The Second International Moscow Finance Conference

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hosted by the International Laboratory of Financial Economics (LFE) at
the International College of Economics and Finance (ICEF)
Higher School of Economics

NATIONAL RESEARCH UNIVERSITY

LFE INTERNATIONAL LABORATORY OF FINANCIAL ECONOMICS

CONTENTS

CONFERENCE PROGRAM

FRIDAY, NOVEMBER 9
(ROOM 3211, BUILDING 3, SHABOLOVKA, 26)

09.30 **OPENING WELCOME: LEONID GOKHBERG, FIRST VICE-RECTOR OF THE HIGHER SCHOOL OF ECONOMICS SERGEY YAKOVLEV, DIRECTOR OF ICEF**

09.40 **SESSION 1 "ASSET PRICING AND PORTFOLIO CHOICE"**

Are Institutions Informed about News?

Presenter: Dmitry Livdan, Haas School of Business, University of California, Berkeley (co-authors: Terence Hendershott and Norman Schürhoff)

This paper combines daily non-public data on buy and sell volume by institutions from 2003 through 2005 for NYSE-listed stocks with all news announcements from Reuters. Natural language processing categorizes the sentiment associated with each news story. We use institutional order flow (buy volume minus sell volume) as a quantitative measure of net trading by institutions. We find evidence institutional investors are informed: i) institutional trading volume predicts the occurrence of news announcements; ii) institutional order flow predicts the sentiment of the news; iii) institutional order flow predicts the stock market reaction on news announcement days; and iv) institutional order flow predicts earnings announcement surprises.

Discussant: Sergey Gelman, ICEF, Higher School of Economics, Moscow

Asset Pricing with Heterogeneous Investors and Portfolio Constraints

Presenter: Georgy Chabakauri, London School of Economics

We study dynamic general equilibrium in one-tree and two-trees Lucas economies with one consumption good and two CRRA investors with heterogeneous risk aversions and portfolio constraints. We provide a tractable characterization of equilibrium without relying on the assumption of logarithmic constrained investors, popular in the literature, under which wealth consumption ratios of these investors are unaffected by constraints. In one-tree economy we focus on the impact of limited stock market participation and margin constraints on market prices of risk, interest rates, stock return volatilities and price-dividend ratios. We demonstrate conditions under which constraints increase or decrease these equilibrium processes, and generate dynamic patterns consistent with empirical findings. In a two-trees economy we demonstrate that investor heterogeneity gives rise to large countercyclical excess stock return correlations, but margin constraints significantly reduce them by restricting the leverage in the economy, and give rise to rich saddle-type patterns. We also derive a new closed- form consumption CAPM that captures the impact of constraints on stock risk premia.

Discussant: Dmitry Makarov, New Economic School, Moscow Discussant: Vladimir Sokolov, ICEF and LFE, Higher School of Economics.

Optimal life-cycle portfolios for heterogeneous workers
Presenter: Giovanna Nicodano, University of Turin

Household portfolios include risky bonds, beyond stocks, and respond to permanent labour income shocks. This paper brings these features into a life-cycle setting, and shows that optimal stock investment is constant or increasing in age before retirement for realistic parameter combinations. The driver of such inversion in the life-cycle profile is the resolution of uncertainty regarding social security pension, which increases the investor's risk appetite. This occurs if a small positive contemporaneous correlation between permanent labour income shocks and stock returns is matched by a realistically high variance of such shocks and/or risk aversion. Absent this combination, the typical downward sloping profile obtains. Overlooking differences in optimal investment profiles across heterogeneous workers results in large welfare losses, in the order of 17-26% of lifetime consumption.

Discussant: Carsten Sprenger, ICEF, Higher School of Economics, Moscow

12.30 **LUNCH (ROOM 3209, BUILDING 3)**

13.30 **SESSION 2 "CORPORATE FINANCE"**

Agency, Firm Growth, and Managerial Turnover

Presenter: Stéphane Guibaud, London School of Economics (co-authors: Ronald W. Anderson and M. Cecilia Bustamante)

We study managerial incentive provision under moral hazard in a firm subject to stochastic growth opportunities. In our model, managers are dismissed after poor performance, but also when an alternative manager is more capable of growing the firm. The optimal contract may involve managerial entrenchment, such that growth opportunities are foregone after good performance. Firms with better growth prospects have higher managerial turnover and more front-loaded compensation. Firms may pay severance to incentivize their managers to report truthfully the arrival of growth opportunities. By ignoring the externality of the dismissal policy onto future managers, the optimal contract implies excessive retention.

Discussant: Stanimir Morfov, ICEF, Higher School of Economics, Moscow

Getting by with a Little Help from My Friends: Does Political Affinity Lead to Lower Acquisition Premiums?

Presenter: Marie-Ann Betschinger, ICEF, CAS and Faculty of Management, Higher School of Economics, Moscow (co-authors: Olivier Bertrand and Alexander Settles)

While there is regular anecdotal evidence of political involvement in international business deals we still know very little on the importance of political affinity, or national preference alignment, on the cross-border acquisition process and particularly the initial acquisition premium. We argue that political affinity, as revealed by UN voting patterns, produces a positive environment for cross-border deals. It facilitates access to political and business elites and renders commercial diplomacy efforts more effective. Using a dataset of 925 cross-border deals (1990-2008) we find that political affinity between acquirer and target countries leads to lower bid premiums. Moreover, we show that this effect is moderated by the size of the firms involved and the level of political constraints faced by the government in the host country.

Discussant: Giovanna Nicodano, University of Turin

15.00 **COFFEE BREAK (ROOM 3209, BUILDING 3)**

15.30 **SESSION 3 "MONETARY POLICY AND BANKING"**

Financial Market Openness and Monetary Control

Presenter: Patrick Kelly, New Economic School, Moscow (co-authors: Bill B. Francis and Delroy M. Hunter)

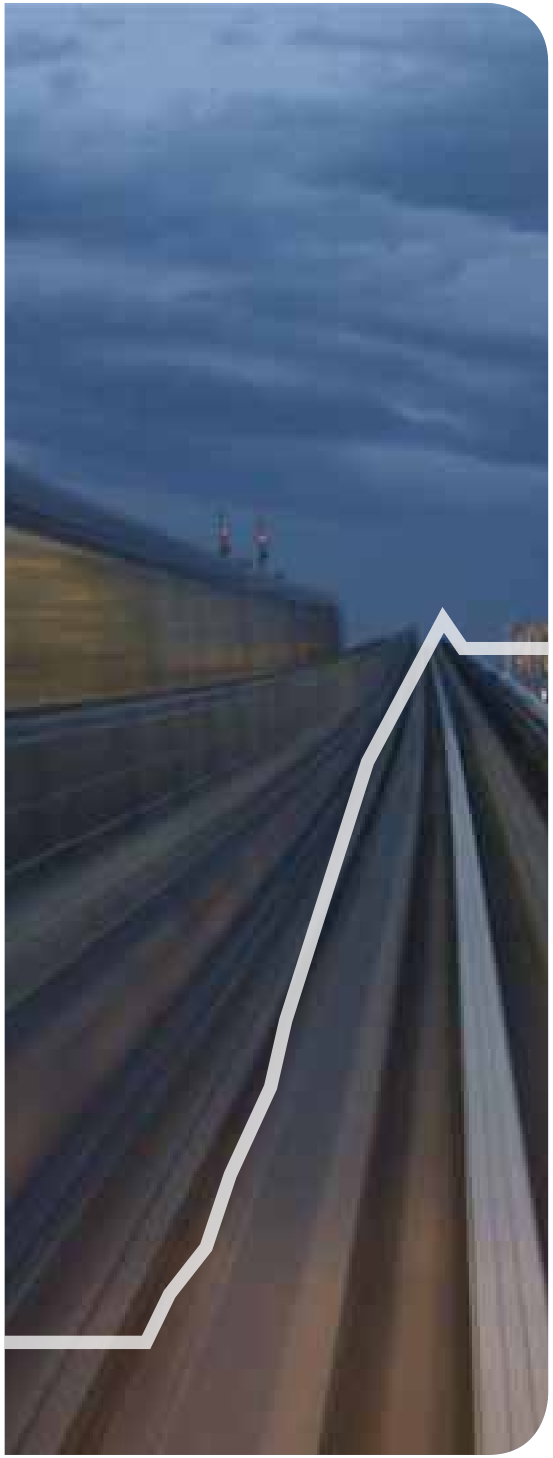
How emerging market financial assets respond to local monetary policy shocks has important implications for the asset allocation and risk management strategies of U.S. investors, for local policymakers in liberalized and pre-liberalized economies, and for international financial integration. We examine the claim that emerging market liberalization led to a loss of local monetary control, thereby rendering local monetary policy ineffective in influencing local asset prices and the economy. Using a structural VAR to model the reaction function of local monetary authorities in 25 emerging markets, we find that 18 stock markets respond significantly to local monetary policy shocks. Specifically, a one standard deviation positive shock causes an immediate decline of 2.07% in stock prices. The evidence indicates that local monetary policy generally has no lesser influence on the stocks of investable firms than on the stocks of non-investable firms. Importantly, while foreign monetary policy affects local asset prices there is no evidence that it dominates local policy. For instance, only a fraction of markets that are unresponsive to local monetary policy are simultaneously responsive to foreign monetary policy. Moreover, foreign monetary policy has statistically indistinguishable effects on investable and non-investable stocks, suggesting that liberalization has not created a dichotomous equity market in which non-investable stocks remain segmented.

Discussant: Dmitry Livdan, Haas School of Business, University of California, Berkeley

Deposit Insurance and Deposit Contracts

Presenter: Vladimir Sokolov, ICEF, Higher School of Economics, Moscow (co-author: Lucy Chernykh)

This study examines the design of insured and uninsured deposit contract in an emerging market with severe competition for limited retail deposit funds. Using detailed data from almost 80,000 deposit contract observations in a large sample of Russian banks, we find that banks use a broad variety of implicitly and explicitly



priced contract terms to aggressively compete for limited household funds in the fast-growing emerging banking market. Consistent with the market discipline hypothesis, we also find that uninsured deposit contract are highly sensitive to the bank risk profiles. From a regulatory perspective, our findings suggest that the policy measures of deposit rates monitoring or imposing deposit rate ceilings for preventing deposit accumulation by risky bank could be ineffective. Our results show that banks can complement deposit contracts with embedded options attractive for depositors thus enabling banks to compete for insured deposits even in the presence of deposit rate monitoring.

Discussant: Branko Urošević, University of Belgrade

17.00 **IN MEMORIAM SUDIPTO BHATTACHARYA**

Presenter: Georgy Chabakauri, London School of Economics; Sergei Guriev, New Economic School, Moscow; Christian Julliard, London School of Economics; Giovanna Nicodano, University of Turin; Dimitrios Tsomocos, Saïd Business School, University of Oxford

17.30 **COFFEE BREAK (ROOM 3209, BUILDING 3)**

18.00 **PUBLIC LECTURE (ROOM. 5214, BUILDING 5)**

Confessions of rational investors

Presenter: Herakles Polemarchakis, University of Warwick

In competitive markets, the prices of assets that vary with the distribution of wealth reveal the preferences and beliefs of investors.

19.30 **RECEPTION ON THE OCCASION OF THE 15TH ANNIVERSARY OF ICEF (ROOM. 5215, BUILDING 5)**

SATURDAY, NOVEMBER 10
(ROOM 3211, BUILDING 3, SHABOLOVKA, 26)

10.00 **SESSION 4 "MARKET MICROSTRUCTURE"**

Liquidity and the Marginal Value of Information

Presenter: Bart Taub, University of Durham (co-author: Alex Boulatov)

We revisit the Kyle (1985) model of price formation in the presence of private information. We begin by using Back's (1992) approach, demonstrating that if standard assumptions are imposed, the model has a unique equilibrium solution, and that the insider's trading strategy has a martingale property. That in turn implies that the insider's strategies are linear in total order flow. We also show that for arbitrary prior distributions, the insider's trading strategy is determined by a Radon-Nikodym derivative that expresses the insider's informational advantage. This allows us to reformulate the model so that Kyle's liquidity parameter λ is characterized by a Lagrange multiplier that is the marginal value or shadow price of information. Based on these findings, we can then interpret liquidity as the marginal value of information.

Discussant: Christian Julliard, London School of Economics

Uniqueness of Equilibrium in the Single-Period Kyle'85 Model

Presenter: Alex Boulatov, Higher School of Economics Moscow (co-authors: Albert S. Kyle and Dmitry Livdan)

We analyze a one-period Kyle model (Kyle (1985)) where the risk-neutral informed trader can use arbitrary (linear or non-linear) deterministic strategies, and the market maker can use arbitrary pricing rules. We show that the standard linear insider's strategy, and correspondingly, the linear pricing rule, lead to the unique equilibrium in the model, even if the possible strategies are extended to arbitrary nonlinear piece-wise continuously differentiable functions of the fundamental. This means that there is a unique equilibrium in Kyle (1985), achieved on the standard linear insider's strategy, and the linear pricing rule.

Discussant: Georgy Chabakauri, London School of Economics

11.30 **COFFEE BREAK (ROOM 3209, BUILDING 3)**

12.00 **SESSION 5 "GENERAL EQUILIBRIUM MACRO-FINANCE"**

A General Equilibrium Exploration of Minsky's Financial Instability Hypothesis…

Presenter: Dimitrios Tsomocos, Saïd Business School, University of Oxford (co-authors: Sudipto Bhattacharya, Charles A.E. Goodhart, and Alexandros P. Vardoulakis)

The worst and longest depressions have tended to occur after periods of prolonged, and reasonably stable, prosperity. This results in part from agents rationally updating their expectations during good times and hence becoming more optimistic about future economic prospects. Investors then increase their leverage and shift their portfolios towards projects that would previously have been considered too risky. So, when a downturn does eventually occur, the financial crisis, and the extent of default, become more severe. Whereas a general appreciation of this syndrome dates back to Minsky [1992, Jerome Levy Economics Institute, WP 74] and even beyond, to Irving Fisher [1933, Econometrica 1, 337-357], we model it formally. Endogenous default introduces a pecuniary externality, since investors do not factor in the impact of their decision to take risk and default on the borrowing cost. We explore the relative advantages of alternative regulations in reducing financial fragility, and suggest a novel criterion for improvement of aggregate welfare.

Discussant: Bart Taub, University of Durham

Monetary Policy and Quantitative Easing in an Open Economy: Prices, Exchange Rates and Risk Premia

Presenter: Udara Peiris, ICEF, Higher School of Economics, Moscow (co-author: Herakles Polemarchakis)

Under Quantitative Easing, Open Market Operations involve arbitrary portfolios of assets and not exclusively nominally risk free bonds held with a specific target composition. In a simple stochastic cash-in-advance model of a large open economy, quantitative easing inhibits the ability of the central bank to control the path of prices and exchange rates. This is the case even with non-Ricardian fiscal policy. Alternative modes of conduct of monetary policy have measurable implications. A financial stability target, where the central bank trades only in nominally risk free bonds, implies that the risk premium is positively correlated with future interest rates. A price stability, or inflation, target induces the same correlation, while a monetary stability target reverses the sign of the correlation. Naive estimations of aggregate risk premi may be misleading if monetary policy is not accounted for.

Discussant: Stéphane Guibaud, London School of Economics

13.30 **LUNCH (ROOM 3209, BUILDING 3)**

FORMAT OF PRESENTATIONS

Sessions:
30 min presentation, 10 min discussant, 5 min floor. TOTAL 45 minutes per paper.

Public lecture:
1 hour plus 20 minutes for discussion.presentation, 10 min discussant, 5 min floor. TOTAL 45 minutes per paper.

Public lecture:
1 hour plus 20 minutes for discussion.

Professor Sudipto Bhattacharya

(1951-2012)

The death of Professor Sudipto Bhattacharya was met with considerable shock and sadness in the economics profession, and in particular at the Finance Department of the London School of Economics where he had been working for more than 15 years.

Raised in an academic family in India, Sudipto began his education with a BSc in Physics from the University of Delhi, followed by postgraduate studies in business administration at the Indian Institute of Management, Ahmedabad. He then travelled to the USA, where he obtained a PhD in economics and finance at MIT under the supervision of Prof Stewart Myers. Sudipto was recognized as one of the outstanding young economists of his time, holding assistant professorships at the University of Chicago and Stanford University, during which he won prestigious Batterymarch and Bell Labs Research Fellowships. These appointments were followed by tenured positions at the University of California, Berkeley and the University of Michigan. In 1989 Sudipto returned to his roots as Professor of Economics at the University of Delhi, where he remained for 5 years, before joining the LSE faculty in 1995.

In the early part of his career Sudipto's work was concerned with the role of information in financial markets, writing seminal papers on signaling and delegated portfolio management. At the same time he showed the breadth of his skills and insights in a number of papers on theoretical asset pricing. His later work, post 1987, had two main themes, one a deeper understanding of banking and financial intermediation and a second, concerning innovation, research and development. In the latter, his work on the sharing of knowledge is generally regarded as seminal. Most recently, Sudipto was working on a number of projects relating to financial crises and contagion in financial markets aimed at improving our understanding of the risks facing the financial system and how to manage them.

In April 2008, Sudipto visited ICEF and HSE where he taught a Master's course in Financial Intermediation and gave a public lecture under the title "Banking theories and the current financial crisis"*. One of the main ideas that he developed in this lecture is that banks in the 21st century are much more intertwined with financial markets (as opposed to a more self-contained banking sector of the 20th century), which represents a challenge for economic theory: It needs to combine models of banking based on contract theory and game theory with models of financial markets.

Five economists take part in the session "In memoriam Sudipto Bhattacharya". Georgy Chabakauri has worked with Sudipto and Kjell Nyborg on securitized lending, asymmetric information, and financial crisis. Sergei Guriev worked with him on intellectual property rights and innovation. Christian Julliard was one of Sudipto's closest colleagues and friends at the Finance Department of LSE. Giovanna Nicodano has published "Insider trading, investment and liquidity: a welfare analysis" with him in 2001. Dimitrios Tsomocos has worked with Sudipto, Charles Goodhart and other co-authors on banks and financial instability and also presents one of the papers at the Macro-Finance session of this conference.

(Parts of this text are adapted from the obituary for Prof Sudipto Bhattacharya on the website of the website of the Finance Department of the London School of Economics.)

** This lecture with an introduction by Maxim Nikitin can be watched at http://video.edu.ru/video/33*

PARTICIPANTS' PROFILES

Marie-Ann Betschinger

ICEF and Faculty of Management, Higher School of Economics

Marie-Ann Betschinger is assistant professor at the International College of Economics and Finance and the Faculty of Management of the Higher School of Economics and research fellow at the International Laboratory in Financial Economics and the Centre for Advanced Studies. She holds a PhD in Economics from the Münster School of Business and Economics. Main research interests of Marie-Ann Betschinger are New Institutional Economics, Foreign Direct Investment, Multinational Enterprise, Cross-border M&A. Marie-Ann Betschinger has published in the Journal of Comparative Economics, the book International Trade and Investment Agreements and Foreign Direct Investment Activities in Developing and Emerging Economies: Evidence from Japanese Multinational Companies, and the book Business in Today's World.

Alexey Boulatov

Higher School of Economics

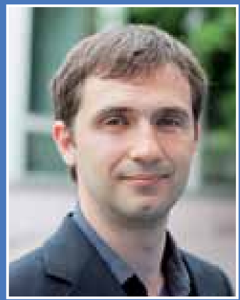
Alexey Boulatov is professor of Finance at the Higher School of Economics, Moscow and research fellow at the International Laboratory in Financial Economics and the Centre for Advanced Studies.
He holds a PhD in Finance from the Haas School of Business, University of California, and a PhD in Physics from the City University of New York. His main areas of interest are Micro-based Analysis in Asset Pricing, Market Microstructure, Computational Finance, Informational Economics. Alexey Boulatov has published in the Review of Financial Studies, the Journal of Banking and Finance, the Review of Economic Studies, and the Journal of Risk and Insurance. He has also a number of publications in physics.

PARTICIPANTS' PROFILES

Georgy Chabakauri

London School of Economics and Political Science

Georgy Chabakauri is a lecturer in Finance at the London School of Economics and Political Science. He holds a PhD in Finance from the London Business School. His main research interests are Asset Pricing, Portfolio Choice, Risk Management. Georgy Chabakauri has published in the Review of Financial Studies.



Sergey Gelman

ICEF, Higher School of Economics

Sergey Gelman is assistant professor at the International College of Economics and Finance of the Higher School of Economics and research fellow at the International Laboratory in Financial Economics. He holds a PhD in Economics from the Universität Münster.
His main research interests are Stock Price Dynamics around Takeovers, Identification of Structural Breaks and Regime Switching in Financial Time Series, Pricing of Derivatives in Forefront of Anticipated Significant Events, Asset Pricing and Consumption Preferences.
Sergey Gelman has published in the Journal of Empirical Finance and the European Review of Economic History.

Stéphane Guibaud

London School of Economics and Political Science

Stephane Gibaud is a lecturer in at the London School of Economics and Political Science. He holds a PhD in Economics from the Paris School of Economics. Main research interests of Stephane Gibaud are Asset Pricing, International Finance, Dynamic Contracting. His research has been published in the Journal of International Money and Finance.
Patrick Kelly is assistant professor of Finance at the New Economic School. He holds a PhD in Business Administration with a concentration in Finance, from the W. P. Carey School of Business, Arizona State University. His main areas of interest are Market Efficiency, Investments, International Investments, Empirical Asset Pricing. Patrick Kelly has published in the Review of Financial Studies, Journal of Banking and Finance.

Sergei Guriev

New Economic School

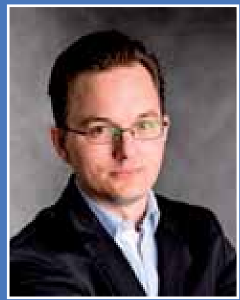
Sergei Guriev is a professor of Economics and the Rector of the New Economic School in Moscow. He is also the President of the Center for Economic and Financial Research at the New Economic School. Sergey Guriev holds a Doctor of Science in Economics and a PhD in Applied Mathematics from the Russian Academy of Science. His research interests include Contract Theory, Corporate Governance, Labor Mobility, Political Economics, Economics of Development and Transition.
Sergey Guriev has published in the Journal of Law, Economics, and Organization, the Journal of Public Economics, the American Political Science Review, the Journal of Economic Behavior and Organization, the Journal of Economic Perspectives, the Journal of European Economic Association, and the American Economic Review, among others.

PARTICIPANTS' PROFILES

Christian Julliard

London School of Economics and Political Science

Christian Julliard is a lecturer at the Department of Finance, and a senior research associate of the Financial Market Group (FMG), at the London School of Economics and Political Science. He is also a research affiliate of the International Macroeconomics and Financial Economics programs of the Centre for Economic Policy Research (CEPR), and the Academic Director of the International Laboratory of Financial Economics (LFE) at ICEF.
He was awarded a PhD by the Department of Economics at Princeton University where he was also affiliated with the Bendheim Center for Finance and the Woodrow Wilson School of Public and International Affairs. His research interests span Macroeconomics, Finance, and the Frontier of Applied Econometrics. His research has been published in the Journal of Political Economy and the Review of Financial Studies.



Patrick Kelly

New Economic School

Patrick Kelly is assistant professor of Finance at the New Economic School and a research fellow at the International Laboratory in Financial Economics of ICEF, Higher School of Economics. He holds a PhD in Business Administration with a concentration in Finance, from the W. P. Carey School of Business, Arizona State University.
His main areas of interest are Market Efficiency, Investments, International Investments, and Empirical Asset Pricing. Patrick Kelly has published in the Review of Financial Studies, and the Journal of Banking and Finance.

Dmitry Livdan

University of California, Berkeley

Dmitry Livdan is associate professor of Finance at the Haas School of Business, University of California, Berkeley. He holds a PhD in Finance from the Wharton School, University of Pennsylvania, and a PhD in Physics from the City University of New York.
His main research interests are Asset Pricing, Informational Economics, and Corporate Finance. His research has been published in the Journal of Finance, the Journal of Financial Economics, the Review of Financial Studies, and the Journal of Financial Markets.

Dmitry Makarov

New Economic School

Dmitry Makarov is assistant professor of Finance at the New Economic School and research fellow at the International Laboratory in Financial Economics. He holds a PhD in Finance from the London Business School.
His research interests include Asset Pricing, Portfolio Choice, and Money Management.
Dmitry Makarov has published in the Journal of Finance, the Journal of Financial Economics, and Finance Research Letters.

PARTICIPANTS' PROFILES

Stanimir Morfov

ICEF, Higher School of Economics

Stanimir Morfov is assistant professor at the International College of Economics and Finance of the Higher School of Economics and research fellow at the International Laboratory in Financial Economics. He holds a PhD in Economics from the Universidad Carlos III de Madrid. His main scientific areas of research are Dynamic Contracts Theory, Corporate Governance, Pricing at Stock Markets, Executive Pay, Computation, and Asset Pricing.

Giovanna Nicodano

University of Turin

Giovanna Nicodano is professor of Financial Economics at the University of Turin, Research Fellow at Collegio Carlo Alberto and Netspar (the Netherlands) and research associate of the European Corporate Governance Institute (Belgium).
She obtained her PhD in Economics from Princeton University.
In Turin she co-founded the Centre for Research on Pension (CeRP). She currently chairs the Two-Year Masters in Economics and Finance of the Faculty of Economics, after serving as scientific director of the postgraduate Masters Program in Finance. She was national coordinator of projects sponsored by the EU Commission and the European Science Foundation. She has been a visiting scholar at the London School of Economics, CEMFI Madrid, and the Universities of Amsterdam, Freiburg and Haifa.
Her research deals with Corporate Finance, Asset Pricing and Portfolio Choice, and has been published in the Journal of Finance, the Annals of Finance, the Review of Finance, the Journal of Banking and Finance, the European Economic Review, the Journal of Public Economics, and the Journal of Real Estate Finance and Economics.

Udara Peiris

ICEF, Higher School of Economics

Udara Peiris is assistant professor at the International College of Economics and Finance of the Higher School of Economics and research fellow at the Center for Advanced Studies. Udara Peiris holds a PhD in Financial Economics from the University of Oxford. His main research interests are in Macroeconomics (Monetary Economics, International Finance) and Asset Pricing (Credit Risk, Banking/Financial Stability). Udara Peiris has published in Economic Theory and the Annals of Finance.

Herakles Polemarchakis,

University of Warwick

Herakles Polemarchakis is professor at the University of Warwick, Department of Economics. He is also a research fellow at the European Economic Association and the Econometric Society. In 2009-2011 Herakles Polemarchakis was the Economic Adviser to the Prime Minister, Greece. Herakles Polemarchakis holds a PhD in Economics from Harvard University.

Herakles Polemarchakis works in Economic Theory and, in particular, the Theory of Economic Policy. His research has been published in the Review of Economic Studies, the Journal of Economic Theory, the Journal of Mathematical Economics, the American Economic Review, Econometrica, the Quarterly Journal of Economics, the European Economic Review, and the International Economic Review.

PARTICIPANTS' PROFILES

Carsten Sprenger

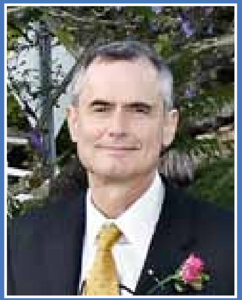
ICEF, Higher School of Economics

Carsten Sprenger is assistant professor at the International College of Economics and Finance of the Higher School of Economics and head of the International Laboratory in Financial Economics. He holds a PhD in Economics from the Universitat Pompeu Fabra. His research interests are Corporate Finance, Corporate Governance and Risk Management. Carsten Sprenger has published in the Journal of Comparative Economics and the Journal of the New Economic Association.

Vladimir Sokolov

ICEF, Higher School of Economics

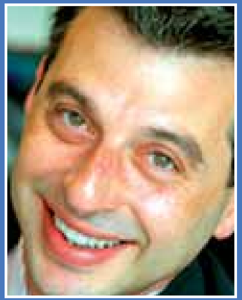
Vladimir Sokolov is assistant professor at the International College of Economics and Finance of the Higher School of Economics and research fellow at the International Laboratory in Financial Economics. He holds a PhD in Economics from the University of Notre Dame. Main research interests of Vladimir Sokolov are International Economics, Financial Economics, Monetary Economics, Foreign Exchange Markets, Exchange Crises and Exchange Rate Management, Bond Markets, Derivative Financial Instruments, Macroeconomics of the Banking Sector. His research has been published in the Review of International Economics, the Pacific Economic Review and the Journal of the New Economic Association.



Bart Taub

Durham University

Bart Taub is professor of Finance at the University of Durham. He holds a PhD from the University of Chicago. Bart Taub studies dynamic models in which information and commitment play a role. He currently is applying these ideas to models of stock markets, international lending and corporate mergers.
Main research interests of Bart Taub are Dynamic Models of Market Microstructure, Industrial Organization, Monetary Theory, Economic Development, Contract Theory. Bart Taub has published in the Journal of Economic Theory, the Journal of Financial Markets, Economic Theory, Economic Inquiry, the Journal of Finance, the Journal of Macroeconomics, the Review of Economic Design, Finance and Stochastics, and the Annals of Finance.



Dimitrios Tsomocos

Saïd Business School, Oxford University

Dimitrios Tsomocos is a reader in Financial Economics at the Saïd Business School and fellow in Management at St. Edmund Hall, University of Oxford. He is also a senior research associate at the Financial Markets Group at the London School of Economics.
He holds a PhD from Yale University. Dimitrios Tsomocos' current research focuses on Banking and Regulation, Incomplete Asset Markets, Systemic Risk, Financial Instability and Issues of New Financial Architecture.
Dimitrios Tsomocos has published in the Journal of Financial Stability, Economic Theory, the International Game Theory Review, the Annals of Finance, the Journal of Mathematical Economics, and the Journal of World Economics Review, among others.

Branko Urošević

National Bank of Serbia and Faculty of Economics, University of Belgrade

Branko Uroševic is an associate professor of Financial Economics and Operations Research at the Faculty of Economics of the University of Belgrade and a special advisor for research to the Governor of the National Bank of Serbia. Branko Uroševic holds a PhD in Physics from Brown University, USA, and a PhD in Finance from the Haas School of Business, University of California at Berkeley, USA. He conducts research in the Cross Section of Asset Pricing and Corporate Finance, Banking, Risk Management, the Role of Informational Asymmetry on the Formation of Share Prices, and Issues Related to Real Estate Finance and Economics. He has published in the leading general sciences, economics and management journals such as the PNAS, the Journal of Political Economy , Economic Theory, Management Science and the Journal of Real Estate Finance and Economics.

THE INTERNATIONAL LABORATORY OF FINANCIAL ECONOMICS

The International Laboratory of Financial Economics (LFE) has been established in 2010 at the International College of Economics and Finance (ICEF) of the Higher School of Economics (HSE) in collaboration with the London School of Economics (LSE). Its main goal is to support research at best international standards. Many research projects have a particular focus on emerging financial markets. The core research team consists of Moscow based researchers who hold a PhD degree from recognized European and US universities with an affiliation to ICEF or HSE, as well as international fellows. The Laboratory is headed by Christian Julliard (LSE) and Carsten Sprenger (ICEF). A particular feature of the Laboratory is its close cooperation with LSE. The LSE Academic Director of the Laboratory Christian Julliard and invited experts are crucial in the design of the research program of the Laboratory, the choice of research projects to be supported, in giving advice on the projects conducted in the framework of the LFE.
The laboratory helps to create an intellectual environment for fruitful research in financial economics and provides research support to the resident researchers and international fellows. LFE serves to broaden the interaction and contacts of its resident researchers with the international scientific community. To this end, LFE organizes an annual academic conference on research in finance and invites researchers to the joint LFE-ICEF research seminar.
Laboratory researchers regularly present their work at international conferences and publish in recognized peer-reviewed international journals in finance and economics. Many papers are previously disseminated in the ICEF Working paper series. Research assistants form an integral part of the team of the laboratory. As a rule, these are students enrolled at the two-year Master's Programme in Financial Economics of ICEF or advanced students in ICEF's Bachelor Programme. This helps students who are interested in research to get experience in economic research and to raise their academic profile. In addition, results of the research find their way into the courses and student seminars at ICEF. The laboratory benefits from the library and data resources available at the Higher School of Economics and should facilitate the purchase of new datasets. Currently, the work of the laboratory is funded by the Center of Fundamental Research of HSE and ICEF.

The laboratory has three priority areas of research:

- Finance, banking and the macroeconomics
- Efficiency of financial markets, and
- Corporate finance and governance.

The International College of Economics and Finance (ICEF)is a unique college, that was established in 1997 thanks to the combined efforts of the London School of Economics and Political Science (LSE), one of the world's leading centers of education and scientific research in economics, and the National Research University Higher School of Economics (HSE). Today ICEF in academic cooperation with the LSE offers a unique in Russia and Eastern Europe double degree Bachelor's programme and international Master's programme in Financial Economics.

The National Research University Higher School of Economics (HSE) is one of the most prestigious universities in Russia and the leader in economics and social sciences. In October 2009 the HSE received the status of a National Research University.

The London School of Economics and Political Science (LSE) is a world class centre for its concentration of teaching and research across the full range of the social, political and economic sciences. Founded in 1895, LSE has an outstanding world reputation for academic excellence

CONTACTS

PHONE:
+7 (495) 580-89-19
FAX:
+7 (495) 772-95-90 * 026124

E-MAIL:
ICEF@HSE.RU

ICEF.HSE.RU
LFE.HSE.RU

HOW TO FIND US

ADDRESS:
26, UL. SHABOLOVKA,
MOSCOW, RUSSIA
NATIONAL RESEARCH
UNIVERSITY HIGHER
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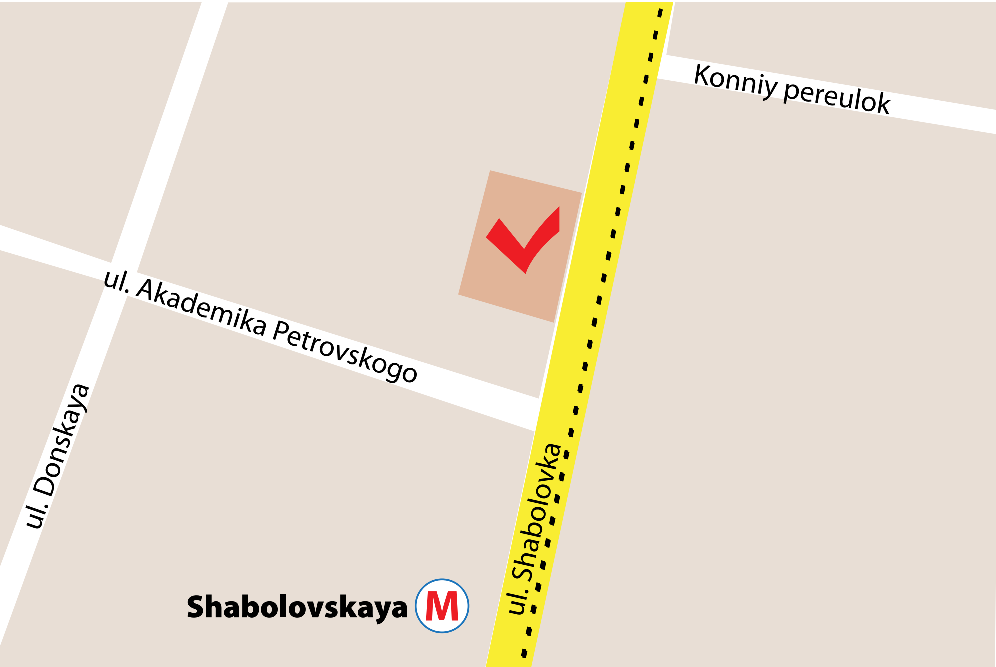

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26, ul. Shabolovka,
Moscow, Russia
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