Ruichang Lu

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Education

National University of Singapore
Ph.D. in Finance, *June 2014 (expected)*

New York University Stern School of Business
Visiting scholar, *Jan. to Jun. 2012*

Shanghai University of Finance and Economics
M.A (Economics), *2006-2008*

Shanghai University of Finance and Economics
B.A, Double Major(Real Estate Management, Human Resource Management), *2002-2006*

Research Interests

Areas: Corporate Finance; Financial Intermediaries; Banking; Corporate Governance

Awards and Honors

Best Paper Award: Seventh Annual Conference on Asia-Pacific Financial Markets (CAFM)

PhD Forum with Travel Grant: 25th Australasian Finance & Banking Conference (AFBC)

President's Graduate Fellowship: National University of Singapore, 2011

Publication

- Is There a Term Structure? Empirical Evidence from Shanghai Office Rental Market (with Fang Fang), International Real Estate Review, 2009, Volume 12, Issue 1

Working Papers

- **How Does Institutional Ownership Affect Bank Loan Pricing: Evidence from a Regression Discontinuity Design (Job Market Paper)**
- **Relationship Bank Behavior During Borrower Distress (with Yan Li, Anand Srinivasan)**
  - ***R&R at Journal of Finance***
- **Do Banks Monitor Corporate Decisions: Evidence from Bank Financing of Mergers and Acquisitions (with Sheng Huang, Anand Srinivasan)**
  - Presented by me at CICF 2013, 25th Australasian Finance & Banking Conference 2012 (PhD forum & normal section), Seventh Annual Conference on Asia-Pacific Financial Markets 2012 (Best Papers Award), AsianFA 2012
- **Subjective or Objective? Nonparametric Estimation Of Misreporting and Mis-assessment in Corporate Credit Rating (with Yao Luo, Ruli Xiao)**
  - 26th Australasian Finance & Banking Conference 2013 (scheduled)

Teaching Experience

- Tutor, *Basic Finance*: Teaching evaluation 4.37/5 (Department average 3.99), 2012
- Instructor, *Econometrics Using STATA*: Preparatory class for incoming PhD students in business school, 2012
- Teaching Assistant, *Investment Analysis*, 2012
- Teaching Assistant, *Transaction Banking*, 2013

Professional Certification and Skills

Languages: English (Fluent), Mandarin Chinese(Native), Hokkien (Native)

Member: AFA, GCREC

Software: STATA, SAS, Matlab, Latex, Office

Datasets: DealScan, CRSP, COMPUSTAT, IBES, Thomson Reuters Institutional Mutual Fund and Institutional Holdings, SDC, Markit

References

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Working Papers Abstracts

- **How Does Institutional Ownership Affect Bank Loan Pricing: Evidence from a Regression Discontinuity Design (Job market paper)**
  Using the Russell Index 1000/2000 inclusion as the discontinuity design setting, I find a casual effect of institutional ownership (IO) on bank loan pricing. Specifically, I find that a exogenous positive shock in institutional ownership appears to only affect the pricing term of bank loans but not the non-pricing terms. On average, a 35 % increase in IO will lead to a 29 bps lower loan spread which is about 1/3 of the average spread. However, the non-pricing terms such as collateral, maturity, and covenants do not change with the increase in IO. The reduction in loan spread is supported by the evidence that high IO firms will have lower credit risk measured by expected default frequency using Merton model. Also, this effect is weaker for the family firms. Further investigation reveals that increase in liquidity and direct monitoring from institutional investors could be the channels through which institutional ownership affects bank loans pricing. Moreover, although the cost of bank loan is lower for firms with higher institutional ownership, these firms do not borrow more frequently than those with lower institutional ownership.

- **Relationship Bank Behavior During Borrower Distress (with Yan Li, Anand Srinivasan) (*R&R at Journal of Finance)***
  This paper provides a comprehensive examination of the time series behavior of relationship banks around and during borrower distress. Prior to distress, banks offer preferential contract terms in the form of lower interest rates and less collateral requirement to their relationship borrowers. After the onset of distress, relationship banks and outside banks offer similar interest rates. However, there is some evidence that suggests that relationship banks give significantly lower collateral requirement relative to outside banks even during distress. Relationship banks reduce the discount in loan rate (relative to the outside banks) two years prior to distress and continue this behavior for two years after distress.

- **Do Banks Monitor Corporate Decisions Evidence from Bank Financing of Mergers and Acquisitions (with Sheng Huang, Anand Srinivasan)**
  We examine whether banks, in providing financing for the M&A deals, monitor firms' mergers and acquisitions to the extent that will benefit acquirers' shareholders. Inconsistent with the conventional theoretical argument, we do not find that bank-financed deals are associated with better stock or accounting performance than bond-financed deals or deals paid with internal cash. There is strong evidence instead that banks tighten up the loan contract terms in financing the deals, such as cutting short the loan maturity and imposing higher collateral requirements and more covenant restrictions. However, bank-financed deals are more likely to be terminated when they experience larger negative stock market reactions to deal announcements, suggesting that banks may be subject to the pressure of shareholder dissent. Overall, our results suggest that banks do not monitor to enhance firm value but rather protect themselves from downside risks through more stringent loan contract terms. This study highlights the passive role of banks in corporate decisions outside of credit default states and covenant violations.

- **Subjective or Objective? Nonparametric Estimation Of Misreporting and Mis-assessment in Corporate Credit Rating (with Yao Luo, Ruli Xiao)**
  This paper investigates the misreporting and mis-assessment of corporate credit ratings by credit rating agencies (CRAs). We distinguish between "mis-assessment", which is the noise from the unobservable true rating to the rating perceived by CRAs (the internal rating), and

"misreporting", which is the difference between perceived and reported rating by CRAs. Using a sample of corporate credit ratings during 1986-2011, we find that the mis-assessment in credit rating is very small and statistically insignificant. However, there is a U-shaped relationship between true credit rating and misreporting probability. Specifically, CRAs misreport the credit ratings for high-grade firms with a probability of 3%, for middle-grade firms with a probability of 0, and for low-grade firms with a probability of 6%. Second, the misreporting behavior of CRAs differs significantly across the industries. The financial industry has the highest misreporting probability (35% in the lowest-grade firms) and the largest misreporting magnitude (rating grade jump between true and reported grade). The energy industry has the lowest misreporting probability. Last, when economic conditions are bad, the credit rating agencies are more likely to deflate the rating.