

## CERF Fellow Report – Projects Update – Oğuzhan Karakaş

---

- **Curb your Enthusiasm: Competition and Voting Premium**  
(with Cem Demiroğlu, Cansu İskenderoğlu, and Mahdi Mohseni)

**Abstract:** We examine the impact of product market competition on the market value of shareholder voting rights (i.e., voting premium) for the US public firms. Voting premium reflects private benefits consumption and associated managerial inefficiencies. Exploiting exogenous shocks to competition from three quasi-natural experiments, we find that competition decreases the voting premium. The negative effect of competition on the voting premium is more pronounced for firms that are (i) smaller, (ii) levered, (iii) mature, (iv) in high import penetration industries, and (v) with low quality governance. Overall, our results suggest that product market competition can help in curbing managerial slack.

- I presented the first results of my project with research title of “Competition and the Value of Voting Rights” at the CERF/Cambridge Seminar in Cambridge, UK on November 8<sup>th</sup>, 2018, with the presentation title of “Curb your Enthusiasm: Competition and Voting Premium.”
- My co-authors and I are working on further analyses and the first draft of the working paper.

- **Phantom of the Opera: ETFs and Shareholder Voting**  
(with Richard Evans, Rabih Moussawi, and Michael Young)

**Abstract:** The short-selling of exchange-traded funds (ETFs) creates “phantom” ETF shares with cash flows rights, but no associated voting rights. Both regular and phantom ETF shares trade at ETF market prices. However, while regular shares are backed by the underlying securities of the ETF and voted as directed by the sponsor, phantom shares are backed by collateral that is not voted. Introducing a novel measure of phantom shares both of the ETF and corresponding underlying securities, we find that increases in phantom shares are associated with (i) decreases in number of proxy votes cast (for and against), (ii) increases in broker non-votes, and (iii) increases in the vote premium over the voting record date for important votes for the underlying stocks of the ETF. Consistent with poor governance, firms with the highest proportion of phantom shares underperform.

- At the CERF/Cambridge Seminar in Cambridge, UK on November 8<sup>th</sup>, 2018, I also presented the first results of my project with title of “Phantom of the Opera: ETFs and Shareholder Voting.”
- My co-authors and I have produced a working paper, which can be accessed at the following link:
  - <http://www.labex-refi.com/wp-content/uploads/2019/01/Evans-Karakas-Moussawi-Young-Phantom-of-the-Opera-ETFs-and-Shareholder-Voting.pdf>

- This paper has also been presented at:
  - Darden School of Business and McIntire School of Commerce at the University of Virginia.
  - University of Alabama.
  - Boston College.
  - ESCP Europe – Paris Campus.
  
- The paper has been scheduled to be presented at:
  - Université Paris-Dauphine.
  - CERF in the City 2019 (London).
  - Lausanne-Cambridge Workshop 2019 (Lausanne).
  - EFA 2019 Carcavelos (Lisbon).
  - EFMA 2019 Annual Meetings (Island of S. Miguel).