	1A - Investment and Financial Accounting (Chinese Session)
	Room 226
September 25th 11:20~12:40	**Chair: Pi-Hsia Hung (National Chi Nan University)** ➢ **The Relationship between Information Asymmetry of Individual Investors and Institution Investors and Abnormal Returns** Yung-Shun Tsai* (Asia University) Shyh-Weir Tzang (Asia University) Chun Ping Chang (Asia University) Chih-Hsing Hung (National Kaohsiung University of Science and Technology) Yu-Jun Zhang (Asia University) Discussant: Yu-Chun Lin (National Changhua University of Education) ➢ **The Impact of Corporate Social Responsibility on Financial Performance and Stock Return: The Role of State Ownership and Financial Leverage** Chun-Kuei Hsieh* (Tunghai University) Chang Chan (National Taipei University) Wen-Chyan Ke (National Taipei University) Wen Chen (National Taipei University) Discussant: Yung-Shun Tsai (Asia University) ➢ **Determinants of Securities and Exchange Act Violation** Yu-Chun Lin* (National Changhua University of Education) Discussant: Chun-Kuei Hsieh (Tunghai University)
	* Presenter

September 25th, 2020 (Friday) 11:20~12:40	**Chair:** Pi-Hsia Hung (National Chi Nan University)
1A - Investment and Financial Accounting (Chinese Session)	
Room 226	

The Relationship between Information Asymmetry of Individual Investors and Institution Investors and Abnormal Returns

Yung-Shun Tsai (Asia University)
Shyh-Weir Tzang (Asia University)
Chun Ping Chang (Asia University)
Chih-Hsing Hung (National Kaohsiung University of Science and Technology)
Yu-Jun Zhang (Asia University)

Abstract

Because the stock market is relatively difficult for individual investors to obtain information, there exist information asymmetry. The information cannot fully reflect the stock price, and the stock may have abnormal returns. For companies with a large amount of institution investors, the information should be more complete. So, this study is grouped according to the proportion of corporate individual and institution shareholdings, and test the correlation between information asymmetry and abnormal returns in different groups. We also explore the relationship among information asymmetry, abnormal returns, turnover and market return. This study uses VAR and other models to test Taiwan's listed stock market samples from 2006 to 2019. The empirical results are as follows: (1) Taiwan stock market has abnormal returns in the short-run and long-run. (2) The abnormal return is no significant difference between high proportion of individual shares and high proportion of institution shares. (3) The long-run abnormal returns are significantly greater than the short-run abnormal returns, for the stocks have significant changes in the proportion of individual or institution shareholdings. (4) Among the shocks that affect information asymmetry, the turnover has the largest effect, second is market returns and final is abnormal returns. And, each variable has a positive correlation with the information asymmetry.

*Presenter: Yung-Shun Tsai (Asia University)
*Discussant: Yu-Chun Lin (National Changhua University of Education)

September 25th, 2020 (Friday) 11:20~12:40	**Chair:** Pi-Hsia Hung (National Chi Nan University)
1A - Investment and Financial Accounting (Chinese Session)	
Room 226	

The Impact of Corporate Social Responsibility on Financial Performance and Stock Return: The Role of State Ownership and Financial Leverage

Chun-Kuei Hsieh (Tunghai University)
Chang Chan (National Taipei University)
Wen-Chyan Ke (National Taipei University)
Wen Chen (National Taipei University)

Abstract

This study is aim to investigate the impact of corporate social responsibility (CSR) on financial performance and stock return for the companies listed in the Shanghai Stock Exchange and the Shenzhen Stock Exchange. Using the data of all listed firms in the two exchanges between 2009 and 2016, we find the following results. (1) Overall, companies with better corporate social responsibility have better financial performance and higher excess returns. (2) The lower the proportion of state-owned shares, the greater the effect of CSR activities on financial performance (3) The higher the degree of financial leverage, the greater the effect of CSR activities on financial performance and excess returns.

*Presenter: Chun-Kuei Hsieh (Tunghai University)
*Discussant: Yung-Shun Tsai (Asia University)

Determinants of Securities and Exchange Act Violation

Yu-Chun Lin (National Changhua University of Education)

Abstract

This study examines the determinants of violation cases. We focus on the punishment cases issued by Financial Supervision Committee R.O.C from 2013 to 2016. This study first finds the decrease in the number of punishment cases, but there is an increase in the penalty amount. Using the regression model to examine determinants, the empirical results show that firm performance is positively associated with the likelihood of firm punishment. The ratio of independent director and institutional shareholders are negatively associated with punishment likelihood. Our findings support that corporate governance is beneficial to curb firm violation. Furthermore, we use the amount of penalty as the dependent variable and bootstrapping method developed by Bradley Efron (1979), the research shows that firms with higher firm size, more financial distress, and more independent director ratio have higher penalty. The research findings have political implication for the security regulation.

*Presenter: Yu-Chun Lin (National Changhua University of Education)
*Discussant: Chun-Kuei Hsieh (Tunghai University)

	1B - Corporate Finance
	Room 260
September 25th **11:20~12:40**	**Chair: Min-Teh Yu (Providence University)** ➢ **Supply Network Linkages and CEO Compensation Contracts** Lok-Si Ieong (National Taiwan University) Shawn Thomas (University of Pittsburgh) YiLin Wu* (National Taiwan University) Discussant: Yin-Che Weng (National Dong Hwa University) ➢ **When Target's Lender Becomes Its Financial Advisor in M&A Deals: Certification or Conflict of Interest** Hang Thi Dieu Nguyen* (Yuan Ze University) Hsiangping Tsai (Yuan Ze University) Discussant: Vivian W. Tai (National Chi Nan University) ➢ **The Bright Side of Financial Analysts' Attention on Firm Innovation: The Dominant Informational Role in China** Xiaori Zhang (Fudan Univeristy) Fangfang Sun (Harbin Institute of Technology) Yin-Che Weng* (National Dong Hwa University) Discussant: YiLin Wu (National Taiwan University)
	* Presenter

September 25th, 2020 (Friday) 11:20~12:40	**Chair:** Min-Teh Yu (Providence University)
1B - Corporate Finance	
Room 260	

Supply Network Linkages and CEO Compensation Contracts

Lok-Si Ieong (National Taiwan University)
Shawn Thomas (University of Pittsburgh)
YiLin Wu (National Taiwan University)

Abstract

This paper investigates the impact of firms' positions in the network of intersectoral input-output linkages on the use and implementation of relative performance evaluation (RPE) plans in CEO compensation contracts. Consistent with a fundamental but not thoroughly investigated prediction from principal-agent theory, we find that firms positioned more centrally or more upstream in the supply network and, hence, more exposed to exogenous common shocks, are significantly more likely to compensate CEOs based on firm performance measured relative to peer firms. Further, firms that are more central or upstream more frequently choose peer firms that are substantial trade partners or are more similarly positioned in the supply network. Taken together, these results are consistent with boards of directors using RPE to filter out common shocks transmitted through supply network linkages in order to more accurately assess CEO performance and to partially insure CEOs against compensation risk.

*Presenter: YiLin Wu (National Taiwan University)
*Discussant: Yin-Che Weng (National Dong Hwa University)

When Target's Lender Becomes Its Financial Advisor in M&A Deals: Certification or Conflict of Interest

Hang Thi Dieu Nguyen (Yuan Ze University)
Hsiangping Tsai(Yuan Ze University)

Abstract

This study examines target' s choice of M&A advisor and its effect on M&A outcomes using 1,760 deals from 1993 to 2015 involving U.S. target firms. Target' s advisor choice is classified into three categories: advisor without relation, current-lender advisor, and advisor with prior relation (i.e. prior lender or prior M&A advisor). Our results show that a target' s weak financial status increases the likelihood of its decision of hiring a current-lender advisor, but is unrelated to the decision of hiring a prior-relation advisor. We also show that although a current-lender advisor charges the target a lower advising fee, it benefits the acquirer with lower target premium and lower target CARs. On the other hand, a prior-relation advisor charges the target higher advising fee, but is associated with both higher target premium and lower acquirer CARs. Besides, the aforementioned effect of current-lender advisor becomes stronger when the advisor is one of the top 3 current lender or a lead lender of its loan. In general, our evidence supports that a prior-relation advisor provides a certification effect to the target firm while a current-lender advisor has potential conflicts of interest in pursuing the advisory role for its financially weak borrower, who becomes a target in an M&A deal.
*Presenter: Hang Thi Dieu Nguyen (Yuan Ze University)
*Discussant: Vivian W. Tai (National Chi Nan University)

September 25th, 2020 (Friday) 11:20~12:40	**Chair:** Min-Teh Yu (Providence University)
1B - Corporate Finance	
Room 260	

The Bright Side of Financial Analysts' Attention on Firm Innovation: The Dominant Informational Role in China

Xiaori Zhang (Fudan Univeristy)
Fangfang Sun (Harbin Institute of Technology)
Yin-Che Weng (National Dong Hwa University)

Abstract

This paper examines the role of financial analyst attention on firm innovation in underdeveloped markets. With a sample from China, we find that analyst attention can significantly encourage firm's patent applications in the same fiscal year and following years. The causality is established by projecting the first-order difference equation, introducing two instrumental variables, and is reinforced by an RDD test exploiting the CSI 300/500 indices reconstitution events. We also find that such a positive role of financial analysts' attention on innovation is stronger in firms with higher financial constraints and more dispersed market beliefs, but not significant in firms with severer separation of ownership and control rights. Collectively, these findings suggest that, in a less developed market, the informational role of financial analyst, which promote firms' innovative activities by reducing information asymmetry rather than by monitoring their corporate governance, dominates the monitoring role. Further, we confirm that market participants' maturity moderates the overall effect of financial analysts' attention on firm innovation with a DiD setup using the Shanghai Hong-Kong Stock Connect (SHSC) program as a plausible exogenous event. Finally, we also find that, in a developing market, financial analysts mainly perform as "information processors" rather than "information producers" when they transmit information into the market.

*Presenter: Yin-Che Weng (National Dong Hwa University)
*Discussant: YiLin Wu (National Taiwan University)

	1C - Investment and Security Analysis
	Room 215
September 25th **11:20~12:40**	**Chair: Hwei-Lin Chuang (National Tsing Hua University)** ➢ **The Global Latent Factor and International Index Futures Returns Predictability** Shu-Lien Chang (Ming Chuan University) Hsiu-Chuan Lee* (Ming Chuan University) Donald Lien (University of Texas at San Antonio) Discussant: Pei-Shih Weng (National Sun Yat-sen University) ➢ **Volatility of Order Imbalance of Institutional Traders and Expected Asset Returns: Evidence from Taiwan** Hong-Gia Huang (National Sun Yat-sen University) Wei-Che Tsai (National Sun Yat-sen University) Pei-Shih Weng* (National Sun Yat-sen University) Ming-Hung Wu (Beijing Normal University at Zhuhai) Discussant: Hsiu-Chuan Lee (Ming Chuan University) ➢ **Does Geography Location Matter? Security Broker's Regional Position and Abnormal Trading Behaviors** Yu-Chen Wei* (National Kaohsiung University of Science and Technology) Discussant: Chih-Feng Liao (Shih Chien University) ➢ **Does Gender Difference Really Affect Cryptocurrencies Investment?** Chih-Feng Liao* (Shih Chien University) Discussant: Yu-Chen Wei (National Kaohsiung University of Science and Technology)
	* Presenter

September 25th, 2020 (Friday) 11:20~12:40	**Chair:** Hwei-Lin Chuang (National Tsing Hua University)
1C - Investment and Security Analysis	
Room 215	

The Global Latent Factor and International Index Futures Returns Predictability

Shu-Lien Chang (Ming Chuan University)
Hsiu-Chuan Lee (Ming Chuan University)
Donald Lien (University of Texas at San Antonio)

Abstract

This study investigates whether the global latent factor estimated by the three-pass regression filter ($TPRF$) has the predictive power for international index futures returns. Our results show that the global latent factor based on the $TPRF$ is useful in explaining subsequent weekly excess returns of the index futures. A zero-investment portfolio based on $TPRF$ forecasts can provide higher excess profits than other competing approaches. Finally, we can find within bull and bear markets for results prevailed and predictive power being better in bear market than bull market.

*Presenter: Hsiu-Chuan Lee (Ming Chuan University)
*Discussant: Pei-Shih Weng (National Sun Yat-sen University)

Volatility of Order Imbalance of Institutional Traders and Expected Asset Returns: Evidence from Taiwan

Hong-Gia Huang (National Sun Yat-sen University)
Wei-Che Tsai (National Sun Yat-sen University)
Pei-Shih Weng (National Sun Yat-sen University)
Ming-Hung Wu (Beijing Normal University at Zhuhai)

Abstract

We use the newly-developed "volatility of order imbalance" of Chordia et al. (2019) to examine the relation between information asymmetry costs and expected returns across various types of institutional traders, taking advantage of a unique account-level transaction dataset on the Taiwan Futures Exchange. Our results show that the measure of foreign institutional traders is positively related to future market returns, regardless of whether weekly or monthly frequencies are examined. Turning to stock transaction data on institutional investors, the information risk of foreign institutional investors generates risk-adjusted monthly return differentials in the cross-section. Finally, vector autoregression analyses show that with an increase in the order imbalance volatility of foreign institutional investors in the index futures market, there is a corresponding increase in subsequent order imbalance volatility in the stock market, thereby providing evidence of a monthly lead-lag relation between the futures market and the spot market.

*Presenter: Pei-Shih Weng (National Sun Yat-sen University)
*Discussant: Hsiu-Chuan Lee (Ming Chuan University)

September 25th, 2020 (Friday) 11:20~12:40	**Chair:** Hwei-Lin Chuang (National Tsing Hua University)
1C - Investment and Security Analysis	
Room 215	

Does Geography Location Matter? Security Broker's Regional Position and Abnormal Trading Behaviors

Yu-Chen Wei (National Kaohsiung University of Science and Technology)

Abstract

This study examines brokers' geographic trading and potentially informed behavior with the consideration of corporate events and media news releases during the period from January 1, 2017, to August 31, 2019. The perspective of regional clustering trading examined in this study extends from previous related analyses finding that investors have local preferences and that their trading behaviors are influenced by news media. This study examines brokers' aggregate trading information with geographic locations. Then, the informed trading around eleven corporate events (GDR, corporate default, corporate consolidation, merger elimination, stock repurchase, convertible bonds, seasoned equity offerings, cash capital reduction, large trades, quarterly earnings announcements, announcements of annual reports) considering brokers' geographic locations is examined. The major findings are listed below. First, two-way portfolios with high net buys initiated by brokers nearest (furthest) to headquarters and the lowest cumulative abnormal volume show significant, positive (negative) cumulative abnormal returns after the event date. Second, statistics show that brokers who are relatively nearest to headquarters trade much more actively during event periods than brokers relatively furthest from headquarters. Third, regression analysis shows that brokers net buying relatively nearest (furthest) to headquarters significantly increase (decrease) cumulative abnormal returns (CAR). The research results could be a reference for the evaluation of decision making and the policy application of 'know your customers' in financial holding or security companies. This study, for financial supervision units, could clarify the trading behaviors of investors regarding listed companies from the perspective of geographical regions and maintain market supervision and transaction fairness.

*Presenter: Yu-Chen Wei (National Kaohsiung University of Science and Technology)
*Discussant: Chih-Feng Liao (Shih Chien University)

Does Gender Difference Really Affect Cryptocurrencies Investment?

Chih-Feng Liao (Shih Chien University)

Abstract

The combined data of National Financial Capability Study (NFCS) and National Financial Capability Investor Survey (NFCS-IS) is applied to investigate the impact of gender difference to cryptocurrencies investment. The results show that gender difference does not affect cryptocurrencies investment significantly, risk taking does. We find the difference in cryptocurrencies investment is related to the financial risk taking itself, rather than to risk taking differences in the determinants of cryptocurrencies investment. We also find that age, marital status, and financial literacy are the important factors that affect the cryptocurrencies investment.

*Presenter: Chih-Feng Liao (Shih Chien University)
*Discussant: Yu-Chen Wei (National Kaohsiung University of Science and Technology)

<table>
<tr><td rowspan="4">**September 25th**
14:40~16:00</td><td>**2A - Corporate Finance and Investment**</td></tr>
<tr><td>**Room 226**</td></tr>
<tr><td>**Chair: Shih-Kuo Yeh (National Chung Hsing University)**

➢ **Optimal Spot-Futures Hedge Ratio: Economic Performance Measure Approach**
Jen-Wei Yang* (Soochow University)

Discussant: Shih-Kuo Yeh (National Chung Hsing University)

➢ **Industry Concentration, Corporate Innovation, and the Firm Life Cycle: Evidence from Taiwan**
Yung-Jang Wang (National Chung Cheng University)
M. Mark Walker (University of Mississippi)
Po-Hsiung Huang* (National Chung Cheng University)

Discussant: Yenn-Ru Chen (National Chengchi University)

➢ **Bank Competition and New Banking Relationships: Evidence from the Syndicated Loan Market**
Wei-Zhong Shi* (Providence University)
Min-Teh Yu (Providence University)

Discussant: Chih-Yung Lin (National Chiao-Tung University)</td></tr>
<tr><td>* Presenter</td></tr>
</table>

September 25th, 2020 (Friday) 14:40~16:00	**Chair:** Shih-Kuo Yeh (National Chung Hsing University)
2A - Corporate Finance and Investment	
Room 226	

Optimal Spot-Futures Hedge Ratio: Economic Performance Measure Approach

Jen-Wei Yang (Soochow University)

Abstract

This study proposes a new spot-futures hedge ratio that the optimal hedge ratio is determine by maximizing the economic performance measure (EPM hereafter) of the hedge portfolio excess return, where the EPM is proposed by Homm and Pigorsch (2012). Unlike the other performance measures adopted in the spot-futures hedge studies, the EPM satisfies monotonicity with respect to stochastic dominance. The theoretical results indicate that the EPM-max hedge ratio generalizes the Sharp-ratio-maximizing (SP-max hereafter) hedge ratio proposed by Howard and D'Antonio (1984) and Riskiness-minimizing hedge ratio proposed by Chen et al. (2014). The empirical results show that the EPM-max hedge ratio is effective for generating less negative skewed and less fait-tail distribution than the SP-max hedge ratio.

*Presenter: Jen-Wei Yang (Soochow University)
*Discussant: Shih-Kuo Yeh (National Chung Hsing University)

Industry Concentration, Corporate Innovation, and the Firm Life Cycle: Evidence from Taiwan

Yung-Jang Wang (National Chung Cheng University)
M. Mark Walker (University of Mississippi)
Po-Hsiung Huang (National Chung Cheng University)

Abstract

This study examines how the level of a firm's effort in corporate innovation, as measured by its research & development (RD) expenses, the industry's degree of concentration (IC), and the firm's life cycle stage affect its relative value. We find that higher RD expenses have the greatest and least impact on firm value when the firm is in the maturity and introduction stages, respectively. On the other hand, higher industry concentration has the greatest and least impact on firm value when the firm is in the decline and maturity stages, respectively. Granger causality tests indicate a unidirectional effect from IC to RD in the introduction stage and from RD to IC in the maturity stage. We conclude that a careful analysis of a firm's innovation activities, industry structure, and life cycle stage are critical factors when developing corporate strategy, making investment decisions, or setting government policy.

*Presenter: Po-Hsiung Huang (National Chung Cheng University)
*Discussant: Yenn-Ru Chen (National Chengchi University)

September 25th, 2020 (Friday) 14:40~16:00	**Chair:** Shih-Kuo Yeh (National Chung Hsing University)
2A - Corporate Finance and Investment	
Room 226	

Bank Competition and New Banking Relationships: Evidence from the Syndicated Loan Market

Wei-Zhong Shi (Providence University)
Min-Teh Yu (Providence University)

Abstract

Using a large number of syndicated loans of listed U.S. firms from 1994 to 2017, we examine whether bank market power correlates to borrowers' new banking relationships. This study utilizes variations in the market power of lead banks and finds that the switching costs of the borrower increase with the market power of lead banks, making it more difficult for the borrower to switch to new banks. Furthermore, we show that this result is more significant for opaque borrowers who cannot adequately convey private information to outside banks than transparent borrowers. Therefore, for opaque borrowers, their switching costs are higher, supporting the bank hold-up hypothesis.

*Presenter: Wei-Zhong Shi (Providence University)
*Discussant: Chih-Yung Lin (National Chiao-Tung University)

<table>
<tr><td rowspan="4">September 25th
14:40~16:00</td><td>2B - Asset Pricing</td></tr>
<tr><td>Room 260</td></tr>
<tr><td>Chair: Chung-Ying Yeh (National Chung Hsing University)

➢ Investor Sentiment and the Bear Stock Market
Shue-Jen Wu* (National Chi Nan University)

Discussant: Hong-Yi Chen (National Chengchi University)

➢ Liquidity and Mispricing: Decomposing Disagreement
Hong-Yi Chen* (National Chengchi University)
Zhan-Hui Chen (Hong Kong University of Science and Technology)
Roman Weiru Hua (National Chengchi University)
Wei-Yu Kuo (National Chengchi University)

Discussant: Chung-Ying Yeh (National Chung Hsing University)

➢ Effects of Competition from iShares on Liquidity and Pricing Efficiency of Country Funds
Pei-Jung Tsai* (National Chung Cheng University)
Chia-Cheng Ho (National Chung Cheng University)
Pei-Su Tsai (National Chung Cheng University)

Discussant: Hong-Yi Chen (National Chengchi University)

➢ Testing Disagreement Models
Yen-Cheng Chang (National Taiwan University)
Pei-Jie Hsiao* (National Taiwan University)
Alexander Ljungqvist (Stockholm School of Economics)
Kevin Tseng (Federal Reserve Bank of Richmond)

Discussant: Kuan-Cheng Ko (National Chi Nan University)</td></tr>
<tr><td>* Presenter</td></tr>
</table>

September 25th, 2020 (Friday) 14:40~16:00	**Chair:** Chung-Ying Yeh (National Chung Hsing University)
2B - Asset Pricing	
Room 260	

Investor Sentiment and the Bear Stock Market

Shue-Jen Wu (National Chi Nan University)

Abstract

This paper studies the role of investor sentiment in bear stock market in U.S. data. This paper shows that sentiment contains useful information about future bear stock market. The predictive power of this variable performs much stronger than the other variables; this variable alone can capture more than 20 percents of the variation in bear stock market in one-month later. For the best model selected using the general-to-specific model selection procedure suggested by Clark (2004), we find that this variable is selected for all horizons we considered. Final, we also find the investor sentiment will spread to international stock market.

*Presenter: Shue-Jen Wu (National Chi Nan University)
*Discussant: Hong-Yi Chen (National Chengchi University)

Liquidity and Mispricing: Decomposing Disagreement

Hong-Yi Chen (National Chengchi University)
Zhan-Hui Chen (Hong Kong University of Science and Technology)
Roman Weiru Hua (National Chengchi University)
Wei-Yu Kuo (National Chengchi University)

Abstract

This paper investigates how disagreement, asset returns and liquidity are affected by three types of heterogeneity in information environment: asymmetric information (AI), idiosyncratic noises (IN), and different opinion (DO). Using a market microstructure model, we incorporate analyst forecasts into endogenous informed trading. This framework allows us to empirically interpret the level of AI, IN, and DO among investors from the information, noise, and opinion components decomposed from analyst disagreement. Our model shows that AI increases both illiquidity and pricing error; IN reduces illiquidity but increases pricing error; DO reduces both illiquidity and pricing error. Using data for the period 1987–2016, the empirical results support the implications of theoretical model. Moreover, we find that stocks with high AI or high IN tend to be overpriced, and stocks with low DO tend to be underpriced. To conclude, this study may be of importance in explaining the driving forces of disagreement, liquidity, and mispricing, as well as in providing an empirical device to identify the information environments of analysts and traders with low frequency data.

*Presenter: Hong-Yi Chen (National Chengchi University)
*Discussant: Chung-Ying Yeh (National Chung Hsing University)

September 25th, 2020 (Friday) 14:40~16:00	**Chair:** Chung-Ying Yeh (National Chung Hsing University)
2B - Asset Pricing	
Room 260	

Effects of Competition from iShares on Liquidity and Pricing Efficiency of Country Funds

Pei-Jung Tsai (National Chung Cheng University)
Chia-Cheng Ho (National Chung Cheng University)
Pei-Su Tsai (National Chung Cheng University)

Abstract

The study shows that the competition from the later-launched iShares funds can increase pricing efficiency but decrease liquidity of the corresponding existing country funds. Furthermore, these effects are more profound for emerging country funds than for developed country funds.

*Presenter: Pei-Jung Tsai (National Chung Cheng University)
*Discussant: Hong-Yi Chen (National Chengchi University)

Testing Disagreement Models

Yen-Cheng Chang (National Taiwan University)
Pei-Jie Hsiao (National Taiwan University)
Alexander Ljungqvist (Stockholm School of Economics)
Kevin Tseng (Federal Reserve Bank of Richmond)

Abstract

We provide plausibly identified evidence for the role of investor disagreement in asset pricing. Our natural experiment exploits the staggered implementation of EDGAR, which induces a reduction in investor disagreement with no accompanying changes in company fundamentals, disclosure quality, or earnings management. The reduction in disagreement leads to lower stock price crash risk. The effect is more pronounced for stocks with binding short-sale constraints and high investor optimism. The reduction in disagreement also leads to higher subsequent returns. Our results provide evidence consistent with models of investor disagreement.

*Presenter: Pei-Jie Hsiao (National Taiwan University)
*Discussant: Kuan-Cheng Ko (National Chi Nan University)

	2C - Investment and Real Estate
	Room 215
September 25th **14:40~16:00**	**Chair: Keng-Yu Ho (National Taiwan University)** ➢ **Financial Literacy and the Demand for Financial Advice: Evidence from Taiwan** Chang-Chuang Chang (National Central University) Yu-Jen Hsiao* (Taipei Medical University) Ting-Hui Chen (National Central University) Discussant: Hsiao-Jung Chen (Southern Taiwan University of Science and Technology) ➢ **Financial Derivatives Usage and Bank Risks: The Roles of Female Executives** Hsiao-Jung Chen* (Southern Taiwan University of Science and Technology) Discussant: Ming-Chi Chen (National Chengchi University) ➢ **Disclosure Effects in the Taiwan Residential Housing Market** Fang-Ni Chu (National Kaohsiung University of Science) Lien-Yu Yeh (National Chengchi University) Ming-Chi Chen* (National Chengchi University) Discussant: Yu-Jen Hsiao (Taipei Medical University)
	* Presenter

September 25th, 2020 (Friday) 14:40~16:00	**Chair:** Keng-Yu Ho (National Taiwan University)
2C - Investment and Real Estate	
Room 215	

Financial Literacy and the Demand for Financial Advice: Evidence from Taiwan

Chang-Chuang Chang (National Central University)
Yu-Jen Hsiao (Taipei Medical University)
Ting-Hui Chen (National Central University)

Abstract

This study examines the comprehensive relationship among financial literacy, financial advisors, and financial behaviors. The study provides insights into the role of a financial advisor. This study employs a unique dataset from the 2011 Literacy Survey conducted by Taiwan's Financial Supervisory Commission. The study results indicate a complementary relationship between financial literacy and consult financial advisor. By contrast, a substitutable relationship exists between financial literacy and following financial advices. Trust on advisors significantly positively influences individuals' tendency to follow financial advice. Furthermore, individuals with lower financial literacy increase their retirement planning by following financial advice. Financially knowledgeable individuals actively participate in retirement planning or unit-linked insurance owing to higher financial literacy and consultation with financial advisors. The study concludes that financial advice provided by advisors is a mediator variable between financial literacy and financial behaviors.

*Presenter: Yu-Jen Hsiao (Taipei Medical University)
*Discussant: Hsiao-Jung Chen (Southern Taiwan University of Science and Technology)

Financial Derivatives Usage and Bank Risks: The Roles of Female Executives

Hsiao-Jung Chen (Southern Taiwan University of Science and Technology)

Abstract

Recently, the usage of derivatives by banks increases and there are high trading volumes of derivatives in North America and Europe. However, the debate on their effects on bank risks still exists. Moreover, the roles of female executives on the firms' risks are also paid more and more attention. Therefore, the issue of whether gender affects the purposes of derivatives usage and thus changes bank risks is worthy of further investigation. But, to the best of my knowledge, no research has looked into this topic in detail. In order to fill this gap in the literature, this paper provides empirical evidence on the roles of female executives in the relationship between derivatives usage and bank risks. The sample consists of 37 countries over the period of 1999-2015. The results show that female CEOs or CFOs decrease the usage of derivatives and cause the ratio of the amount of financial derivatives to total assets low. They reduce the standard deviation of adjusted return on assets (or return on equity), but raise non-performing loan ratio. However, when a female CEO or CFO decides to use financial derivatives or her bank has a higher ratio of the amount of financial derivatives to total assets, the bank NPL ratio will be decreased effectively, especially during and post-financial crisis period. Hence, the authorities and bank stockholders should encourage banks to appoint women as CEOs or CFOs from monitoring and hedging perspectives.

*Presenter: Hsiao-Jung Chen (Southern Taiwan University of Science and Technology)
*Discussant: Ming-Chi Chen (National Chengchi University)

September 25th, 2020 (Friday) 14:40~16:00	**Chair:** Keng-Yu Ho (National Taiwan University)
2C - Investment and Real Estate	
Room 215	

Disclosure Effects in the Taiwan Residential Housing Market

Fang-Ni Chu (National Kaohsiung University of Science)
Lien-Yu Yeh (National Chengchi University)
Ming-Chi Chen (National Chengchi University)

Abstract

In the past decades, most studies in the disclosure effects on the liquidity of the asset market have been carried out only in the stock market, which have the properties that are high liquidity, easily to trade and dividable. On the contrary, the residential real estate often need a long time to trade and cannot be divided to sell in usual cases. Moreover, since the intermediations plays a key role to match sellers and buyers in the real estate market, it is also essential to shed light on the effect of the disclosure policy on the real estate agents.

In this paper, we seeks to: (1) examine the relationship between the disclosure policy and the efficiency of the residential real estate market, and (2) investigate the relationship between the disclosure policy and the liquidity of the residential real estate market in Taiwan, respectively. Based on the theory of Levitt and Syverson (2008), we find that the disclosure policy may decrease price concessions (increase market efficiency) and increase the marketing time of the real estate (decrease liquidity).

Consistent with their theory, after the disclosure policy adopted and hold else constant, the average price concession decreases about 0.879% and the median marketing time increases 16%, respectively. These results may be attributed to the information asymmetry of the real estate market and the agent distortion before the implementation of the disclosure policy. We also investigate the disparities of the disclosure effect of the real estate market in each city, and find the differential effects between the cities. Such disparity may be due to the differential development of the housing market in each city.

*Presenter: Ming-Chi Chen (National Chengchi University)
*Discussant: Yu-Jen Hsiao (Taipei Medical University)

<table>
<tr><td rowspan="4">September 25th
14:40~16:00</td><td>2D - Corporate Finance and Investment</td></tr>
<tr><td>Room 228</td></tr>
<tr><td>Chair: Chaoshin Chiao (National Dong Hwa University)

➢ Would CEO Engage Corporate Social Responsibility on Overconfidence?
Roger C. Y. Chen (I-Shou University)
<u>Shih-Wei Hung*</u> (National Taipei University of Business)
Yu-Chen Wei (National Kaohsiung University of Science and Technology)

Discussant: Chaoshin Chiao (National Dong Hwa University)

➢ Does Investor Attention Improve Stock Liquidity? A Dynamic Perspective
Feiyang Cheng (Tianjin University)
<u>Chaoshin Chiao*</u> (National Dong Hwa University)
Chunfeng Wang (Tianjin University)
Zhenming Fang (Tianjin University)
Shouyu Yao (Tianjin University)

Discussant: Shih-Wei Hung (National Taipei University of Business)

➢ Do Firms Cater to the Market when Saving Cash from Equity Issuance?
Hsuan-Chi Chen (University of New Mexico)
Robin K. Chou (National Chengchi University)
<u>Chien-Lin Lu*</u> (National Ilan University)

Discussant: Ya-Hsueh Chuang (Providence University)

➢ Does Corporate Social Responsibility Increase Firm Value? The Roles of Product Market Competition
Cho-Min Lin (Providence University)
<u>Ya-Hsueh Chuang*</u> (Providence University)
Ci-Yan Li (Far Eastern International Securities)

Discussant: Chien-Lin Lu (National Ilan University)</td></tr>
<tr><td>* Presenter</td></tr>
</table>

September 25th, 2020 (Friday) 14:40~16:00	**Chair:** Chaoshin Chiao (National Dong Hwa University)
2D - Corporate Finance and Investment	
Room 228	

Would CEO Engage Corporate Social Responsibility on Overconfidence?

Roger C. Y. Chen (I-Shou University)
Shih-Wei Hung (National Taipei University of Business)
Yu-Chen Wei (National Kaohsiung University of Science and Technology)

Abstract

Corporate social responsibility and CEO overconfidence have become important issues in business management. Could an overconfident CEO negatively affect company performance by using the CSR policy and initiatives for his or her benefit? We employ the corporate social responsibility index (CSRI) developed by Chen, Tang, and Hung (2013) to explore the relationships among corporate social responsibility, CEOs overconfidence, and firm value. Our empirical results show that overconfidence CEOs are less engaging in CSR activities, which can negatively impact business performance. However, Rational CEOs prioritize CSR more than overconfident CEOs and engage in CSR activities to improve the operational efficiency of firms. We further find that institutional investors and independent directors place greater emphasis on CSR. Although CSR can contribute to increasing firm value, a key indicator of business performance, overconfident CEOs can diminish the firm value.

*Presenter: Shih-Wei Hung (National Taipei University of Business)
*Discussant: Chaoshin Chiao (National Dong Hwa University)

Does Investor Attention Improve Stock Liquidity? A Dynamic Perspective

Feiyang Cheng (Tianjin University)
Chaoshin Chiao (National Dong Hwa University)
Chunfeng Wang (Tianjin University)
Zhenming Fang (Tianjin University)
Shouyu Yao (Tianjin University)

Abstract

The purpose of this paper is to examine the dynamic relationship between investor attention and stock liquidity. Using high-frequency data in China's stock market, we find that investor attention, measured by Baidu search volume, has a significantly positive short-term effect on future stock liquidity. When the time horizon expands, however, the positive effect weakens and eventually reverses after four weeks. More importantly, the observed short-term improvement on stock liquidity is mainly attributable to attention-induced retail investor net-buys. Taking advantage of variations of investor attention to stocks, sophisticated traders with superior information appear to engage in trades against retail investors.

*Presenter: Chaoshin Chiao (National Dong Hwa University)
*Discussant: Shih-Wei Hung (National Taipei University of Business)

September 25th, 2020 (Friday) 14:40~16:00	**Chair:** Chaoshin Chiao (National Dong Hwa University)
2D - Corporate Finance and Investment	
Room 228	

Do Firms Cater to the Market when Saving Cash from Equity Issuance?

Hsuan-Chi Chen (University of New Mexico)
Robin K. Chou (National Chengchi University)
Chien-Lin Lu (National Ilan University)

Abstract

We examine managerial catering to investor preferences for cash holdings and test a catering theory suggesting that managers are likely to take advantage of firm overvaluation due to cash holdings. They issue equities and save some proceeds from equity issuances when firms are overvalued. We find that both the SEO probability and the cash saved from equity issuances are positively related to the cash-holding premium, proxied by the difference in the market-to-book (M/B) ratios between cash-rich firms and noncash-rich firms. Issuing firms benefit from cash-holding catering by obtaining higher valuations on the stock market and by being less leveraged and less financially constrained in the period following the increase in cash holdings. Because investors tend to link cash savings to greater investment opportunities, such a perception offers an explanation of reasons that market timing opportunities sometimes arise.

*Presenter: Chien-Lin Lu (National Ilan University)
*Discussant: Ya-Hsueh Chuang (Providence University)

Does Corporate Social Responsibility Increase Firm Value? The Roles of Product Market Competition

Cho-Min Lin (Providence University)
Ya-Hsueh Chuang (Providence University)
Ci-Yan Li (Far Eastern International Securities)

Abstract

This study investigates whether firm value will be affected by corporate social responsibility (CSR) engagements at different levels of product market competition using a sample of 1,369 listed companies in Taiwan from 2005 to 2017. The empirical results show active CSR engagements have a particularly positive effect on firm value for companies with higher degrees of product market competition. This indicates that product market competition has a moderating effect on firm value. Overall, the marginal effects of CSR engagements on firm value are statistically significant and positive. This is the first observation of these effects in the relevant literature and is the major contribution of this study to the related literature.

*Presenter: Ya-Hsueh Chuang (Providence University)
*Discussant: Chien-Lin Lu (National Ilan University)

<table>
<tr><td rowspan="4">September 25th
16:20~17:40</td><td>3A - Corporate Finance (Chinese Session)</td></tr>
<tr><td>Room 226</td></tr>
<tr><td>Chair: Roger C. Y. Chen (I-Shou University)

➢ Can Corporate Governance Prevent Overinvestment?
<u>Chao-Shi Wang*</u> (National Taichung University of Science and of Technology)
Chien-Yun Chang (Ling Tung University)

Discussant: Wei-Peng Chen (National Taipei University of Technology)

➢ The Effect of Media Coverage on Seasoned Equity Offerings ~ Evidence from Textual Analysis
Her-Jiun Sheu (Ming Chuan University)
Kuo-Cheng Huang (Ming Chuan University)
<u>Chung-Jung Lee*</u> (Ming Chuan University)

Discussant: Hui-Wen Tang (Tamkang University)

➢ Controlling Shareholders, Risk-Taking and Firm Value–The Role of Production Market Competition
<u>Hui-Wen Tang*</u> (Tamkang University)

Discussant: Chung-Jung Lee (Ming Chuan University)

➢ Dividend Policy, Earnings Management, and CEO Power
<u>Wei-Peng Chen*</u> (National Taipei University of Technology)
Shu-Fang Hsu (National Kaohsiung University of Science and Technology)
You-Ru Feng (National Taipei University of Technology)

Discussant: Chao-Shi Wang (National Taichung University of Science and of Technology)</td></tr>
<tr><td>* Presenter</td></tr>
</table>

September 25th, 2020 (Friday) 16:20~17:40	**Chair:** Roger C. Y. Chen (I-Shou University)
3A - Corporate Finance (Chinese Session)	
Room 226	

Can Corporate Governance Prevent Overinvestment?

Chao-Shi Wang (National Taichung University of Science and of Technology)
Chien-Yun Chang (Ling Tung University)

Abstract

Deciding adequate capital expenditure is critical for any corporation seeking to enhance its competitiveness. However, if a corporation does not consider its financial position and invests in high capital expenditure, they may reduce the overall benefits of investment and stall long-term development. Accordingly, this study considers the financial conditions and capital expenditures of a corporation to propose a method, namely, the overinvestment index (OI-INDEX), for measuring overinvestment. In addition, this study explores whether corporate governance can effectively prevent overinvestment. The results reveal that high quality corporate governance reduces the degree of overinvestment, and high quality corporate governance is the primary factor in preventing overinvestment. Moreover, observation after major investment years indicates that overinvestment influences corporate performance. These findings emphasize the vital supervisory function of corporate governance.

*Presenter: Chao-Shi Wang (National Taichung University of Science and of Technology)
*Discussant: Wei-Peng Chen (National Taipei University of Technology)

The Effect of Media Coverage on Seasoned Equity Offerings ~ Evidence from Textual Analysis

Her-Jiun Sheu (Ming Chuan University)
Kuo-Cheng Huang (Ming Chuan University)
Chung-Jung Lee (Ming Chuan University)

Abstract

The market always concerns about agency problems on SEO events, From the perspective of general investors' access to external information, this study proposes the informative effects of media coverage's textual contents on SEOs. The empirical results find that the number of media coverage released prior to the announcement is significantly increased to the SEO proceeds, and negatively associated with the SEO discounts which means lower equity cost. Moreover, the more positive textual tone of media coverage is more favorable to the market reaction of SEO announcement significantly. Finally, the liquidity of stock transactions around the announcement date is not affected by those coverage. In summary, the market will regard media coverage as a positively incremental information disclosure on SEO events, which will help recognize the issuance companies.

*Presenter: Chung-Jung Lee (Ming Chuan University)
*Discussant: Hui-Wen Tang (Tamkang University)

September 25th, 2020 (Friday) 16:20~17:40	**Chair:** Roger C. Y. Chen (I-Shou University)
3A - Corporate Finance (Chinese Session)	
Room 226	

Controlling Shareholders, Risk-Taking and Firm Value–The Role of Production Market Competition

Hui-Wen Tang (Tamkang University)

Abstract

This study investigates the influence of controlling ownership and the divergence between control rights and cash-flow rights on a firm's risk-taking, and the effect of industry competition on the relationship. The research results show that controlling ownership and firm risk-taking presents a U-shaped relationship. When controlling ownership is relatively low, a firm has high risk-taking. As controlling ownership increases, controlling shareholders tend to reduce firm risk-taking to protect their own interests. If controlling shareholdings exceeds a certain ratio, they have high control over a firm's investment decisions. In consideration of firm competitiveness and long-term profitability, they incline to increase firm risk-taking to enhance future firm value. In competitive industry, firms need to invest more research and development (R&D) expenditures (i.e. take more risk) to maintain product competitiveness. Controlling ownership and the divergence between control rights and cash-flow rights reduce firm risk-taking in highly competitive industries. It is worth noting that firm risk-taking due to controlling ownership is significantly positively related to future firm value; risk-taking due to control-cash flow rights does not increase firm value.

*Presenter: Hui-Wen Tang (Tamkang University)
*Discussant: Chung-Jung Lee (Ming Chuan University)

Dividend Policy, Earnings Management, and CEO Power

Wei-Peng Chen (National Taipei University of Technology)
Shu-Fang Hsu (National Kaohsiung University of Science and Technology)
You-Ru Feng (National Taipei University of Technology)

Abstract

This study empirically investigates the effect of CEO power on the relation between dividend policy and earnings management by explicitly recognizing the moderating role of CEO power. A sample of Taiwan listed firms over the period 2006-2016 reveals a significantly negative relation between dividend payout and earnings management, showing that dividend non-payers manage earnings more than dividend payers. Empirical analyses show that the negative relationship between dividends and earnings management is more significant in firms with high CEO power. Further, we find that dividend non-payers manage earnings more when their leadership style is CEO duality. Overall, our evidence suggests that firms may utilize dividend payout associated with fewer earnings management to lower agency concerns and costs. We also recommend that the competent authority should strictly monitor dividend non-payer firms with high CEO power, especially for CEO-duality firms, which may eventually result in better investor protection.

*Presenter: Wei-Peng Chen (National Taipei University of Technology)
*Discussant: Chao-Shi Wang (National Taichung University of Science and of Technology)

September 25th 16:20~17:40	**3B - Financial Institutions Management**
	Room 228
	Chair: Chu-Hsiung Lin (National Kaohsiung University of Science and Technology)
	➢ **Firm Trustworthiness and Bank Loan Pricing** Konan Chan (National Chengchi University) Wei-Yu Kuo (National Chengchi University) Chih-Yung Lin* (National Chiao-Tung University) Tse-Chun Lin (The University of Hong Kong) Discussant: YiLin Wu (National Taiwan University) ➢ **Birds of a Feather: Evidence from Loan Contracting** Po-Hsin Ho* (National Central University) Chia-Wei Huang (National Taiwan Normal University) Chih-Yung Lin (National Chiao-Tung University) Ju-Fang Yen (National Taipei University) Discussant: Chaoshin Chiao (National Dong Hwa University) ➢ **Economic Policy Uncertainty, Retail Speculation and Price Efficiency** Shouyu Yao (Tianjin University) Chunfeng Wang (Tianjin University) Chaoshin Chiao* (National Dong Hwa University) Zhenming Fang (Tianjin University) Dan Ma (Tianjin University) Discussant: Po-Hsin Ho (National Central University) ➢ **Did the Institutional Investors' Behavior Affect U.S.-China Equity Market Sentiment? Evidences from the U.S.-China Trade Turbulence** Shu-Ling Lin* (National Taipei University of Technology) Jun Lu (National Taipei University of Technology) Discussant: Chih-Yung Lin (National Chiao-Tung University)
	* Presenter

September 25th, 2020 (Friday) 16:20~17:40	**Chair:** Chu-Hsiung Lin (National Kaohsiung University of Science and Technology)
3B - Financial Institutions Management	
Room 228	

Firm Trustworthiness and Bank Loan Pricing

Konan Chan (National Chengchi University)
Wei-Yu Kuo (National Chengchi University)
Chih-Yung Lin (National Chiao-Tung University)
Tse-Chun Lin (The University of Hong Kong)

Abstract

Using a novel dataset of firm-level perceived trustworthiness from the news media and social media, we find that lending banks charge significantly higher loan spread on firms with lower trustworthiness. Loans to these firms also tend to have shorter loan maturities, more financial covenants, and higher likelihoods of requiring collateral. We further use the Regulation SHO Pilot program as an exogenous variation and find that the effects of trustworthiness are reduced when pilot firms are better disciplined by short sellers. That is, banks have relied less on soft information like trustworthiness when the overall information and governance environments regarding the borrowing firms are improved. Last, firm trustworthiness effects are stronger for firms with high corruption culture, weak corporate governance, and higher information asymmetry. Collectively, our results suggest that perceived firm trustworthiness from the stakeholders conveys valuable credit quality information to bank loan lenders.

*Presenter: Chih-Yung Lin (National Chiao-Tung University)
*Discussant: YiLin Wu (National Taiwan University)

Birds of a Feather: Evidence from Loan Contracting

Po-Hsin Ho (National Central University)
Chia-Wei Huang (National Taiwan Normal University)
Chih-Yung Lin (National Chiao-Tung University)
Ju-Fang Yen (National Taipei University)

Abstract

This study investigates the effect of lenders and borrowers with similar attitudes on loan contracting. We find that when lenders and borrowers have similar attitudes toward risks, they are more likely to sign loan contracts. Such contracts are associated with lower spreads, longer maturity, larger amount, and less collateral that means that borrowers can obtain favorable loans. Further, we find that lenders have a better chance to win future loan business and face fewer violations of loan covenants when lending to borrowers with similar attitudes. The evidence indicates that similar attitudes facilitate lending relationships, which benefits both lenders and borrowers.

*Presenter: Po-Hsin Ho (National Central University)
*Discussant: Chaoshin Chiao (National Dong Hwa University)

September 25th, 2020 (Friday) 16:20~17:40	**Chair:** Chu-Hsiung Lin (National Kaohsiung University of Science and Technology)
3B - Financial Institutions Management	
Room 228	

Economic Policy Uncertainty, Retail Speculation and Price Efficiency

Shouyu Yao (Tianjin University)
Chunfeng Wang (Tianjin University)
Chaoshin Chiao (National Dong Hwa University)
Zhenming Fang (Tianjin University)
Dan Ma (Tianjin University)

Abstract

The purpose of this paper is to explore the relationship between economic policy uncertainty (EPU), retail speculation, and price efficiency of individual stocks in the China stock market. The evidence shows, first, that firms' exposures to EPU negatively affect their own price efficiency. Second, we observe the EPU-efficiency relationship is more negative for firms with certain characteristics and under the aggregate states that possibly induce retail speculation. Finally, through tests using intraday data of trades and quotes as well as an exogenous legal interpretation and market liberalizations, we confirm that retail trades partly contribute to the observed negative EPU-efficiency relationship.

*Presenter: Chaoshin Chiao (National Dong Hwa University)
*Discussant: Po-Hsin Ho (National Central University)

Did the Institutional Investors' Behavior Affect U.S.-China Equity Market Sentiment? Evidences from the U.S.-China Trade Turbulence

Shu-Ling Lin (National Taipei University of Technology)
Jun Lu (National Taipei University of Technology)

Abstract

In the current situation of the U.S.-China trade turbulence. This study focuses on the quarterly panel data of the U.S.-China during the periods of May 2016 to September 2019. In order to verify the effectiveness of "Feedback Strategy Theory" and "Smart Money Theory" in stabilizing the U.S.-China securities markets, and to understand the role of institutional investors' behavior to come up with suggestions for improving and perfecting the market mechanism in stabilizing the U.S.-China securities markets. The study adopts GMM to perform Dynamic Panel Data Analysis to discuss the changes in of professional institutional investors' behavior and equity market sentiment in U.S.-China during the trade turbulence, and then analyze whether the institutional investors' behavior will suppress local stock market sentiment? Through the empirical research, the study found institutional investors on both sides of a trade conflict have a different impact on the stability of the local securities market. Institutional investors in the United States have played a role in stabilizing market sentiment. This is exactly the opposite in China.

*Presenter: Shu-Ling Lin (National Taipei University of Technology)
*Discussant: Chih-Yung Lin (National Chiao-Tung University)

<table>
<tr><td rowspan="5">September 25th
16:20~17:40</td><td>3C - Corporate Finance</td></tr>
<tr><td>Room 215</td></tr>
<tr><td>Chair: Yehning Chen (National Taiwan University)

➢ Government Funded R&D Investments and Analyst Forecast Accuracy
Sheng-Syan Chen (National Chengchi University)
Wei-Chuan Kao (National Taiwan University)
<u>Yanzhi Wang*</u> (National Taiwan University)
K. C. John Wei (Hong Kong Polytechnic University)

Discussant: Yehning Chen (National Taiwan University)

➢ Overconfident Rivals and Corporate Investment Decisions
<u>Dien Giau Bui*</u> (Yuan Ze University)
Yehning Chen (National Taiwan University)
Chih-Yung Lin (National Chiao-Tung University)
Tse-Chun Lin (University of Hong Kong)

Discussant: Wan-Chien Chiu (National Tsing Hua University)

➢ The Value of Brand Names in Bank Financing: Evidence from the 1996 Federal Trademark Dilution Act
<u>Wan-Chien Chiu*</u> (National Tsing Hua University)
Po-Hsuan Hsu (National Tsing Hua University)
Chih-Wei Wang (National Sun Yat-sen University)

Discussant: Yanzhi Wang (National Taiwan University)

➢ Managerial Overconfidence and Insurer Cash Holdings
<u>Yi-Hsun Lai*</u> (National Yunlin University of Science and Technology)
Vivian W. Tai (National Chi Nan University)

Discussant: Dien Giau Bui (Yuan Ze University)</td></tr>
<tr><td>* Presenter</td></tr>
</table>

September 25th, 2020 (Friday) 16:20~17:40	**Chair:** Yehning Chen (National Taiwan University)
3C - Corporate Finance	
Room 215	

Government Funded R&D Investments and Analyst Forecast Accuracy

Sheng-Syan Chen (National Chengchi University)
Wei-Chuan Kao (National Taiwan University)
Yanzhi Wang (National Taiwan University)
K. C. John Wei (Hong Kong Polytechnic University)

Abstract

We examine the relation between government funded research and development (R&D) and analyst forecast accuracy. We manually collect government funded R&D data from the annual reports of U.S. firms. We find that firms with more government funded R&D investments are associated with lower analyst forecast errors. This finding is confirmed by a quasi-natural experiment of changes in influential congressional committee chairmanship and two-stage regression analysis. Moreover, firms with more government funded R&D tend to beat analyst earnings forecasts and are also associated with better innovation performance.

*Presenter: Yanzhi Wang (National Taiwan University)
*Discussant: Yehning Chen (National Taiwan University)

Overconfident Rivals and Corporate Investment Decisions

Dien Giau Bui (Yuan Ze University)
Yehning Chen (National Taiwan University)
Chih-Yung Lin (National Chiao-Tung University)
Tse-Chun Lin (University of Hong Kong)

Abstract

We find that the overconfidence level of rival CEOs is positively related to corporate investment decisions on both research and development spending and capital expenditure. The effect is more prominent for firms with higher-pay rival CEOs, in more competitive industries, and during economic booms. We also find that firms with more overconfident rivals have higher subsequent stock return volatility and stock price crash risk, but their innovation output and firm value are higher as well. Overall, our findings are consistent with the notion that CEOs have relative-wealth concerns utility and invest aggressively such that they do not lag behind once their overconfident rivals' investments pay off.

*Presenter: Dien Giau Bui (Yuan Ze University)
*Discussant: Wan-Chien Chiu (National Tsing Hua University)

September 25th, 2020 (Friday) 16:20~17:40	**Chair:** Yehning Chen (National Taiwan University)
3C - Corporate Finance	
Room 215	

The Value of Brand Names in Bank Financing: Evidence from the 1996 Federal Trademark Dilution Act

Wan-Chien Chiu (National Tsing Hua University)
Po-Hsuan Hsu (National Tsing Hua University)
Chih-Wei Wang (National Sun Yat-sen University)

Abstract

This paper examines the role of trademark protection in bank loan contracting by exploiting the 1996 Federal Trademark Dilution Act (FTDA) that substantially strengthened the protection of famous trademarks. A difference-in-differences analysis based on the FTDA suggests that firms with more famous trademarks pay significantly lower interest rates, and reveal lower cash flow volatility and higher profitability. We also find a significantly increased frequency in firms' use of trademarks as collateral to secure bank loans. These results are consistent with the view that banks account for enhanced brand value through trademark protection that strengthens firms' market positions.

*Presenter: Wan-Chien Chiu (National Tsing Hua University)
*Discussant: Yanzhi Wang (National Taiwan University)

Managerial Overconfidence and Insurer Cash Holdings

Yi-Hsun Lai (National Yunlin University of Science and Technology)
Vivian W. Tai (National Chi Nan University)

Abstract

Using the U.S. property-liability insurance sample between 1995 and 2012, this study investigates the relationship between CEO overconfidence and insurers' cash holdings. Based on overconfident CEO's underestimating the liquidity risks, our results show that insurers with overconfident CEOs maintain significantly less cash holding than those with rational CEOs. Further, under the same risks, cash reserves for confronting liquidity are significantly less for the insurers with overconfident CEOs than those with rational CEOs. These results are robust to various models considering cluster standard errors, alternative CEO overconfidence measures, and two-stage regression model under considering endogeneity issue. Moreover, the negative effects of CEO overconfidence on cash holdings are also observed across different risk types, including total risk, investment risk, underwriting risk, and leverage risk. Finally, a higher degree of deviation of cash holdings induced by overconfident CEOs is associated with higher probability of bankruptcy, and higher dividend payout ratio which indicates that the effect of CEO overconfidence on insurers' cash holdings may damage the insurers' firm value and stability of the financial market.

*Presenter: Yi-Hsun Lai (National Yunlin University of Science and Technology)
*Discussant: Dien Giau Bui (Yuan Ze University)

September 25th 16:20~17:40	**3D - Investment**
	Room 260
	Chair: Her-Jiun Sheu (Ming Chuan University) ➢ **National Cultures and the Asset Growth Effect** Robin K. Chou (National Chengchi University) Kuan-Cheng Ko* (National Chi Nan University) S. Ghon Rhee (University of Hawaii) Discussant: Hong-Yi Chen (National Chengchi University) ➢ **Assessing Systemic Risk Based on the CARE System** Hui-Ching Chuang* (Yuan Ze University) O-Chia Chuang (Wuhan University) Zhen-Hong Huang (Wuhan University) Discussant: Yin-Feng Gau (National Central University) ➢ **Testing Treatment Effect Monotonicity under Unconfoudedness** Yu-Chin Hsu* (Academia Sinica) Tsung-Chih Lai (Feng Chia University) Ying-Ying Lee (University of California, Irvine) Jen-Che Liao (Fu Jen Catholic University) Discussant: Jui-Chung Yang (National Tsing Hua University) ➢ **Forecasting Bear Market Using Macroeconomic Variables Aligned** Yin-Feng Gau* (National Central University) Ko-Chin Liang (National Central University) Discussant: Hui-Ching Chuang (Yuan Ze University)
	* Presenter

September 25th, 2020 (Friday) 16:20~17:40	**Chair:** Her-Jiun Sheu (Ming Chuan University)
3D - Investment	
Room 260	

National Cultures and the Asset Growth Effect

Robin K. Chou (National Chengchi University)
Kuan-Cheng Ko (National Chi Nan University)
S. Ghon Rhee (University of Hawaii)

Abstract

National cultures significantly explain cross-country differences in the relation between asset growth and stock returns. Motivated by the notion that managers in individualistic and low uncertainty avoiding cultures have higher tendency to overinvest, we show that the negative relation between asset growth and stock returns is stronger in countries with such cultural features. Once we control for cultural dimensions, proxies associated with the q-theory, limits-to-arbitrage, corporate governance, investor protection, and accounting quality provide no incremental power for the relation between asset growth and stock returns across countries. Our evidence highlights the importance of the overinvestment hypothesis in explaining the asset growth anomaly around the world.

*Presenter: Kuan-Cheng Ko (National Chi Nan University)
*Discussant: Hong-Yi Chen (National Chengchi University)

Assessing Systemic Risk Based on the CARE System

Hui-Ching Chuang (Yuan Ze University)
O-Chia Chuang (Wuhan University)
Zhen-Hong Huang (Wuhan University)

Abstract

Expectile is a coherent and elicitable risk measure that responds to the catastrophic losses more properly than a quantile-based approach. In this paper, we extend the univariate conditional autoregressive expectile (CARE) model of Kuan et al. (2009) to the multivariate CARE system to model the systemic risk of financial institutions. We propose an estimation method and derive its asymptotic properties. In the empirical study, we model the 12-variate CARE system on the G-SIBs' returns for the period Jan. 2015 to Jun. 2020. We show that the CARE system identifies the asymmetric transmissions on the banks' systemic risk, i.e., the positive and the negative lagged returns generate different patterns of associations in the expectile connectedness. Besides, the out-of-sample expectile-based VaR prediction captures the 2020 mid-March US trading curb turbulence.

*Presenter: Hui-Ching Chuang (Yuan Ze University)
*Discussant: Yin-Feng Gau (National Central University)

September 25th, 2020 (Friday) 16:20~17:40	**Chair:** Her-Jiun Sheu (Ming Chuan University)
3D - Investment	
Room 260	

Testing Treatment Effect Monotonicity under Unconfoudedness

Yu-Chin Hsu (Academia Sinica)
Tsung-Chih Lai (Feng Chia University)
Ying-Ying Lee (University of California, Irvine)
Jen-Che Liao (Fu Jen Catholic University)

Abstract

In this paper, we propose a nonparametric test to test if the conditional average treatment effect has a monotonic relationship with some of the observed individual characteristics. The proposed test is shown to be able to control the size well over a class of data generating processes and is consistent against fixed any alternative. We also extend our test to the case in which the outcome variables are interval-valued and to the treated case.

*Presenter: Yu-Chin Hsu (Academia Sinica)
*Discussant: Jui-Chung Yang (National Tsing Hua University)

Forecasting Bear Market Using Macroeconomic Variables Aligned

Yin-Feng Gau (National Central University)
Ko-Chin Liang (National Central University)

Abstract

This study revisits the predictability of bear stock markets by using an aggregate index of macroeconomic variables based on partial least squares. We find the aligned macroeconomic index performs better in forecasting the bear markets than individual macroeconomic indicators. Using the Markov-switching model to the S&P 500 index returns, we identify the bear market and obtain the probability of each period. We find that both in-and out-of-sample forecasts of bear stock market show that the aligned macroeconomic index statistically out performs a set of 25 macroeconomic variables and the aligned investor sentiment index.

*Presenter: Yin-Feng Gau (National Central University)
*Discussant: Hui-Ching Chuang (Yuan Ze University)

<table>
<tr><td rowspan="4">**September 25th**
16:20~17:40</td><td>**3E - Financial Accounting and Asset Pricing (Chinese Session)**</td></tr>
<tr><td>**Room 255**</td></tr>
<tr><td>**Chair: Yenn-Ru Chen (National Chengchi University)**

➢ **The Effect of Mandatory Adoption of XBRL on Earnings Management**
Syou-Ching Lai* (Chang Jung Christian University)
Hung-Chih Li (National Cheng Kung University)

Discussant: Pei-Yu Weng (Asia University)

➢ **Effects of Sales-based Related Party Transactions under Consolidated Financial Statements on the Value-relevance of Accounting Numbers**
Ching-Lung Chen (National Yunlin University of Science and Technology)
Hann-Pyng Wang (National Yunlin University of Science and Technology)
Hsin-Yi Chen (K-12 Education ministration, Ministry of Education)
Pei-Yu Weng* (Asia University)

Discussant: Syou-Ching Lai (Chang Jung Christian University)

➢ **Does Ambiguity Aversion Explain IPO Price Anomalies?**
Tzu-Hui Pan* (National Taipei University of Business)
Mao-Wei Hung (National Taiwan University)

Discussant: Chia-Wei Yeh (National Chi Nan University)</td></tr>
<tr><td>* Presenter</td></tr>
</table>

September 25th, 2020 (Friday) 16:20~17:40	**Chair:** Yenn-Ru Chen (National Chengchi University)
3E - Financial Accounting and Asset Pricing (Chinese Session)	
Room 255	

The Effect of Mandatory Adoption of XBRL on Earnings Management

Syou-Ching Lai (Chang Jung Christian University)
Hung-Chih Li (National Cheng Kung University)

Abstract

This study aims to investigate the impact of XBRL adoption by Taiwan companies on their earnings management, and the impact of corporate governance on earnings management resulting from the XBRL adoption. This study uses Taiwan listed and OTC companies with mandatory XBRL adoption as the sample. The results indicate that companies with mandatory XBRL adoption reduce earnings management, since the higher degree of transparency of information after XBRL adoption makes financial statements users be conducive to earnings management detection, thereby reducing the incentives of managers to engage in earnings manipulation.

As to the impact of corporate governance, with the increase of large shareholders' holdings, the earnings management caused by XBRL adoption is more obvious; and when the firms have pyramid shareholding structure, the earnings management resulting from XBRL decrease. In addition, when institutional investors' holding increases, earnings management due to the adoption of XBRL decreases. However, independent Independent directors and supervisors do not play a monitoring effect to reduce corporate earnings management due to adopting XBRL; and manager's shareholdings does not have significant impact on earning management. The results of the additional analysis show that the contents of the disclosure note of the second and third phase compared to the first phase of the simplified text field significantly reduce earnings management. The results of this study support our government's policy of mandatory XBRL reporting financial information.

*Presenter: Syou-Ching Lai (Chang Jung Christian University)
*Discussant: Pei-Yu Weng (Asia University)

September 25th, 2020 (Friday) 16:20~17:40	**Chair:** Yenn-Ru Chen (National Chengchi University)
3E - Financial Accounting and Asset Pricing (Chinese Session)	
Room 255	

Effects of Sales-based Related Party Transactions under Consolidated Financial Statements on the Value-relevance of Accounting Numbers

Ching-Lung Chen (National Yunlin University of Science and Technology)
Hann-Pyng Wang (National Yunlin University of Science and Technology)
Hsin-Yi Chen (K-12 Education ministration, Ministry of Education)
Pei-Yu Weng (Asia University)

Abstract

Based on the Ohlson (1995) model, this study examines the influences of sales-based affiliated transactions on the value-relevance of accounting numbers under the TSFAS 7 (the standard is similar to IAS 27 of IASB) setting in Taiwanese listed firms from 2005 to 2017. We divide the sales-based affiliated transactions into two groups, i.e., sales-based affiliated transactions that should be eliminated (the sales-based affiliated transactions between the reporting entities and the subsidiaries) and sales-based affiliated transactions that should not be eliminated (the sales-based affiliated transactions between the reporting entities and the associates) under the consolidated financial statements setting.
The empirical results reveal that the sales-based affiliated transactions that should be eliminated under the TSFAS 7 significantly enhance the value relevance of earnings. Under some settings, the sales-based affiliated transactions that should not be eliminated under the consolidated financial statements also enhance the value relevance of earnings. It supports the contractual arrangement hypothesis of the sales-based affiliated transactions. However, both the sales-based affiliated transactions that should be or not be eliminated under the consolidated financial statements are unlikely associated with the change of relative value of the equity book value. This study conducts several sensitivity tests and reveals the empirical results are robust to the diagnostic checks.
*Presenter: Pei-Yu Weng (Asia University)
*Discussant: Syou-Ching Lai (Chang Jung Christian University)

Does Ambiguity Aversion Explain IPO Price Anomalies?

Tzu-Hui Pan (National Taipei University of Business)
Mao-Wei Hung (National Taiwan University)

Abstract

This study investigates how ambiguity aversion influences investors' pricing stocks at IPO. Analysis results indicate if the impact of ambiguity aversion for the marginal distribution on a specific IPO stock is considered, the investor will often subjectively overvalues the IPO stock. This causes a gap between the subjective and market value of the IPO stock, and results in an inflated initial IPO stock price. Later pricing information will become more transparent, therefore reducing the stock's overvaluation, which will induce a long-run underperformance. Such results are consistent with empirical evidences, successfully explained the IPO price anomalies.
*Presenter: Tzu-Hui Pan (National Taipei University of Business)
*Discussant: Chia-Wei Yeh (National Chi Nan University)

<table>
<tr><td rowspan="4">September 26th
10:50~12:10</td><td>4A - Investment</td></tr>
<tr><td>Room 226</td></tr>
<tr><td>Chair: Yin-Feng Gau (National Central University)

➢ Option-Implied Information, Quality of Patents, and Investor Sentiment
Wei-Hsien Li* (National Central University)
Jiahang Liang (Johns Hopkins University)
Zih-Ying Lin (Fu Jen Catholic University)

Discussant: Yanzhi Wang (National Taiwan University)

➢ The Role of the Past Long-Run Oil Price Changes in Stock Market
Shue-Jen Wu* (National Chi Nan University)

Discussant: Shih-Kuei Lin (National Chengchi University)

➢ Valuation and Risk Management of Weather Derivatives: the Application of CME Rainfall Index Binary Contracts
Shih-Kuei Lin* (National Chengchi University)
Ming-Che Chuang (Feng Chia University)
Dong-Jie Fang (National Chengchi University)

Discussant: Yi-Wei Chuang (Feng Chia University)

➢ Do Put Warrants Unwind Short-Sale Restrictions? Further Evidence from the Taiwan Stock Exchange
Yi-Wei Chuang* (Feng Chia University)
Wei-Che Tsai (National Sun Yat-sen University)
Pei-Shih Weng (National Sun Yat-sen University)

Discussant: Wei-Hsien Li (National Central University)</td></tr>
<tr><td>* Presenter</td></tr>
</table>

September 26th, 2020 (Saturday) 10:50~12:10	**Chair:** Yin-Feng Gau (National Central University)
4A - Investment	
Room 226	

Option-Implied Information, Quality of Patents, and Investor Sentiment

Wei-Hsien Li (National Central University)
Jiahang Liang (Johns Hopkins University)
Zih-Ying Lin (Fu Jen Catholic University)

Abstract

This study explores how investor sentiment affects the forecasting power of option-implied information on patent quality. Using several measures of option-implied information, we find that only the option to stock volume ratio (O/S) positively and significantly predicts patent quality, and this relation is more pronounced during high sentiment periods. Further investigations show that the predictability of O/S on patent quality under higher market sentiment is stronger when firms have higher option leverage, higher cost of short-sale, and higher likelihood of being financially constrained.

*Presenter: Wei-Hsien Li (National Central University)
*Discussant: Yanzhi Wang (National Taiwan University)

The Role of the Past Long-Run Oil Price Changes in Stock Market

Shue-Jen Wu (National Chi Nan University)

Abstract

This paper examines the ability of the past long-run changes in oil price to predict the stock returns in the U.S. market. We find the past long-run changes in oil price contain useful information about future real stock returns and excess returns both in-sample and out-of-sample. More interestingly, the past long-run oil price changes also perform strong predictive power for non-US countries.

*Presenter: Shue-Jen Wu (National Chi Nan University)
*Discussant: Shih-Kuei Lin (National Chengchi University)

September 26th, 2020 (Saturday) 10:50~12:10	**Chair:** Yin-Feng Gau (National Central University)
4A - Investment	
Room 226	

Valuation and Risk Management of Weather Derivatives: the Application of CME Rainfall Index Binary Contracts

Shih-Kuei Lin (National Chengchi University)
Ming-Che Chuang (Feng Chia University)
Dong-Jie Fang (National Chengchi University)

Abstract

Since the increasing severity of extreme climate change, the world pays more attention to hedge the weather risk. In this paper, we discuss the valuation and risk management of rainfall index binary contracts, a type of precipitation derivatives issued by CME. We describe the underlying rainfall index with the occurrence model, a first-order, two-state Markov chain, and the magnitude model with mixed-exponential distribution. To capture the seasonality characteristics of precipitation, we describe the parameters with truncated Fourier series, in which the coefficients are fitted by MLE, and the orders are determined by AIC and BIC. We simulate the daily rainfall index by Monte Carlo simulation and fit the simulated monthly rainfall index with NIG distribution. Since the weather derivatives market is incomplete, we value the rainfall index binary options with Esscher transform. The market price of risk (MPR) is calibrated with real market data from CME. We discuss the pricing performance by comparing the results with burn analysis. By sensitivity analysis and discussion of calibrated MPR, we find the rainfall derivatives market is more risk aversion.

*Presenter: Shih-Kuei Lin (National Chengchi University)
*Discussant: Yi-Wei Chuang (Feng Chia University)

Do Put Warrants Unwind Short-Sale Restrictions? Further Evidence from the Taiwan Stock Exchange

Yi-Wei Chuang (Feng Chia University)
Wei-Che Tsai (National Sun Yat-sen University)
Pei-Shih Weng (National Sun Yat-sen University)

Abstract

This study investigates the relationship between stock short-selling restrictions and bearish equity warrants on the Taiwan Stock Exchange—one of the top warrant trading markets—to clarify the substitutive role of put warrants for underlying stocks subject to short-sale constraints. We show that put warrant transactions increase when short selling is prohibited in the spot market and the substitutive increase in trading also leads to wider bid-ask spreads and higher implied volatility for put warrants. Our findings imply that put warrants give pessimistic investors or speculators opportunities to execute bearish transactions when they face short-sales constraints, but these traders also pay higher transaction costs to resolve prohibited short selling. Moreover, we find that the increased trading activities in put warrants could subsequently affect spot market trading through warrant issuers' required dynamic hedging behaviors, providing further support for the substitution effect documented in our analysis.

*Presenter: Yi-Wei Chuang (Feng Chia University)
*Discussant: Wei-Hsien Li (National Central University)

<table>
<tr><td rowspan="4">September 26th
10:50~12:10</td><td>4B - Corporate Finance</td></tr>
<tr><td>Room 260</td></tr>
<tr><td>Chair: Po-Hsin Ho (National Central University)

➢ The Asset Structure and the Risk Management Role of M&A Decisions
Yu-Lin Huang* (National Taichung University of Science and Technology)

Discussant: Nien-Tzu Yang (National United University)

➢ The Impacts of Financial Flexibility Value and Accounting Conservatism on Investment: Evidence from Mispricing
Yi-Mien Lin (National Chung Hsing University)
Chin-Fang Chao (Ling Tung University)
Teng-Shih Wang* (Providence University)

Discussant: Yang-Pin Shen (Yuan Ze University)

➢ Technological Innovation, Management Innovation, Merger Premium, and Value Change
Chai-Liang Huang* (National Chung Cheng University)
Vo Thanh Tai (National Chung Cheng University)

Discussant: Yu-Lin Huang (National Taichung University of Science and Technology)</td></tr>
<tr><td>* Presenter</td></tr>
</table>

September 26th, 2020 (Saturday) 10:50~12:10	**Chair:** Po-Hsin Ho (National Central University)
4B - Corporate Finance	
Room 260	

The Asset Structure and the Risk Management Role of M&A Decisions

Yu-Lin Huang (National Taichung University of Science and Technology)

Abstract

This paper examines whether the asset structure matters to the risk management role of mergers and acquisitions(M&As). By investigating U.S. listed firms from 1987to 2008, we find that asset tangibility matters to the risk management role of M&As and the effect of tangible assets would vary with the type of cash-flow risk. That is, when firms face increased cost uncertainty, firms with more tangible assets are able to maintain their financial flexibility by selling assets or raising additional borrowing and thus less likely to conduct a M&A activity as their risk management mechanism. However, if firms suffer from the increased income uncertainty, the asset tangibility would increase firms' incentive to undertake M&A decisions. Meanwhile, the effect of asset tangibility on the risk management role of M&A decision is more pronounced in firms with low asset specificity.

*Presenter: Yu-Lin Huang (National Taichung University of Science and Technology)
*Discussant: Nien-Tzu Yang (National United University)

The Impacts of Financial Flexibility Value and Accounting Conservatism on Investment: Evidence from Mispricing

Yi-Mien Lin (National Chung Hsing University)
Chin-Fang Chao (Ling Tung University)
Teng-Shih Wang (Providence University)

Abstract

This study examines how the interactive effects of financial flexibility value and accounting conservatism affect corporate investment decisions, and explores the effect of a firm's valuation on the association between financial flexibility value and conservatism. The findings indicate that firms with high financial flexibility and low conservatism in the prior period are more unlikely to over-invest in the current period. Considering the effects of equity mispricing on a firm's financing and investment decisions, equity financing results in over-investment among overpriced firms with higher reporting quality. This result is robust for considering sampling high agency costs. However, equity financing leads to under-investment in underpriced firms with lower financial opacity, which is robust for considering both corporate hedge factors and sampling high agency costs respectively.

*Presenter: Teng-Shih Wang (Providence University)
*Discussant: Yang-Pin Shen (Yuan Ze University)

September 26th, 2020 (Saturday) 10:50~12:10	**Chair:** Po-Hsin Ho (National Central University)
4B - Corporate Finance	
Room 260	

Technological Innovation, Management Innovation, Merger Premium, and Value Change

Chai-Liang Huang (National Chung Cheng University)
Vo Thanh Tai (National Chung Cheng University)

Abstract

This paper investigates whether corporate innovations create synergy and affects takeover premium over the world. We demonstrate that the technological and management innovations of targets are positively associated with takeover premiums paid by acquirers, which, in turn, are positively correlated with the short-run performance of both acquirer and target firms. We show that the synergy effects of merger and acquisition are obtained from these productivity innovations. The technological and management innovations have directly positive impact on short-term cumulative abnormal returns. Our results remain robust after controlling for a variety of firm characteristics, industry characteristics and country characteristics.

*Presenter: Chai-Liang Huang (National Chung Cheng University)
*Discussant: Yu-Lin Huang (National Taichung University of Science and Technology)

	4C - Real Estate and Insurance
	Room 215
September 26th **10:50~12:10**	**Chair: Chiuling Lu (National Taiwan University)** ➢ **Underwriting, Investigating and Denied Claim in the Private Health Insurance** Chia-Ling Ho* (Tamkang University) Chen-Hsu Liao (National Chengchi University) Discussant: Tzuting Lin (National Taiwan University) ➢ **The Impact of Global Warming Sentiment on Investor Gain in the Stock Market** Chai-Liang Huang (National Chung Cheng University) Lai Ferry Sugianto* (National Chung Cheng University) Discussant: Feng-Tse Tsai (National Formosa University) ➢ **Credit Contagion and Risk Sharing among State Governments** Hsien-Yi Chen (Asia University) Feng-Tse Tsai* (National Formosa University) Discussant: Chia-Ling Ho (Tamkang University)
	* Presenter

September 26th, 2020 (Saturday) 10:50~12:10	**Chair:** Chiuling Lu (National Taiwan University)
4C - Real Estate and Insurance	
Room 215	

Underwriting, Investigating and Denied Claim in the Private Health Insurance

Chia-Ling Ho (Tamkang University)
Chen-Hsu Liao (National Chengchi University)

Abstract

This study examines the relationship among the underwriting, investigating, and denied claim in private health insurance. We focus on the distribution systems, insured and agent characteristics, investigating action, and types of illness. Evidence shows that an insured with physical examination, substandard underwriting decision, and suffering from illnesses should be associated with a denied claim. The types of illness include infectious and parasitic; malignant neoplasm; endocrine and immune; mental; nervous system; sensory organ; circulatory; digestive; genitourinary system; pregnancy, childbirth, and postpartum complications; skin and subcutaneous tissue; musculoskeletal; congenital malformation; and symptoms, signs, and unknown conditions. Our findings have significant implications for underwriting and investigating the process of a denied claim. The evidence also shows that a significant and positive relationship exists between the distribution systems (hospital level) and denied claims such as traditional channel (clinic). We find that an agent with a low education level, who holds a staff position and who was full-time are associated with a denied claim. Particularly, we find that investigating for congenital disease, minor disease, verifying the cause of an event, or verifying date of an event within two years is associated with a denied claim. Finally, this study offers remarkable and practical contributions to the insureds and the life insurance industry.

*Presenter: Chia-Ling Ho (Tamkang University)

*Discussant: Tzuting Lin (National Taiwan University)

September 26th, 2020 (Saturday) 10:50~12:10	**Chair:** Chiuling Lu (National Taiwan University)
4C - Real Estate and Insurance	
Room 215	

The Impact of Global Warming Sentiment on Investor Gain in the Stock Market

Chai-Liang Huang (National Chung Cheng University)
Lai Ferry Sugianto (National Chung Cheng University)

Abstract

There are many studies investigate the effect of weather on stock returns, but few of them relates it with investor sentiment. The study of investor sentiment can be more interesting because it captures the behavior of investors which can be affected by weather. This study tries to find that the weather factors influences the stock market return in its connection with investor sentiment indicators. The results show the investor sentiment is reinforced by weather scorch, caused by global warming and have significantly positive impact on daily returns. This means in the extreme hot weather, investors tend to be more aggressive and risk-taking, lead to optimistic and overconfidence behavior which make them get higher gains. This finding is confirmed by our Threshold model, which shows the investor sentiment indicator exert more influence on the stock returns when temperature is above 71oF. In the paper, we also discover that it is the capital gains, rather than dividend yields and total returns, can be well explained by the effect of investor sentiment and weather scorch. Our results also show that the effect of investor sentiment and weather scorch is more significant in non-U.S. firms rather than the U.S. firms. The countries with lower latitude and higher longitude have more exposure in global warming sentiment, which make investors more irrational leads to greater returns. Our results also show that in the most industries, the impact of weather scorch and investor sentiment are significant and in a similar degree with few exceptions. Then our last result show that the weather scorch is a good indicator for measuring the extreme hot weather effect with its connection with investor sentiment on returns.

*Presenter: Lai Ferry Sugianto (National Chung Cheng University)
*Discussant: Feng-Tse Tsai (National Formosa University)

September 26th, 2020 (Saturday) 10:50~12:10	**Chair:** Chiuling Lu (National Taiwan University)
4C - Real Estate and Insurance	
Room 215	

Credit Contagion and Risk Sharing among State Governments

Hsien-Yi Chen (Asia University)
Feng-Tse Tsai (National Formosa University)

Abstract

The aim of this paper is to investigate how credit downgrades and state CDS jumps affect other states' credit risk. In addition, we further study the channels of state credit contagion and its second order effects. Credit quality of states is measured by state CDS spread and the levels of interstate risk sharing via capital market, credit market and federal government are estimated using the model of Asdrubali et al. (1996). The sample period covers from 2005 to 2012.

The main findings show that credit downgrades and CDS jumps of state governments have contagion effects on credit risk of other states but credit outlook downgrades have no effect on credit worthiness of other states. Additionally, risk sharing via capital market contributes most to the increases of other states' credit spreads in downgrades and risk sharing via federal government plays an important role in CDS jump events (mostly happened in the 2008 financial crisis). Overall, credit contagion among states exists around negative credit news days and the effect depends on risk sharing via capital market, credit market and federal transfer. The channel of risk sharing via capital market helps mitigate the impacts for industry similar states in rating downgrades and the channel of federal transfer abates the influences for states of which governors with the same party as the president in negative rating outlook events. However, the credit market channel amplifies the effect of credit contagion for neighbor states in CDS jump events.

*Presenter: Feng-Tse Tsai (National Formosa University)
*Discussant: Chia-Ling Ho (Tamkang University)

<table>
<tr><td rowspan="4">**September 26th**
10:50~12:10</td><td>**4D - Corporate Finance**</td></tr>
<tr><td>**Room 228**</td></tr>
<tr><td>**Chair: Hong-Yi Chen (National Chengchi University)**

➢ **The Effect of Compensation on Employee Turnover: Evidence from Taiwanese Administrative Data**
Yu-Chun Cheng (Cornell University)
Hsing-Wen Han (Tamkang University)
Hao-Chung Li* (National Chengchi University)
Wen-Chieh Lee (National Chengchi University)
Tzu-Ting Yang (Academia Sinica)

Discussant: Chyi-Lun Chiou (Fu Jen Catholic University)

➢ **Corporate Fraud and Trade Credit: Evidence from China**
Chyi-Lun Chiou* (Fu Jen Catholic University)

Discussant: Hao-Chung Li (National Chengchi University)

➢ **The Volatility Effect of Chinese Stock Return on Capital Structure Choices of Non-Financial Listed Firms**
Thi Huong Giang Vuong (Feng Chia University)
Huu Manh Nguyen* (Feng Chia University)
Tzu-Ching Weng (Feng Chia University)
Yang-Che Wu (Feng Chia University)
Vinh Xuan Vo (University of Economics Ho Chi Minh City)

Discussant: Hao-Chung Li (National Chengchi University)</td></tr>
<tr><td>* Presenter</td></tr>
</table>

September 26th, 2020 (Saturday) 10:50~12:10	**Chair:** Hong-Yi Chen (National Chengchi University)
4D - Corporate Finance	
Room 228	

The Effect of Compensation on Employee Turnover: Evidence from Taiwanese Administrative Data

Yu-Chun Cheng (Cornell University)
Hsing-Wen Han (Tamkang University)
Hao-Chung Li (National Chengchi University)
Wen-Chieh Lee (National Chengchi University)
Tzu-Ting Yang (Academia Sinica)

Abstract

This paper examines the causal effect of compensation on employee turnover. We utilize an unique policy reform that did not change a firm's labor costs but substantially reduced the compensation that an worker can receive. Our results an one-million reduction in compensation can increase a high-paid worker's likelihood of quitting a job by 50%.

*Presenter: Hao-Chung Li (National Chengchi University)
*Discussant: Chyi-Lun Chiou (Fu Jen Catholic University)

Corporate Fraud and Trade Credit: Evidence from China

Chyi-Lun Chiou (Fu Jen Catholic University)

Abstract

This study examines the impact of corporate fraud on a firm's use of trade credit. Using the sample of Chinese listed companies between 2001 and 2016, we find that the use of trade credit (accounts payable) decreases with fraud occurrence. Furthermore, the sensitivity of trade credit to fraud is significantly weaker for companies with political connections. That implies the exposure to corporate fraud is harmful to a company's reputation when the fraudulent firm loses the trust of suppliers. However, the negative impact of fraud on trade credit can be alleviated with political connections. Finally, we examine that the advantage of political connections in reducing the influence of fraud on trade credit can vary between SOEs and non-SOEs. Specifically, only non-SOEs can reap the benefit of political connections in alleviating the negative shock of fraud on the use of trade credit.

*Presenter: Chyi-Lun Chiou (Fu Jen Catholic University)
*Discussant: Hao-Chung Li (National Chengchi University)

September 26th, 2020 (Saturday) 10:50~12:10	**Chair:** Hong-Yi Chen (National Chengchi University)
4D - Corporate Finance	
Room 228	

The Volatility Effect of Chinese Stock Return on Capital Structure Choices of Non-Financial Listed Firms

Thi Huong Giang Vuong (Feng Chia University)
Huu Manh Nguyen (Feng Chia University)
Tzu-Ching Weng (Feng Chia University)
Yang-Che Wu (Feng Chia University)
Vinh Xuan Vo (University of Economics Ho Chi Minh City)

Abstract

Our study investigates the volatility effect of the stock return of the Shanghai Stock Exchange Composite (SSEC) index on capital structure choices of listed firms from 2008 to 2018, using a panel model, except for financial firms. Our results indicate that the fluctuation of stock return affects positively total market leverage and short-term market leverage; in contrast, it relates negatively to long-term market leverage. And besides, we prove that this positive effect of total market leverage is derived from the worsening of the stock exchange market and the improvement of the external financial environment. Also, we show that Chinese listed firms align their financing structures by employing more loans, especially short-term loans, and less trade credit when the stock return volatility increases. Finally, we present robust evidence that the proportion of loans in total debt increases in contrast to the reduction in an adjustment of the ratio of trade credit in total debt. We also test the potential sample selection issues and the endogenous model to increase the robustness of our results.

*Presenter: Huu Manh Nguyen (Feng Chia University)
*Discussant: Hao-Chung Li (National Chengchi University)

<table>
<tr><td rowspan="4">**September 26th**
10:50~12:10</td><td>**4E – Investment (English & Chinese Session)**</td></tr>
<tr><td>**Room 213**</td></tr>
<tr><td>**Chair: Wei-Che Tsai (National Sun Yat-sen University)**

➢ **How Financial Constraints of Credit Ratings Affect the Cash-Flow Sensitivity**
Chih-Chung Chien* (Asia University)
Shi-Kuan Chen (National Taiwan University)
Ming-Jen Chang (National Dong Hwa University)

Discussant: Chang Chan (National Taipei University)

➢ **Do Uncertainty Indices Affect the Transition Mechanism of the Stock Market? Evidence from the Japanese Stock Market**
Kuang-Liang Chang* (National Sun Yat-sen University)

Discussant: Chih-Chung Chien (Asia University)

➢ **Return and Trading Behavior of IPO of Various Investor Types and the Impact of Underwriters and CPA Firms**
Chang Chan* (National Taipei University)
Jing-Sheng Yu (National Taipei University)

Discussant: Pi-Hsia Hung (National Chi Nan University)</td></tr>
<tr><td>* Presenter</td></tr>
</table>

September 26th, 2020 (Saturday) 10:50~12:10	**Chair:** Wei-Che Tsai (National Sun Yat-sen University)
4E – Investment (English & Chinese Session)	
Room 213	

How Financial Constraints of Credit Ratings Affect the Cash-Flow Sensitivity

Chih-Chung Chien (Asia University)
Shi-Kuan Chen (National Taiwan University)
Ming-Jen Chang (National Dong Hwa University)

Abstract

This study investigates whether migration of firms' credit ratings induces more financial constraints on the cash-flow sensitivities of various uses of cash flow. Migration of credit ratings plays a role in the signaling of the credit quality shock about firm's financial health. For a given credit quality shock and control for firm-level characteristics and endogeneity of cash flow allocation, we show that firms with higher credit ratings risk tend to increase the cash-flow sensitivity on cash holding, investment and debt financing activities. Our findings support evidence that credit ratings risk has a larger impact on cash flow allocation and drives the financial constraints on cash-flow sensitivity for a variety of reasons including precautionary motivation and restricted access to external financing.

*Presenter: Chih-Chung Chien (Asia University)
*Discussant: Chang Chan (National Taipei University)

Do Uncertainty Indices Affect the Transition Mechanism of the Stock Market? Evidence from the Japanese Stock Market

Kuang-Liang Chang (National Sun Yat-sen University)

Abstract

The impacts of uncertainty indices on the transition mechanism of Japanese stock market dynamics are investigated by utilizing the Markov-switching GARCH-jump model with a time-varying transition probability matrix. The economic policy uncertainty of Japan, the economic policy uncertainty of the US, and the equity market volatility index of the US are analyzed. The empirical results demonstrate that the Japanese stock market responds to most uncertainty indices with the exception of the economic policy uncertainty of the US. The equity market volatility of the US plays a more crucial role than the economic policy index of Japan. Furthermore, an increase in the uncertainty index does not always send a bad signal: It does so in a high-volatile stock market, but it sends a good signal in a low-volatile stock market. Similarly, an increase in the equity market volatility index causes more volatile dynamics in a high-volatile state, but it increases the stability of the stock market in a low-volatile state. Finally, the magnitude of the impact of the uncertainty index is larger in a high-volatile state than in a low-volatile state.

*Presenter: Kuang-Liang Chang (National Sun Yat-sen University)
*Discussant: Chih-Chung Chien (Asia University)

September 26th, 2020 (Saturday) 10:50~12:10	**Chair:** Wei-Che Tsai (National Sun Yat-sen University)
4E – Investment (English & Chinese Session)	
Room 213	

Return and Trading Behavior of IPO of Various Investor Types and the Impact of Underwriters and CPA Firms

Chang Chan (National Taipei University)
Jing-Sheng Yu (National Taipei University)

Abstract

It was found in the literature that information asymmetry leads to stocks of initial public offerings (IPO), which have short-term excess returns and poor long-term returns. Underwriters and CPA firms play a key role in information transmission in IPO. This study uses 134 newly listed companies in the Taiwan stock market from 2013 to 2018 as a sample. This study uses intraday trading data that can identify various investor types, as well as data that can identify IPO underwriters and CPA firms, analyzes the influence of underwriters and CPA firms on the return and trading behavior of various investor types of IPO, and verifies the return and trading behavior of various investor types of IPO. The empirical results show that: 1. The short-term returns of IPOs which are certified by big-four CPA firms are lower than those certified by non big-four CPA firms. It indicates that high-reputation CPA firms have the function of alleviating underpricing. In the contrast, the short-term returns of IPOs which are underwritten by underwriters with the largest market shares are higher than those underwritten by underwriters with low market shares. It shows that high-reputation underwriters may underprice IPOs much more. 2. The short-term trading volume of IPOs which are certified by big-four CPA firms are higher than those certified by non big-four. This implies that the IPO information of big-four CPA firms are more transparent, and investors have a higher willingness to trade. 3. The short-term trading volume of individual investors in IPO is significantly higher than that of institutional investors, while the long-term return of IPO of individual investors is significantly lower than that of institutional investors. It is implied that individual investors are noisy traders of IPO and are too enthusiastic about trading IPO stock. 4. The higher the market share of underwriter of IPO stocks, the more obvious the phenomenon of long-term return reversal of individual investors. It shows that the individual investors are over-reliant on the underwriters with high market share, and that underwriters with high market share are not effective in reducing information asymmetry.

*Presenter: Chang Chan (National Taipei University)
*Discussant: Pi-Hsia Hung (National Chi Nan University)

<table>
<tr><td rowspan="4">September 26th
10:50~12:10</td><td>4F - Corporate Finance and Investment</td></tr>
<tr><td>Room 255</td></tr>
<tr><td>Chair: Yan-Shing Chen (National Taiwan University)

➢ Credit Default Swaps and Performance Smoothing
<u>Wei-Shao Wu*</u> (University of Electronic Science and Technology of China)
Robert C.W. Fok (University of Wisconsin-Parkside)
Yuan-Chen Chang (National Chengchi University)
Chao-Jung Chen (National Pingtung University)

Discussant: Yan-Shing Chen (National Taiwan University)

➢ Supply-Chain Concentration, Market Competitive Power and Corporate Financialization
Xindong Zhang (Shanxi University)
<u>Meifeng Zou*</u> (Shanxi University)

Discussant: Chia-Wei Yeh (National Chi Nan University)

➢ The Choice between Foreign Direct Investment and Export with Industry Competition and Marginal Cost
<u>Chun Ping Chang*</u> (Asia University)
Yung-Shun Tsai (Asia University)
Batjargal Zolzaya (Asia University)
Shyh-Weir Tzang (Asia University)

Discussant: Meihua Liao (Asia University)

➢ Consumption and Investment Value in Housing Price: A Real Options Approach
Chih-Hsing Hung (National Kaohsiung University of Science and Technology)
<u>Shyh-Weir Tzang*</u> (Asia University)
Chun Ping Chang (Asia University)
Yung-Shun Tsai (Asia University)

Discussant: Shihchung Chiang (Chung Hua University)</td></tr>
<tr><td>* Presenter</td></tr>
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September 26th, 2020 (Saturday) 10:50~12:10	**Chair:** Yan-Shing Chen (National Taiwan University)
4F - Corporate Finance and Investment	
Room 255	

Credit Default Swaps and Performance Smoothing

Wei-Shao Wu (University of Electronic Science and Technology of China)
Robert C.W. Fok (University of Wisconsin-Parkside)
Yuan-Chen Chang (National Chengchi University)
Chao-Jung Chen (National Pingtung University)

Abstract

This study examines whether the availability of traded credit default swaps (CDS) influences the referenced firms' incentive to smooth their performance. We show that with the introduction of CDS trading to their debt, CDS-referenced firms lower both their earnings and cash flow volatility. Specifically, earnings volatility declines faster than the cash flow volatility. The effect of CDS trading on performance smoothing is not varying under different market and economic conditions. These results support the notion that CDS-referenced firms smooth their performance to avoid renegotiation with CDS-protected creditors. We also find that firms smooth their performance after the inception of CDS trading via hedging, shortening operating cash cycle, and stabilizing working capital.

*Presenter: Wei-Shao Wu (University of Electronic Science and Technology of China)
*Discussant: Yan-Shing Chen (National Taiwan University)

Supply-Chain Concentration, Market Competitive Power and Corporate Financialization

Xindong Zhang (Shanxi University)
Meifeng Zou (Shanxi University)

Abstract

We investigate whether firm relying on major suppliers/customers (i.e., higher supply chain concentration) are tend to hold more financial assets due to the supply chain pressure. We find that higher supply chain concentration increases the firm financialization level. The firm's competitive power will reduce the financialization level but it cannot reverse the adverse impact from supply chain concentration. Further, we use mediation effect analysis to explore the mechanism between supply chain concentration and corporate financialization, and find that supply chain concentration impairs firm's main business profitability, increase main business risk, results in it hold more financial assets. The main business profitability and risk channel play partial mediation effect. Our findings reveal that over depending on big suppliers/customers will cause firm escape reality to virtual.

*Presenter: Meifeng Zou (Shanxi University)
*Discussant: Chia-Wei Yeh (National Chi Nan University)

September 26th, 2020 (Saturday) 10:50~12:10	**Chair:** Yan-Shing Chen (National Taiwan University)
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The Choice between Foreign Direct Investment and Export with Industry Competition and Marginal Cost

Chun Ping Chang (Asia University)
Yung-Shun Tsai (Asia University)
Batjargal Zolzaya (Asia University)
Shyh-Weir Tzang (Asia University)

Abstract

This paper uses real option theory to explicitly derive an optimal foreign investment rule. In the setting we characterize the investment decisions and give rise to a theoretic analysis of optimal foreign direct investment timing under exchange rate uncertainty with industry competition and firm marginal cost. This paper demonstrates the impact on the relevant economic variables and infer empirical implications to results. The model is extended to include an exit option and externalities, which have implications for divesting FDI and policy. This enriches the literature and captures model policy driven FDI as a dynamic process.

*Presenter: Chun Ping Chang (Asia University)
*Discussant: Meihua Liao (Asia University)

Consumption and Investment Value in Housing Price: A Real Options Approach

Chih-Hsing Hung (National Kaohsiung University of Science and Technology)
Shyh-Weir Tzang (Asia University)
Chun Ping Chang (Asia University)
Yung-Shun Tsai (Asia University)

Abstract

The homeowners can be viewed as the put option holders who can sell housing to lenders when housing price is lower than its mortgage value. Based on the option theoretic approach to borrowers, we adopt the real options approach to model the value of housing by estimating its value in consumption and investment. Model parameters affecting housing value such as comfort of housing, interest rate, depreciation rate, price volatility, and tax are examined to measure their impacts on the housing price. We find that the proportion of investment value to housing value increases with the volatility of the housing market, indicating the possible formation of housing bubbles. In addition, the comfort and utility provided by housing are critical for homeowners to decide whether to sell their houses. The analysis provides policymakers and market participants in the real estate market with insights into the price formation of real estate.

*Presenter: Shyh-Weir Tzang (Asia University)
*Discussant: Shihchung Chiang (Chung Hua University)