Feng Wu (Harry)

Ph.D., CFA

Assistant Professor
School of Accounting and Finance
The Hong Kong Polytechnic University
M742 Li Ka Shing Tower
Hung Hom, Kowloon, Hong Kong
Email: dr_fengwu@yahoo.com; fengwu@polyu.edu.hk

EDUCATION

□ Ph.D., Shidler College of Business, University of Hawaii at Manoa

Outstanding Ph.D. in Finance

□ Completed all courses required for a PhD in Economics, University of Hawaii at Manoa

□ M.A., School of Finance, Renmin University of China

PROFESSIONAL EXPERIENCE

□ Assistant Professor, School of Accounting & Finance, Hong Kong Polytechnic University, 2012-present

□ Assistant Professor, Faculty of Business Administration, University of Macau, 2009-2012

□ Lecturer (part-time), Shidler College of Business, University of Hawaii at Manoa, 2008

□ Member, China International Tax Treaty Committee, State Administration of Taxation of China, 2003

□ Director, Taxation Information and Research Center, State Administration of Taxation of China – Jinan Office, 1996-2000

TEACHING

□ Courses taught at Hong Kong Polytechnic University

-- Finance

-- Business Finance

-- Risk Management

-- Investments

-- Security Analysis and Portfolio Management

□ Courses taught at University of Macau

-- Advanced Financial Management

-- Financial Engineering and Derivatives

-- Investments and Portfolio Management

□ Course taught at University of Hawaii at Manoa

-- Business Finance

RESEARCH

□ Current research areas:

Asset pricing, behavioral finance, financial accounting

□ With previous research experience in:

Environmental & resource economics, public finance

PUBLICATIONS

□ Konchitchki, Yaniv, Yan Luo, Mary Ma, and Feng Wu. 2016. Accounting-Based Downside Risk, Cost of Capital, and the Macroeconomy. ***Review of Accounting Studies*** 21, 1-36. ***(Lead article)***

Abstract: We hypothesize that earnings downside risk, capturing the expectation for future downward operating performance, contains distinct information about firm risk and varies with cost of capital in the cross section of firms.

Consistent with the validity of the earnings downside risk measure, we find that, relative to low earnings downside risk firms, high earnings downside risk firms experience more negative operating performance over the subsequent period, are more sensitive to downward macroeconomic states, and are more strongly linked to earnings attributes and other risk-related measures from prior research. In line with our prediction, we also find that earnings downside risk explains variation in firms' cost of capital, and that this link between earnings downside risk and cost of capital is incremental to several earnings attributes, accounting and risk factor betas, return downside risk, default risk, earnings volatility, and firm fundamentals. Overall, this study contributes to accounting research by demonstrating the key valuation and risk assessment roles of earnings downside risk derived from firms' financial statements, also shedding new light on the link between accounting and the macroeconomy.

□ Huang,Wei, Qianqiu Liu, Ghon Rhee, and Feng Wu. 2012. Extreme Downside Risk and Expected Stock Returns. ***Journal of Banking and Finance*** 36, 1492-1502.

-- presented at 2009 **Western Finance Association (WFA)** annual meeting

-- presented at 2008 China International Conference in Finance (CICF)

Abstract: We propose a measure for extreme downside risk (EDR) to investigate whether bearing such a risk is rewarded by higher expected stock returns. By constructing an EDR proxy with the left tail index in the classical generalized extreme value distribution, we document a significantly positive EDR premium in cross-section of stock returns even after controlling for market, size, value, momentum, and liquidity effects. The EDR premium is more prominent among glamor stocks and when high market returns are expected. High-EDR stocks are generally characterized by high idiosyncratic risk, large downside beta, lower coskewness and cokurtosis, and high bankruptcy risk. The EDR premium persists after these characteristics are controlled for. Although Value at Risk (VaR) plays a significant role in explaining the EDR premium, it cannot completely subsume the EDR effect.

□ Rhee, Ghon, and Feng Wu. 2012. Anything Wrong with Breaking a Buck? An Empirical Evaluation of NASDAQ's $1 Minimum Bid Price Maintenance Criterion. ***Journal of Financial Markets*** 15, 258-285.

Abstract: This paper empirically evaluates the effects of NASDAQ's $1 minimum bid price threshold (known as the one-dollar rule) as part of its listing maintenance criteria. Even though this controversial rule was introduced as early as September 1991, its economic impact has been largely unexplored by academics. This study suggests that implementation of the one-dollar rule is justified for the following reasons: (1) NASDAQ stocks frequently trading below $1 during the pre-rule period are extremely vulnerable to catastrophic losses; (2) a dramatic decline in extreme loss probability is observed among low-priced (relative to $1) stocks after the rule was introduced; and (3) the $1 benchmark serves as an appropriate cutoff point in screening stocks listed on the exchange.

□ Biddle, Gary, Mary Ma, and Feng Wu. 2016. Conditional Conservatism and the Cost of Equity Capital: Informational Precision and Information Asymmetry Effects. ***Applied Finance and Accounting*** 2, 69-88.

Abstract: Prior studies report negative or insignificant relations between conditional conservatism and the cost of equity capital, arguing that conservatism reduces information risk. Using accounting-based conditional conservatism proxies, however, we find a significantly *positive* association between conditional conservatism and the cost of equity. This positive relation operates via improving information precision about negative earnings shocks and generally inflating information asymmetry among investors, both of which increase the cost of equity. We further find that the cost of equity effect of conditional conservatism disappears in the period after the enactment of the Sarbanes-Oxley Act (SOX), consistent with the notion that nationwide improvement of information precision about negative news and diminished information asymmetry are engendered by the SOX regulation. This study adds to researches on conditional conservatism, SOX, and the cost of equity, and also has policy implications.

WORKING PAPERS

□ Rhee, Ghon, and Feng Wu. 2018. Conditional Extreme Risk, Black Swan Hedging, and Asset Prices. Working paper.

-- R&R to ***Journal of Banking and Finance***

-- nominated for the "**Best Paper Awards**" at 2015 Financial Management Association International (FMA) annual meeting

Abstract: Motivated by the asset pricing theory with safety-first preference, we introduce and operationalize a conditional extreme risk (CER) measure to describe expected stock performance conditional on a small-probability market downturn (black swan). We document a significant CER premium in the cross-section of expected returns. We also demonstrate that CER explains the premia to downside beta, coskewness, and cokurtosis. CER provides distinct information regarding black swan hedging that cannot be captured by co-crash-based tail dependence measures. As we find that the pricing effect is stronger among black swan hedging stocks, this distinction helps explain the absence of premium to tail dependence.

□ Rhee, Ghon, and Feng Wu. 2018. A Tail of Two Worlds: Stock Crashes, Market Contexts, and Expected Returns. Working paper.

Abstract: Stocks with the potential for crashes in better market conditions are compensated by higher expected returns than stocks with the potential for equally severe crashes in worse market contexts. The impact of market context on returns is more pronounced among stocks with less institutional holdings and when the potential crash is rarer and bigger. The effect also becomes stronger in recent decades. Beta, size, book-to-market ratio, momentum, liquidity, investment growth, and profitability cannot explain this phenomenon, which is not driven by micro-sized or penny stocks either. These results are consistent with the implication of the salience-based asset pricing model.

□ Li, Yan, Feng Wu, and Yingxin Zhang. 2018. Investing, Busy and Fast. Working paper.

Abstract: People have limited attention, especially when getting busy. They also possess a capability of fast thinking that requires little, if any, attention. Are people more prone to fast thinking when their attention becomes more limited, e.g., due to escalated busyness? We examine this issue using loan bidding data from the online peer-to-peer lending market. We find that bids placed within busy working hours with more attention constraint are associated with a significantly higher likelihood of being fast bids (i.e., those confirmed within only a few seconds) driven by fast thinking, suggesting that limited attention increases the propensity of fast thinking.

□ Kim, Jeong Bon, Li Li, Mary Ma, and Feng Wu. 2018. Earnings Smoothing and Systemic Risk in the Banking Industry. Working paper

-- R&R to ***Review of Quantitative Finance and Accounting***

Abstract: This study examines the relation between earnings smoothing through loan loss provision (LLP smoothing) and systemic risk in the banking sector. We find that LLP smoothing is negatively associated with a bank's contribution to systemic risk in general and in both boom and bust periods. We further find that this association stems from the counter-cyclical cushioning role of LLP smoothing as a reaction to common risk exposure, but there is no evidence that the relation works through the mechanism of bank interconnectedness. The informativeness property of LLP smoothing or bank-specific risk does not affect the relation either. In addition, managerial characteristics influence the LLP smoothing-systemic risk link, with the association weakening for male managers or managers with strong risk-taking incentives. Moreover, stronger monitoring over LLP smoothing by long-term debtholders, financial analysts, and Big-Four auditors is found to enhance the negative relation between LLP smoothing and systemic risk.

□ Wu, Feng, and Jing Zhang. 2018. Independent Directors and Firm Extreme Risk: Empirical Evidence. Working paper.

Abstract: This paper examines the efficacy of independent directors in constraining firms' stock return extreme downside risk. We find a significantly negative relation between independence of the board and subsequent firm-specific extreme downside risk in the equity market, implying that independent directors work to monitor and mitigate extraordinary risk of the firm. Moreover, longer tenure and larger numbers of companies served by independent directors enhance this extreme downside risk-decreasing effect, suggesting more familiarity with firm operation and expertise in relevant business help independent directors provide better monitoring and advising services. The results are robust to the influences of conventional firm-level risk characters including size, book-to-market ratio, leverage, and momentum. Our findings suggest that well-functioned independent directors are beneficial to shareholders in terms of avoiding stock plumps. Upholding the independent role and fiduciary duty, sufficient firm information, and good capability obtained by independent directors are a boost to such effect.

□ Wu, Feng, 2018 (inactive), Financing Public Goods through Markets: The Case of Advertising, *East-West Center ScholarSpace 2006. (Peer reviewed)*

Abstract: This article investigates the phenomenon of advertising in a scope of private provision of public goods, regarding it as a means to bridge the public goods and private goods. Unlike theories which consider the literal advertising merely as a limited additional source of revenue of the public goods providers, I extend the concept of "advertising" by endowing it the function of attracting public "attention," which must resort to public goods as the vehicle, for the advertised private goods. After examining such mechanisms as "tying arrangement" between public and private goods in previous economic literatures, I deduce the several issues of providing public goods for free into a case called "financing public goods by advertising" and classify the relationship between public and private goods mediated by advertising into four categories. I contrast such an arrangement with the Tiebout model, and then aiming at four important problems the advertising-financing method is facing, bring forward a simple model to prove that, in some circumstances, the provision of public goods financed by advertising may be Pareto efficient in conceptual meanings. Brief analyses about the preconditions of optimality are presented, followed by a few cursory policy implications and an estimation of the application prospects.

WORKS IN PROGRESS

□ Do Sleepy Investors Think Fast? Evidence from Online Peer-to-Peer Lending. *(joint work with Yan Li and Yingxin Zhang)*

□ Are Frequent Decision Makers Fast Decision Makers? Evidence from Online Peer-to-Peer Lending. *(joint work with Yan Li and Yingxin Zhang)*

□ Do Investors Mind Missing a Market Feast?

□ Do Investors Have a Short Memory on Lottery Stocks?

RESEARCH GRANTS, FELLOWSHIPS, & AWARDS

□ General Research Fund **(GRF) (funded)**, University Grants Committee, Hong Kong, 2015-2018

□ General Research Fund **(GRF) (funded)**, University Grants Committee, Hong Kong, 2014-2017

□ East-West Center Degree Fellowship, 2003

□ Distinguished Service Award, East-West Center, 2004-2005, 2003-2004

□ Distinguished Researcher, State Administration of Taxation of China, 1999

REFEREEING ACTIVITIES

□ *Financial Review*

□ *European Financial Management*

□ *Pacific-Basin Finance Journal*

□ *International Review of Economics and Finance*

- ◻ *Economic Systems*
- ◻ *China Accounting and Finance Review*
- ◻ *Emerging Markets Finance and Trade*
- ◻ University Grants Committee, Hong Kong, 2014
- ◻ *Journal of Law, Finance, and Accounting* annual conference, 2015
- ◻ *Journal of International Accounting Research* annual conference, 2014
- ◻ *Journal of Contemporary Accounting and Economics* symposium, 2013, 2014
- ◻ Financial Management Association annual meeting, 2009, 2015
- ◻ Financial Management Association Asian conference, 2009, 2015
- ◻ Financial Management Association European conference, 2016
- ◻ Asian Finance Association annual conference, 2009, 2012, 2015
- ◻ Southern Finance Association annual conference, 2010

CONFERENCE RAPER DISCUSSING

- ◻ China International Conference in Finance (CICF), 2018 *(confirmed)*
- ◻ Financial Management Association International (FMA) Asia Pacific Conference, 2018 *(confirmed)*
- ◻ China Finance Annual Meeting (CFAM), 2017
- ◻ Financial Management Association International (FMA) Asian conference, 2015 *(scheduled)*
- ◻ Asian Finance Association (AsianFA) annual conference, 2015 *(scheduled)*
- ◻ *Journal of International Accounting Research* annual conference, 2014
- ◻ *Journal of Contemporary Accounting and Economics* symposium, 2013
- ◻ Financial Management Association International (FMA) annual conference, 2009
- ◻ Financial Management Association International (FMA) Asian conference, 2009
- ◻ Asian Finance Association (AsianFA) annual conference, 2009