

Annual Report 2019

“Research is about bringing new ideas to life and sometimes also just looking at old problems through a different lens. The best ideas are often created when one sets out to where no one has gone before or has overlooked what seems obvious from a new perspective.”

ANDERS ANDERSON, DIRECTOR OF THE SWEDISH HOUSE OF FINANCE

At the Women in Finance Talk 2019 hosted by the Swedish House of Finance.



About us

The Swedish House of Finance at the Stockholm School of Economics is Sweden's national research center for financial economics. It hosts internationally distinguished researchers, and enables financial research and development of the highest quality.

The center serves as an independent platform where academia and both the private and public financial sectors can exchange knowledge, foster new ideas and gain access to a global network of the most prominent researchers in finance.

The Swedish House of Finance is an equally private and government funded, nonprofit, nonpartisan organization. It hosts approximately 60 researchers, consisting of resident and affiliated professors as well as PhD students.

Contents

A Word from the Director	4
Our Objectives	5
Highlights 2019	6
Facts & Figures	8
RESEARCH	9
RESEARCH INFRASTRUCTURE	10
DATA CENTER	10
PHD PROGRAM	11
OUTREACH	12
Research Fellows	14
Center Financing	16
Governance	17
Strategic Partners	18

A word from the Director

Research, as I see it, is not just about bringing new ideas to life: it is also about tackling old problems from new points of view. When we begin a journey from a fresh perspective, what has been elusive or overlooked in the past suddenly becomes clear, even obvious. Diversity is thus a necessary, critical ingredient for successful problem solving in research. This kind of diversity is a critical component to the Swedish House of Finance. By bringing world-class thinkers from approximately 20 countries around the world to Stockholm and to Sweden, the Swedish House of Finance continues to be a hub of the Swedish financial ecosystem.

In an increasingly complex and globally connected environment, the need for experts is greater than ever. Universities need outstanding researchers and teachers, companies need highly qualified employees, and governments need experts who understand the ever-changing world around us. We provide an important independent platform for discussing a range of highly relevant, industry-wide issues. This means that we also act as an extended arm for research and development in finance that would not occur otherwise. Therefore, supporting research is an investment. It is an investment to help ensure that governance structures work and develop over time, that governments and companies understand the implications of new policies, that financial products are able to develop, and in the end, to maintain a high rate of innovation while minimizing costly mistakes.

Our current funding will expire at the end of 2020. We are working hard to extend funding for a new 10-year period until 2030 in order to ensure that we can continue the high quality of research that we have come to be known for. At the time of writing this, I am very pleased to announce that we have received substantial financial commitments from both old and new partners in the private financial sector going forward. With the continued support from the Swedish government, we are very close to have the funds needed to defend our position as a world leading financial research institute for the next ten years to come.



I want to thank all our long-term partners as well as welcome our eight new partners: the Swedish Government (through Vinnova), AFA, Alecta, AMF, the Annika and Gabriel Urwitz Foundation, the Bertil Danielsson Foundation, Carnegie, Carneo, Didner & Gerge, Folksam, Handelsbanken, the Jan Wallander and Tom Hedelius Foundation, Kommuninvest, Lannebo, Länsförsäkringar, the Marianne and Marcus Wallenberg Foundation, Mistra, Nasdaq Nordic Insamlingsstiftelse, Nordea, Riksbankens Jubileumsfond, SEB, Svenska Fondhandlarföreningens Understödsfond, Swedbank, the Tore Browaldh Foundation, and the Torsten Söderberg Foundation. I also want to thank the closely related Foundation for Financial Research, which includes the Hans Dalborg Foundation and the Jakob Palmstierna Foundation for generous support throughout the years.

Finally, I want to extend my deepest gratitude to all involved in making the center such a great success: researchers, staff, presenters, discussants and visitors. Thank You All!

Stockholm, March 2020

Anders Anderson

Director

Swedish House of Finance

Our Objectives

Why do we need financial research?

The Swedish House of Finance provides an independent platform for dialogue, open to everyone with an interest in finance. The center generates daily contact between academia, the public and the private financial sectors which in turn leads to new research, new private initiatives, and a basis for better decisions and meaningful regulation of the financial sector. The center is a vital part of the research and development that is necessary to continue to develop Sweden as one of the leading financial centers in Europe, and to support the development of a strong Swedish economy and rate of innovation.

The center has succeeded in attracting world-class researchers, as well as top-tier students. It has built an ecosystem for financial research and development. This provides decision-makers in Sweden with access to the world's collective expertise in finance.

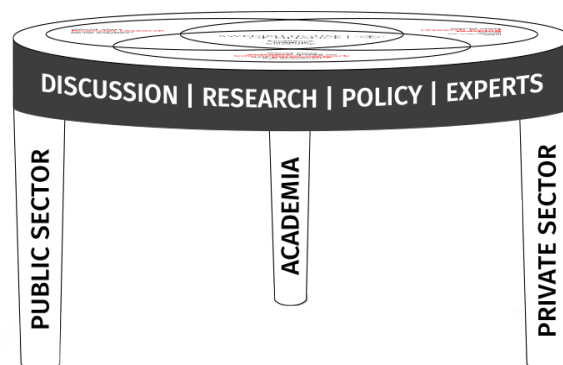


What are the objectives?

Research is part of an overall ecosystem. The ultimate goal of the center is to

- strengthen financial research,
- create impact through achieving a critical mass of world-class researchers, and to
- share positive externalities with the public, private and academic sectors in Sweden.

Since the founding of the center in 2011, Sweden has risen through the ranks in the world of international financial research. The Swedish House of Finance has put Swedish financial research on the world map.



Who is behind the center?

The Swedish House of Finance is an equally private and government funded, nonprofit, nonpartisan organization.

After the dot-com bubble during the late 90s the private sector initiated a Swedish national center for financial research. After the financial crisis in 2008 the government joined the initiative. A national research center, with the mission to bring academia, private, and public sectors together, was formed in 2011.

The Stockholm School of Economics contributes with resources in the form of researchers and teachers. The infrastructure needed for the research, as well as its dissemination for the benefit of the non-academic sector, is contributed by the government (through Vinnova), and funding is matched with an equal amount from the private financial sector. In addition, a network of researchers in finance at the universities of Gothenburg, Lund, Stockholm, KTH, Umeå, Uppsala, and Örebro are all affiliated with the national center through programs supporting research at the highest international level.

Highlights 2019

Michael J. Brennan Best Paper Award

Congratulations Marieke Bos with co-authors Emily Breza and Andres Liberman who received the 2019 Michael J. Brennan Best Paper Award for their paper "The Labor Market Effects of Credit Market Information".



Financial Markets and Corporate Decisions

During our two-day annual conference we brought together leading academics with participants from industry and government to focus on the flow of information between companies and financial markets.

Neuro Economics

Connecting two worlds: "Knowing more about the brain and how it deals with information, and how memories get shaped by experiences, helps us better understand economic behavior, how households think about risk and reward, and how they make their financial decisions."

Camelia Kuhnen during our seminar "Neuro Economics: How experiences shape your brain and your finances."



New Assistant Professor

Alvin Chen received his PhD from the University of Washington, where he also earned his bachelor's degrees in business, international studies, and mathematics. His research interests relate broadly to topics in corporate finance, contract theory, and information economics.



Alvin Chen,
Assistant Professor,
Department of Finance,
Stockholm School of Economics



Anna Stenberg,
Investor and Founder of WES

Women in Finance

"Diversity in a company is extremely important for its financial performance as well as its ability to attract the best talents and leaders. A diverse team will be more dynamic, innovative, and high-performing thanks to the different perspectives and experiences represented and shared among the team members. A group of clones will not generate as good results as a diverse team."

Anna Stenberg during our "Women in Finance" talk with representatives from the Swedish financial sector.

New Website and more Digital Channels

During the summer we proudly launched our new website with more content, a better navigation and a more contemporary design. We have also initiated a podcast series with guests from academia as well as the Swedish financial sector.



Facts & Figures

Amounts from the previous year are shown [in brackets].

Total spend including in-kind contributions for 2019 amounted to 80.4 MSEK, compared to the budget of 75.4 MSEK. The difference can mainly be attributed to an increased amount of externally funded research activities and does not affect the funding plan for the center going forward in 2020.

The center relies on funding from different sources: (i) the Swedish government (Vinnova) (ii) annual installments from the financial sector (Industry) (iii) various research grants and rent from the Stockholm School of Economics given directly to the center (Grants), and (iv) in-kind contributions from the Stockholm School of Economics which amounted to 33.0 MSEK [35.5 MSEK]. The in-kind contributions, in turn, consist of salaries for researchers and costs related to research projects at the Department of Finance, which also contain grants.

Excluding in-kind contributions, costs directly related to the Swedish House of Finance's own activities amounted to 43.2 MSEK [44.2 MSEK]. These costs were financed by Vinnova (15.9 MSEK) Industry (12.9 MSEK) and Grants (14.4 MSEK). The last category includes a rent

contribution from the Stockholm School of Economics of 2.8 MSEK, and research grants from Vinnova of 2.4 MSEK. The amount drawn over and above Vinnova's annual installment of 15 MSEK, was taken from previously built-up reserves.

The detailed buildup of the center's total costs is described in Figure 1 below, categorized by the center's five areas of activity, as well as compared with the previous year.



Professor Mariassunta Giannetti,
Swedish House of Finance at the Stockholm School of Economics

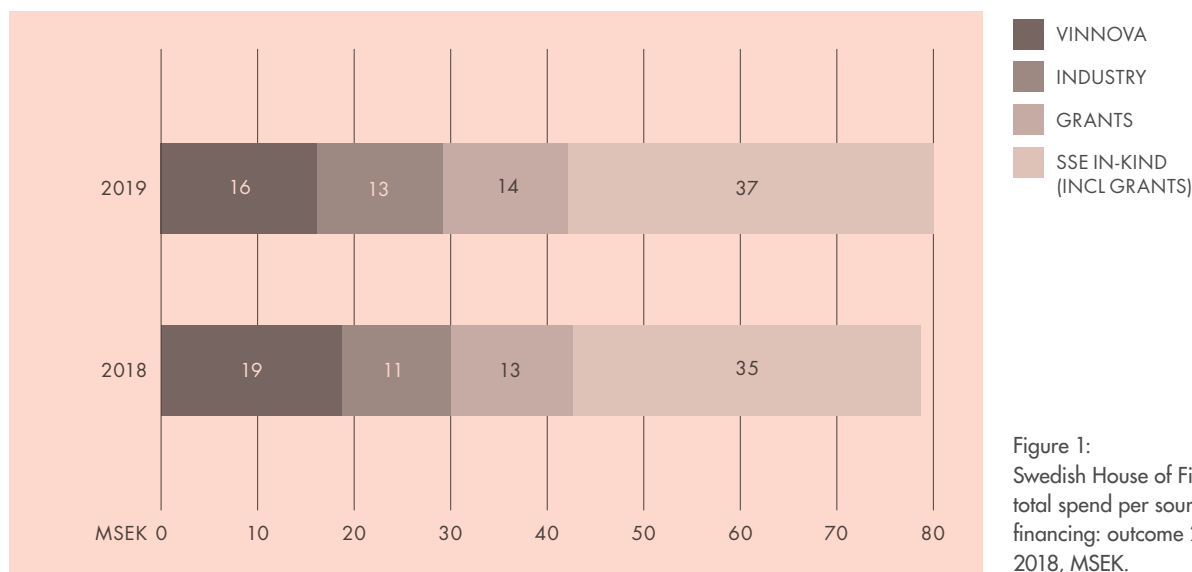


Figure 1:
Swedish House of Finance,
total spend per source of
financing: outcome 2019 and
2018, MSEK.

Figure 2 illustrates a historical cost distribution since the inception of the Swedish House of Finance.

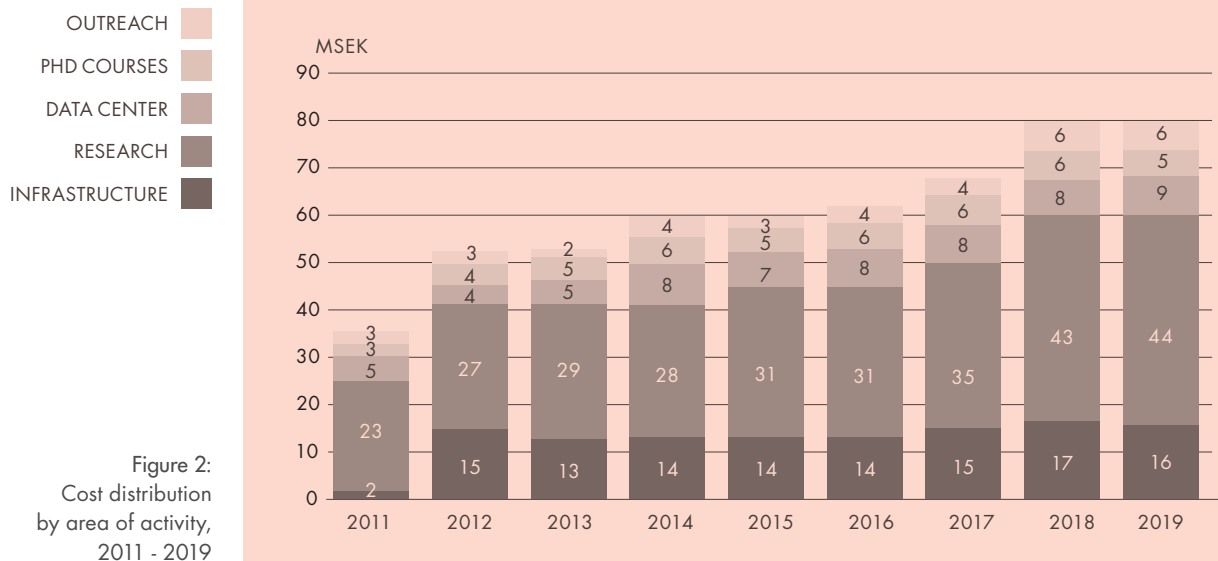
Research

The total research activities at the Swedish House of Finance for 2019 amounted to 44.0 [42.9 MSEK]. A significant share of these costs represents in-kind contributions from the Stockholm School of Economics in the form of salaries to researchers, grant-funded research, and other related costs, amounting to 27.5 MSEK [24.7 MSEK], as well as external financing of doctoral students with 3.5 MSEK [3.9 MSEK]. About half of the increased in-kind contributions from the Stockholm School of Economics are due to an increase in grant-funded research, and the other half to promotions and employment of two additional faculty members. The remaining costs refer to a research incentive program designed to attract and retain research talent, which is monitored by the Scientific Board. It includes a Fellowship Program that gives a salary supplement for hiring outstanding researchers; a Publication Incentive Program to award top research publications; a Visiting Researchers Program to encourage research exchange;

and a Travel Support Program to increase junior researchers' visibility at international conferences.

The center's researchers produced 17 [22] publications in international academic journals, of which 7 [8] were in the top three finance journals, labeled A-grade journals. Figure 3 shows the participation in the top three finance ("A-grade") journals since the inception of the Publication Incentive Program in 2012. We record an upward trend in both the number of top publications and the number of authors from our partner institutions. The researcher who qualifies for our incentive program receives a variable remuneration paid out over two years. The program thus acts as an important recruitment and retention device. The total number of publications has been stable in the past four years.

Our researchers made 81 (110) presentations at international researcher conferences, and acted 36 (43) times as discussants. The center was well represented at all of the three leading finance conferences: American Finance Association in Atlanta with 5 papers, Western Finance Association in Huntington Beach with 1 paper, and European Finance Association in Lisbon with 6 papers.



FACTS & FIGURES

Research Infrastructure

The main aim of the center is to gather a sufficient critical mass of researchers by providing necessary research infrastructure, which is otherwise difficult to fund through research grants. The core of these operations are costs for the premises and research administration. Total costs in 2019 amounted to 16.2 MSEK [17.3 MSEK] and include costs for offices, administration and materials.



Associate Professor Michael Halling,
Swedish House of Finance at the Stockholm School of Economics

After an increase in rent, the costs for premises amounted to 8.8 MSEK [8.3 MSEK] and payroll costs for five permanent employees and compensation for the Scientific Board amounted to 4.7 MSEK [4.6 MSEK]. The total amount includes in-kind contributions from the Stockholm School of Economics regarding salaries for administrators and services amounting in total to 1.8 MSEK [2.5 MSEK]. The remaining costs of 1.8 MSEK [1.5 MSEK] include services, IT, subscriptions, and service payments to the Stockholm School of Economics. The center hosted 29 permanent researchers, 29 doctoral students, five database developers, six research analysts, six administrators, three communications officers, and two senior advisors. During the year, a total of 56 [53] guest researchers visited the center.

Data Center

The Data Center has two principal tasks: (i) to develop new national databases that are made available to the research community in Sweden through our web-based platform, and (ii) to provide requisite international databases and facilitate the use of computationally efficient infrastructure so that the center's researchers can work and compete at the highest level. The total costs for 2019

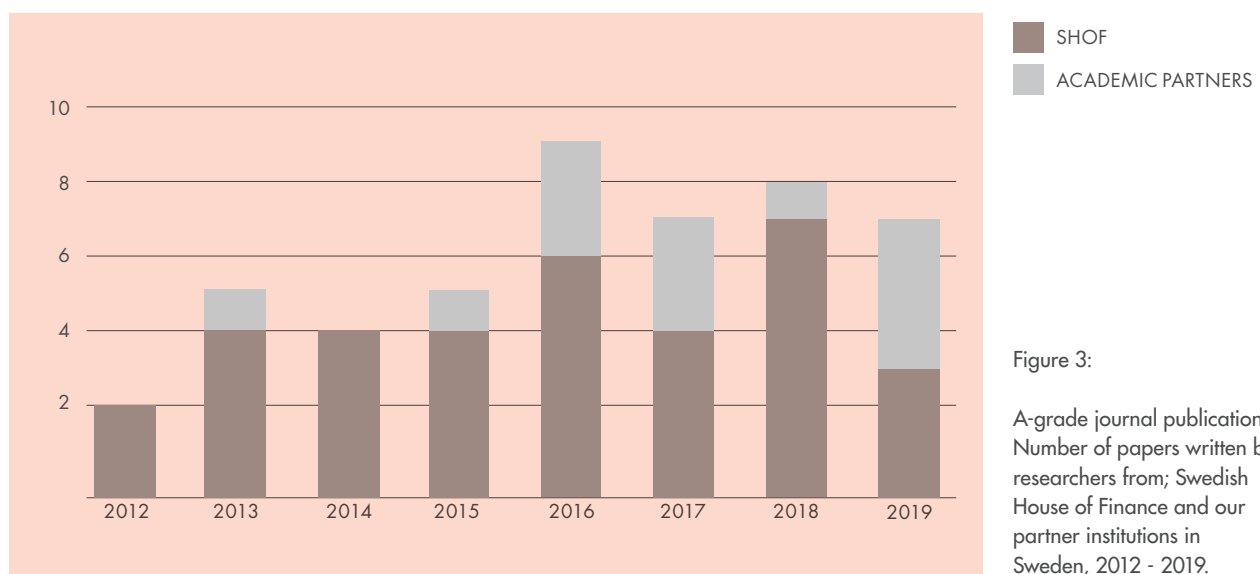


Figure 3:

A-grade journal publications.
Number of papers written by
researchers from; Swedish
House of Finance and our
partner institutions in
Sweden, 2012 - 2019.

amounted to 8.9 MSEK [8.0 MSEK], where 3.8 MSEK [3.5 MSEK] was spent on subscription fees to international external databases. The remaining costs refer to the development of new Swedish financial databases, which mainly consist of salaries for four employees.

The Data Center provides eight databases for free academic use. The financial database FinBas is the most frequently accessed, and contains a complete history of the Swedish stock prices since 1912. It covers around 4,500 companies in the Nordics (except Iceland) with a focus on Sweden. Other data bases include company-level accounting data base Serrano, Historical Annual Report Archive (a PDF registry of Swedish annual reports dating back to 1912), Nordic Compass (ESG company-level data), Patlink (Swedish patent data with identifiers), Nasdaq High Frequency Data (intra-day trades, orders and cancellations at the Stockholm Stock Exchange), Fama-French asset pricing factors for Sweden (i.e. size, value and momentum) and the new Stock lists historical archive (PDFs of prices and quotes for all listed Swedish stocks from 1912).

We restrict use for sole academic purposes by the use of SWAMID developed by SUNET, which is a universal and safe identification infrastructure applied by most Swedish universities and colleges, allowing users

to log on to our pages through their home university IT portals. In this way, we are able to share the data more efficiently and widely. This also shows in the growth of total number of unique users of our databases which grew from only 64 in 2016 (when access was manually granted), to 2,657 by the end of 2019.

PhD program

Our PhD program is open to all Swedish universities, providing the opportunity to participate in the highest quality PhD courses in Finance. The total costs amounted to 5.3 MSEK [5.9 MSEK]. A major part of the total costs is attributed to in-kind contributions from the Stockholm School of Economics for the basic course offering amounting to 3.5 MSEK [3.9 MSEK]. The remaining costs are related to remuneration of teachers and the reimbursement of expenses for course participants from universities other than the Stockholm School of Economics. The center provides a national course program for doctoral students in financial economics. The five basic courses are provided by the doctoral program at the Stockholm School of Economics. They are adapted so they may be read by distance. A number of mini-courses are also offered each year within various specific fields. For those, we invite external specialists

NO. OF INDIVIDUAL USERS ... (LEFT AXIS)
NO. OF ACCESSES (RIGHT AXIS)

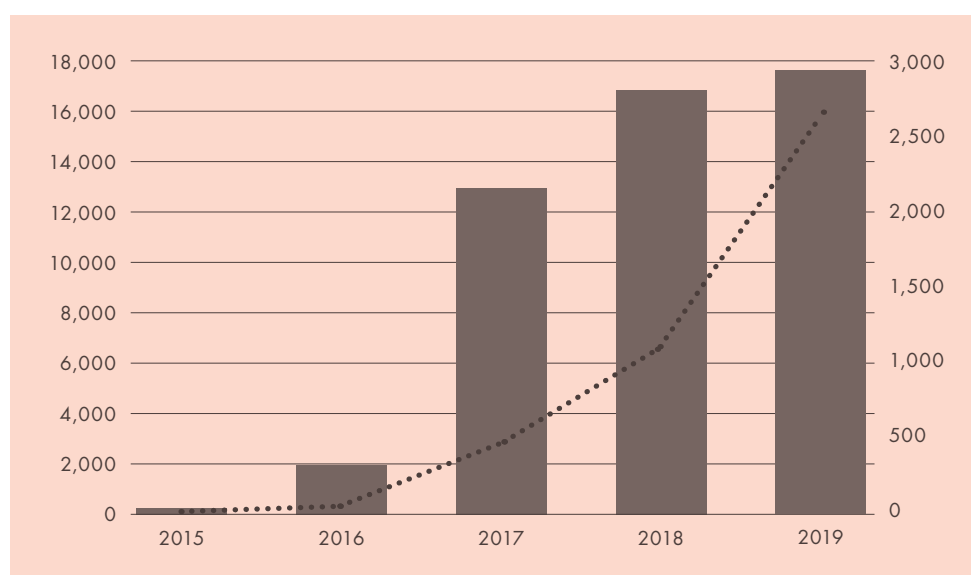


Figure 4:
Data Center, number of individual users, and total number of accesses.

¹ Unique sessions are unique "access IDs". I.e. unique sessions in an IT sense for each data set. So, if one person downloads the same data from different devices or IP-numbers they might be counted double in a personal sense.

FACTS & FIGURES

who hold a one-week intensive course. In 2019, The Swedish House of Finance organized the National PhD Workshop. We had three mini courses: “New ideas in banking and corporate finance” by Enrico Perotti (University of Amsterdam), “Market microstructure” by Albert S. (Pete) Kyle (University of Maryland), and “Continuous Time Finance” by Tomas Björk (Stockholm School of Economics). The two later courses were organized with the help of Lund University and the Stockholm Business School at Stockholm University, respectively.

Outreach

Our outreach activities aim to bridge the gap between finance in academia and practices within the public and private financial sector by disseminating research via digital channels as well as live events, such as conferences and seminars. The center arranges both pure academic seminars and conferences, as well as those targeting practitioners to encourage discussion and knowledge exchange in the financial sector. All disseminated research, including participation in conferences and seminars, is provided free of charge to the respective audience. A total of 82 [88] seminars were held during the year, of which 67 [70] were academic

“Swedish House of Finance creates opportunities to meet with other colleagues within the finance industry and discuss in-depth topics that you don’t have the opportunity to do at work. It’s also a great way for academics to get insights from people in industry on what they are struggling with, and what they see as important topics - because we also need to learn - so it is a two-way street”.

Ingrid Werner, Ohio State University, during our conference “Financial Markets and Corporate Decisions.”

and 15 [18] targeted at practitioners active within the financial sector. The total cost was 5.9 MSEK [5.6 MSEK].

We covered many topics, for example, Effects of Fintech Credit; Money Laundering and the Financial Sector; Private Equity Structures and Incentives; Neuroeconomics; A New Design For Trading Stocks; Behavioral Economics and Retirement Savings; Women in Finance; The Banking Union and many more.

Most of our meetings take place at our premises, but we also arranged eight “Finanspanelen” seminars

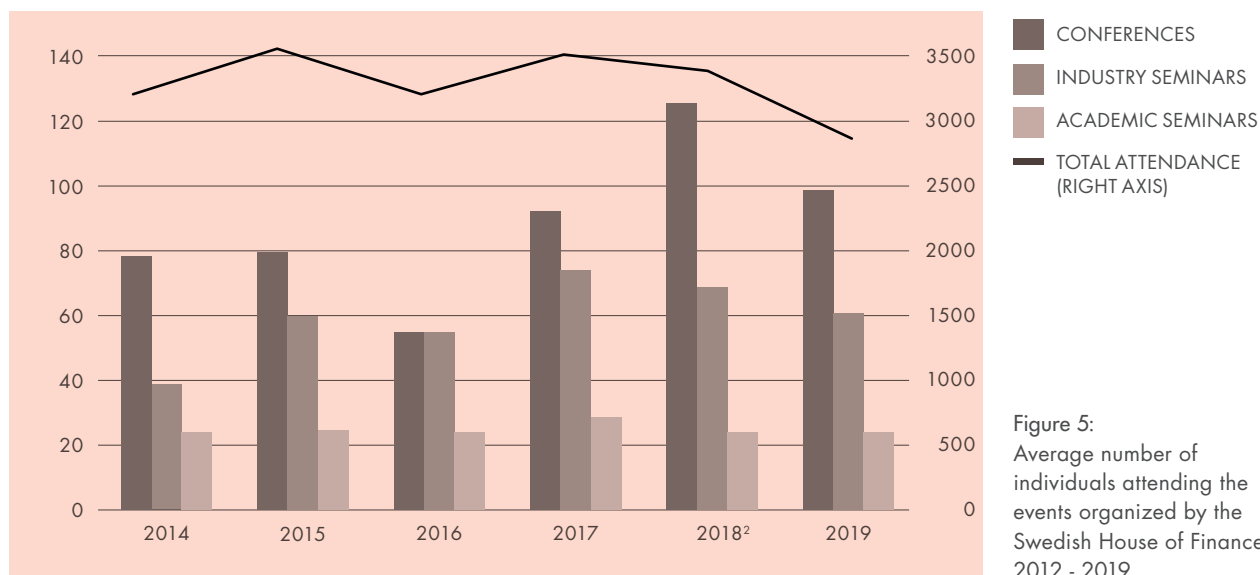


Figure 5:
Average number of individuals attending the events organized by the Swedish House of Finance, 2012 - 2019.

² In Spring 2018 we co-hosted the Nobel Symposium on “Money and Banking” with particular high attendance.

in a long-standing collaboration with the Center for Business Policy Studies (SNS). In addition, the Swedish House of Finance hosted three conferences in 2019: Our annual conference on Financial Markets and Corporate Decisions, generously financed by the Torsten Söderberg Foundation, in August, the Corporate Governance and Investor Activism Workshop in October and the Women in Finance Talk in December. To these three conferences, we can add our annual national conference for Swedish doctoral students in financial economics, which takes place in November each year.

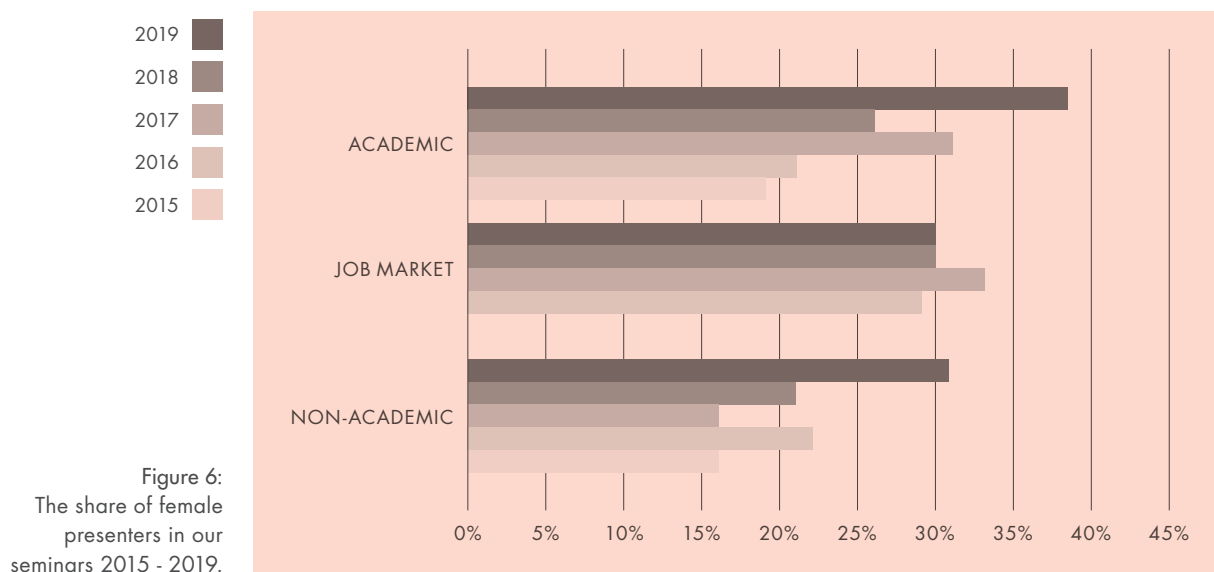
We counted a total of 2,933 [3,461] visitors to our seminars and conferences in 2019, including both researchers and representatives from the private and public financial sector. We continue to focus on improving quality rather than frequency when arranging events and increase our use of digital channels to disseminate the content produced. In June, we launched our first podcast, starring Per Strömberg and David T. Robinson talking about new trends in private equity structures, followed by two more episodes during the fall. The second episode featured Olga Obizhaeva, Anna Obizhaeva and Albert “Pete” Kyle, discussing “A New Theory about Financial Markets: Invariance” and the third podcast fo-

cused on the effects of Mifid II, with Michael Halling and experts from the industry.

We continue our focus to increase female representation in the finance profession at all levels. The explicit goal is to have the share of female presenters in our events at least equal to the share of females in the profession. The Academic Female Finance Committee AFFECT³ estimates the share of female academics in finance to be around 20 percent across all career levels, Figure 6 illustrates that we reached this goal during 2019 for our academic, job market and industry seminars.



Brigitte C. Madrian, Brigham Young University Marriott School of Business, Winner Skandia Award 2019



³ The Academic Female Finance Committee (AFFECT) is a committee of the American Finance Association designed to promote the advancement of women academics in the field of finance.

Research Fellows



ANDERS ANDERSON
Researcher and Director,
Swedish House of Finance



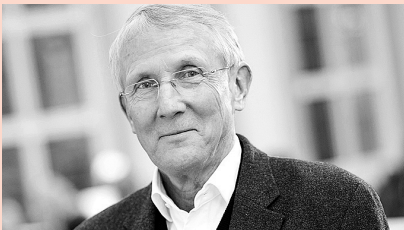
RAMIN BAGHAI
Associate Professor, Department of Finance, SSE



BO BECKER
Cevian Professor, Department of Finance, SSE,
Department of Finance, SSE



CLAS BERGSTRÖM
Professor Emeritus in Finance and Law,
Department of Finance, SSE



TOMAS BJÖRK
Professor Emeritus, Department of Finance, SSE



MARIEKE BOS
Researcher and Deputy Director,
Swedish House of Finance



ALVIN CHEN
Assistant Professor, Department of Finance, SSE



MAGNUS DAHLQUIST
Peter Wallenberg Professor of Finance,
Department of Finance, SSE



ADRIEN D'AVERNAS
Assistant Professor, Department of Finance, SSE



PETER ENGLUND
Professor Emeritus, Department of Finance, SSE



MARIASSUNTA GIANNETTI
Professor, Department of Finance, SSE



MICHAEL HALLING
Associate Professor, Department of Finance, SSE



JUNGSUK HAN
Associate Professor, Department of Finance, SSE



ALEXANDER LJUNGQVIST

Professor, Stefan Persson Family Chair in
Entrepreneurial Finance, Department of Finance, SSE



VINCENT MAURIN

Assistant Professor, Department of Finance, SSE



DANIEL METZGER

Associate Professor, Department of Finance, SSE



OLGA OBIZHAeva

Assistant Professor, Department of Finance, SSE



MARCUS OPP

Associate Professor, Department of Finance, SSE



RICCARDO SABBATUCCI

Assistant Professor, Department of Finance, SSE



FARZAD SAIDI

Assistant Professor, Department of Finance, SSE



PAOLO SODINI

Professor, Department of Finance, SSE
Director National Data Center,
Swedish House of Finance



JAN STARMANS

Assistant Professor, Department of Finance, SSE



PER STRÖMBERG

SSE Centennial Professor of Finance and Private
Equity, Department of Finance, SSE
Head of Department of Finance, SSE



DONG YAN

Assistant Professor, Department of Finance, SSE



IRINA ZVIADADZE

Assistant Professor, Department of Finance, SSE



ADAM ALTMEJD

Postdoctoral Fellow, Swedish House of Finance



NIKLAS AMBERG

Postdoctoral Fellow, Department of Finance, SSE



ANASTASIA GIRSHINA

Postdoctoral Fellow, Swedish House of Finance

Center Financing

The Swedish House of Finance was created from a government initiative in 2011 whereby Vinnova made a funding promise of 150 MSEK for 10 years in support of the creation of a national financial research center, provided that the center in turn raised an equal amount from the private financial sector as well as from academia. This goal has been achieved with a wide margin.

As the current funding commitments end to a large extent in 2020, we have already in 2017 initiated fund-raising activities to secure funding for a renewed 10-year period (2021-2030). As of March 2020, we are very pleased to report that 80 percent of the objective to raise 400 MSEK for the period 2021-2030 has already been achieved, provided that the government commits to the plan. We are very grateful that all our existing partners have prolonged their funding promises and in most cases even increased their contribution for the next decade. Additionally, we can count on eight new strategic partners who previously had not been part of the Swedish House of Finance.

”It’s hard to be on top of a field without making an investment in research and development.”

Carmen Reinhart, Professor, Harvard University CR, Prof. HU, when visiting the Swedish House of Finance in 2018

This is leaving us with the confidence that what we do is creating value for the financial community, which in turn will support our efforts to generate further participation within the private sector. We invite companies, organizations, public institutions, and private donors to collaborate with and support the Swedish House of Finance in its mission to grow knowledge capital to guarantee the long-term prosperity of Sweden’s financial marketplace and to nurture innovation and expertise.



Governance

BOARD OF DIRECTORS

The Board of Directors consists of representatives from the Swedish financial industry and Stockholm School of Economics.

GABRIEL URWITZ
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Chairman of the Board,
Segulah Advisor AB

MAGNUS CARLSSON
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HANS DALBORG
Ekon Dr

YVONNE GUSTAFSSON
Chairman of the Board,
Riksgälden, Swedish National
Debt Office

CHRISTINA NYMAN
Chief Economist, Handelsbanken

MARTIN PERSSON
Head of Wholesale Banking,
Nordea

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President,
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LARS STRANNEGÅRD
President,
Stockholm School
of Economics

CAROLINE AF UGGLAS
Deputy General Director,
Svenskt Näringsliv

LARS ÅGREN
Senior Executive Vice President,
Stockholm School of Economics

MANAGEMENT COMMITTEE

The Management Committee plans, directs, and coordinates the activities at the Swedish House of Finance.

ANDERS ANDERSON
Director

MARIEKE BOS
Deputy Director

URSULA ROBERTSON
Head of Outreach

PAOLO SODINI
Head of Data Center

PER STRÖMBERG
Head of the Department of
Finance, SSE

SCIENTIFIC ADVISORY BOARD

The Scientific Advisory Board assists the management and the board with evaluating the academic activities of the Swedish House of Finance.

INGRID WERNER
(Chair)
Ohio State University

HARRISON HONG
Columbia University

DAVID ROBINSON
Duke University

Strategic partners

ACADEMIC PARTNERS



Stockholm
University



UNIVERSITY OF
GOTHENBURG



LUND
UNIVERSITY



KTH Royal Institute of Technology



UMEÅ
UNIVERSITY



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Corporate



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FÖRSÄKRING

alecta



CARNEO



Folksam

Handelsbanken



KOMMUNINVEST

LANNEBO



Landshypotek Bank



Länsförsäkringar

SEB

Swedbank och
Sparbankerna



Nordea

Foundations

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Public



VINNOVA
Sveriges innovationsmyndighet

SWEDISH HOUSE OF FINANCE



SWEDISH HOUSE OF FINANCE
DROTTNINGGATAN 98, 111 60 STOCKHOLM
+46 8 736 91 00
INFO@HOUSEOFFINANCE.SE, HOUSEOFFINANCE.SE



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SHOUSEOFFINANCE