

Program

Welcome to the Spring 2004 Washington Area Finance Association Conference

Sponsored by:

**Washington Area Finance Association
Federal Deposit Insurance Corporation
NASDAQ**

April 16, 2004

Conference Location:

**FDIC Seidman Center
3501 N. Fairfax Drive
Arlington, VA**

**Across from Virginia Square/George Mason Metro Station (Orange line)
(N. Fairfax Drive at Monroe Street)**

Registration is Free

Program Schedule:

**Registration, Coffee, Tea Pastry 9:00 am-9:45 am
Meet on Second Floor Near Auditorium
First Concurrent Sessions 9:45 am-12:00 pm**

**Lunch & Speaker 12:00 pm-1:30 pm
Fred Carns, Deputy Director
Division of Insurance and Research**

**Second Concurrent Sessions 1:45pm-4:00pm
Reception 4:00pm-5:00pm**

Parking is limited

**Parking is available at the George Mason University Arlington Campus
adjacent to the FDIC Seidman Center**

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Papers, Authors and Discussants

CONCURRENT SESSIONS (9:45am – 12:00pm)

Room 201

Session I: Issues in Bank Risk Measurement and Monitoring

Chair: Gerald Hanweck, George Mason University

Papers: Can Equity Markets Help Predict Bank Failures?

Timothy Curry and Gary Fissel – F.D.I.C.

Email → GFissel@fdic.gov

Tour de KMV EDF's: Time Series Properties and Factor Models

P.A. Venkatesh – OCC.

Email → PC.Venkatesh@occ.treas.gov

Proctor & Gamble – Bankers Trust Transaction: A Margrabe Model Analysis of Value and Risk

William Margrabe – The William Margrabe Group and David Schull & Thomas Porcano – Univ. of Miami, Ohio

Email → bill@margrabe.com

A General Martingale Approach to Measuring and Valuing the Risk to the FDIC Deposit Insurance Funds,

Robert Jarrow, Cornell, Rosalind Bennett and Dan Nuxoll, FDIC

rbennett@fdic.gov, dnuxoll@fdic.gov

Discussants: Thomas Lutton, OFHEO

Room 203

Session II: Risk Management and Corporate Governance

Chair: Arthur Wilson, George Washington University

Papers: Credit Ratings: The Perspective of Japanese Raters

by Lisa Fairchild and Yoon Shin; Dept. of Finance, Loyola College in Maryland.

Email → YShin@loyola.edu

Do Monitors Monitor – Write-offs and Corporate Governance

by Kristina Minnick; Robert H. Smith School of Business, University of Maryland.

Email → Kristina.L.Minnick@frb.gov

AUDITORS' RISK MANAGEMENT AND REPUTATION BUILDING IN THE POST-ENRON ENVIRONMENT: AN EXAMINATION OF EARNINGS CONSERVATISM OF FORMER ANDERSEN CLIENTS, by Gopal Krishnan, GMU.gkrishn1@gmu.edu

Corporate Governance and Shareholder Base,

Karl Lins and Francis E. Warnock, Federal Reserve Board frank.warnock@frb.gov

Discussants: Chris Jones, GWU; Krishna Kumar, GWU;

Room 205

Session III: Issues in Corporate Debt

Chair: Reza Saidi, Catholic University

Papers: Firm Size, Debt Capacity, and Corporate Financing Choices

by Senay Agca – School of Business and Public Management, George Washington University and Abon Mozumdar – Pamplin College of Business, Virginia Tech. Email → Abon Mozumdar abon@vt.edu

How do Taxes Affect Corporate Payout Policy? Evidence from Insider Ownership*

by Jim Hsieh, GMU. jhsieh@gmu.edu

Dividend Change, Institutional Ownership and Shareholder Wealth,* by Oliver Li, Notre Dame University

oli@nd.edu

Corporate Credit Risk Changes: Common Factors and Firm Level Fundamentals

by Doron Abramov, Gergana Jostova, Alexander Philipov,
of U. Maryland, GWU and Fannie Mae, respectively, jostova@gwu.edu

Discussants: Michelle Danis, OFHEO

Room 207

Session IV: Securities Regulation and Trading

Chair: Amy Edwards, SEC

Papers: The Effect of 12b1 Plans on Mutual Fund Investors, Revisited *

by Sean Collins – Investment Company Institute.
Email → Collins, Sean scollins@ici.org

Unanticipated Effects of Insider Trading Regulation *

by Art Durnev – Univ. of Miami (FL), and Amrita Nain – Univ. of Michigan
Email → adurnev@exchange.sba.miami.edu

Economic Fundamentals, Risk, and Momentum Profits,* by Zhang Lu, et al. Univ. of Rochester

zhanglu@simon.rochester.edu

An Empirical Analysis of Insider Trade Behavior within Rule 10b5-1

by Alan Jagolinzer–Penn State.
Alan Jagolinzer adj100@psu.edu

Discussants: Cindy Alexander, SEC; Lori Walsh, SEC;

Lunch and Speaker 12:00pm-1:30pm, Fred Carns, Deputy Director, DIR, FDIC

CONCURRENT SESSIONS (1:45pm – 4:00pm)

Room 201 Session V: Macroeconomic Conditions in Finance and Growth

Chair: Lisa Ryu, FDIC

Papers: A Century of Bank Failures and Macroeconomic Conditions: the role of macroeconomic variables in explaining bank failures Harry John and James Ferguson – F.D.I.C., Memphis.

Email → James Ferguson jferguson@belhaven.edu

Refinance and the Accumulation of Home Equity Wealth Yan Chang, Freddie Mac and Fran Nothaft, Freddie

Mac. yan_chang@freddiemac.com Frank_Nothaft@freddiemac.com

Financial Intermediaries, Markets and Growth

Falko Fetch, Kevin Huang and Antoine Martin, KC Fed. Kevin.Huang@kc.frb.org

Macroeconomic Shocks and Bank Lending in Indonesia,

Iwan Azis and Willem Thorbecke, Cornell and GMU wthorbec@gmu.edu

Discussants: Marco Cipriani, GWU; Gerald Hanweck, GMU; Frederick Joutz, GWU

Room 203

Session VI: Asset and Currency Price Dynamics

Chair: Gary Fissel, FDIC

Papers: **The WSJ Yen/\$ Forecasts “Turn 30:” – a Report on Their Usefulness**
by Erik Benrud – American Univ. Email → ebenrud@american.edu

The Nonlinear Dynamics of Interest Rates

by Philip Shively – Lafayette College.
Email → Philip Shively shivelyp@mail.lafayette.edu

Asset Prices and Asset Correlations in Illiquid Markets

by Celso Brunetti and Alessio Caldarera; Dept. of Finance, Johns Hopkins University.
Email → celsob@jhu.edu

Block Trades in Futures Markets, Michael Haigh, et al. CFTC mhaigh@cftc.gov

Discussants: J. L. Chen, GWU;

Room 205

Session VII: Venture Capital and Large Institutions' Role in Financial Markets

Chair: Chris Vizas, Eastwind Partners

Papers: **Should Venture Capitalists Put All Their Eggs in One Basket? Diversification vs. Pure Play Strategies in Venture Capital**, April Knill – Univ. of Maryland → P.M. only. Email → aknill@rhsmith.umd.edu

The Decline and Fall of the Glass-Steagall Act: The Role of PAC Contributions,
Carlos Ramirez, Economics, George Mason University, cramirez2@gmu.edu

Venture Capital Finance, Agency Problems, and Country Level Development,
Oghenovo Obrimah, University of Maryland, College Park, oobrimah@rhsmith.umd.edu

Does FHA “Crowd-Out” Private Mortgage Insurance?
by Frank Nothaft and Penka Trentcheva – Freddie Mac
penka_trentcheva@freddiemac.com

Discussants: Brad Harries, Eastwind Partners; Andrei Kirilenko, IMF;

Room 207

Session VIII: Equity Options Markets, Liquidity and Capital Market Imperfections

Chair: George Jabbour, George Washington University

Papers: **The Impact of Capital Market Imperfections on Investment Cash-Flow Sensitivity**, Senay Agca and Abon Mozumdar, GWU and Virginia Tech, respectively, sagca@gwu.edu.

Liquidity, Liquidity Commonality and Its Impact on Portfolio Theory,
Ian Domowitz–Analytical Products and Research Group, ITG Corp., Oliver Hansch–Penn St. Univ. and Nasdaq, Xiaoxin Wang–Southern Ill. Univ. ohansch@psu.edu

Short Sale Constraints, Over Valuation and the Introduction of Options
Stewart Mayhew, Vassil Mihov, of SEC and University of Georgia, and Texas Christian U.
mayhews@sec.gov

A Discrete Choice Approach to Measuring Competition in Equity Options Markets, Michelle Danis, OFHEO.
danis@email.unc.edu

The Case for Early Full Funding of Defined Benefit Pension Plans
by Bernell K. Stone and Zane Williams – SEC, StoneB@SEC.GOV

Discussants: Tim McCormick, NASDAQ; Gerald Hanweck, GMU; Jeff Harris, U. of Delaware;