

WU Gutmann Center Public Lecture

"Complexity in Structured Finance: Financial Wizardry or Smoke and Mirrors?"

Prof. Rossen Valkanov

Rady School of Management, UC San Diego

May 21, 2015 - 4.00 pm

Location (different from usual public lectures):
WU University of Economics and Business Vienna
Library and Learning Center, LC – Festsaal 2
1020 Vienna, Welthandelsplatz 1

Abstract

We use data from prospectus supplements to create measures of the complexity of securitized products. We find that securities in more complex deals default more. However, yields of more complex securities are not higher at issuance indicating that investors do not perceive such assets as more likely to default. The relation between complexity and default is not primarily due to issuers masking low quality loans as it persists after controlling for the collateral default rate. Rather than creating safer securities, complexity disadvantages more senior securities within a deal. Rating agencies are more lenient in rating complex deals.

About Rossen Valkanov

Rossen Valkanov is Professor of Finance at the Rady School of Management at the University of California, San Diego (UCSD). He received his Ph.D. in economics from Princeton University. In 1999, he became an assistant professor of finance at UCLA's Anderson School of Management where he remained until his appointment at UC San Diego. From 2001 to present he teaches empirical finance at the University of California, Berkeley's Haas School of Management. He is also a guest professor of the PhD program at the Vienna Graduate School of Finance (VGSF). Rossen Valkanov is a member of many professional organizations including the American Finance Association, the American Economic Association, the Econometric Society and the Bachelier Society. His research focusses on empirical asset pricing, financial econometrics, portfolio choice, monetary policy, and real estate.

More information about Rossen Valkanov:

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