

PROMOTION RECOMMENDATION
The University of Michigan
Stephen M. Ross School of Business

Paolo Pasquariello, associate professor of finance, with tenure, Stephen M. Ross School of Business, is recommended for promotion to professor of finance, with tenure, Stephen M. Ross School of Business.

Academic Degrees

Ph.D.	2003	New York University, Leonard N. Stern School of Business, Finance, New York, NY
M.Phil.	2002	New York University, Leonard N. Stern School of Business Finance, New York, NY
M.B.A.	1998	New York University, Leonard N. Stern School of Business Finance and Economics, New York, NY
B.A.	1994	Universita Commerciale Luigi Bocconi, Economics, Milan, Italy

Professional Record:

2010 – Present	Associate Professor of Finance, University of Michigan, Stephen M. Ross School of Business, Ann Arbor, MI
2013	Hans Dalborg Visiting Professor of Finance, Stockholm School of Economics, Swedish Institute for Financial Research, Stockholm, Sweden
2003 – 2010	Assistant Professor of Finance, University of Michigan, Stephen M. Ross School of Business, Ann Arbor, MI

Summary of Evaluation:

Teaching: Professor Pasquariello's teaching has been very good. For the last several years, he has been teaching international finance courses at the MBA and undergraduate levels. In fact, he has been the only member of our faculty teaching international courses, in an era in which global capital markets have become increasingly connected. Professor Pasquariello has been updating his teaching material every year to keep pace with rapid developments in the markets following the 2008-09 financial crisis, and has included topical material on subjects such as the Greek default crisis a few years ago and the continues discussions of China's exchange rate management policy. His ratings in these courses have been very good, with student evaluations on Q8 ranging from 4.4 to 5.0, with ratings on many sections being in the 4.7–4.9 range. Enrollments have typically been healthy as well, and the enrollment in his B.B.A courses have increased over the last few years. He also sometimes teaches a Ph.D. course on price formation in the financial markets. As expected, the ratings for that course have been very good.

Research: Professor Pasquariello's work is primarily in the area of market microstructure, examining the effect of public information as well as information privately available to traders on the quality of the market for financial assets. Here, "quality" can be captured in a few different ways, including the absence of arbitrage opportunities and the liquidity of the asset (put another

way, how easy it is to trade the asset without moving its price). Some of his papers are theoretical, some are empirical, and some combine theory and empirics, in having an analytical model and also verifying that the implications of the model hold up in the data. A central idea in market microstructure is that different investors have different information about a financial asset. In buying or selling an asset, an investor therefore needs to worry about adverse selection — the party they are trading with may have superior (and sometimes contrary) information. His work has contributed to our knowledge of how such information asymmetries affect the decisions made by firms as well as how they affect investors and overall market quality in markets such as the foreign exchange, U.S. Treasury bond, and U.S. stock markets.

Professor Pasquariello's theoretical papers are viewed as excellent contributions, and his empirical work is very careful. His work addresses important topics in his papers, including capital structure, the functioning of U.S. Treasury markets, and government intervention in foreign exchange markets. He has maintained high quality standards throughout, and some of his recent work (including his RFS 2014 and JET 2014 papers) is thought to be among his best. One signal of quality is that three of his papers have been published as lead articles, one each in the *Journal of Financial Economics*, the *Journal of Financial and Quantitative Analysis*, and the *Journal of Financial Markets*. In many finance journals, including the JFE, editors carefully choose which papers are printed as lead articles, based on the importance and likely impact of the paper.

Recent and Significant Publications:

Government Intervention and Arbitrage (2017), *Review of Financial Studies*, forthcoming.

Strategic Cross-Trading in the U.S. Stock Market (2015), with Clara Vega, *Review of Finance*, 19, 229-282.

Financial Market Dislocations (2014), *Review of Financial Studies*, 27, 1868-1914.

Prospect Theory and Market Quality (2014), *Journal of Economic Theory*, 149, 276-310.

The On-The-Run *Liquidity* Phenomenon (2009), with Clara Vega, *Journal of Financial Economics*, 92, 1-24. Lead Article.

Does Asymmetric Information Drive Capital Structure Decisions? (2009), with Sreedhar Bharath & Guojun Wu, *Review of Financial Studies*, 22, 3211-3243.

Informed and Strategic Order Flow in the Bond Markets (2007), with Clara Vega, *Review of Financial Studies*, 20, 1975-2019.

Imperfect Competition, Information Heterogeneity, and Financial Contagion (2007), *Review of Financial Studies*, 20, 391-426.

Service: Professor Pasquariello's professional visibility is high. In 2015, he won a Best Paper (Runner-up) award at the Review of Financial Studies and a Best Referee award at the Review of Financial Studies. Since May, 2017, he has been a co-editor at the *Journal of Financial Markets* (a top finance field journal in market microstructure). The journal has three editors in all, and a total volume of over 400 papers per year. He has been a co-organizer of an annual conference on sovereign bond markets, and has been on the program committee for top-tier conferences such as the SFS Cavalcade, and the Western Finance Association and the European Finance Association conferences.

In regards to internal service, he has performed many valuable service tasks for the area and the school. Almost single-handedly, he organized an external review of the finance area in 2012. In addition, he has chaired the school-level Curriculum Committee and the Teaching Advisory Group. He has also served on one of the many M.B.A. task forces we have had through the years. In addition, he has taken on many different service roles within the area, including being on the rookie recruiting and Ph.D. committees, and running the seminar series. The quality of his service is very much appreciated in the area. He is conscientious and prompt and maintains high standards.

Professor Pasquariello has been on a number of Ph.D. dissertation committees over the years, and has been a co-chair for one student. In addition, he has mentored students both informally and more formally as a co-author. Beyond formal service, he is an important contributor to the internal culture of the finance area. He is intellectually engaged, is active in seminars and brown bag talks, and is ready and willing to help when needed.

External Reviewers:

Reviewer A: “I strongly believe that Paolo’s academic record merits this promotion...Paolo has strong competence in both empirical and in theoretical analysis, which makes him a valuable researcher in a finance group. In addition, he does research in diverse areas – asset pricing, market microstructure, corporate finance, corporate governance, behavioral finance, real estate finance (this is not an exhaustive list) – which is rare in the profession, where people specialize in narrower areas. I therefore have no hesitation in strongly recommending him for promotion to the rank of Full Professor.”

Reviewer B: “I support promoting Paolo Pasquariello to the rank of Professor at the University of Michigan. Paolo has published 4 papers in top journals since being promoted to associate professor. His overall record is long, he has 9 top publications...the papers are of high quality...He has over 1500 Google Scholar citations... I believe this trend indicates a growing influence in the profession...As you can gather from this letter I find his research interesting. His work approaches important economic questions in innovative ways. It is certainly worthy of a full professor appointment at a top business school.”

Reviewer C: “Paolo has been very successful with his publications...Paolo’s research record would compare favorably at [my institution] and there would be a discussion about Paolo’s contributions along the teaching and service dimensions.”

Reviewer D: “Let me start by saying that I very strongly support the promotion of Paolo. I think he is a deep thinker, who made significant contributions to the literature on financial markets. He also had notable success publishing his work in top journals and getting wide recognition for it. His most recent work shows that he continues on the path of addressing fundamental problems in a rigorous and comprehensive way. Hence, the case for promotion seems very strong to me, and so I recommend it without any reservation.”

Reviewer E: “When I received your request my first reaction was surprise that Paolo is not already a full professor...The recommendation to support promotion to full professor is a straightforward one...Paolo’s service to the profession is excellent...Paolo is an active, insightful, and enthusiastic

conference participant, presenter, and discussant...If Paolo was my colleague at my own institution, I would support his case for promotion to full.”

Reviewer F: “The bottom-line is simple: Paolo Pasquariello is well deserving of a promotion to full professor with tenure at Michigan.”

Reviewer G: “I think Paolo Pasquariello should be promoted to the rank of Full Professor. His research makes important contributions to the literature, he is actively engaged in the profession, and I expect him to remain an active member of the finance research community.”

Reviewer H: “I believe this is a very easy case to consider. I think very highly of Prof. Pasquariello’s research and am fully supportive of this promotion.”

Summary of Recommendation: Professor Pasquariello is a thoughtful and high-quality scholar. He is a very valuable member of the finance area, and makes substantial and positive contributions to our internal dynamics. He has taken on several internal and external service roles, and can be relied upon on important tasks. In addition, he has performed very well in the classroom. Over the last few years, he has both published a number of papers and has received a lot of professional recognition, including taking on editorial roles. Externally, he is already being treated as a senior member of the profession, and it is time to recognize that internally as well. With this in mind, I am pleased to recommend the promotion of Paolo Pasquariello to professor of finance, with tenure, Stephen M. Ross School of Business.



D. Scott DeRue
Edward J. Frey Dean of Business
Stephen M. Ross School of Business

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