Hongyan Li

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AREAS OF INTEREST

Research
Executive Compensation, Corporate Governance, Capital Structure, Corporate Finance, Market Anomalies, Empirical Asset Pricing

Teaching
Corporate Finance, Investments, Financial Markets and Institutions, International Finance

EDUCATION

Virginia Tech, Pamplin College of Business, Blacksburg, VA
Ph.D. in Finance, GPA: 3.97 out of 4, expected May 2018

University of Pittsburgh, Katz Graduate School of Business, Pittsburgh, PA
M.B.A., GPA: 3.8 out of 4, 2007

Fudan University, Shanghai, China
MA, major in Finance, GPA: 3.8

Nankai University, TianJin, China
BS, major in International Finance, GPA: 3.6

WORKING PAPERS

"The Consequences of Mandated Compensation Disclosure", with Jin Xu (Job Market Paper)

Being prepared for initial submission to the *Journal of Finance*
Presentations:
FMA Annual Meeting, 2017 (Scheduled)
AFA Annual Meeting, Ph.D. Poster Session, 2017

"The Relation Between Idiosyncratic Volatility and Expected Returns: A Statistical Artifact of Temporary Changes in Idiosyncratic Volatility", with Raman Kumar

Presentations:
AFA Annual Meeting, 2018 (Scheduled)
FMA Annual Meeting, 2016

"Inefficient Internal Capital Markets or Strategically Right Investments?"

WORK IN PROGRESS

"Executive compensation and performance peer groups", with Jin Xu
"Trend in CEO Compensation Structure, Firm Characteristics, and Contract Design"

PRESENTATIONS AND DISCUSSIONS

Presenter (Scheduled), 2018 AFA Annual Meeting in Philadelphia, PA.
Presenter (Scheduled), 2017 FMA Annual Meeting in Boston, MA.
Presenter, Ph.D. Poster Session, 2017 AFA Annual Meeting in Chicago, Illinois.
Presenter, 2016 FMA Annual Meeting in Las Vegas, Nevada.
Discussant, 2015 FMA Annual Meeting in Orlando, Florida.

CERTIFICATION

Successfully completed **all three levels of CFA** Exams
Bloomberg Equity Certification

TEACHING EXPERIENCES

Instructor (full time), Northern Michigan University, 2008 – 2011

Taught 3 courses per semester with an average teaching evaluation score of 4.32/5
Courses taught:

- Financial management I
- Financial management II
- Money and capital markets
- Personal financial planning and insurance
- International financial management
- Principle of computer information systems

Instructor (full responsibilities), Virginia Tech University, 2013 – Present

FIN3104 Introduction to finance, Summer 2013, teaching evaluation: 5.67/6
FIN3154 Corporate finance, Fall 2014, teaching evaluation: 5/6
FIN3154 Corporate finance, Spring 2017, teaching evaluation: 4.8/6

Graduate Teaching Assistant, Virginia Tech, 2012 – Present

Finance concepts and skills, Corporate finance, Financial research methodology (PhD course), Corporate finance (PhD course)

SKILLS

Software: SAS, R, STATA
Database: CRSP, COMPUSTAT, Thomson Reuters, I/B/E/S, SDC, ISS (formerly RiskMetrics) ExecuComp

HONORS AND AWARDS

Doctoral Summer Research Grant, Pamplin College of Business, Virginia Tech	2015
AFA Student Travel Grant	2015
NMU Curriculum Development Grant	2009
Katz Graduate School Fellowship	2006 – 2007

OTHER ACTIVITIES

Member of Scholarship Committee, Northern Michigan University	2008 – 2011
Member of Committee on Internationalization, Northern Michigan University	2009 – 2011
Member of the Insurance and Actuarial Science Group, Northern Michigan University	2009
Interpreter of Short–Track Speed Skating World Cup, Marquette, Michigan	2010

PROFESSIONAL MEMBERSHIPS

Financial Management Association
American Finance Association

REFERENCES

Jin Xu (Dissertation Co-Chair)
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R.V. and A.F. Oliver Professor of Investment Management
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PAPER ABSTRACTS

"The Consequences of Mandated Compensation Disclosure", with Jin Xu (Job Market Paper)

After the SEC mandates the disclosure of Chief Financial Officers' compensation in 2006, CFO pay increases significantly relative to CEO pay, particularly in firms that never or rarely disclosed CFO pay before the mandate. Financial reporting quality deteriorates in these firms and there are more negative earnings surprises, suggesting an increased tendency to withhold bad news. CFO (but not CEO) turnover increases significantly. These results are consistent with the loss of private benefits for the CFO due to more intense monitoring following the compensation disclosure mandate. CFOs require additional compensation, engage in more earnings management to boost their performance, and are subject to greater labor market discipline.

"The Relation Between Idiosyncratic Volatility and Expected Returns: A Statistical Artifact of Temporary Changes in Idiosyncratic Volatility", with Raman Kumar

We document a systematic pattern of temporary increases in the estimated idiosyncratic volatility for the quintile of stocks with the highest estimated idiosyncratic volatility in a given month. A large portion of this temporary increase in the estimated idiosyncratic volatility is reversed in the subsequent month, which suggests the possibility of relatively large positive estimation errors. This temporary increase in the idiosyncratic volatility for the quintile of stocks with the highest estimated idiosyncratic volatility is associated with positive abnormal returns in the estimation month and negative abnormal returns in the subsequent month. Our evidence shows that these estimation errors or temporary changes in the estimated idiosyncratic volatility and the related positive and negative abnormal returns in the estimation and subsequent months, respectively, create a negative relation between the estimated idiosyncratic volatility and subsequent month returns documented in the prior literature (Ang et al. 2006). After controlling for the (negative) relation with the past month's return, there is no significant relation between idiosyncratic volatility and subsequent month's returns as predicted by traditional asset pricing models. Moreover, we find no significant relation between idiosyncratic volatility and subsequent returns for subsets of stocks that do not exhibit any significant changes in idiosyncratic volatility despite large differences in the levels of their idiosyncratic volatility. Overall, our results are consistent with the notion that there is no relation between the true underlying idiosyncratic volatility and expected returns, and that the previously documented negative relation between estimated idiosyncratic volatility and subsequent month's returns is being driven by estimation errors (temporary one-month changes) in the estimated idiosyncratic volatility and the associated abnormal returns.

"Inefficient Internal Capital Markets or Strategically Right Investments", Sole-author

Standalone Firms with higher asymmetric information may give up some projects due to costly external financing. Diversified firms may undertake these projects since internal financing is cheaper. More investment in low q industry and less investment in high q industry when compared with standalone firms per se are not necessarily an indication of inefficient internal capital market. Consistent with the argument, I find that firms invest more in segments whose peer has higher information asymmetry level after controlling for segment's q and other firm and segment characteristics. Moreover, firms whose segments' peers have higher information asymmetry level on average have higher value. And firms whose investments are more sensitive to their segment's peer's information asymmetry have higher value.