Xiaobo YU

PhD Candidate in Finance at Columbia Business School

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All future dates indicate expected activities as time traveling is not feasible (yet).

Education

Columbia Business School	*New York, USA*
PhD Candidate in Finance	*Aug. 2018 - June 2024*
Toulouse School of Economics	*Toulouse, France*
Master in Economic Theory and Econometrics (PhD Track)	*Sept. 2016 - June 2018*
Fudan University	*Shanghai, China*
Bachelor in Economics	*Sept.2011 - Jul. 2016*
Waseda University	*Tokyo, Japan*
Exchange Program	*Sept.2014 - Jul. 2015*

Fields of Interest

Corporate Finance, Bankruptcy, Contract Theory, Security Design, Financial Networks, Information

Research

A General Theory of Holdouts (2023) — *Job Market Paper*

Xiaobo Yu

This paper presents a unified framework for analyzing the holdout problem, a pervasive phenomenon in the economy that arises in various contexts, such as takeover, debt restructuring, and land assembly, where value creation is hindered by the incentive to exploit other agents' concessions. My framework encompasses the specific applications examined in the literature and demonstrates that the problem can be resolved through contingent contracts, provided that the principal is committed. I then add limited commitment by requiring the exchange offers to be credible, i.e., initial exchange offers are renegotiation-proof in the event of agent deviation. I show that adding limited commitment can substantially alter the outcome depending on the shape of the existing contracts, which explains the absence of unanimity rule despite its efficacy and cross-sectional heterogeneity in contractual tools. (E.g., senior debt used in debt restructuring but not takeover.) Furthermore, I investigate the impact of commitment and reveal that an increase in commitment could backfire, exacerbating the holdout problem.

Presented at **Finance Theory Group Summer School 2023**, **Financial Colloquium in the Economics Department, Columbia University**

Systemic Risk in Financial Networks Revisited: The Role of Maturity (2023) — *R&R at the Journal of Finance*

with Jason Donaldson and Giorgia Piacentino

We develop a model of interbank networks in which banks experience state-contingent liquidity shocks. We show that networks of long-term debt facilitate the efficient transfer of liquidity: They allow shocked banks to raise liquidity using interbank assets as collateral for new debt, diluting interbank liabilities. Networks of long-term debt thus have strikingly different properties from those of short-term, which cannot be diluted; e.g., high indebtness and connectedness can be sources of stability, not fragility. Networks in a specific class, which we call the "exponential networks," implement optimal contingent transfers despite consisting of plain (non-contingent) debt—they are robust but never fragile.

Restructuring vs. Bankruptcy (2023) — *R&R at the Journal of Finance*

with Jason Donaldson, Ed. Morrison and Giorgia Piacentino

We develop a model of a firm in financial distress. Distress can be mitigated by filing for bankruptcy, which is costly, or preempted by restructuring, which is impeded by a collective action problem. We find that bankruptcy and restructuring are complements, not substitutes: reducing bankruptcy costs facilitates restructuring, rather than crowding it out. And so does making bankruptcy more debtor-friendly, under a condition that seems likely to hold now in the U.S. The model gives new perspectives on current relief policies (e.g., DIP finance subsidies) and on long-standing legal debates (e.g., about APR violations).

Liquidity Insurance and Pledgeability (2023)

XIAOBO YU

I model the design of liquidity insurance when firms suffer a concurrent unverifiable quality shock. The contactual incompleteness limits the extent of liquidity insurance: A fully insured firm has incentives to continue inefficient projects as the cost is borne by the creditors. The optimal contract involves limited insurance and co-investment with internal cash. In contrast to the canonical theory that low-pledgeability firms rely more on liquidity insurance, I find that lack of pledgeability also prevents them from getting more liquidity insurance. This positive relationship between liquidity insurance and pledgeability uncovers another role of pledgeability and explains the seemingly paradoxical fact that smaller firms who need liquidity insurance the most, are less insured and get revoked the most. It also rationalizes the typical cash-related covenants in credit lines.

Presented at **20th Macro Finance Society Workshop**, **Finance Theory Group "Bridging Theory and Empirical Research in Finance" Conference**, Transatlantic Doctoral Conference 2023

Spatial Outward FDI: Evidence from China's Multinational Firms (2023)   *Review of International Economics*

WITH YIQING XIE, ZHIHONG YU AND YU ZHOU

This paper studies the impacts of geographic positions and economic connections on how Chinese multinational firms evolve their global network by conducting outward direct investment (ODI), including both green field investment and cross border merger and acquisition. We collect outward direct investment data of 3479 Chinese multinational firms from 2002 to 2013 whose investment destination covers more than 160 countries. We find two dominant geographic driving forces: a direct search effect and an indirect extension effect. That is, a firm tends to invest in the country that is closer to China; and a firm uses its existing ODI network to make further investment, radiating from the existing subsidiaries to their neighbors. Analogously, we also find two economic driving forces: a firm is more likely to invest in the country with more intense Chinese ODI transactions; and a firm takes advantage of its existing host countries ODI linkage to make further investment decisions. These findings are robust when we use other geographic and economic measures, and/or put more control variables.

This paper subsumes my undergrad thesis *Network Effect in China's Cross-Border Merge and Acquisition* **(Yu, 2016), originally in Chinese.**

Work in Progress

- Optimal Liquidity Intervention in Financial Networks
- Measurement of Markup under risk, with Laura Veldkamp
- Flight to Liquidity: How pledgeability affects debt issuance, with Lukas F. Fischer
- Structure of Core in Top Trading Cycle problem, with Dov Samet

Conferences/Seminars

Asterisk indicates presentation by a co-author; Dagger indicates invited workshop or attendance without a presentation.

June 2023	**FTG Summer School**	*Seattle, US*
May. 2023	**SFS Cavalcade North America**	*Austin, US*
May. 2023	**Transatlantic Doctoral Conference**	*London, UK*
May. 2023	**Financial Colloquium | Economics Department, Columbia Univ.**	*New York, US*
Apr. 2023	**Columbia Business School PhD Seminar**	*New York, US*
Jan. 2023	**AEA Annual Meeting**[†]	*New Orleans, US*
Dec. 2022	**FTG Group|Bridging Theory and Empirical Research in Finance** PhD Poster Session	*Chicago, US*
Sept. 2022	**The 20th Macro Finance Society Workshop** PhD Poster Session	*Athens, Greece*
July 2022	**NBER Summer Institute: Law and Economics**[*]	*Boston, US*
May 2022	**Columbia Business School PhD Seminar**	*New York, US*
Dec. 2021	**Columbia Business School PhD Seminar**	*Online*
July 2021	**Columbia Business School PhD Seminar**	*Online*
June 2021	**Western Finance Association Meeting**[†]	*Online*
Sept. 2020	**Search and Matching in Macro and Finance (SaMMF) Seminar**[*]	*Online*
Sept. 2020	**Finance Theory Group Seminar**[*]	*Online*
Sept. 2020	**Columbia Business School PhD Seminar**	*Online*
July 2019	**The 30th Jerusalem Advanced School in Economic Theory: Finance**[†]	*Jerusalem, Israel*
June 2019	**Financial Economics of Insurance**[†]	*Princeton, US*

Paper Discussion

May 2023   **Transatlantic Doctoral Conference**   *London, UK*
Tiange Ye*, Lorenzo Bretscher, Lukas Schmid, *Passive Demand and Active Supply: Evidence from Maturity-mandated Corporate Bond Funds*

Experience

May 2021 - Apr. 2022	**Laura Veldkamp**, Research Assistant	*New York, US*
Mar. 2019 - Jun. 2021	**Giorgia Piacentino**, Research Assistant	*New York, US*
June 2017 - Aug. 2017	**Patrick Bolton & Neng Wang**, Summer Research Assistant	*New York, US*
Dec. 2015 - Aug. 2016	**Yiqing Xie & Yu Zhou**, Research Assistant	*Shanghai, China*
Jan. 2023 - Apr. 2023	**Frank Lichtenberg**, TA for *Economics of Healthcare and Pharmaceuticals (MBA)*	*New York, US*
Sep. 2022 - Dec. 2022	**Frank Lichtenberg**, TA & Review Session Instructor for *Managerial Economics (EMBA)*	*New York, US*
Jan. 2022 - Apr. 2022	**Giorgia Piacentino**, TA for *Financial Intermediation (Ph.D.)*	*New York, US*
Sep. 2019 - Oct. 2019	**Ethan Namvar & Charles Jones**, TA & Review Instructor for *Corporate Finance (EMBA)*	*New York, US*
Jan. 2019 - May 2019	**Anton Lines**, TA for *Financial Markets (MBA)*	*New York, US*
Jan. 2016 - Apr. 2016	**Yu Zhou**, TA for *Industrial Organization (Undergrad)*	*Shanghai, China*
Jan. 2023 - Mar. 2023	**MSFE 2023 Admission**, Committee Member	*New York, US*
Jan. 2022 - Mar. 2022	**MSFE 2022 Admission**, Committee Member	*New York, US*
Jun. 2014 - Sep. 2014	**Silicon Valley Bank Venture Capital**, Summer Investment Analyst	*Shanghai, China*
Fed. 2014 - June 2016	**Bain & Company**, Part-Time Assistant	*Shanghai, China*
Dec. 2013 - Feb. 2014	**Meritco Group**, Consultant Intern	*Shanghai, China*
Nov. 2013 - Dec. 2013	**MicroWorld Corp.**, Consultant Intern	*Shanghai, China*

Extracurricular Activity

2011-2016	**Rye Drama Club**, Vice President	*Shanghai, China*
2011-2012	**"Xieshou" Education Project**, Team Leader	*Shanghai, China*
2011-2012	**"Set-sail" Academic Project (with Prof. Dehua Fu)**, Core Member	*Shanghai, China*

Honors & Awards

2022	**Selective Sixth-year Funding**, Columbia University	*New York, USA*
2018	**Magnum Cum Laude**, Second Year Master, TSE	*Toulouse, France*
2017	**Summa Cum Laude**, First Year Master, TSE	*Toulouse, France*
2017	**Merit-based Tuition Waiver Recipients**, Second Year Master, TSE	*Toulouse, France*
2016	**Scholarship**, Fudan University	*Shanghai, China*
2016	**First Prize**, China-Taiwan Cross-strait Mock Startup Competition	*Shanghai, China*
2015	**JASSO Scholarship**, Waseda University	*Tokyo, Japan*
2015	**Dean's List**, Waseda University	*Tokyo, Japan*
2014	**Finalist**, Bain & Co. Cup Consulting Mock Case Competition	*Shanghai, China*
2013	**Scholarship**, Fudan University	*Shanghai, China*
2012	**Scholarship**, Fudan University	*Shanghai, China*

Skills

Programming   R, Python, LaTeX, Mathematica, Scheme/Lisp, Linux, SQL, C/C++, SAS
Languages   Chinese (Native), English (Fluent), French and Japanese (Basic Knowledge)