



WFA-CFAR

MISSION

WFA-CFAR is a catalyst for enhancing and disseminating cutting-edge finance and accounting research. The center acts as a learning laboratory, facilitating interaction among Olin faculty, Olin students, and business partners to identify real-world business problems and develop practical, effective solutions.

VISION

To be a premier research center that promotes and supports the most innovative finance and accounting research at Olin, and connects students to businesses in order to transform business practice and education.

OBJECTIVES

- Specialized Masters programs in finance (MSF) and accounting (MACC), which provide rigorous curricula and industry-specific knowledge to students through a 10- or 17-month format.
- The Corporate Finance and Investments platform, which realigns our BSBA and MBA curricula to provide students with industry-specific knowledge and experiential learning opportunities, while also ensuring that these students receive a broad business education.
- Sponsored research, which includes company-specific projects as well as research on broader topics, to ensure that Olin faculty remain at the forefront of research excellence.
- Conferences and seminars, which bring together scholars from all over the world to share the latest ideas in finance and accounting.

CONTACT INFORMATION

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for Finance and Accounting Research;
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If you are interested in receiving a copy of any paper listed in this Annual Report, please email thakor@wustl.edu.

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A MESSAGE FROM THE DIRECTOR

Welcome to the Wells Fargo Advisors Center for Finance and Accounting Research (WFA-CFAR). WFA-CFAR is dedicated to the dissemination of cutting-edge research in finance and accounting by encouraging Olin Business School faculty and students to work more closely with companies. We do this through the creative design of courses in our degree programs, executive education courses, research white papers, conferences, and connecting students and business through projects that the students do for these companies.

The WFA-CFAR team works closely with our advisory board to make sure our efforts stay focused on meeting the needs of business. Through our Specialized Masters programs—Master of Accounting, Master of Science in Finance, and Global Master of Finance—as well as the research of our faculty, WFA-CFAR will bring the most exciting research being conducted in finance and accounting into the domain of industry practitioners.

Recently, we launched the Practicum Student Showcase event, which provided a special opportunity for our students to display their experiential learning projects and compete in front of a panel of judges. We also hosted the 19th Annual Finance Conference, held on the Wash U campus. We had about 100 attendees. The center also publishes *SEE FAR*, a research magazine that features faculty research in a form accessible to practitioners. We would also like to further acknowledge Wells Fargo Advisors for their continued support. As a result of this partnership, I look forward to continued success and new endeavors this academic year.

Anjan Thakor

John E. Simon Professor of Finance,
Director of WFA Center for Finance
and Accounting Research,
Washington University in St. Louis

“2024 was the first year that First Bank has worked with WashU Olin on practicum topics that are critical to First Bank’s wealth management and private banking division. I was very impressed with the final practicum results that were presented on the topics of qualitative portfolio modeling and secured asset lending. We had student, faculty, and administrative support from CFAR with high quality results that are reflective of WashU and Olin. We look forward to future engagement and support for CFAR and partnership between First Bank and Olin.”

Charles Claver, Senior Vice President, First Bank

ADVISORY BOARD MEMBERS

2023–24 WFA-CFAR BOARD MEMBERS



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The St. Louis
Trust Company



Rajini Kodialam
E-3 Tech, Emeritus
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Build-A-Bear
Workshop, Inc.



Ken Cella
Edward Jones



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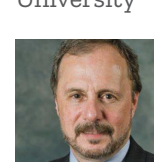
Greg Udell
Indiana
University



Robert Holmes
Commerce Bank
of St. Louis



David Levy
ExxonMobil
Corporation



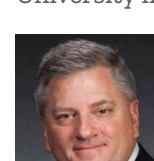
Chris Varvares
Washington
University in St. Louis



Rick Holton Jr.
Hermann Companies



Patty Loepker
Wells Fargo



Dan Winston
Boeing



Wes Jones
Sage Capital LLC



Marcela Manjarrez
M Strategic
Communications
Consulting, Retired
Centene



Atul Kamra
SixThirty

FACULTY BOARD MEMBERS

Tim Solberg
Anjan Thakor

EXECUTIVE IN RESIDENCE

Stuart Zimmerman

OPERATIONS MANAGER

Kristen Jones

WFA-CFAR ADVISORY BOARD MEETINGS FOR 2023-2024

MAY 5, 2023

GUEST SPEAKERS:

- i. "Economic Implications of Intensifying sino-American Competition" (**Dan Blumenthal**, Senior Fellow, American Enterprise Institute)
- ii. "Uncle Sam's Stimulus and Crypto Boom" (**Xiumin Martin**, Professor of Accounting, Olin Business School)

SEPTEMBER 22, 2023

GUEST SPEAKERS:

- i. "Demystifying U.S. Sanctions: Current Sanctions Policies, Effort, and Trajectory" (**David Park**, Team Lead, U.S. Dept. of State's Economic and Business Affairs Bureau's Office of Economic Sanctions and Policy Implementation)
- ii. "19th Annual Finance Conference at WashU" (**Brett Green**, Professor of Finance, Olin Business School)
- iii. "The 'Actual Retail Price' of Equity Trades" (**Xing Huang**, Associate Professor of Finance, Olin Business School)

APRIL 29, 2024

GUEST SPEAKERS:

- i. "Ranking Update" (**Mark Leary**, Co-Vice Dean of Faculty Research and Professor of Finance, Olin Business School)
- ii. "The Political Polarization of Corporate America" (**Margarita Tsoutsoura**, Associate Professor of Finance, Olin Business School)

SEPTEMBER 26, 2024

PLANNED GUEST SPEAKERS:

- i. "Funding Liquidity Creation by Banks" (**Edison Yu**, Economic Advisor and Economist, Federal Reserve Bank Philadelphia)
- ii. "The Impact of Collateral Value on Mortgage Originations" (**Brittany Lewis**, Assistant Professor of Finance, Olin Business School)

FINANCE AND ACCOUNTING SEMINARS

2023–24 FINANCE SEMINARS

Financial scholars from within and outside the Olin community take part in this recurring seminar series. Topics covered include the housing debt crisis, asset pricing, liquidity risk, and retail short selling. Participating speakers come to the event from respected institutions, including Imperial College London, Harvard, New York University, Northwestern University, HEC Paris, Yale, and Stanford University.

2023–24 ACCOUNTING SEMINARS

This recurring series brings the latest academic accounting thinking and theories to Olin. The series allows the field's premier academics to examine topics such as bank transparency, private equity, fair value accounting, and trade credit policy. Upcoming and past speakers include faculty from New York University, Columbia Business School, MIT, UNC Chapel Hill, University of Chicago, The Ohio State University, and Penn State.

FULFILLING OUR MISSION

Dissemination of Cutting-Edge Research

In 2022, CFAR introduced an exciting new initiative on SSRN: **Washington University in St. Louis Olin Business School Center for Finance & Accounting Research Paper Series**. SSRN is a multi-disciplinary online repository of scholarly research and related material. As a leading resource, SSRN provides the opportunity to share and distribute research well before it is published in journals. The series is distributed to thousands of subscribers worldwide and CFAR's working paper series is focused on amplifying important research to a global audience of readers, researchers, and academics. Authors and institutions are ranked on several metrics, most notably the number of downloads. The more often your papers are downloaded, the more highly ranked you and your institution become on SSRN. CFAR's working paper series is an opportunity for collaboration amongst Olin faculty as well as CFAR's global research network to provide research to a large audience, aligning us with our Center's mission.

We invite you to visit CFAR's working paper series page on SSRN.

View papers: <https://www.ssrn.com/index.cfm/en/washington-u-st-louis-olin-res/>

Subscribe: <https://hq.ssrn.com/jourlinvite.cfm?link=Washington-U-St-Louis-Olin-RES>

The more often your papers are downloaded, the more highly ranked you and your institution become on SSRN.

We would like to thank Olin faculty and CFAR's global research network for your support of our working paper series. We look forward to continued collaboration. We hope you enjoy the below summary of notable statistics from CFAR's working paper series in 2023.

Papers: **29** ▶ Downloads: **10,669** ▶ Abstract Views: **36,578**

Top Downloaded Papers 2023

1. **A Primer on Structural Estimation in Accounting Research** (Jeremy Bertomeu, Olin Business School)
2. **Voting Choice** (Nadya Malenko, Boston College)
3. **Missing Data in Asset Pricing Panels** (Andreas Neuhierl, Olin Business School)
4. **Trend Factor in China: The Role of Large Individual Trading** (Guofu Zhou, Olin Business School)
5. **Information Flows, Organizational Structure, and Corporate Governance** (Nadya Malenko, Boston College)

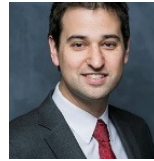
Top Cited Papers 2023

1. **Missing Data in Asset Pricing Panels** (Andreas Neuhierl, Olin Business School)
2. **The Voting Premium** (Nadya Malenko, Boston College)
3. **Higher Purpose, the Greater Good and Finance** (Anjan Thakor, Olin Business School)
4. **Merchants of Death: The Effect of Credit Supply Shocks on Hospital Outcomes** (Richard T. Thakor, University of Minnesota)
5. **Platform-provided Disclosure on Investor Base and Entrepreneurial Success: Evidence from Crowdfunding** (Xiumin Martin, Olin Business School)

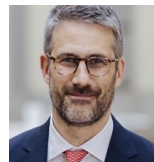
CFAR RESEARCH ASSOCIATES



Cyrus Aghamolla
Rice University



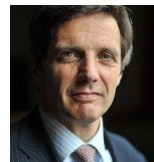
Matthew Baron
Cornell University



Bo Becker
Stockholm School
of Economics



Allen N. Berger
University of
South Carolina



Arnoud Boot
University of
Amsterdam



Yakshup Chopra
University of
Miami



Kim Cameron
University of
Michigan



Andrew Ellul
Indiana University



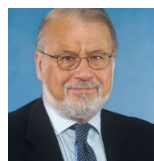
Michael Faulkender
University of
Maryland



Franco Fiodelisi
University of
Essex



Mark Flannery
University
of Florida



Paolo Fulghieri
University of
North Carolina



Peter Haslag
Vanderbilt University



Iftekhar Hassan
Fordham University



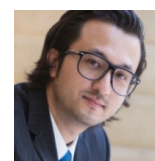
Marcin Kacperczyk
Imperial College
London



Ted Lindblom
University of
Gothenburg



Melina Ludolph
Halle Institute
for Economic
Research



Johan Maharjan
Rensselaer
Polytechnic Institute



Andrey Malenko
Boston College



Nadya Malenko
Boston College



Robert Marquez
University of
California, Davis



Michael Pagano
Villanova
University



Loriana Pelizzon
Johann Wolfgang
Goethe University
Frankfurt am Main



Vincenzo Pezone
Tilburg University



Robert Quinn
University of
Michigan



Merih Sevilir
ESMT Berlin



Joel Shapiro
University of
Oxford



Richard Shockley
Indiana University



Fenghua Song
The Pennsylvania
State University



Kandarp Srinivasan
Northeastern
University



Richard Thakor
University of
Minnesota



John Thanassoulis
The University
of Warwick



Greg Udell
Indiana
University



Edison Yu
Federal Reserve
Bank of Philadelphia



Alexander Zentifis
Yale University

CENTER FOR FINANCE AND ACCOUNTING RESEARCH

Finance Research Ranking

Visit the rankings website here:
<https://cfar-ranking.olin.wustl.edu/>

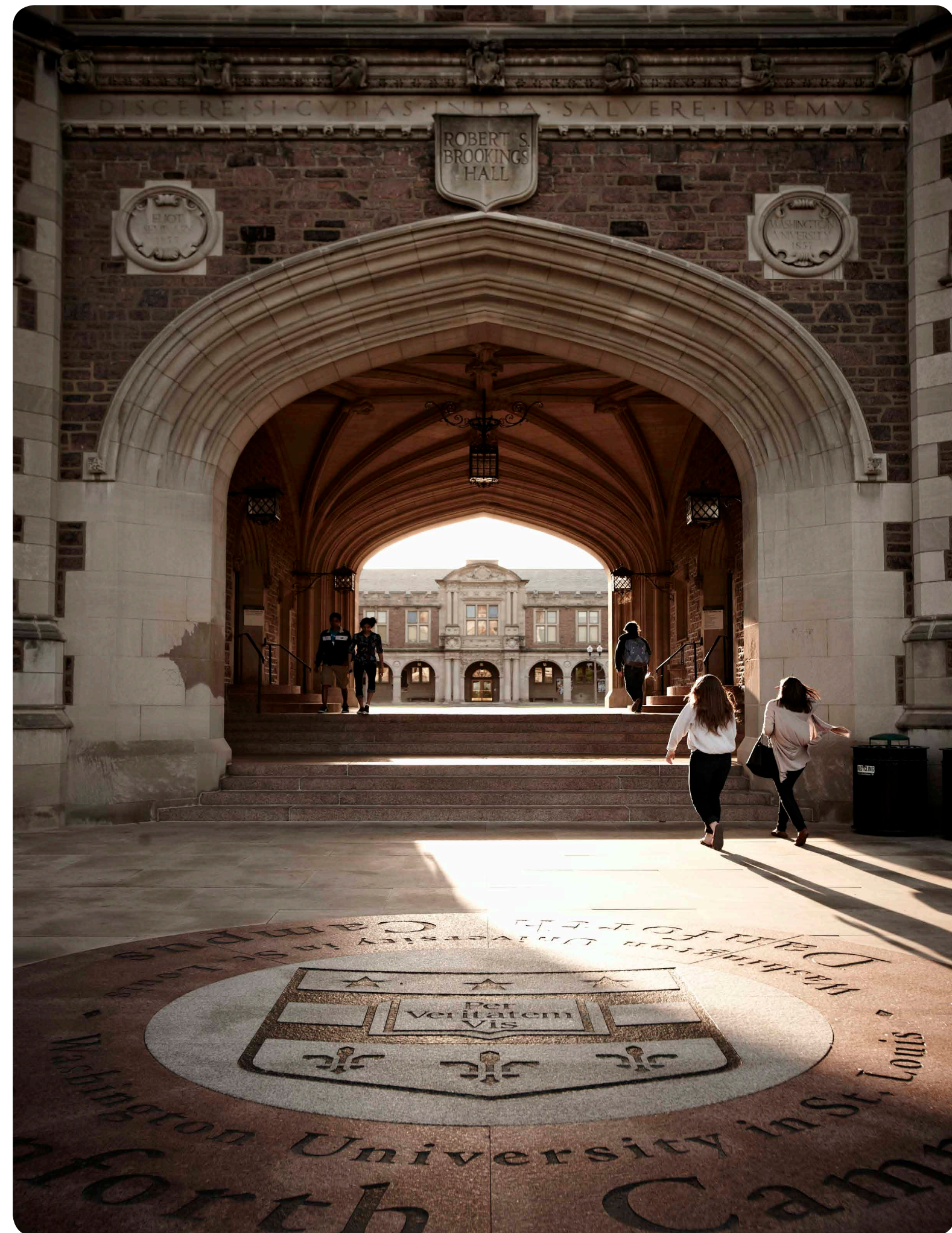
The **CFAR Finance Research Ranking** is a global ranking of finance departments in almost 150 business schools worldwide for the past 23 years and the past decade. The ranking is the first of its kind in many respects, as it includes publications in the top six finance journals (by 2022 impact factor) as well as a host of top journals in Economics and Accounting where Finance faculty publish papers. The rankings provide a per-capita sort where we compute the ratio of total publications by the number of tenure-track and tenured finance faculty in the department. The rankings use a manipulable database that allows the user to change the time-period, chosen journals and whether to sort rankings on per-capita or gross output.

The rankings website has several features that are unavailable elsewhere:

- You can get the rankings for any chosen time-period; the default ranking is for the period 2000-2023.
- You can get either a per-capita ranking (which divides the total research output of the department by the number of tenured and tenure-track Finance faculty) or a gross ranking that does not adjust for faculty size. The default setting is the per-capita calculation.
- You can choose the journals included in the rankings, i.e., you can select any subset of the journals included. The default ranking includes all of them.



Poets & Quants put a spotlight on the rankings website in May 2023 with an interview with the Dean of University of California-Berkeley Haas School of Business. CFAR's ranking named Berkeley Haas as the top business school for finance research based on publications in the world's most influential journals. The article can be found here: <https://poetsandquants.com/2023/05/30/new-ranking-crowns-a-top-b-school-for-finance-research-and-the-winner-may-surprise-you/>.



CFAR Practicum

Experiential learning in finance

Cutting-edge business strategy. State-of-the-art analytical tools. Intellectual property rights. Access to future talent. Washington University's student consulting teams—the next generation of finance and accounting experts—are ready to apply advanced analytics and actionable insights to your business challenges. Conducted through Olin Business School's Wells Fargo Advisors Center for Finance and Accounting Research, Practicum projects are customized, hands-on, student led and faculty guided.



THE WELLS FARGO ADVISORS CENTER FOR FINANCE AND ACCOUNTING RESEARCH

20 to 25 students per team with 4 to 5 subteams

14-week projects

3 project time frames

summer, fall, spring

Areas of expertise

fintech, accounting, corporate finance, quantitative finance, and wealth and asset management issues



Recent Clients

- Edward Jones
- P&G China
- EmpowerMe Wellness
- CoverCress
- St. Louis Symphony Orchestra & Endowment
- Washington University Investment Management Company
- Hermann Capital Companies
- Mastercard
- Neocova

3 STEM-designated programs

- Master of Science in Finance—Quantitative
- Master of Science in Finance—Wealth and Asset Management
- Master of Science in Business Analytics—FinTech Analytics

Intellectual property belongs to your organization

FREE standard consulting

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Confront challenge, create change.

How it works

Step 1: Scope problems

Academic Director Timothy Solberg will manage scoping your project with you. Our goal is for a meaningful project for both the client and the students that can be applied to your work on a day-to-day basis.

Step 2: Collect data

Your faculty-supervised team of students will sign a nondisclosure agreement to protect your confidentiality. They will conduct a thorough analysis of your business needs.

Step 3: Analyze information/data

Your student team will study the data, analyze the situation and draw conclusions to make recommendations to solve your business challenge.

Step 4: Report results

During the 14-week semester, students will report on progress to date. At the end of the term, they will formally present their results and turn in any coding or metric analysis. You will own the intellectual property.

“

WFA-CFAR finance consulting projects bring together some of America's most distinguished finance research faculty and gifted graduate students to collaborate with business partners to solve complex problems facing organizations.”

ANJAN THAKOR, INTERIM DEAN AND FOUNDING DIRECTOR OF CFAR, JOHN E. SIMON PROFESSOR OF FINANCE, WASHU OLIN BUSINESS SCHOOL

Your Practicum project will combine the analytical perspective of talented students in our Master in Finance program with the expertise of our finance faculty. Students will closely study your situation and employ a variety of analytical tools to offer solutions to your business challenge.



Find out more.

olin.wustl.edu/cfar

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Values Based, Data Driven™

MBA AND MSF CORPORATE FINANCE & INVESTMENTS PLATFORM



Host: Timothy G. Solberg, CFA Director of the MBA and MSF Corporate Finance & Investments Platform

Sept. 1st: Introduction to Finance Platform Seminar by Director, Professor **Timothy G. Solberg**, CFA, and guest speaker **Anna Sears**, Senior Portfolio Manager, St. Louis Trust Company, speaking on Ultra High Net Worth Family Office management.

Sept. 8th: US Bank, SVP **Ryan Tomlinson**

on wealth management and banking; **Alan Davies**, CFA portfolio manager.

Sept. 15th: **James Shanahan**, CFA, Edward Jones; CFA Society of St. Louis Board representative on the benefits of taking the three levels of exams, CFA Code of Ethics and being a Charterholder. Local Society events and discounts for students.

Sept. 22nd: Dimensional Funds Advisers, Austin, TX, **Dave Foster**, Dimensional Fund Advisors Campus Recruiting Team Lead, and **Courtney Lee**, Dimensional Fund Advisors Investment Strategist and Olin MBA 2017 alum, speakers on investment management at one of the largest mutual fund and ETF companies in the world.

Sept. 29th: **Chris Keller**, Moelis Asset Management, St. Louis, Olin MBA alum, on Private Equity investments.

Oct. 6th: **Timothy Segrist**, MBA Olin, Corporate Finance, and **Vaibhav Behati**, MBA Olin, Senior Manager Capital Markets, Corporate Treasury, Bunge Corp.

THE FORMAT

Eleven FRIDAY lecture format guest speaker talks in the fall semester from 11:30-12:30 p.m. with formal presentation and Q&A; then lunch will be delivered at 12:30 p.m. for mingle and chance to speak with guest speaker/s informally. The speakers range over a wide variety in corporate finance and asset and wealth management topics to give students a broad exposure to the financial industry. Students are encouraged to take the CFA exams and to participate at a discount in CFA Society of St. Louis events and competitions.

Oct. 27th: **Adam Elegant**, Baker Street Advisors, in-person WashU parent from San Francisco. Former Goldman Sachs banker and current co-founder of investment management firm. Topic: Financing start-up investors in Silicon Valley market.

Nov. 3rd: **Tim Dubis**, Managing Director and Olin Alum; Private Equity Investments at leading investment firm Thompson Street Capital Partners (TSCP).

Nov. 10th: **Zachary Eckler**, Managing Director of Investment Banking, Goldman Sachs, coming in person from New York. Topic: Corporate finance and M&A in the hotel and commercial real estate market globally.

Nov. 17th: Wells Fargo Advisors, **David Furst**, Executive Director Advice & Planning, Olin MBA alum. Topic: Wealth management and asset advisory work for individual investors at one of the largest retail advisory firms.

Dec. 1st: **Kirby Ott**, Partner, Managing Member, Olin MBA alum, Matter Family Office Investments.

finance and accounting research faculty with students from Wealth & Asset Management ("WAM"), Quantitative Finance, Analytics in FinTech and Corporate Finance. We use a variety of analytic tools to analyze complex

and dynamic challenges unique to your organization. A CFAR Finance project takes the full semester and leads to recommendations, coding, metrical analysis or written consultations which are delivered to the client and presented in a business professional manner.

Corporate Sponsors work with students for 14 weeks of Fridays, semester culminates with a formal presentation and a deliverable with the advantage for sponsors that they keep the intellectual property resulting from the practicum.

14 WEEK PROJECT WILL BENEFIT PRACTICUM SPONSORS:

A team of twenty graduate students will be divided into subteams to provide in-depth research under a faculty adviser providing the expert guidance. Client weekly participation is encouraged to provide guidance and alignment with corporate practicum goals. To initiate a project, contact Tim Solberg (solbergtg@wustl.edu).

FINANCE CONSULTING TOPICS

Twelve practicums were organized by Professor Solberg for CFAR during the past academic year. Highlights are:

- **Chi Squared Technologies:** Fintech coding and metrics for a hedge fund based in Seoul.

WFA-CFAR PRACTICUM SHOWCASE

FEATURES THE TOP PRACTICUM CONSULTING PROJECTS EXECUTED

A panel of judges was comprised of advisory board members, faculty, department chairs, and executives. Each year, CFAR will host two showcases, one in the winter and one in the spring.

Every judge received a scorecard for each team. The teams were scored on the following categories: Purpose, project, presentation, knowledge, problem-solving, communication, overall presentation and overall project.

December 2023

1st Place Winners

First Place Quantitative Finance Practicum:

Hill Investment Advisors, portfolio rebalancing metrics; faculty advisor Professor Jian Cai.

First Place Wealth & Asset Management:

T Care, venture capital investment analysis, angel and early investor; faculty advisor Professor Buddy Soubra.

First Place Fintech Analytics:

Chi-Squared Tech: hedge fund financial technology and coding for forecasting; faculty advisor Professor Thao Vuong.

Combined Discipline Award:

For practicum advising multiple program subteams

- **Hill Investments Management, Inc.:** Quantitative analysis of portfolio rebalancing.
- **Gatewood Wealth Solutions:** Long/short signals and momentum investing.
- **SixThirty Ventures:** Analyzing the benefits from a parent venture capital firm's management guidance for start-up firms.
- **TCare:** Analyzing angel and early start-up investment market for digital senior at-home health care.
- **P&G China:** Analyzing supply chain whiplash effects from emergence from pandemic.
- **Quantitative Portfolio:** Metrics for equity manager.
- **FirstBank:** Wealth management digital, quantitative and fund selection research.
- **Wells Fargo Advisors:** Wealth management portfolio competition with fifty other universities hosted by CFAR with weekly case studies; use of Bloomberg terminal taught with S&P Global, eMoney and Morningstar Direct software.

researching topics in Quant, Fintech and WAM: FirstBank Wealth Management, digital and quantitative analysis and fund selection; faculty advisor Professor Sakya Sarkar.

May 2024

1st Place Winner

First Place Corporate Finance Practicum:

39 North Agritech District, research corporate investment in innovation and start-up agritech firms and attracting them to St. Louis ecosystem by Danforth Plant Science Center; faculty advisor Professor Jeremy Degenhart.

WFA-CFAR FINANCE CONSULTING PROJECTS

INSIGHTFUL ANALYSIS OF YOUR FIRM'S BUSINESS CHALLENGES

Olin Business School's WFA-CFAR Finance and Accounting Consulting program combines distinguished

ANNUAL FINANCE CONFERENCE AT WASHU

Each autumn, the finance faculty at Olin Business School host a conference during which industry guests and academics gather to discuss and debate issues related to finance. Below find the agenda for the 19th Annual Finance Conference, held October 20-21, 2023.

Friday, October 20

SESSION 1: LABOR AND INTERMEDIATION

Chair: RICHARD THAKOR, CARLSON SCHOOL OF MANAGEMENT, UNIVERSITY OF MINNESOTA

9:00 AM

“Risk Management and Capital Labor Intermediation”

Elizabeth Berger, Bauer College of Business, University of Houston

Jennifer Ifft, Kansas State University

Margaret Jodlowski, The Ohio State University

Discussant: Jess Cornaggia, Smeal College of Business, Pennsylvania State University

9:45 AM

“Integrated Intermediaries, Fintech Lenders, and Mortgage Refinancing”

Greg Buchak, Stanford Graduate School of Business, Stanford University

N Vera Chau, Swiss Finance Institute

Adam Jorring, Boston College

Discussant: James Vickery, Federal Reserve Bank of Philadelphia

SESSION 2: POLITICAL ECONOMY AND PUBLIC FINANCE

Chair: TIMM BETZ, WASHINGTON UNIVERSITY IN ST. LOUIS

10:45 AM

“The Impact of Money in Politics on Labor and Capital: Evidence from Citizens United v. FEC”

Pat Akey, INSEAD

Tania Babina, Columbia Business School, Columbia University

Greg Buchak, Stanford Graduate School of Business, Stanford University

Ana-Maria Tenekedjieva, Federal Reserve Board of Governors

Discussant: Marcus Painter, Saint Louis University

11:30 AM

“Foreign Influence in US Politics”

Marco Grotteria, London Business School

Max Miller, Harvard Business School, Harvard University

S. Lackshmi Naaraayanan, London Business School

Discussant: Stefan M. Lewellen, Smeal College of Business, Pennsylvania State University

SESSION 3: CLIMATE FINANCE

2:00 PM

“Green Tilts”

Lubos Pastor, The University of Chicago Booth School of Business

Robert Stambaugh, The Wharton School, University of Pennsylvania

Lucian Taylor, The Wharton School, University of Pennsylvania

Discussant: Shaojun Zhang, Fisher College of Business, The Ohio State University

2:45 PM

“Financing the Global Shift to Electric Mobility”

Bo Bian, Sauder School of Business, University of British Columbia

Jan Bena, Sauder School of Business, University of British Columbia

Huan Tang, The Wharton School, University of Pennsylvania

Discussant: Bronson Argyle, Brigham Young University

4:00-5:30 PM

KEYNOTE SESSION

Marcin Kacperczyk, Imperial College London

5:45-6:45 PM PHD POSTER SESSION

PRIZE WINNERS:

John W. Barry (Duke University)

Leland Bybee (Yale University)

Myank Kumar (University of Michigan)

Brian Jonghwan Lee (Columbia University)

Avantika Pal (Washington University in St. Louis)

Tim De Silva (MIT)

Xiaobo Yu (Columbia University)

Joonsung Won (City University of New York)

SESSION 4: ASSET PRICING AND BEHAVIORAL FINANCE

9:00 AM

“Risk Preferences Implied by Synthetic Options”

Ian Dew-Becker, Kellogg School of Management, Northwestern University

Stefano Giglio, Yale School of Management, Yale University

Discussant: Dmitriy Muravyev, Broad College of Business, Michigan State University

9:45 AM

“Social Media as a Bank Run Catalyst”

Anthony Cookson, Leeds School of Business, University of Colorado Boulder

Corbin Fox, James Madison University

Javier Gil-Bazo, Universitat Pompeu Fabra

Juan F. Imbet, Universite Paris Dauphine

Christoph Schiller, W.P. Carey School of Business, Arizona State University

Discussant: Marina Niessner, Kelley School of Business, Indiana University

SESSION 5: AI AND MACHINE LEARNING

Chair: PETER GILES HANSEN, MITCHELL E. DANIELS, JR. SCHOOL OF BUSINESS, PURDUE UNIVERSITY

10:45 AM

“AI-Powered Trading Algorithmic Collusion and Price Efficiency”

Winston Dou, The Wharton School, University of Pennsylvania

Itay Goldstein, The Wharton School, University of Pennsylvania

Yan Ji, Hong Kong University of Science and Technology

Discussant: Vyacheslav Fos, Carroll School of Management, Boston College

11:30 AM

“A Deep Learning Analysis of Climate Change, Innovation, and Uncertainty”

Michael Barnett, W.P. Carey School of Business, Arizona State University

William Brock, University of Wisconsin

Lars Peter Hansen, The University of Chicago

Ruimeng Hu, UC Santa Barbara

Joseph Huang, University of Pennsylvania

Discussant: Victor Duarte, Gies College of Business, University of Illinois Urbana-Champaign

SEE FAR EXECUTIVE SUMMARIES



This year, WFA-CFAR presents the tenth edition of *SEE FAR*, a collection of executive summaries of financial and accounting research produced at Washington University’s Olin Business School. The publication name not only capitalizes on the center name, but it also captures the essence of our research: looking to the future rather than concentrating exclusively on current events and thinking, and focusing on big-picture issues that have far-reaching consequences. All the articles in *SEE FAR* are based on research that has been previously published in an academic journal, or as a monograph, or is currently a working paper that will be published in the future. The executive summaries are written so that they are accessible to a broad audience, rather than solely to those in academia. The goals are twofold: We want to build a bridge between the research of Olin Business School faculty and those in the world of practice. Additionally, we believe this research will add to the knowledge people use on a daily basis.

Net-Zero Investing as a Response to Climate Crisis

MARCIN KACPERCZYK, Imperial College, London

Addressing climate crisis is one of the most important social challenges of today. In the absence of a sufficiently well-coordinated global public response, the private sector has been considered an important pillar to put pressure on the polluting sector to reduce its emissions. The success of these efforts largely depends on the economic magnitude of the forces behind such pressure and their global reach. A recent initiative, net-zero investing, and its implementation through portfolio investing, holds significant promise in this regard.

Net-zero portfolios (NZP) aim to reduce their exposure to carbon-footprint companies over time, typically until 2050, by mimicking scientific paths of decarbonization for the global economy. Even though NZP by themselves do not guarantee the decarbonization of the global economy, they aim to provide incentives for the companies to do so. Companies that undertake emissions reduction are rewarded by being included in NZP, and companies that are behind the decarbonization curve are penalized by being excluded from NZP. The popularity of net-zero investing among institutional investors has been rapidly growing, with tens of trillion dollars of global assets under management currently covered by various net-zero investment initiatives.



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Which Have Been the Most Research-Productive Finance Departments in the Past Twenty Years?

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In this paper, we provide a global ranking of finance departments in business schools for the past 20 years and the past decade. The ranking is the first of its kind in many respects - it includes publications in the top six finance journals (by 2022 impact factor) as well as a host of top journals in Economics and Accounting, and provides a per-capita sort, where we compute the ratio of total publications to the number of finance faculty in the department. The rankings, available on the website of the Wells Fargo Advisors Center for Finance and Accounting Research, use a manipulable database that allows the user to change the time-period, chosen journals and whether to sort rankings on per-capita or gross publication output.

Why do we need better finance department rankings? There are many groups interested in knowing how productive Finance departments have been in publishing in Finance and Economics journals. Graduating Ph.D. students trying to decide which schools to apply to for faculty positions, students trying to decide which Ph.D. programs to apply to, and deans of business schools attempting to evaluate their Finance departments, are all potential users of this information.



Income, Liquidity, and the Consumption Response to the 2020 Economic Stimulus Payments

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In response to the COVID-19 pandemic, the US government directed large cash payments to households starting in April 2020. In this study, we analyze households' spending responses using data from a Fintech non-profit, exploring heterogeneity by income, recent income declines, and liquidity, as well as linked survey responses about economic expectations.

We find that households responded rapidly to payments, with spending increasing by about \$0.14 per dollar during the first week and plateauing around \$0.25-\$0.30 over three months. In contrast to previous stimulus programs, we see little response of durables spending. Households with lower incomes, greater income declines, and less liquidity displayed

stronger responses whereas households that expect employment losses and benefit cuts displayed weaker responses.



Private Lenders' Use of Analyst Earnings Forecasts When Establishing Debt Covenant Thresholds

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Private debt contracts commonly include financial covenants that serve as trip wires to reallocate contingent control rights from the borrower to the lender. If a borrower violates a covenant, the lender has the right to call the loan (i.e. demand full repayment immediately) or renegotiate with the borrower. Covenants are typically based on financial ratios, and a variety of financial metrics are used for covenants. In recent years, however, earnings-based covenants have become increasingly prominent in private debt contracts. Despite the importance of earnings covenant thresholds in the private debt market, our understanding of the inputs lenders use to establish these thresholds is limited. One possible input lenders could use is the information generated by those who gather and

process information about firms in the equity market to make stock recommendations, e.g. sell-side equity analysts. But we do not know whether lenders use this input, and if so, to what extent. We conduct a large-sample empirical investigation of whether lenders use sell-side analyst forecasts of the borrower's earnings as inputs when setting earnings thresholds in private debt contracts.



The Impact of Collateral Value on Mortgage Originations

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What caused the Global Financial Crisis (GFC) of 2007-09? While there were many factors, one that some have proposed is the explosive pre-crisis growth in new types of mortgages that many would consider exotic. I will refer to them as "alternative mortgages." These mortgages not only substantially expanded credit to households but were also followed by large-scale mortgage defaults that were a key factor in precipitating the crisis. However, what this view does not explain is why this expansion of credit via non-traditional alternative mortgages disproportionately affected some socioeconomic groups relative to others. Thus, the story is incomplete. We need to understand why some groups received more credit through such mortgages and why some groups defaulted more than others. In this paper, I explain that a new law passed by Congress provides an explanation. Specifically, I examine

how a legislative change in 2005, in the form of a new Act, changed the mortgage lending landscape significantly and altered the allocation of mortgage credit. Specifically, this Act that Congress passed in 2005 led to the expansion of alternative mortgage products, and these impacted borrowers with low income growth and those in minority-dominant zip codes differently from others. Understanding this better can help us to more deeply comprehend the multifaceted effects of this policy, which can then inform possible future Congressional legislative acts.



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