

THE FINANCE SYMPOSIUM 2023

JULY 15-17, RODOS, GREECE

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[MEDITERRANEAN HOTEL RODOS *****](#) / [RODOS PALACE*****](#)

BOOK OF ABSTRACTS

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INDEX

| | |
|--|----|
| PLENARY SPEAKERS..... | 5 |
| ALGORITHMIC STABLECOINS WITHIN DECENTRALIZED AUTONOMOUS ORGANIZATIONS (DAO): HOW CAN ARTIFICIAL INTELLIGENCE HELP ACHIEVING STABILITY? | 5 |
| ALESSIO CASTELLO, International University of Monaco | |
| GREGORY GADZINSKI, International University of Monaco | |
| CLIMATE FINANCE, ESG & SUSTAINABLE FINANCE | 6 |
| NUNO FERNANDES, University of Navarra, IESE, Spain | |
| Portuguese Central Bank, Portugal | |
| European Investment Bank | |
| VOTING RATIONALES | 7 |
| RONY MICHAELY, University of Hong Kong | |
| SILVANA RUBIO, University of Bristol | |
| IRENE YI, University of Toronto | |
| INVITED SPEAKERS..... | 5 |
| MUTUAL FUND PERFORMANCE: THE MODEL FOR SELECTING PERSISTENT WINNERS | 9 |
| CESARIO MATEUS, Aalborg University, Denmark | |
| IRINA MATEUS, Aalborg University, Denmark | |
| NATASHA TODOROVIC, City University, UK | |
| SYMPOSIASTS..... | 10 |
| OFFSHORE VEHICLES, INVESTMENT AND TAX REVENUES: EVIDENCE OF EUROPEAN PRIVATE FIRMS LINKED TO OFFSHORE DATA LEAKS..... | 10 |
| MARCELO ORTIZ, University Pompeu Fabra, UPF-BSM, Spain & | |
| Barcelona School of Economics, Spain | |
| JUAN IMBET, Université Paris Dauphine, France | |
| POLITICAL UNCERTAINTY AND INSITUATIONAL HERDING..... | 12 |
| KONSTANTINOS GAVRILIDIS, University of Stirling, UK | |

VASSILEIOS KALLINTERAKIS, University of Durham, UK

MAURIZIO MONTONE, University of Utrecht, Netherlands

PORTFOLIO OPTIMIZATION WITH RELATIVE TAIL RISK 14

YOUNG SHIN KIM, Stony Brook University, USA

ASSET ALLOCATION IN SELF ORGANIZED FEATURES MAOS AND RADIAL
BASIS FUNCTION NETWORKS AND HYBRIDS 15

NIKOLAOS LOUKERIS, University of West Attica, Greece

IORDANIS ELEFThERIADIS, University of Macedonia, Greece

PLENARY SPEAKERS

Algorithmic Stablecoins within Decentralized Autonomous Organizations (DAO): How can Artificial Intelligence help achieving Stability?

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ABSTRACT

The growth of stablecoins within the Decentralized Finance (Defi) ecosystem has been explosive in the last two years. However, about 95% of all stablecoins are still in the hands of centralized institutions, which contradicts the very essence of Defi and the blockchain technology, namely decentralized and trustless. However, so far, the second generation of non-custodial stablecoins has failed to achieve the goal of stability, and thus, is not yet a reliable alternative to fiat-backed stablecoins. We explore how a smart Decentralized Autonomous Organization (DAO), augmented with Artificial Intelligence and Machine Learning can be used to combine decentralization, stabilization and efficiency. We focus on four main avenues of improvements that may help algorithmic stablecoins protocols to be more resilient, namely organizational and decision-making processes, oracles, automated market makers, and yield farming.

Keywords: stablecoins, Defi, DAO, AI,

Climate Finance, ESG and Sustainable Finance

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ABSTRACT

Various aspects of climate finance (and more broadly, ESG and sustainable finance), from the risks and opportunities, to the demand and supply of capital, to the impact of global policies are examined. Highlight frameworks help corporate managers, investors, executives, members of boards of directors, regulators, central bankers, faculty and students - better understand the link between finance and climate.

Keywords: Climate Finance, ESG, Sustainable Finance

Voting Rationales

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ABSTRACT

We examine why institutional investors vote the way they vote on director elections, using a novel dataset on voting rationales provided by institutional investors. We find that the most important reasons for opposing directors are board independence, board diversity, tenure, firm governance, and busyness; institutional investors are also increasingly voting against directors to hold them accountable for failure to address environmental and social issues. We find that institutional investors' concerns are well-grounded: companies with low board gender diversity receive more rationales on board diversity, similar for companies with long director tenure and busy directors. This is consistent with institutional investors devoting significant effort toward governance research. Finally, companies with high dissent voting related to board diversity, tenure, and busyness improve their board composition in the following year. Our results suggest that directors are willing to address concerns that result in high shareholder dissent, and voting rationales can be an effective tool to communicate the source of dissent.

Keywords: institutional investors, voting, voting rationales, corporate governance

JEL Classification: G11, G23, G30

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INVITED SPEAKERS**Mutual fund performance: The model for selecting persistent winners****Cesario Mateus^{1,*}, Irina B. Mateus¹, Natasha Todorovic²****¹Aalborg University,
Denmark****²Bayes Business School,
City University,
UK***** cmateus@business.aau.dk****ABSTRACT**

Standard Fama-French-Carhart models are widely used by academics to assess risk-adjusted fund performance versus market, size, style and momentum factors. However, it fails to reflect the industry standard, following which the performance of money managers is commonly evaluated relative to a corresponding benchmark and the peer group. In this paper, we introduce a new approach that augments the Carhart model and enables investors to identify the funds that outbid both the benchmark and the peer group. In addition, it allows discovering more certain winners by eliminating the under(out)performance of funds driven by the bias in the FFC factor construction. The application of our model is illustrated on Large Cap Value US active equity mutual funds using contingency tables. The performance and persistence in performance are assessed by comparing the novel and the standard Carhart models. We find that winners suggested by our approach earn more than twice as much as winners from the Carhart model (49bps vs 20bps annually) and show persistence in performance 36 months ahead. The results are robust to different specifications of contingency tables.

Keywords: US equity mutual funds, Carhart model, Benchmark-adjusted alphas, Peer-group-adjusted alphas, Performance Persistence

SYMPOSIASTS**OFFSHORE VEHICLES, INVESTMENT AND TAX REVENUES:
EVIDENCE OF EUROPEAN PRIVATE FIRMS LINKED TO
OFFSHORE DATA LEAKS****Marcelo Ortiz¹ and Juan Imbet²****¹University Pompeu Fabra, UPF-BSM &
Barcelona School of Economics
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This paper examines how offshore vehicles (OVs) in tax havens affect home countries' corporate investment and tax revenues. Contrary to the common perception that OVs are detrimental to domestic economies, we argue that they encourage domestic investment by reducing the tax burden. Indeed, the induced investment can potentially expand the taxable income, creating a trade-off that may counterbalance the direct tax base erosion associated with OVs. To test these hypotheses, we build and analyze a large data set of European private firms identified as OV users in offshore data leaks, comparing them to similar firms. Our findings suggest that OV users invest more and pay higher taxes. For identification, we leverage the sequence of offshore data leaks in a staggered difference-in-difference approach. Our results indicate that OV users reduce investments post-leak while their tax payments remain relatively stable. This study extends the nascent literature on secretive offshore activities, underscoring the prevalence of offshore activities among private firms and documenting the real impacts of data leaks.

Keywords: Offshore vehicles, Investment, Tax**JEL Classification: H25, H26, F23**

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POLITICAL UNCERTAINTY AND INSTITUTIONAL HERDING

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Abstract

Political uncertainty represents a key determinant of corporate investment decisions. In this paper, we study the relation between political uncertainty and investment from the perspective of institutional investors. Using U.S. equity holdings data from 13F filings, we find that institutional investors herd during politically uncertain times. This trading behavior is especially strong when U.S. presidents are unpopular, due to their proclivity for controversial policies, and among riskier stocks. We also find that this mechanism helps impound a risk premium into stock prices, thus improving market efficiency. Overall, the findings unveil a new channel through which political uncertainty affects financial markets.

Keywords: Herding; Institutional investors; Political uncertainty; Presidential popularity

JEL classification: G11, G18, G23.

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PORTFOLIO OPTIMIZATION WITH RELATIVE TAIL RISK

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Abstract

This paper proposes analytic forms of portfolio CoVaR and CoCVaR on the normal tempered stable market model. Since CoCVaR captures the relative risk of the portfolio with respect to a benchmark return, we apply it to the relative portfolio optimization. Moreover, we derive analytic forms for the marginal contribution to CoVaR and the marginal contribution to CoCVaR. We discuss the Monte-Carlo simulation method to calculate CoCVaR and the marginal contributions of CoVaR and CoCVaR. As the empirical illustration, we show relative portfolio optimization with thirty stocks under the distress condition of the Dow Jones Industrial Average. Finally, we perform the risk budgeting method to reduce the CoVaR and CoCVaR of the portfolio based on the marginal contributions to CoVaR and CoCVaR.

Keywords: Portfolio Optimization, Relative Risk, Normal Tempered, Stable Model, CoVaR, CoCVaR, Marginal Contribution to Risk

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ASSET ALLOCATION IN SELF ORGANIZED FEATURES MAOS AND RADIAL BASIS FUNCTION NETWORKS AND HYBRIDS

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Abstract

We evaluate the performance of 60 Self Organized Features Maps and 50 Radial Basis Function Networks in hybrid and plain form to define the optimal classifier in asset allocation.

Keywords: Genetic Algorithms, Self-Organized Features Maps, Radial Basis Function Networks, Hybrid Networks, Asset Allocation, Hedge Funds, Portfolio Optimization

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