

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. We estimate voting premium using a new technique exploiting option prices. Voting premium reflects private benefits consumption and associated managerial inefficiencies. Exploiting exogenous shocks to competition from quasi-natural experiments and controlling for firm-fixed effects, we find that competition decreases the voting premium. The negative effect of competition on the voting premium is more pronounced for smaller firms in high import penetration industries. 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 8th, 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, trading at ETF market prices, with cash flows rights but no associated voting rights. Unlike regular ETF shares backed by the underlying securities of the ETF and voted as directed by the sponsor, phantom ETF 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 decreases in number of proxy votes cast (for and against), and increases in broker non-votes, the vote premium, and value-reducing acquisitions.

- At the CERF/Cambridge Seminar in Cambridge, UK on November 8th, 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:
 - <https://ssrn.com/abstract=3345799>
- This paper has been the co-winner of the [4Nations Cup](#), a contest for financial economics held in May 2019 at the HEC Paris Le Château.

- This paper has been awarded the Wharton Research Data Services (WRDS). Best Conference Paper Award at the annual meeting of the European Financial Management Association (EFMA).

- This paper has also been presented at:
 - Boston College, Cambridge University, ESCP Europe, Lehigh University, Paris Dauphine University, University of Alabama, and University of Virginia.
 - The 4nations cup at HEC Paris, EFA Meetings in Lisbon, EFMA Annual Meetings in São Miguel Island, CERF in the City Workshop in London, 27th Finance Forum in Madrid, and Summer Finance Workshop at University of Dayton.

- The paper has been scheduled to be presented at:
 - The Global Research Alliance for Sustainable Finance and Investment (GRASFI) 2nd Annual Conference (Oxford).
 - London Quant Group (LQG) - Autumn 2019 Seminar (Cambridge).
 - Workshop on Corporate Governance and Investor Activism at Stockholm School of Economics (Stockholm).
 - Paris December Finance Meeting (Paris).
 - AFA 2020 Meetings (San Diego, CA).