Giorgia Piacentino
Curriculum Vitae

Current address
London School of Economics
Financial Markets Group
Lionel Robbins Building
10 Portugal St
WC2A 2AE London
Phone: +44(0)7540138597
Email: g.piacentino@lse.ac.uk

Education

Since Sept. 2009 PhD Finance, London School of Economics

June. 2009 M.Sc. Financial Markets and Intermediaries, *très bien* (first class honours) Toulouse School of Economics
Dissertation: *Strategic Liquidity Supply in an Asymmetric Information Environment with a Risk Averse Entrepreneur*

Jan. 2006 - June 2008 M.Sc. Economics and Finance, 110/110 *cum laude* and special mention (in the School Annals), Rome Tor Vergata University
Dissertation: *The pricing of interest rate derivatives: a survey of the literature and an estimation of the reserved auction reopening in Italy, France and Belgium*

Sept. 2002 - Dec. 2005 B.Sc. Economics and Management, 110/110 *cum laude*, Rome Third University

Job Market Paper

Do Institutional Investors Improve Capital Allocation?

Working Papers

The Wall Street Walk when Blockholders Compete for Flows, with Amil Dasgupta, June 2012

Investment Mandates and the Downside of Precise Credit Ratings, with Jason R Donaldson, May 2012

Overrating Agencies: Competition, Collusion, and Regulation, with Jason R Donaldson, June 2011

Teaching Experience at the LSE

2012 and 2013 Class teacher for FM212 Principles of Finance (undergraduate)

2011 to 2013 Course Support Manger for FM422 Corporate Finance (executive M.Sc.)

Summer 2010 and 2011 Class teacher for AF250 Finance (summer school)

Awards, Scholarships and Fellowships

June 2012 Granted the renewal of the Deutsche Bank Fellowships to finance my PhD studies

June 2011 Awarded one of the two Deutsche Bank Fellowships to finance my PhD studies

June 2010 Granted the renewal of the scholarships "Giovanna Crivelli" sponsored by the largest Italian bank, Unicredit Group won in 2009

June 2009 Awarded with "Tor Vergata - Sebastiano e Rita Raeli" prize for top performance

Jan. 2009 Awarded with one of the two scholarships "Giovanna Crivelli" sponsored by Unicredit Group. The scholarship provides a grant for being enrolled in a PhD in Finance or Economics in a foreign country

April 2008 Awarded with a prize by Unicredit - Banca di Roma, for being one of the top students of Tor Vergata University

Dec. 2007 Selected as one of the best 40 students of Tor Vergata University to take part in the Tutorship Program

Sept. 2005 Awarded with a prize equal to the university fees for completion of first university degree in due time and *cum laude*

References

Dr Amil Dasgupta
Department of Finance
London School of Economics
Houghton Street
London WC2A 2AE
Phone: +44 (0)20 7955 7458
Fax: +44 (0)20 7849 4647
E-mail: a.dasgupta@lse.ac.uk

Professor David Webb
Department of Finance
London School of Economics
Houghton Street
London WC2A 2AE
Phone: +44 (0)20 7955 7275
Fax: +44 (0)20 7849 4647
E-mail: d.c.webb@lse.ac.uk

Dr Ulf Axelson
Department of Finance
London School of Economics
Houghton Street
London WC2A 2AE
Phone: +44 (0)20 7107 5070
Fax: +44 (0)20 7849 4647
E-mail: u.axelson@lse.ac.uk

Professor Kathy Yuan
Department of Finance
London School of Economics
Houghton Street
London WC2A 2AE
Phone: +44 (0)20 7955 6407
Fax: +44 (0)20 7849 4647
E-mail: k.yuan@lse.ac.uk

Paper Abstracts

"Do Institutional Investors Improve Capital Allocation" (Job Market Paper)

Delegated portfolio managers have replaced individual investors as the main owners of public equity. With the prevalence of professionals investing on behalf of investors comes the concern that agency problems may hinder the efficient flow of capital to firms. I develop a model to show that the agency problem caused by delegated portfolio managers improves efficient capital allocation. When prices feedback into investment, they have stronger incentives to acquire information and trade than individual investors; this helps price discovery and hence capital allocation. Individual investors gain from information only when they can hide it, they thus underprovide it, inhibiting investment. Delegated portfolio managers face career-concerns: they benefit from showing off their skills to win clients, thereby increasing their assets under management. The more informative prices are, the more career-concerned speculators can demonstrate their skilfulness, and thus the more firms invest. On the other hand, unlike individual investors, delegated portfolio managers trade even when unskilled, distorting order flows and potentially hampering the allocative role of prices. At equilibrium, however, the unskilled speculator's trading pattern complements the skilled speculator's transmission of information via prices and only augments the positive effects of delegated portfolio management on capital allocation.

"The Wall Street Walk when Blockholders Compete for Flows" with Amil Dasgupta

An important recent theoretical literature argues that the threat of exit can be an effective form of governance when the blockholder is a principal. However, delegated portfolio managers hold a significant fraction of equity blocks. How do agency frictions arising from such delegation affect the ability of blockholders to govern via the threat of exit? Fund managers are often subject to short-term flow-performance relationships and differ in their relative flow-sensitivities. We show that when blockholders are sufficiently flow-sensitive, exit will fail as a disciplining device. Our result generates testable implications across different classes of funds: only those funds who have relatively high powered incentives will be effective in using exit as a governance mechanism. We also show that the threat of exit can complement shareholder voice, and thus provide a potential explanation for the empirically observed variation across different types of portfolio managers' use of voice.

"Investment Mandates and the Downside of Precise Credit Ratings" with Jason R Donaldson

In a problem of delegated portfolio choice, competitive risk-averse agents offer a risk-averse investor contracts depending on portfolio weights and final wealth as well as a public signal—for example an asset's credit rating. The optimal contract is affine in wealth and implements both efficient investment and optimal risk-sharing for each realization of the public signal, but agents' competition drives them to write the public signal into their contracts and prevent risk-sharing over it, a result reminiscent of Hirshleifer (1971). We comment on applications to asset managers' investment mandates and advocate regulation of credit rating agencies to prohibit their publishing information in forms conducive to inclusion in rigid contracts.

"Overrating Agencies: Competition, Collusion, and Regulation" with Jason R Donaldson

Firms issue securities to fund projects in an opaque market in which investors cannot infer the value of assets. As a result, good firms, unable to differentiate themselves, bypass profitable investment opportunities: informational inefficiency leads to allocational inefficiency. A rating agency enters the market, providing certification for a fee; it not only fails to inform investors and encourage investment, but also captures a tidy share of firms' rents. With two agencies competing in fees and disclosure rules, though, problems disappear—information is complete and investment efficient. When the agencies interact repeatedly they are prone to collusion. When investment opportunities are plentiful they rate honestly, but charge fees so high that some positive NPV projects go unfunded. On the other hand, when there are few investment opportunities in the economy they overrate and good firms don't invest. Regulatory prescriptions of bundling ratings with CDS issues and flooring fees solve the problem.