YUCHI YAO

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CONTACT INFORMATION

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Simon Business School
University of Rochester, Rochester, NY 14620

EDUCATION

Simon Business School, University of Rochester
Ph.D. in Finance 2024 (Expected)

Simon Business School, University of Rochester
M.S. in Business Administration 2019

University of Virginia
M.S. in Economics 2018

Nankai University
M.S. in Economics 2016
B.S. in Economics 2014

RESEARCH INTERESTS

IPO, SPACs, Director Networks, Entrepreneurship, Financial Networks, Financial Intermediation, Investment Banking, Bayesian Uncertainty and Learning

JOB MARKET PAPER

- **Learning from the Market: The Choice Between IPOs and SPAC Mergers**

  Abstract: I study when a firm should go public and if it does, whether it should choose IPO or SPAC merger. One of the main benefits of going public is that the firm can make investment decisions based on the information produced by the financial markets. The cost is that the firm has to pay for the information production. By developing a tractable dynamic model, I find that an early-stage firm with more uncertainty about its quality chooses a SPAC because its investment decisions can benefit from the more precise information produced in a SPAC merger. In contrast, a late-stage high-quality firm chooses to go public via IPO because it does not need to pay for the extra information produced in a SPAC merger. Using Simulated Method of Moments, I find that information production costs $52 ($121) million in an IPO (SPAC merger). A successful IPO (SPAC merger) increases the firm's value by 4.1% (34.3%), which rises (drops) to 6.7% (17.3%) in a counterfactual setting where SPAC merger (IPO) is chosen instead.

WORKING PAPERS

- **SPACs' Directors Network: Conflict of Interest, Compensation, and Competition**
  with Michael Gofman
  Abstract: In 2010-2021, 972 SPACs raised $271 billion and hired 4,056 directors to facilitate mergers with private firms. We show theoretically and empirically that entrant SPACs inefficiently front-run the deal flow by hiring incumbent SPACs' directors. Incumbent SPAC's lower compensation and longer time to liquidation decrease directors' compensation from the entrant SPAC but increase the chance for the conflict of interest to emerge. Empirically, higher pay by the entrant SPAC increases the chance that a director misallocates the target, hurting the returns of the incumbent SPAC's investors. Our welfare analysis provides conditions when banning concurrent SPACs' board membership is desirable.

  Blog Post: *The FinReg Blog, Global Financial Markets Center, Duke University School of Law*

- **Security Issuance, Institutional Investors and Quid Pro Quo: Insights from SPACs**
  with Gaurab Aryal, Zhaohui Chen, and Chris Yung
  Abstract: A SPAC divides the process of a private firm going public into two stages: SPAC IPO and its merger with the firm. This division enables us to disentangle the effect of information- and agency-related frictions on security issuance. To this end, we distinguish "premium" from "non-premium" institutional investors and show evidence consistent with premium investors producing value-relevant information: they are associated with less redemption and greater announcement returns. In contrast, non-premium investors engage in quid-pro-quo arrangements, such that high returns in a given deal imply their participation in a weaker future deal. Interestingly, quid-pro-quo enables weaker firms to go public.

  Blog Post: *The FinReg Blog, Global Financial Markets Center, Duke University School of Law*

- **Investment Bank Governance and Client Relationships**
  with Zhaohui Chen, Alan D. Morrison, William J. Wilhelm
  Abstract: The relational contract at the heart of an investment banking relationship is valuable because it engenders and requires mutual trust in a setting where conflicts of interest are significant and are not easily resolved through formal contract. But a bank's ability to commit to a relational contract depends on internal governance mechanisms that align the interests of individual bankers with those of the bank. We argue that increasing complexity in investment banks weakens internal governance and estimate a causal model that indicates that the likelihood of a relationship being broken is increasing in bank complexity.

- **Technology Investment and Interest Spread: Evidence from Syndicated Lending**
  Abstract: An average lead arranger spends over 2.7 billion dollars on technology each year between 1998 and 2016, yet little is know whether such investment reduces borrowing companies' financing costs. This article exploits the plausibly exogenous variation in the lead arranger's CEO's earlier-career technology exposure to estimate causal effects of the lead arranger's technology investment on interest spreads in the US syndicated loan market. Results suggest that a 10% increase in the level of technology investment implies a 25.68 basis points lower in interest spreads. In an attempt to understand the possible mechanisms, I find that technology is more helpful in reducing costs for loans that are more complex, facing a larger information production cost, and suffering from a higher degree of information asymmetry.

WORK IN PROGRESS

- **Lead Arranger's Informational Advantage in Syndicated Loan Market**
  Abstract: In this paper, we estimate the effect of a lead arranger's informational advantage over borrowers on the syndicated loan's interest spreads, and the extent to which lead arrangers can price discriminate. Using global syndicated loan data, I find that on average, borrowers pay 30.79 basis points lower in interest spreads when they borrow from larger lead arrangers than from smaller lead arrangers. Also, larger lead arrangers price discriminate against borrowers' private information, while smaller lead arrangers do not. A firm with an average level of willingness to work with a larger lead arranger pays 69.0 basis points higher in interest spreads than another firm that is indifferent between borrowing from larger lead arrangers and smaller lead arrangers.

- **Competitive Price Discrimination in Syndicate Loans**
  with Gaurab Aryal
  Abstract: In this paper, we develop a Bertrand-Nash equilibrium model which features both competition and cooperation among lenders in the syndicated loan market. Lenders compete for loans and price discriminate against borrowers in a setting where both adverse selection and moral hazard exist. Meanwhile, lenders have cooperative incentives that arise from multi-loan contacts, which may decrease competition. At equilibrium, the interest rate set by each lender can be decomposed into three components: the marginal cost, the markup under oligopoly, and the cooperative effect.

TEACHING

University of Rochester

MSM502 Linear Algebra — Instructor
Evaluation: 4.9/5.0
Summer 2021
The goal of this course is to give an introduction to linear algebra. The courses covers two main blocks. The first block goes into the basic concepts, calculations and linear transformations and the fundamental subspaces of vector spaces. The second block goes into least squares, orthogonalization, eigenvalues and eigenvectors, and calculating inverses of matrices. Programming using Python is introduced in applications.

FIN448 Fixed Income Securities (Instructor: Pavel Zryumov) — Teaching Assistant
Spring 2023, Spring 2022

FIN418 Quantitative Finance with Python (Instructor: Alan Moreira) — Head Teaching Assistant
Fall 2022, Fall 2021, Summer 2021, Fall 2019

FIN413 Corporate Finance (Instructor: Michael Gofman) — Teaching Assistant
Spring 2021, Fall 2019

FIN462 Foundations in Financial Economics (Instructor: Yixin Chen) — Teaching Assistant
Fall 2020, Fall 2019

University of Virginia

Econ3030 Money and Banking (Instructor: Carter Doyle and Zachary Bethune) — Lab Instructor and Head TA
Spring 2018, Fall 2017

ACADEMIC PRESENTATIONS

2023 CES North America Conference,
Financial Management & Accounting Research Conference,
Financial Markets and Corporate Governance (FMCG) Conference (2 papers),
North American Summer Meeting (NASM) of the Econometric Society,
China International Conference in Finance (CICF),
Southern Finance Association (SFA)

2022 Midwestern Finance Association (MFA) Conference,
New Zealand Finance Meeting,
Paris Financial Management Conference (PFMC) (presented by coauthor)

PROFESSIONAL SERVICE

- *Session Chair, Discussant, 2022 New Zealand Finance Meeting*
- *Discussant, 2023 CES North America Conference*
- *Discussant, Financial Management & Accounting Research Conference 2023*

RESEARCH ASSISTANT

University of Rochester

Professor Michael Gofman — 2018-2021
For paper "Interbank Trading, Collusion, and Financial Regulation":
- Constructed the interbank loan database using DealScan, Compustat, and Standard & Poor's issue credit rating data
- Conducted empirical analysis

For paper "Artificial Intelligence, Education, and Entrepreneurship":
- Constructed a database of professors in computer science by web-scraping the Scopus website and LinkedIn

Professor Ramona Dagostino — 2021
- Constructed a measure for governor's powers for states in the United States

Professor Alan Moreira 2020

- Constructed the outflows and holdings data for funds by webscraping the NPORT-P filings from Edgar

HONORS & AWARDS

2022	Research grant awarded by the University of Virginia Office of Vice President for Research
2018-2024	PhD fellowship awarded by Simon Business School, University of Rochester
2016-2018	Fellowship awarded by Department of Economics, University of Virginia
2010-2012	Scholarship awarded by Nankai University

SKILLS & LANGUAGES

Coding: Matlab, Python, Stata, R, Stata, Julia, SAS, Fortran
Languages: English, Chinese

PERSONAL

Citizenship: China

REFERENCES

Ron Kaniel (co-chair)
Jay S. and Jeanne P. Benet Professor of Finance
Simon Business School, University of Rochester
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Christian Opp (co-chair)
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Michael Gofman
Senior Lecturer in Finance
Jerusalem Business School, The Hebrew University of Jerusalem
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Chris Yung
Associate Professor of Commerce
McIntire School of Commerce, University of Virginia
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