Taisiya Sikorskaya

PhD Candidate in Finance

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Research Interests	Asset Pricing, Asset Management, Limits to Arbitrage, Retail Trading
Education	**London Business School (LBS), United Kingdom** PhD in Finance, 2017 - present **London Business School (LBS), United Kingdom** MRes in Finance, 2019 **University of St. Gallen, Switzerland** MA in Quantitative Economics and Finance, 2017 **Chelyabinsk State University, Russia** Diplom (MSc equivalent) in Mathematical Methods in Economics and Operations Research, 2013

Job Market Paper

Institutional Investors, Securities Lending, and Short-Selling Constraints

Institutional ownership is thought to facilitate short-selling. Indeed, short sellers typically borrow from the holdings of institutions. Yet, institutional demand, and hence lending supply, is endogenous. This paper isolates changes in this demand due to investment mandates (benchmark indexes) to shed new light on the role of institutions in lending markets. In a model with benchmarked fund managers who supply their risky holdings for lending, the equilibrium price and lending supply are both higher for the benchmark asset. Larger supply alleviates short-selling constraints while higher shorting demand (due to inflated price) exacerbates them. Two quasi-natural experiments, the Russell index reconstitution and the Bank of Japan purchases, confirm that stocks with more institutional capital benchmarked against them have larger lending supply and demand. Ultimately, they are *costlier* to short. In both theory and data, results are driven by incomplete pass-through from institutional holdings to lending supply.

Published Papers

Retail Trading in Options and the Rise of the Big Three Wholesalers

(with S. Bryzgalova and A. Pavlova). *The Journal of Finance, 78(6), 2023, pp. 3465-3514.*

We document a rapid increase in retail trading in options in the U.S. Facilitated by payment for order flow (PFOF) from wholesalers executing retail orders, retail trading recently reached over 60% of the total market volume. Nearly 90% of PFOF comes from three wholesalers. Exploiting new flags in transaction-level data, we isolate wholesaler trades and build a novel measure of retail options trading. Our measure comoves with equity-based retail activity proxies and drops significantly during U.S. brokerage platform outages and trading restrictions. Retail investors prefer cheaper, weekly options, with the average bid-ask spread of a whopping 12.6%, and lose money on average.

Benchmarking Intensity (with A. Pavlova).

The Review of Financial Studies, 36(3), 2023, pp. 859–903. Editor's Choice.

Benchmarking incentivizes fund managers to invest a fraction of their funds' assets in their benchmark indices, and such demand is inelastic. We construct a measure of inelastic demand a stock attracts, benchmarking intensity (BMI), computed as its cumulative weight in all benchmarks, weighted by assets following each benchmark. Exploiting the Russell 1000/2000 cutoff, we show that changes in stocks' BMIs instrument for changes in ownership of benchmarked investors. The resulting demand elasticities are low. We document that both active and passive fund managers buy additions to their benchmarks and sell deletions. Finally, an increase in BMI lowers future stock returns.

Working Papers

Strategic Arbitrage in Segmented Markets (with S. Bryzgalova and A. Pavlova).

Revise & Resubmit at *The Journal of Financial Economics.*

We propose a model in which arbitrageurs act strategically in markets with entry costs. In a repeated game, arbitrageurs choose to specialize in some markets, which leads to the highest combined profits. We present evidence consistent with our theory from the options market, in which suboptimally unexercised options create arbitrage opportunities for intermediaries. Using transaction-level data, we identify the corresponding arbitrage trades. Consistent with the model, only 57% of these opportunities attract entry by arbitrageurs. Of those that do, 50% attract only one arbitrageur. Finally, our paper details how market participants circumvent a regulation devised to curtail this arbitrage strategy.

(A part of the paper was previously circulated under the title 'Profiting from Investor Mistakes: Evidence from Suboptimal Option Exercise.')

Two APs Are Better Than One: ETF Mispricing and Primary Market Participation
(with E. Gorbatikov)

Exchange-traded funds (ETFs) depend on arbitrageurs to correct deviations between a fund's price and its fair value. ETFs have designated brokers, or authorized participants (APs), who have a unique right to create and redeem ETF shares, and who can thus trade on ETF mispricing without risk. Using novel regulatory filings, we provide the first description of the US ETF-AP network. It has a dense core and a sparse periphery, and the observed creation/redemption volumes are highly concentrated. The level of mispricing in a US equity ETF is negatively related to the fund's primary market diversity, especially during times of high market volatility. Funds that share more APs exhibit stronger mispricing comovement. We theoretically show that diverse primary markets help mitigate the effect of shocks to AP-specific arbitrage costs. We highlight the importance of AP balance sheet usage costs in ETF markets by exploiting the Federal Reserve's purchases of bond ETFs in 2020.

Academic Presentations (external)	**2024:** AFA, ASSA Meetings **2023:** AFA*, Bayes Business School*, Colorado Finance Summit*, Dauphine Finance PhD Workshop, HEC PhD Workshop on Incentives in Finance, Junior Academic Research Seminar in Finance, NBER Asset Pricing Fall Meeting*, NFA, Q Group Spring Seminar*, SAFE Market Microstructure Conference, TADC, The Microstructure Exchange, Women in Microstructure Meeting, SEC*, USC Marshall PhD Conference in Finance, Vanguard seminar* **2022:** AFA (2x), Bank of America*, Cambridge Centre for Alternative Finance, CDI Annual Conference on Derivatives*, Chicago Fed, Florida International University*, Indiana University*, London Quant Group*, Miami Behavioral Finance Conference*, NBER Asset Pricing Spring Meeting*, NBER Behavioral Finance*, NFA*, Queen Mary University of London*, Stockholm Business School*, Tel Aviv Finance Conference*, The Microstructure Exchange, TMX Group, University of Central Florida*, University of Hong Kong*, University of Notre Dame*, Virtual Derivatives Workshop, YSFC* **2021:** Adam Smith Workshop*, ASSA Meetings, EFA, European Winter Finance Conference, FMA*, INSEAD Finance Symposium*, MFA, NBER Behavioral Finance Spring Meeting*, NFA, SFS Cavalcade North America, University of Bath, Vienna Graduate School of Finance*, WSIR * *Presentations by co-authors.*
Awards and Honours	AQR Asset Management Institute Fellowship Award, 2022 Professor Sir James Ball PhD Award, London Business School, 2021 Fellowship for Doctoral Students, London Business School, 2017-2023 The STARR International Foundation Grant, Switzerland, 2013-2014 The President of Russia Award for Outstanding Students (awarded twice), 2012 The City Administration Award (Chelyabinsk, Russia), 2010
Professional Service	Referee, Review of Financial Studies Organization of Finance PhD seminars and reading groups at LBS, 2019-2021 Organization of Finance Junior Faculty and PhD Students reading group at LBS, 2019-2021 Organization of the Trans-Atlantic Doctoral Conference 2019, London
Additional Research Experience	**London School of Economics** Research Assistant to Prof. Dimitri Vayanos, 2020-2021 **London Business School** Research Assistant to Prof. Svetlana Bryzgalova, 2020
Teaching Experience	**LBS - INEOS Executive Education Program** Finance, Assistant to Prof. Anna Pavlova, 2022 Mean evaluation 4.6/5.0 **LBS Empirical Asset Pricing, PhD** Assistant to Prof. Svetlana Bryzgalova, 2019-2021 **LBS - MBA** Finance II, Assistant to Prof. Howard Kung, 2020-2021 Finance I, Assistant to Prof. Anna Pavlova, 2018-2020 **LBS - Masters** Personal Finance, Assistant to Prof. Francisco Gomes, 2019-2021 FinTech and the Financial Services Industry Transformation, Assistant to Prof. Narayan Naik, 2018 **LBS - Sberbank Executive Education Program** Project Appraisal and Corporate Valuation, Assistant to Prof. Anna Pavlova, 2018-2020 Financial Statements Analysis, Assistant to Prof. Alastair Lawrence, 2018-2020 Macroeconomics, Assistant to Prof. Andrew Scott and Prof. Elias Papaioannou, 2018-2020

Work Experience	**Bank of England, London, UK** PhD Intern, 2021-2022 **ThirdYear Capital GmbH, Munich, Germany** Global Macro Analysis Intern, 2017 **Deutsche Asset Management, Deutsche Bank Switzerland and UK** Assistant Portfolio Manager, Credit and ETF Portfolio Management, 2014-2016
Other	**Languages:** Russian (native), English (proficient), German (intermediate) **Programming:** R, SAS, Python, Stata, MATLAB, Julia, VBA, SQL **Certifications:** Completed Level III of CFA examination in 2016

References

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