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EDUCATION

Ph.D. Finance, Tilburg University, the Netherlands, expected Dec 2013
M.Phil. Finance, Tilburg University, the Netherlands, August 2009
M.Phil. Economics (Cum Laude), Tilburg University, the Netherlands, August 2009
B.A. Public Economics (Cum Laude), Shandong University, China, June 2007

DISSERTATION

"Essays on Financial Fragility and Regulation"
Committee: Prof. Thorsten Beck (Chair), Prof. Eric van Damme, Prof. Fabio Castiglionesi, Prof. Jan Boone, Prof. Wolf Wagner, Prof. Elena Carletti (Bocconi University), Prof. Lucy White (Harvard Business School)

FIELDS OF SPECIALIZATION

Primary: Banking (Theory and Empirical), Financial Market and Institutions
Secondary: Corporate Finance, Industrial Organization

REFERENCES

Professor Thorsten Beck
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Professor Xavier Freixas
Universitat Pompeu Fabra
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(+34) 93-542-2726

WORKING PAPERS

"Herding and Market Liquidity", Job market paper
- 2013 Tilburg University Internal Workshop
- 2012 Netherlands Bureau for Economic Policy Analysis (CPB), Den Haag

"Banking Competition and Stability: The Role of Leverage", with Xavier Freixas
- 2014 AFA annual meeting, Philadelphia (scheduled)
- 2013 5th Financial Stability Conference, Tilburg
- 2013 WEAI/IBEFA summer conference, Seattle
- 2013 Marie Curie ITN-Conference on Financial Risk Management and Reporting, Konstanz
- 2012 Tilburg University Internal Workshop

"Self-fulfilling Fire-sales, Bank Runs and Contagion: Implications for Bank Capital and Regulatory Transparency", with Zhao Li
- 2013 13th FDIC-JFSR Annual Bank Research Conference, Arlington
- 2013 WEAI/IBEFA summer conference, Seattle

"Cost Asymmetry and Market-Dividing Cartels: Implications for Leniency Programs"
- 2012 ENTER Jamboree, Barcelona
- 2011 Hong Kong Economic Association Biennial Conference, Tianjin
- 2010 CLEEN workshop, Amsterdam
- 2010 Seminar, York University (UK)

"How Does Corporate Governance Affect Bank Capitalization Strategies?", with Deniz Anginer, Asli Demirguc-Kunt and Harry Huizinga (Submitted)

WORKS IN PROGRESS

“Banking Competition and Stability: A Comprehensive Examination Using Model Averaging”, with Thorsten Beck and Wendun Wang

“Bank Corporate Governance and Systemic Risk”, with Deniz Anginer, Asli Demirguc-Kunt and Harry Huizinga

TEACHING EXPERIENCE

Teaching Assistant, Economics of Banking and Finance, Tilburg University, 2012

Teaching Assistant, Money, Banking and Financial Markets, Tilburg University, 2010

RESEARCH/WORK EXPERIENCE

Consultant, World Bank, DEC Research Group, Oct 2012 – present

Joint research on Bank Corporate Governance and Risk-taking, with Deniz Anginer, Asli Demirguc-Kunt and Harry Huizinga

Research Fellow, European Union Marie Curie ITN, University Pompeu Fabra 2010-2011

Joint research on Banking Competition and Financial Stability, with Xavier Freixas

Research Assistant for Thorsten Beck and Wolf Wagner, Tilburg University 2008-2009

AWARDS

Marie Curie Scholarship to visit University Pompeu Fabra, European Commission, 2010-2011

HSP Huygens Scholarship, Dutch Ministry for Education, Culture and Science, 2007-2009

Tjalling C. Koopmans Scholarship, CentER, Tilburg University, 2007

Netspar Scholarship for M.Phil. Thesis, 2008

Merit Scholarship Shandong University, 2003-2006

REFEREEING ACTIVITIES

Journal of Money, Credit, and Banking, Journal of Applied Econometrics, Journal of Financial Stability

SUMMER SCHOOLS

22nd Jerusalem Summer School in Economic Theory: *The Global Financial Crisis*, 2011

Barcelona Banking Summer School, 2010

20th Jerusalem Summer School in Economic Theory: *The Economics of Contracts*, 2009

SOFTWARE SKILLS

LaTeX, Matlab, Stata, SAS, Microsoft Office Pack

PAPER ABSTRACTS

Herding and Market Liquidity. *<u>Job market paper</u>*

The paper studies herding driven by the need for market liquidity. By investing in the same asset, investors can expect homogeneous returns and thereby limit private information on asset qualities. This mitigates adverse selection and generates asset liquidity. Such liquidity creation, however, results in systemic risk: When the asset experiences a loss, all investors become stressed at the same time. Herding therefore presents a trade-off between systemic risk and liquidity creation. The model also suggests that systemic risk and leverage are mutually reinforcing: Herding by investing in a systemic but liquid asset increases collateral value and debt capacity. Moreover, investors leveraged with short-term debt will find the systemic but liquid asset attractive for reducing risk of bank runs. The model offers an explanation of why banks exposed themselves collectively to mortgage-backed securities prior to the crisis, and why the exposure grew when banks were increasingly leveraged using wholesale short-term funding.

Banking Competition and Stability: The Role of Leverage. (with Xavier Freixas)

This paper reexamines the classical issue of the possible trade-off between banking competition and financial stability by highlighting the key role of leverage. By means of a simple model we show how competition affects portfolio risk, insolvency risk, liquidity risk and systemic risk differently. The relationships depend crucially on banks' liability structure, and more precisely, on whether banks are financed by insured retail deposits or by uninsured wholesale funding. In addition, we argue that a bank's leverage plays a central role: It is optimally set based on the portfolio risk and affects bank's solvency, funding liquidity and exposure to contagion. Thus the analysis of the relationship between banking competition and stability should carefully distinguish between the different types of risk and should take into account banks' endogenous leverage decisions. This leads us to revisit the existing empirical literature using a more precise taxonomy of risk and taking into account endogenous leverage, thus clarifying a number of apparently contradictory empirical results and allowing us to formulate new testable hypotheses.

Self-fulfilling Fire-sales, Bank Runs and Contagion: Implications for Bank Capital and Regulatory Transparency. (with Zhao Li)

The paper presents a model where fire-sales and bank runs are self-fulfilling and mutually reinforcing. When creditors anticipate low prices for a bank's asset sales, a run is triggered, which generates fire-sales and the corresponding collapses in asset prices, thus fully justifying the panics of creditors. The reasoning extends to contagion when banks have common risk exposures. As one bank fails, asset buyers become more pessimistic and perceive all banks' assets less valuable. The decline in asset prices precipitates runs onto all other banks. Hence runs and fire-sales fuel each other, a phenomenon that explains the extent of sub-prime crisis in spite of the small amount of sub-prime lending in the total credit supply. The model delivers two policy implications. (1) Since a run on a well-capitalized bank signals unusually high risk and can strongly reduce asset prices, high capital can have unintended consequences on bank illiquidity and contagion. (2) Regulators should be very careful about disclosing information on banks' common risk: While favorable opinions save illiquid banks, acknowledging a crisis will cause contagion due to buyers' pessimistic belief updating.

Cost Asymmetry and Market-Dividing Cartels: Implications for Leniency Program.

In a duopoly setting, the paper studies how cost asymmetry influences cartel stability and the effectiveness of leniency programs. It shows that when two firms collude to divide a market, the efficient firm gains more and has a stronger incentive to form a cartel than its high cost partner does. When the cartel remains stable under the leniency program, the inefficient firm gains a higher market share by threatening to self-report, which reduces both productive and allocative efficiency. However, the efficient firm will foresee the hold-up problem and hence become more reluctant to collude. The introduction of leniency program thus results in a trade-off between ex-ante deterrence and ex-post efficiency. By contrast, traditional antitrust investigation can both deter cartels and improve allocation. Leniency programs should therefore be viewed as a second best solution for budget-constrained antitrust authorities.

How Does Corporate Governance Affect Bank Capitalization Strategies? (with Deniz Anginer, Asli Demirguc-Kunt and Harry Huizinga)

This paper examines how corporate governance and executive compensation affect bank capitalization strategies for an international sample of banks over the 2003-2011 period. 'Good' corporate governance, which favors shareholder interests, is found to give rise to lower bank capitalization. Boards of intermediate size, separation of the CEO and chairman roles, and an absence of anti-takeover provisions, in particular, lead to low bank capitalization. However, executive options and stock wealth invested in the bank is associated with better capitalization except just before the crisis in 2006 when executive stock options wealth was associated with lower capitalization which suggests that potential gains from taking on more bank risk outweighed the prospect of additional loss. Banks' tendency to continue payouts to shareholders after experiencing negative income shocks are shown to reflect executive risk-taking incentives.