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

Contacts:
Gary S. Fissel
FDIC
Tel: (202) 898-3949
gfissel@fdic.gov
Gerald A. Hanweck
George Mason University
703-993-1855
ghanweck@gmu.edu
Arthur J. Wilson
George Washington University
202-994-8058
ajw1@gwu.edu
### 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

<table>
<thead>
<tr>
<th>Papers</th>
<th>Authors</th>
<th>Email</th>
</tr>
</thead>
<tbody>
<tr>
<td>Can Equity Markets Help Predict Bank Failures?</td>
<td>Timothy Curry and Gary Fissel – F.D.I.C.</td>
<td><a href="mailto:G.Fissel@fdic.gov">G.Fissel@fdic.gov</a></td>
</tr>
<tr>
<td>Tour de KMV EDF’s: Time Series Properties and Factor Models</td>
<td>P.A. Venkatesh – OCC.</td>
<td><a href="mailto:P.C.Venkatesh@occ.treas.gov">P.C.Venkatesh@occ.treas.gov</a></td>
</tr>
<tr>
<td>Proctor &amp; Gamble – Bankers Trust Transaction: A Margrabe Model Analysis of Value and Risk</td>
<td>William Margrabe – The William Margrabe Group and David Schull &amp; Thomas Porcano – Univ. of Miami, Ohio</td>
<td><a href="mailto:bill@margrabe.com">bill@margrabe.com</a></td>
</tr>
<tr>
<td>A General Martingale Approach to Measuring and Valuing the Risk to the FDIC Deposit Insurance Funds,</td>
<td>Robert Jarrow, Cornell, Rosalind Bennett and Dan Nuxoll, FDIC</td>
<td><a href="mailto:rbennett@fdic.gov">rbennett@fdic.gov</a>, <a href="mailto:dnuxoll@fdic.gov">dnuxoll@fdic.gov</a></td>
</tr>
</tbody>
</table>

**Discussants:** Thomas Lutton, OFHEO

#### Room 203

**Session II: Risk Management and Corporate Governance**  
**Chair:** Arthur Wilson, George Washington University

<table>
<thead>
<tr>
<th>Papers</th>
<th>Authors</th>
<th>Email</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit Ratings: The Perspective of Japanese Raters</td>
<td>Lisa Fairchild and Yoon Shin; Dept. of Finance, Loyola College in Maryland.</td>
<td><a href="mailto:YShin@loyola.edu">YShin@loyola.edu</a></td>
</tr>
<tr>
<td>Do Monitors Monitor – Write-offs and Corporate Governance</td>
<td>Kristina Minnick; Robert H. Smith School of Business, University of Maryland.</td>
<td><a href="mailto:Kristina.L.Minnick@frb.gov">Kristina.L.Minnick@frb.gov</a></td>
</tr>
<tr>
<td>AUDITORS’ RISK MANAGEMENT AND REPUTATION BUILDING IN THE POST-ENRON ENVIRONMENT: AN EXAMINATION OF EARNINGS CONSERVATISM OF FORMER ANDERSEN CLIENTS,</td>
<td>Gopal Krishnan, <a href="mailto:GMU.gkrishn1@gmu.edu">GMU.gkrishn1@gmu.edu</a></td>
<td></td>
</tr>
<tr>
<td>Corporate Governance and Shareholder Base,</td>
<td>Karl Lins and Francis E. Warnock, Federal Reserve Board</td>
<td><a href="mailto:frank.warnock@frb.gov">frank.warnock@frb.gov</a></td>
</tr>
</tbody>
</table>

**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 12b-1 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 ebenuud@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, cramire2@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,
Jan 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;