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DATE OF BIRTH: January 10, 1979 **SEX:** M **CITIZENSHIP:** CANADA

GRADUATE STUDIES:

MASSACHUSETTS INSTITUTE OF TECHNOLOGY, Cambridge, MA

- Ph.D. in Managment (Financial Economics), Expected June 2007.
- DISSERTATION TITLE: "A Tale of Two Arbs: Essays on Agency and Financial Institutions"
- ADVISORS: Prof. Antoinette Schoar (Chair), Prof. Stephen A. Ross, and Prof. Dirk Jenter.

UNDERGRADUATE STUDIES:

PRINCETON UNIVERSITY, Princeton, NJ

- B.A. in Economics with Highest Honors, *Summa Cum Laude*, June 2001.
- MINOR: Finance.
- SENIOR THESIS TITLE: "Overoptimism, Opportunism, and the Theory of Contracts: An Application to Employment Relationships"
- ADVISORS: Prof. Markus Brunnermeier, Prof. Patrick Bolton.

RESEARCH INTERESTS:

- Corporate Finance, Financial Institutions, and Financial Regulation.

TEACHING ASSISTANT EXPERIENCE:

- "Introduction to Finance (MBA)", 15.401: Jiang Wang and Utpal Bhattacharya (Indiana U), Fall 2003.
- "Introduction to Finance (Ugrd)", 15.401: John Chalmers (U of Oregon), Fall 2002; Dimitri Vayanos (now at LSE), Spring 2003.
- "Financial Management (EMBA)", 15.414: Jonathan Lewellen, Summer 2003.
- "Options and Futures (Ugrd, Grad, MBA)", 15.437: Joseph Chen (USC), Fall 2003 and Spring 2004; Timothy Johnson (LBS), Fall 2004; John Cox, Spring 2005 and Spring 2006; Tim Adam, Fall 2006.
- "Advanced Financial Economics I (PhD)", 15.440: Dimitri Vayanos (now at LSE), Spring 2003 and Spring 2004.

RESEARCH ASSISTANT EXPERIENCE:

- Dimitri Vayanos (now at LSE), "Flight to Quality, Flight to Liquidity, and the Pricing of Risk", Summer 2003.
- Dimitri Vayanos (now at LSE), "Search and Endogenous Concentration of Liquidity in Asset Markets", Summer 2003.
- Antoinette Schoar and Josh Lerner (HBS), "Does Legal Enforcement Affect Financial Transactions? The Contractual Channel in Private Equity", Summer 2002.

AWARDS AND FELLOWSHIPS:

- Winner of Lehman Brothers Fellowship for Research Excellence in Finance (2006).
- MIT Sloan Outstanding Teaching Assistant Award (2003-04).
- Sloan Fellowship (2001-2005).
- Co-Recipient of Halbert L. White '72 Prize (Top Graduating Student in Princeton Economics Department).
- Putnam Examination: Top 150 Among North American Undergraduates (1998).
- Asian Pacific Mathematics Olympiad: Member of Canadian Team, Won Silver Medal for Individual Performance (1997).

RESEARCH PAPERS:

WORKING PAPERS:

• **Self-Regulation and Enforcement: Evidence From Investor-Broker Disputes at the NASD** (Job Market Paper)
↪ *Abstract:* This paper investigates whether self-regulation in financial markets leads to greater industry bias and expertise in enforcement. Using hand-collected data on securities arbitration disputes from the National Association of Securities Dealers (NASD), I document that pro-industry arbitrators are selected more often to arbitration panels than pro-investor ones (selection on bias) and that experts are also selected more frequently to cases (selection on expertise). Moreover, both patterns vary substantially across cases. Selection on bias is strongest when large brokerage firms are sued and when cases are more important to firms while selection on expertise increases with case complexity. This suggests that arbitrators are assigned to cases in ways that lead to higher industry bias and expertise. To assess whether the NASD is responsible for these patterns, I examine the impact of a change in regulation that greatly reduced NASD control over the selection of arbitrators. Following this change, the allocation of expertise to cases declined and there is some evidence that selection on bias increased. These results suggest that the NASD is not responsible for selection on bias but that it increases selection on expertise. Thus, concerns about favoritism at the NASD may be misplaced and, more generally, self-regulation may increase expertise and even lower industry bias in enforcement.

• **Financial Relationships and the Limits to Arbitrage** (with D. Papanikolaou)
↪ *Abstract:* We propose a new foundation for the limits to arbitrage based on *financial relationships* between arbitrageurs and banks. Financially constrained arbitrageurs may choose to seek additional financing from banks who can understand their strategies. However, a hold-up problem arises because banks cannot commit ex-ante to provide capital and have the financial technology necessary to profit from the arbitrageur's strategies themselves. Wary of this, arbitrageurs will choose to stay constrained and limit their correction of mispricing unless banks have sufficient reputational capital. Using the framework of stochastic repeated games, we show that this form of limited arbitrage arises when mispricing is largest and becomes more substantial as the degree of competition between banks intensifies and, surprisingly, as arbitrageur wealth increases.

WORK-IN-PROGRESS:

- **Enforcement Design and the Trade-Off Between Impartiality and Expertise**
↪ *Description:* This paper argues that there is a fundamental trade-off in the design of enforcement institutions, especially those that resolve disputes between customers and firms. Namely, there is a trade-off at the enforcer-level between impartiality and expertise. This is due to fact that, in many commercial settings (e.g., financial services), expertise is best acquired on the job. Since a firm's equilibrium employment policies self-select biased individuals, enforcement institutions are forced to choose between biased experts or impartial non-experts as enforcers. It is shown that this trade-off obtains even if the designer attempts to eliminate it using information from the employment screening mechanism or limits the enforcer's discretion. This theory is also extended to compare the effect of ownership structure on dispute resolution within a vertical chain. This analysis provides a novel theory of vertical integration based on an integrated firm's enhanced control in setting human resource policies to mitigate the trade-off between impartiality and expertise in these types of disputes.

- **Informable Finance, Innovation and Syndication: The Benefits and Costs of Non-Verifiable Communication** (with D. Papanikolaou)
↪ *Description:* This paper studies *informable finance* and its role in loosening an entrepreneur's financial constraint. We argue that becoming an informable financier requires expertise. However, obtaining this expertise also involves acquiring the ability to implement the project alone. Given imperfect intellectual property rights, this creates a hold-up problem because the financier might prefer implementing a project on her own once its details are revealed. Unless there is a cost to expropriation, this threat will severely limit the effectiveness of innovation in two ways. First, there will be an ex-post inefficiency where the best projects are underimplemented. Second, there is also an ex-ante inefficiency because entrepreneurs have insufficient or distorted incentives to innovate. We consider an endogenous cost of expropriation, namely a financier's reputation, and show that it does not fully eliminate this hold-up problem. This framework is then extended to an institutional design problem with the objective of minimizing these inefficiencies. This extension leads to a new theory of syndication in entrepreneurial finance based on reducing the financier's temptation to expropriate the entrepreneur.

RESEARCH REFERENCES:

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Utpal Bhattacharya
James R. Hodge Eminent Scholar in Finance
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