

Giorgia Piacentino
Curriculum Vitae

Current address

London School of Economics
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Research Interests

Institutional Investors, Corporate Finance, Corporate Governance, Credit Rating

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

Working Papers

- How career-concerns speculation loosens firms' funding constraints, August 2012
- 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 Manager 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

<i>June 2011</i>	Awarded one of the two Deutsche Bank Fellowships to finance my PhD studies
<i>June 2010</i>	Granted the renewal of the scholarships “Giovanna Crivelli” sponsored by the largest Italian bank, Unicredit Group won in 2009
<i>June 2009</i>	Awarded with “Tor Vergata - Sebastiano e Rita Raeli” prize for top performance
<i>Jan. 2009</i>	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
<i>April 2008</i>	Awarded with a prize by Unicredit - Banca di Roma, for being one of the top students of Tor Vergata University
<i>Dec. 2007</i>	Selected as one of the best 40 students of Tor Vergata University to take part in the Tutorship Program
<i>Sept. 2005</i>	Awarded with a prize equal to the university fees for completion of first university degree in due time and <i>cum laude</i>

Paper Abstracts

“The Wall Street Walk when Blockholders Compete for Flows” with Dr 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.

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

We model the rating agencies’ assessment of corporate securities issues with competitive, profit-maximizing agencies certifying issuers whose project choice depends on the value they can fetch for their issue in the market, namely on their anticipated rating. We begin our analysis with a static monopolistic setting and progressively expand it to end up studying repeated issues and endogenously colluding agencies. In the static environment where there is only one issue a monopolistic agency always overrates to maximize its profits. Since good firms anticipate that the credit rating agencies will make them unable to distinguish themselves by pooling them with bad ones, they pass over positive NPV investment opportunities. Competition ameliorates the situation: Rating agencies are not only honest but cheap, setting prices equal to marginal costs à la Bertrand competition. Firms undertake all good investment opportunities. However, when rating agencies interact repeatedly they are liable to collude. Our main result rests on the number of good investment opportunities in the market. When they are plentiful, like at the beginning of an economic upturn, rating agencies are honest and good firms innovate. Credit rating agencies set their fees so high, however, that some firms with positive NPV projects stay out of the market to avoid the cost of being rated. At the height of the boom, however, after new investments have dried up, ratings agencies start to overrate and firms thus stop investing. We show the amplifying effect rating agencies had in the last crisis: First

investment opportunities waned in accordance with the business cycle, and then ratings agencies' practices changed resulting in a further choking off of investment and fomenting economic collapse.

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

We take an optimal contracting approach to the delegated portfolio management problem with a particular focus on funds' investment mandates and references to credit ratings. Our paper fills a void in the literature on investment mandates in that the misalignment of incentives between the fund and investor comes only from the excessive risk tolerance of the asset manager, so that the role of the contract is simultaneously to share risk and to curb the fund's risk-shifting. But our paper is as much about ratings as investment mandates. We aim to understand the potential for credit rating agencies to improve efficiencies and create distortions even when they do not provide fund managers with new information, but rather just augment his contracting space with investors. The main result is that less precise ratings lead to Pareto improvements in the economy. Three forces are at work: one, investment mandates written on portfolio weights alone are affective in implementing the efficient investment; two, investment mandates written on credit ratings prevent investors and fund managers from sharing risk over the outcome of the rating itself; and, three, competition among fund managers forces them to contract upon credit ratings thereby shutting down the possibility for risk sharing.

References

Dr Amil Dasgupta, Department of Finance, London School of Economics, a.dasgupta@lse.ac.uk

Dr Ulf Axelson, Department of Finance, London School of Economics, u.axelson@lse.ac.uk

Professor Kathy Yuan, Department of Finance, London School of Economics, k.yuan@lse.ac.uk