

Mainz, February 2015

## **Master Seminar “Information Intermediation on Financial Markets” Summer Term 2015**

**(July 8, 2015, RW 6,  
6 LP, MIEPP / MoM)**

This seminar will consider different aspects of information intermediation on financial markets. More specifically, we will examine the work of *credit rating agencies* and their role as intermediaries between lending entities and capital investors. We will focus on particular elements of the intermediation process such as the type and quality of information, its feedback effects on the market, the relation between rating agencies and the current regulatory discussion. Participants will prepare a literature review based on suggested material and own research.

As the seminar covers general finance as well as topics related to banking and financial economics, basic knowledge in these areas is a pre-requisite. The seminar will be group work. Each group will have between 2 and 3 members. Students will be asked to hand in a seminar paper and to give a presentation where each member of the group will contribute.

### **Organization of the seminar:**

The seminar is open to Master students from the MoM and the MIEPP. The seminar will be held in English. A compulsory introductory session will take place on Tuesday, March 24, 2015, 2 pm, in room RW 6. In this session, the groups will be formed and assigned one topic.

Groups will have time to prepare their seminar papers until July 1, 2015 (noon). Papers have to be handed in via E-mail to [bannier@uni-mainz.de](mailto:bannier@uni-mainz.de). There is a page limit of 20 pages. The presentation session will take place on Wednesday, July 8 2015, 10 am to 4 pm, in room RW 6.

### **Application:**

Please send your application form together with a current transcript of records to [bannier@uni-mainz.de](mailto:bannier@uni-mainz.de). The application period starts on March 2 and ends on March 16, 2015. The number of seminar participants is capped at 24. You will be notified of admission by March 20, 2015.

**Grading:**

- Seminar paper: 60%
- Presentation: 40%

**Important dates:**

- March 2, 2015: start of application period
- March 16, 2015: end of application period
- March 20, 2015: notification of admission
- March 24, 2015: obligatory introductory session
- July 1, 2015: deadline for handing-in the seminar paper
- July 8, 2015: presentation session

**Topics:**

1. Credit rating agencies – A critical review of their role
  - Frost, C.A., 2007, Credit rating agencies in capital markets: A review of research evidence on selected criticisms of the agencies, *Journal of Accounting, Auditing & Finance* 22(3), 469-492
2. Quality and precision of credit ratings
  - Dilly, M., 2014, Rating quality: A literature review, Catholic University of Eichstaett-Ingolstadt, mimeo.
  - Goel, A. and A. Thakor, 2014, Information reliability and welfare: A theory of coarse credit ratings, Washington University St. Louis, mimeo.
3. Feedback effects on bond markets
  - Manso, G., 2013, Feedback effects of credit ratings, *Journal of Financial Economics* 109(2), 535-548.
4. Solicited versus unsolicited ratings
  - Fulghieri, P., G. Strobl, and H. Xia, 2014, The Economics of Solicited and Unsolicited Credit Ratings, *Review of Financial Studies* 27(2), 484-512.
  - Butler, A. and K. Cornaggia, 2012, Rating through the relationship: Soft information and credit ratings, Rice University, mimeo.
5. Rating reviews or watchlists
  - Chung, K., C. Frost and M. Kim, 2012, Characteristics and information value of credit watches, *Financial Management*, Spring 2012, 119-158.

6. Competition between credit rating agencies

- Becker, B. and Milbourn, T., 2011, How did increased competition affect credit ratings? *Journal of Financial Economics* 101(1), 493-514.
- Camanho, N., P. Deb and Z. Liu, 2012, Credit rating and competition, London School of Economics, mimeo.

7. Regulating credit rating agencies

- Opp, C., M. Opp and M. Harris, 2013, Rating agencies in the face of regulation, *Journal of Financial Economics* 108(1), 46-61.
- Dimitrov, V., D. Palia and L. Tang, 2014, Impact of the Dodd-Frank act on credit ratings, *Journal of Financial Economics*, forthcoming
- Xia, H., 2014, Can investor-paid credit rating agencies improve the information quality of issuer-paid rating agencies? *Journal of Financial Economics* 111(2), 450-468.