high-frequency data from the European repo market, we show the interconnectedness between funding and market liquidity and how these dynamics shift across different volatility regimes. During periods of high funding liquidity risk, substantial spillovers reveal market vulnerability, indicating that the market is excessively exposed to shocks, increasing the risk of instability. Conversely, during times of low funding liquidity risk, muted responses from the cash market indicate efficient shock absorption and reduced systemic risk, while specialness and depth are the focal points of liquidity spirals.»</td></tr>
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41TH INTERNATIONAL CONFERENCE OF THE FRENCH FINANCE ASSOCIATION (AFFI)

PARALLEL SESSIONS 4

Wednesday, May 28

8:45 am – 10:30 am

Pôle Economie Gestion (PEG)

Title	Speaker	Authors	Discussant
INNOVATION AND FINANCE - *Room R02 PEG* Chairman: Ginglinger Edith			
Technology Spillover Effects and Patent Announcements	Walter Dominik	Walter Dominik, Universitat Konstanz (Germany)	Kecskes Ambrus
ABSTRACT: Technological innovations create value for the innovating firm and spillover effects on peer firms. This paper proposes a new methodology to infer technology spillover effects from patents: Around patent announcements, investors incorporate negative spillovers into stock prices of close rivals to the innovating firm (competition effects) and positive spillovers for peer firms that can learn from the patented technology (learning effects). Competition effects are six times larger than learning effects and amount to 25 percent of the private patent value. Studying patents allows for two novel insights. First, competition spillover effects have become less pronounced after 2000. I show that the American Inventors Protection Act of 1999 diminished the private patent value and thus reduced competition spillovers on close product rivals. Second, the labor mobility of inventors shows that peer firms learn by hiring new inventors.			
Regulatory Relief, Product Life Cycle, and Innovation Performance of IPO Firms: Evidence from the JOBS Act	Alimov Azizjon	Alimov Azizjon, IESEG School of Management (France)	Walter Dominik
ABSTRACT: Early-stage firms, whose products are primarily in the nascent stages of the product innovation lifecycle, differ significantly from mature-stage firms in their innovation strategies and financial resources. This study investigates how firms at varying stages of the product life cycle respond to regulatory reforms designed to lower the costs of going public. Exploiting the 2012 Jumpstart Our Business Startups (JOBS) Act as a quasi-natural experiment and employing a difference-in-differences framework, the paper provides novel evidence that a firm's product life cycle stage critically influences its innovation trajectory following regulatory relief. Early-stage newly public firms experienced increased access to capital and R&D spending but produced fewer patents of lower technological quality and market value compared to mature-stage firms. Mature-stage firms, in contrast, translated the regulatory changes into significant improvements in both innovation output and quality. Additionally, early-stage post-JOBS firms acquired fewer external innovations and faced higher failure rates than their mature counterparts. These findings underscore the importance of considering product life cycle dynamics in designing policies aimed at fostering innovation and ensuring the viability of newly public firms. The results also offer important insights into the ongoing discourse on promoting a vibrant IPO market and the role of tailored regulatory approaches.			
The Effect of Cross-Listing on Innovation	Zainine Ratiba	Zainine Ratiba, Universite Paris Saclay (France)	Alimov Azizjon
ABSTRACT: The process of innovation is often driven by conflicts of interest and financial constraints. Within the framework of agency theory, cross-listing acts as a disciplinary tool designed to align the interests of shareholders with those of managers. According to information asymmetry theory, cross-listing in the United States markets enhances informational transparency, thereby aiding companies in accessing capital more effectively. Using methodologies such as MCO models, Poisson distributions, and negative binomial distributions, our research examined the influence of cross-listing on innovation within the SBF 120 index from 2006 to 2020. We found that cross-listing consistently promotes innovation irrespective of a company's financial constraints. These findings suggest that companies adhering to high governance standards can better leverage cross-listing to enhance their innovative capabilities, demonstrating how good governance optimizes the benefits of cross-listing for innovation.			

PARALLEL SESSIONS 5

Wednesday, May 28

1:45 pm – 3:30 pm
Pôle Economie Gestion (PEG)

Title	Speaker	Authors	Discussant
ASSET PRICING 2 - *Room 101 PEG* Chairman: Broihanne Marie-Hélène			
Can Monetary Policies Inflate a Stock Market Bubble? A Regime Switching Model of Periodically Collapsing Bubbles	Magnani Monia	Magnani Monia, University Bocconi (Italy)	Isakov Dusan
ABSTRACT: We study whether and how monetary policymakers may have contributed to inflate asset price bubbles and in general what are the potentially complex, non-linear linkages between short-term policy rates and the size and expected durations of equity bubbles. In particular, we extend empirical models of periodically collapsing, rational bubbles to test whether and to what extent the long cycle of rates at the zero lower bound and of quantitative easing policies may have increased the probability of bubbles inflating and persisting, with special emphasis on the US stock market. We find that the linkages between S&P returns and rate-based indicators of monetary policies contain evidence of recurring regimes that can be characterised as one of a persisting vs. one of a collapsing bubble. Moreover, the probabilities of financial markets transitioning from a bubble to a state of (partial) collapse turns out to depend on both the initial, relative size of the bubble and on monetary policy indicators. This implies that an easier (tighter) monetary policy will inflate (deflate) a bubble through a simple, regression-style effect, but also yield a non-linear, “concave” effect by which sufficiently low (high) rates are enough for a bubble to inflate (deflate) with high probability. Besides fitting the data, the resulting, parsimonious, regime switching models provide an accurate and economically valuable predictive performance, even when transaction costs are taken into account.			
Rewriting Crsp’s History: Impact of Altered Monthly Returns on Asset Pricing	Walter Dominik	Schwarz Patrick (1), Walter Dominik (2), Weiss Patrick (3), 1 - HEC Liège (Belgium), 2 - University Konstanz (Germany), 3 - Reykjavik University (Iceland)	Magnani Monia
ABSTRACT: In January 2025, the Center for Research in Security Prices (CRSP) will discontinue the existing CRSP tape used in many published papers. This transition rewrites 9.62% of monthly returns by more than one basis point, primarily due to a change in the dividend reinvestment assumption. The mean absolute change equals 22 basis points. Analyzing the impact of these changes for a comprehensive set of premia in several thousand sorting specifications reveals that, on average, 11.43% of all monthly long-short returns differ by more than ten basis points. Reassuringly, these differences do not translate into significant changes in (time-series) average premia or their significance. However, these changes potentially affect conditional analyses on return-based premia, dividend-paying industries, NBER recession periods, and samples prior to 2000.			
The Behavior of Stock Prices around The Ex-Day During a Dividend Shortage	Isakov Dusan	Isakov Dusan (1), Eugster Nicolas (2), Ducret Romain (1), Weisskopf Jean-Philippe (3) 1 - University of Fribourg (Switzerland), 2 - University of Queensland (Australia), 3 - EHL Hospitality Business School (Switzerland)	Walter Dominik
ABSTRACT: This paper investigates the behavior of stock prices around ex-dividend dates in Europe over the period 2018-2022. In the early months of the COVID-19 pandemic in 2020, a significant fraction of firms cut, suspended, or reduced their dividend payments, leading to a shortage. Using a comprehensive sample of 14,844 dividend payments from 17 countries, we find that the magnitude of abnormal returns around the ex-dividend date is significantly larger during this period compared to normal times as dividend-seeking investors searched for the remaining payers. This pattern is amplified for high-yielding dividend stocks and in countries that temporarily imposed short-selling bans. Our results are consistent with a price-pressure hypothesis and challenge standard interpretations derived from an efficient market framework.			

PARALLEL SESSIONS 5

Wednesday, May 28

1:45 pm – 3:30 pm
Pôle Economie Gestion (PEG)

Title	Speaker	Authors	Discussant
SUSTAINABLE FINANCE - *Room 105 PEG* Chairman: Firas Thraya Mohamed			
Inelastic Sustainable Investing	Van Den Bosch Koen	Van Den Bosch Koen, Szymanowska Marta, Rotterdam School of Management, Erasmus University (The Netherlands)	Andre Jerome
ABSTRACT: Recent evidence suggests that sustainable investors may weaken information transmission into asset prices while being simultaneously classified as active traders. Using a demand-based asset pricing approach, we examine the behavior of sustainable investors and their impact on price informativeness. We find that sustainable investors are price elastic, enhancing informativeness by trading on both sustainable characteristics and long-term fundamentals. Stocks with strong sustainable demand exhibit greater price elasticity and responsiveness to idiosyncratic news, though this effect is weaker for green stocks, where sustainable investors trade less actively. Importantly, identifying sustainable investors outside a demand system misattributes passive demand as sustainable, distorting the estimated impact of sustainable investors. Overall, sustainable investors play a dual role: acting as active traders across their portfolios while behaving as preference-driven holders of sustainable stocks.			
The Cost of ESG Rating Uncertainty	Gourier Elise	Gourier Elise (1) (2), Na Menglong (1), 1 - Essec Business School (France), 2 - Center for Economic Policy Research (United Kingdom)	Van Den Bosch Koen
ABSTRACT: More than thirty trillion dollars are allocated to ESG assets, despite the uncertainty on the true sustainability level of firms. We show within a dynamic portfolio allocation model that the effect of this uncertainty on investors' portfolios and welfare strongly depends on their preferences. Based on institutional investors' holdings, we identify two types of investors with non-pecuniary preferences: green investors whose utility increases with the estimated sustainability of firms, and threshold investors, whose non-pecuniary preferences only depend on whether a firm's estimated sustainability level is below or above a threshold. We show that the uncertainty of the ESG rating is twice as costly for green investors than for threshold investors.			
Surprise! Portfolio Decarbonization Does Not (Necessarily) Lead to Economy Decarbonization	Andre Jerome	Andre Jerome, Université Paris Dauphine, PSL Resarch University (France)	Gourier Elise
ABSTRACT: Do portfolio strategies of climate finance contribute to the decarbonization of the economy? Do particular strategies exhibit a superior efficacy in facilitating the transition toward sustainable economy? This study demonstrates that several highly regarded port- folio decarbonization strategies notably diminish financing for sectors deeply involved in the energy transition. Investors' impatience to decarbonize their portfolio may be coun- terproductive. To achieve this, an empirical study based on 8,592 global issuers provides evidence that strategies aiming to exclude securities (such as Best-in-Universe and Best-in- class) tend to diminish funds allocated for critical sectors required to undergo transition. As a consequence, a novel aggregation method is proposed to mitigate this phenomena, penalizing investment strategies relying on sectoral and geographical allocation effect.			

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41TH INTERNATIONAL CONFERENCE OF THE FRENCH FINANCE ASSOCIATION (AFFI)

PARALLEL SESSIONS 5

Wednesday, May 28

1:45 pm – 3:30 pm

Pôle Economie Gestion (PEG)

Title	Speaker	Authors	Discussant
CORPORATE GOVERNANCE 2 - *Room 109 PEG* Chairman: Godard Laurence			
Governance Consequences of Shareholder Dissent in Director Elections: Evidence from a Purely Majority Voting System	Da Silva Rosa Raymond	Bugeja Martin (1), Da Silva Rosa Raymond (2), Shan Yaowen (1), Wang Jiaqi, 1 - University of Technology, Sydney (Australia), 2 - University of Western Australia (Australia),	Dubois Loïc
ABSTRACT: This study examines the consequences of shareholder dissent in director elections using Australian data where all firms must use majority voting. The results indicate that higher shareholder dissent sends a clear signal of shareholder dissatisfaction and leads to multiple governance changes including director, board, and CEO turnover. We also find that there is differential accountability of directors, with female directors and the chair of the remuneration and nomination committee having a greater likelihood of replacement following higher dissent, including dissent for other candidates. Importantly, the results are not robust to using abstain votes, indicating that firms view the signal sent by abstain votes differently from that sent through against votes. This finding is significant for those jurisdictions that currently allow the use of plurality voting in director elections, such as the US and Canada.			
Voting for Managerial Entrenchment: Evidence from Institutional Cross-Holdings Along the Supply Chain	Zhang Shuran	Zhang Shuran, The Hong Kong Polytechnic University (Hong Kong SAR China)	Da Silva Rosa Raymond
ABSTRACT: This paper provides institution-level evidence on the strategic voting behavior motivated by cross-holdings of supply chain partners. An institutional investor's tendency to vote for managerial entrenchment increases with the fraction of its portfolio represented by the firm's dependent suppliers. Difference-in-differences analysis exploiting financial institution mergers supports a causal interpretation. Consistent with institutions' incentives to protect the supply chain relationships, the effect of cross-holdings is more pronounced when the expected costs of relationship disruptions imposed on dependent suppliers are higher (e.g., suppliers are affiliated with the current CEO or face greater difficulties in switching customers) and when the institution's propensity to act on the incentives is higher (e.g., the institution has greater influence in the firm or is more attentive to the firm). Support from institutions with cross-holdings increases the probability of management winning contested votes. Larger cross-holdings are associated with fewer incidences of takeovers and CEO turnovers as well as longer relationship duration, with stronger effects in firm-years where contentious proposals affecting entrenchment are up for vote. Overall, the results highlight proxy voting as a unique channel through which institutions internalize the beneficial effects of managerial entrenchment on the firm's trading partners who have important relationship-specific quasi-rents at stake.			
Voting Behavior on Executive (Re)Election Resolutions and the Impact of Board Composition: the French Case	Dubois Loïc	Dubois Loïc, Université de Picardie Jules Verne - LEFMI (France)	Zhang Shuran
ABSTRACT: Research Question/Issue: In this article, we explore the influence of both directors' individual characteristics proposed for appointment and the composition of the board on the voting behavior of investors and institutional investors in France. Research Findings/Insights: We use the Oxprox database to retrieve the resolutions and votes of institutional investors, Refinitiv for company-related variables and Capital IQ for individual director data. Our final sample consists of 2,147 observations over the period 01/07/2015 - 31/12/2023. Using fractional logit and quantile regressions, we show that the gender and/or the independence of the proposed directors positively influence the proportion of «for» votes. However, the proportion of «for» votes decreases when a woman is proposed on a board that is already diversified and when an independent director is proposed on a board that is already independent. Finally, we show that the gender quota law had a positive influence on the proportion of «for» votes cast by investors in companies that did not comply with the act. Theoretical/Academic Implications: By adopting a French perspective, these significant and original contributions extend the understanding of governance mechanisms to a European context that has been less studied in this area. Practitioner/Policy Implications: Our work has implications for public policy, showing that stakeholders, and institutional investors in particular, attach importance to compliance with the law. This work also highlights the importance for decision-makers of reassessing and adapting regulations to effectively support evolutions in corporate governance practices, taking into account the institutional and cultural context.			

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41TH INTERNATIONAL CONFERENCE OF THE FRENCH FINANCE ASSOCIATION (AFFI)

PARALLEL SESSIONS 5

Wednesday, May 28

1:45 pm – 3:30 pm

Pôle Economie Gestion (PEG)

Title	Speaker	Authors	Discussant
QUANTITATIVE FINANCE 3 - *Room 116 PEG* Chairman: Lajili Souad			
LLMs for Time Series: an Application for Single Stocks and Statistical Arbitrage	Valeyre Sebastien	Valeyre Sebastien, Aboura Sofiane, Machina Capital / Valeyre Research (France)	Laguerre Martial
ABSTRACT: Recently, LLMs (Large Language Models) have been adapted for time series prediction with significant success in pattern recognition. However, the common belief is that these models are not suitable for predicting financial market returns, which are known to be almost random. We aim to challenge this misconception through a counterexample. Specifically, we utilized the Chronos model from Ansari et al.(2024) and tested both pretrained configurations and fine-tuned supervised forecasts on the largest American single stocks using data from Guijarro-Ordonnez et al.(2022). We constructed a long/short portfolio, and the performance simulation indicates that LLMs can in reality handle time series that are nearly indistinguishable from noise, demonstrating an ability to identify inefficiencies amidst randomness and generate alpha. Finally, we compared these results with those of specialized models and smaller deep learning models, highlighting significant room for improvement in LLM performance to further enhance their predictive capabilities.			
Purchasing Power Parity And Uncovered Interest Parity Revisited: Evidence From G7 Exchange Rates Based On A Dynamic Joint Model	Hamid Babaei	Hamid Babaei, IESEG School Of Management (France)	Valeyre Sebastien
ABSTRACT: This research investigates the concept of purchasing power parity (PPP) among the G7 nations subsequent to the introduction of the euro currency. It proposes a dynamic joint model to decompose the real exchange rate (RER) into two distinct components, facilitating an examination of PPP prevalence, and unraveling the impacts of speculative flow of money on the RER. The analysis reveals that the parity between the UK and eurozone countries has shown consistent strengthening, while parity with Japan has experienced a delicate process of convergence. During the Global Financial Crisis (GFC), the US dollar emerges as a safe-haven currency, while the Japanese yen remains resilient, affirming its status as a refuge asset. Conversely, Canadian dollar displays depreciation relative to its G7 counterparts during the GFC.			
Dissecting Overparametrized Models for Equity Premium Prediction	Laguerre Martial	Laguerre Martial (1) (2), Coqueret Guillaume (1), 1 - EMLYON business school (France), 2 - Laboratoire de Sciences Actuarielle et Financière (France)	Hamid Babaei
ABSTRACT: This article dives into the specifics of overparametrized models for aggregate market forecasting when regime changes are accounted for. We document the sensitivity of the out-of-sample analysis of a market timing strategy to sub-periods and bandwidth parameters. For the average investor, our results show that focusing on periods of 15 years can generate very heterogeneous returns, especially for small bandwidths. Large bandwidths yield much more consistent outcomes, but are far less appealing from a performance standpoint. All in all, our findings tend to recommend cautiousness when resorting to large linear models for stock market predictions.			

PARALLEL SESSIONS 5

Wednesday, May 28

1:45 pm – 3:30 pm

Pôle Economie Gestion (PEG)

Title	Speaker	Authors	Discussant
ESG 3 - *Room R02 PEG* Chairman: Gajewski Jean-François			
The Strategic ESG Talk and Investor Bias	Wang Fangfang	Wang Fangfang (1), Wang Maosen (2), Silaghi Florina (3), 1 - Autonomous University of Barcelona (Spain), 2 - ESADE Business School (Spain), 3 - Autonomous University of Barcelona (Spain)	Hirth Stefan
ABSTRACT: We develop relative and absolute ESG talk measures and further distinguish ESG talk measures between specific and generic content based on a textual analysis on quarterly earnings calls for U.S. public firms. We find that analysts intensify their emphasis on ESG concerns following ESG downgrades by raising more specific questions on ESG issues, particularly when firms are not faced with immediate financial pressure. We also find that managers' ESG discussions contribute to transparency but can also prompt skepticism about managerial competence, leading to varied impacts on firm mispricing. We also reveal that specific managers' ESG discussions improve analyst forecast accuracy while the generic content induces more disagreement between analysts.			
A Matter of Reputation? Negative ESG Incidents and Corporate Risk-taking Around the World	Roy Partha	Roy Partha, (1), Marshall Andrew (2), Zhu Min (2) 1 - University of Birmingham (United Kingdom), 2 - University of Strathclyde (United Kingdom)	Wang Fangfang
ABSTRACT: We investigate whether negative environmental, social, and governance (ESG) incidents affect the risk-taking behavior of firms. Using a media-based measure of negative ESG incidents and a sample of 10,267 firms from 64 countries, we show that negative ESG incidents significantly induce firms to engage in more risk-taking activities. This effect is more pronounced in countries with civil law origins, lower media freedom, lower regulatory quality, and mandatory corporate social responsibility (CSR) regulations. Further analyses reveal that negative incidents related to social issues primarily drive greater corporate risk-taking. We employ an instrumental variable approach in our empirical analyses and run several robustness tests to establish causality and strengthen our findings. Finally, we demonstrate that negative ESG incident-induced higher risk-taking is value-relevant and that it takes about 3 to 4 years for negative ESG incident-exposed firms to regain their initial lost market value via increased risk-taking.			
ESG Alignment and Supply Chain Dynamics: Evidence from U.S. Customer-Supplier Relationships	Hirth Stefan	Hirth Stefan (1, 2), Palepu Sai (3), 1 - Aarhus University (Denmark), 2 - Danish Finance Institute (Denmark), 3 - Rensselaer Polytechnic Institute (The USA)	Roy Partha
ABSTRACT: We study the role of Environmental, Social, and Governance (ESG) alignment in shaping customer-supplier relationships within U.S. supply chains. Using data from the FactSet Revere supply chain database and Refinitiv ESG scores (2003–2019), we find that major customers significantly influence supplier ESG performance, with a 6.9% increase linked to one unit increase in the major customer ESG scores. Positive ESG divergence, where a supplier outperforms its major customer, increases the likelihood of relationship termination by 18.1%, underscoring the importance of ESG alignment. Replacement suppliers generally exhibit higher ESG ratings than their predecessors, suggesting a preference for sustainability when reconfiguring supply chains.			

PARALLEL SESSIONS 6

Wednesday, May 28

4:00 pm – 5:45 pm
Pôle Economie Gestion (PEG)

Title	Speaker	Authors	Discussant
CLIMATE FINANCE 4 - *Room 101 PEG* Chairman: Burkhardt Kirsten			
Is Public Attention a Catalyst for Fossil Fuel Companies?	Cellou Marie	Cellou Marie, Université de Rennes (France)	Dupire Marion
ABSTRACT: We study the relationship between public policy and corporate profitability in the context of climate change. We use panel regressions on a sample of 25 S&P500 fossil fuel companies from 2004 to 2018. We show that public attention to climate issues can have a significant impact on financial performance of firms. Indeed, we observe that climate regulatory uncertainty, as well as the stringency of public environmental policies, do not have a significant impact on the profitability of the fossil fuel extractive companies in our sample, except when public attention to climate issues intensifies.			
Profitability of CCUS Projects Amid Price Volatility: A Real Options Analysis of Carbon Credits in EOR Scenarios	Azira Wafaa	Azira Wafaa (1), Ory Jean-Noel (2), Razafitombo Hery (3), 1 - Université de Lorraine (France), 2 - Université de Lorraine (France), 3 - Université de Lorraine (France)	Cellou Marie
ABSTRACT: The United Nations emphasizes the urgency of deploying carbon capture, utilization, and storage (CCUS) technologies to achieve carbon neutrality. CCUS refers to processes that capture CO2 emissions, transport them, and either store or repurpose them, with enhanced oil recovery (EOR)—using CO2 to increase extraction from mature oil fields—being a primary application. This paper assesses the impact of carbon trading mechanisms on the valuation of CCUS projects using a real options framework. Real options provide a flexible approach to investment under uncertainty, considering both compound and exclusive options.Results indicate that high carbon and oil prices are key drivers of the economic viability of CCUS projects, with policy frameworks playing a pivotal role. When EOR is eligible for carbon credits under the EU-ETS, additional revenue streams enhance project value and accelerate breakeven, whereas their absence delays profitability and increases reliance on cost reductions. This study highlights the importance of aligning regulatory environments with market dynamics and demonstrates the utility of real options in evaluating sustainable projects under uncertainty.			
Climate Vulnerability and Borrowers' Discouragement, Nurturing a Vicious Circle ?	Dupire Marion	Dupire Marion, Bertrand Jérémie, IESEG School of Management (France)	Azira Wafaa
ABSTRACT: We examine whether SMEs in countries vulnerable to climate change are discouraged to apply for credit, using data from 119 developing countries on the 2010-2019 period. Our findings reveal a positive impact of climate vulnerability on credit discouragement, even after neutralizing the effect of macro-economic conditions. A further investigation of this relationship indicates that -1- this effect is stronger in countries with higher "environmental literacy", i.e. where people prioritize the environment over economic growth and are actively engaged in environmental organizations, -2- the discouragement is mainly rational (due to unfavorable credit conditions) rather than emotional (fear of rejection), and -3- financial literacy is not a key factor. Overall, environmentally conscious individuals are discouraged by climate vulnerability, nurturing a vicious cycle in countries where investment is most needed to address climate challenges.			

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41TH INTERNATIONAL CONFERENCE OF THE FRENCH FINANCE ASSOCIATION (AFFI)

PARALLEL SESSIONS 6

Wednesday, May 28

4:00 pm – 5:45 pm

Pôle Economie Gestion (PEG)

Title	Speaker	Authors	Discussant
ENTREPRENEURIAL FINANCE - *Room 105 PEG* Chairman: Megginson William			
The Role of Corporate Venture Capital for Family Firm Innovation: Evidence from Japan	Helbing Pia	Helbing Pia (1), Song Tianyi (2), 1 - University of Glasgow (United Kingdom), 2 - University of Tokyo (Japan)	Xiong Rui
ABSTRACT: This paper examines the innovative output of family firms that engage in corporate venture capital (CVC) in Japan. We merge a comprehensive dataset from 1991-2021 of publicly-listed firms with unique data provided by the Japanese Patent Office. In particular we investigate the role of CVC programmes for explorative and exploitative innovation of family firms and investigate boundary conditions of ownership structures on this relationship. We find that family firms are more likely to employ CVC units and when they do evidence higher innovative outputs. Especially, CVC seems to boost explorative patenting in family firms. This relationship is attenuated when family ownership is high but accentuated when institutional ownership is high. We offer further evidence on the benefits for CVC for family firm innovation and performance.			
Growth Equity Investment Patterns and Performance	Megginson William	Munteanu Alina (1), Megginson William, Lavery Paul, The University of Oklahoma (The USA)	Helbing Pia
ABSTRACT: Private markets have evolved over the past two decades to provide a wider variety of types of financing, and to a wider range of target firms. We present a large-sample analysis of growth equity (GE) investment using 1,512 UK private companies over 2000-2021 and compare the post-investment performance of investee firms to matched companies that don't receive GE investment. Target companies are younger, smaller, more intangible-asset intensive and more rapidly growing than the general pool of UK private companies and these target firms then dramatically outperform a matched sample of non-GE backed private companies after investment with respect to sales and asset growth, employment, and earnings growth. Much of this extra expansion is financed by significantly faster growth in leverage than for non- GE backed firms. We compare our findings to venture capital (VC)- and PE buyout-backed firms.			
Open Banking and Fintech Lending: Evidence from a Crowdfunding Platform	Xiong Rui	Xiong Rui, Toulouse School of Management Research (France)	Megginson William
ABSTRACT: This paper uses data from a crowdfunding platform to study the impact of open banking policy on Fintech lending. The results from diff-in-diff regressions show that open banking increases financial inclusion, allowing the platform to extend credit to riskier firms with lower credit scores and higher default rates. The new borrowers are smaller, less profitable firms, with lower repayment abilities. Meanwhile, those firms have more tangible assets and cash holdings that allow the platform to recover a larger fraction of the loan amount in case of default. With a model, I show that open banking saves the screening cost at the expense of the screening ability of the platform. Following the implementation of open banking, marginal borrowers gain access to credit, but all borrowers suffer from worse credit terms: they face higher interest rates and access to lower loan amounts.			

PARALLEL SESSIONS 6

Wednesday, May 28

4:00 pm – 5:45 pm
Pôle Economie Gestion (PEG)

Title	Speaker	Authors	Discussant
EMPIRICAL FINANCE - *Room 109 PEG* Chairman: Poincelot Evelyne			
Beyond the Hype: Understanding IPO (Over) Valuation	Zoran Filipovic	Zoran Filipovic (1), Seistrajkova Biljana (2), 1 - Université Paris Dauphine-PSL (France), 2 - Università della Svizzera italiana (Switzerland)	Ardia David
ABSTRACT: «IPOs frequently exhibit substantial price gains, which tend to diminish over time. We examine this phenomenon by focusing on the behavior of sophisticated and well-informed market participants, specifically short sellers and stock analysts. Our findings suggest that first-day closing prices often exceed fundamental values, driven by attention and sentimentfueled buying pressure. Short sellers exploit these valuation distortions, likely at the expense of optimistic individual investors. Subsequently, analysts issue relatively conservative initial stock recommendations, contributing to a long-term decline in stock prices. Overall, waiting for post-IPO enthusiasm to subside may help investors avoid the overvaluation inherent in newly listed stocks.»			
ESG and Geopolitics: Stock Returns in the Ukraine-Russia Conflict	Zhou Yuxin	Zhou Yuxin COACTIS, EMLYON Business School (France)	Zoran Filipovic
ABSTRACT: «Geopolitical events have emerged as critical drivers of financial market uncertainty. The recent Ukraine-Russia conflict, followed by an energy shortage, has had profound consequences on both financial and energy markets, emphasizing ESG as a corporate risk factor. This paper aims to explore the interplay between stock returns, geopolitical risk and the role of ESG during the Ukraine-Russia conflict. Employing an event study methodology complemented by a Difference-in-Difference (DiD) analysis, the study finds a positive ESG-return relationship during the first quarter of the conflict, which subsequently dissipates, reverting to neutrality. Furthermore, this paper extends the explanations of Pedersen et al.(2021)'s E-CAPM and finds that firms with superiority in particular ESG pillars have inherent properties of high profitability and, more importantly, enhanced resilience to corporate-level geopolitical and energy risks. These attributes have contributed to their superior performance compared to low-ESG firms during the geopolitical turmoil. This study highlights ESG's critical role in enabling firms to better navigate the challenges posed by geopolitical and energy crises.»			
Examining High-Frequency Patterns in Robinhood Users' Trading Behavior	Ardia David	Ardia David, Aymard Clement, Cenesizoglu Tolga, HEC Montréal (Canada)	Zhou Yuxin
ABSTRACT: We examine Robinhood (RH) investors' intraday and overnight trading behaviors in response to high-frequency price movements and identify three patterns: (i) a strong reaction to extreme price movements, (ii) an asymmetric attitude toward extreme movers with a preference for big losers over big gainers, and (iii) a rapid response to negative price movements. Contrasting these high-frequency behaviors with those found in the previous literature based on daily data, we reveal that the asymmetry is underestimated with daily data. We also uncover new insights on reaction speed, measured in hours, which cannot be assessed at the daily level. The relevance of the high-frequency analysis aligns with the ultra-connected profile that characterizes most of the RH investors community. Further analyses suggest greater (lower) attention to overnight (intraday) movements and exacerbated behaviors during the COVID-19 pandemic. Moreover, these trading behaviors vary significantly across firm size and industry, with a more contrarian strategy towards larger-cap firms and a heightened activity on energy and consumer discretionary stocks.			

PARALLEL SESSIONS 6

Wednesday, May 28

4:00 pm – 5:45 pm
Pôle Economie Gestion (PEG)

Title	Speaker	Authors	Discussant
BANKING & FINANCIAL INTERMEDIATION 2 - *Room 116 PEG* Chairman: Weill Laurent			
Mandatory Central Clearing and Derivative Offsetting	Zhang John	Zhang John, Audencia Business School (France)	Greppmair Stefan
ABSTRACT: Exploiting the adoption of mandatory central clearing by U.S. regulators, we explore the effects of this regulatory reform on banks' derivative offsetting. Using a triple-difference testing procedure, we find that derivative offsetting increases (decreases) for banks with higher (lower) capital ratios after the adoption of mandatory central clearing, in comparison to the control group. The results are economically significant and robust to a variety of alternative measurements and tests. Our findings suggest banks with different target capital ratios respond to central clearing reform differently.			
Fair Value Losses and Systemic Risk during the Financial Crisis	Lee Sangwon	Lee Sangwon (1), Heinen Andreas (2), 1 - UCLy (Lyon Catholic University) (France), 2 - CY Cergy Paris Université (France)	Zhang John
ABSTRACT: We analyze the effect of fair value losses, measured as other-than-temporary impairments (OTTI), on systemic risk, measured as ΔCoVaR, during the financial crisis of 2008. Using a hand-collected quarterly panel of OTTI for publicly traded banks from 2007 to 2010, we find that (i) OTTI contributed to systemic risk, but slightly less so than loan losses; (ii) the change in OTTI rule in 2009, which separated OTTI into a credit portion, which affects earnings and regulatory capital, and a non-credit portion, which does not, helped reduce systemic risk; (iii) the decrease in systemic risk was neutral for most banks, except for some poorly capitalized banks with large unrealized losses. Our results suggest that FV losses are not the single main source of systemic risk. We further find that the credit portion of OTTI is more important for bank-specific risk, whereas the non-credit OTTI matters more for systemic risk.			

PARALLEL SESSIONS 6

Wednesday, May 28

4:00 pm – 5:45 pm

Pôle Economie Gestion (PEG)

Title	Speaker	Authors	Discussant
BANKING & FINANCIAL INTERMEDIATION 2 - *Room 116 PEG* Chairman: Weill Laurent			
Dynamics and Impacts of the Leverage Ratio: Empirical Analysis of European Banks	Atman Zinaba	Atman Zinaba, Lamarque Eric, IAE Paris - Sorbonne Business School (France)	Lee Sangwon
ABSTRACT: In this research article, we study the behaviour of banks' leverage ratios in Europe and in the regions of Europe. We investigate its relationship with bank-specific indicators as well as with macroeconomic indicators such as inflation. First, we estimate the short-term and long-term dynamics of the leverage ratio and compare them with those of the risk-weighted ratio using autoregressive distributed dynamic Panel Model ARDL (Pesaran, 1999). We find that the two ratios complement each other but they have different effects in different regions of Europe. Secondly, we estimate the impact of the leverage ratio on the risk-weighted ratio as a function of the thresholds of the latter by region using the fixed effect Panel Threshold Model (Hansen, 1999). We find that the results are significant and also differ between European regions. Finally, to test the robustness of our results, we use the Panel Granger Causality test (Dumitrescu and Hurlin, 2012). In conclusion, we find that the leverage ratio is a complementary ratio to the risk-weighted ratio, it is a predictive and relevant indicator for forecasting banking stability, however the relevance of its calibration differs depending on the time horizon (short-term and long-term) and the geographical areas where it is applied.			
Collateral Easing and Safe Asset Scarcity: How Money Markets Benefit from Low-Quality Collateral	Greppmair Stefan	Paludkiewicz karol (1), Greppmair stefan (1), Steffen Sascha (2) 1- Deutsche Bundesbank (Germany), 2 -Frankfurt School of Finance & Management (Germany)	Atman Zinaba
ABSTRACT: We show that central bank lending against lower quality collateral can improve conditions in the money market. For identification we take advantage of a pandemic-related temporary extension of the collateral framework of the European Central Bank (ECB), which allows banks to pledge previously ineligible credit claims as collateral for refinancing operations. We use a difference-in-differences approach and exploit banks that do not mobilize credit claims ex ante as a control group. We find that banks affected by the temporary extension pledge newly eligible credit claims in order to reduce the encumbrance of high-quality marketable assets. Treated banks lend out these marketable assets as collateral in the repo market, which helps to alleviate asset scarcity.			

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PARALLEL SESSIONS 6

Wednesday, May 28

4:00 pm – 5:45 pm

Pôle Economie Gestion (PEG)

Title	Speaker	Authors	Discussant
FINANCE AND GENDER - *Room R02 PEG* Chairman: Roger Patrick			
Index Design and Workforce Gender Diversity	Roth Lukas	Roth Lukas, University of Alberta (Canada)	Ji Zhe
ABSTRACT: We examine the impact of index design on workforce gender diversity in a unique setting in Japan. In 2017, Japan's Government Pension Investment Fund adopted the MSCI Empowering Women Index, which requires firms to meet specific criteria for advancing women employees. Using a difference-in-differences methodology, we find that firms striving for index membership enhance gender diversity, particularly in managerial roles. These firms also reduce overtime work and increase paternity leave, reflecting a shift toward a more inclusive corporate culture. Our findings suggest that customer awareness and increased institutional ownership motivate firms to seek inclusion in the index.			
Financial Literacy of Teenagers: The Role Of Socialization and Cognitive Abilities	Roger Patrick	Agnew Steve (1), Roger Patrick (2), Roger Tristan (3) 1 - University of Canterbury (New Zealand) 2 - Université de la Nouvelle-Calédonie (LARJE), 3 - Université de Lorraine - CEREFIGE (France)	Roth Lukas
ABSTRACT: The link between financial literacy and quality of economic and financial decisions is largely documented in the literature. Less well understood are the driving factors of financial literacy, especially among teenagers and young adults. This topic is important because many governments have launched costly financial education programs on the basis of the above link, without knowing whether it reveals a correlation or a causality between financial education and sound financial decisions, by means of an improvement of financial literacy. In this exploratory study, we show that the main determinants of financial literacy among New Zealand teenagers (15 to 19 years old) are financial socialization by parents and cognitive abilities, mainly fluid intelligence, cognitive reflection and approximate numeracy. These determinants remain valid after controlling for a large set of potential confounding factors and explain almost one-half of the individual variability of financial literacy.			
Board Gender Diversity in China: How does Corporate Ownership Matter	Ji Zhe	Ji Zhe, Clermont School of Business (France)	Roger Patrick
ABSTRACT: This paper examines the effect of female board directorships on firm financial performance based on an empirical study of a sample of listed firms in China from 2010 to 2019. The study finds a positive and significant relationship between female directorship and firm performance. Further analysis reveals that women directors primarily influence the performance of state-owned enterprises through monitoring roles, while in non-state-owned firms, they exert influence through executive functions. Independent female directorship does not have a significant impact, highlighting the nuances of how women directors contribute in different types of firms. Our findings suggest that while appointing female directors is necessary, careful consideration should be given to the specific roles they are expected to perform.			