

October 2008

## **Mark J. Flannery**

### Curriculum Vitae

Department of Finance  
Graduate School of Business Administration  
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University of Florida  
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#### Current Position

University of Florida  
BankAmerica Eminent Scholar in Finance (since 1989)

#### Prior Academic Experience

University of North Carolina at Chapel Hill  
Associate Professor of Finance (1984-87)  
Full Professor of Finance (1987-89)  
The University of Pennsylvania  
Assistant Professor of Finance (1976-1984)  
London Business School  
Visiting Professor of Finance (Autumn 1987)  
University of New South Wales  
Visiting Professor (May-June 1996)  
New York University Finance Department,  
Visiting Professor (Fall 2006)

#### Education

A.B., Princeton University, 1972, Summa cum Laude  
M.A. in Economics, Yale University, 1973  
M. Phil. in Economics, Yale University, 1974  
Ph.D. in Economics, Yale University, 1978

#### **Other Professional Experience**

Financial Advisory Roundtable, Federal Reserve Bank of New York (2006 - )  
Co-Director, FDIC Center for Financial Research (2003 - 07)  
Senior Fellow, FDIC Center for Financial Research (2007)  
Chairman, Board of Trustees (2005-2008) Financial Management Association International (FMA);  
President (2003-4)  
Editor, *Journal of Money, Credit and Banking*, (December 2000 – June 2005)  
President, Financial Intermediation Research Society ([www.finirs.org](http://www.finirs.org)), 2008-2010; Founding Director,  
2003.  
Associate Editor: *Journal of Banking and Finance* (1985 - 2007), *Journal of Financial Services Research*,  
*The Financial Review*, *Journal of Financial Intermediation*, *Review of Quantitative Finance and*

*Accounting.*

Editorial Advisory Boards: Federal Reserve Bank of New York *Quarterly Review*, *Journal of Financial Stability*, *International Journal of Managerial Finance*, *Journal of Money, Credit and Banking*

Special Issue co-editor (*JFI*), conference proceedings “Accounting, Transparency and Bank Stability” (2004).

Special Issue editor (*JFSR*) and conference organizer, “Market Discipline in Banking” (November 2001).

Visiting Scholar, Federal Reserve Bank of New York, Fall 2006 (one day per week).

Ph.D. seminars (1-week) in Financial Intermediation: Aarhus Business School, 2000, 2004, 2008.

“Master Class” lectures on financial intermediation, Melbourne, Australia (July 2008)

American Finance Association Board of Directors (1999-2002)

Credit Research Center (Georgetown University), Research Committee and Board of Governors, 2000-2003

Barnett Bank of Alachua County Board of Directors (1989-1998)

University of Pennsylvania Credit Union Board of Directors, January 1982 - March 1984

Consultant to University of Pennsylvania Federal Credit Union (September 1978 - 1981)

Research Adviser, Federal Reserve Bank of Philadelphia, January 1981-July 1984

Senior Economist, Federal Reserve Bank of Philadelphia, January - December 1980 (on leave from Wharton)

Summer Research Associate, Federal Reserve Bank of Boston (1973, 1974), and Federal Reserve Board of Governors (1975)

Consultant on EFTS and Credit Unions, 1974-1975

Co-Author of “Flannery and Flood’s ProBanker: A Financial Services Simulation” (Web-based simulation program: [www.probanker.com](http://www.probanker.com) ).

**Working Papers**

“The Subprime Crisis: Lessons about Market Discipline” (September 2008)

“Major Investments, Firm Financing Decisions, and Long-run Performance” (with Ralf Elsas and Jon Garfinkel), May 2008.

“Do Credit Spreads Reflect Mean-Reverting Leverage?” (with Stanislava Nikolova and Ozde Oztekin), April 2008.

“Do Adjustment Costs Impede Realization of Target Capital Structure?” (with Michael Faulkender, Kristine Hankins, and Jason Smith), January 2008. (Revise and re-submit, *Journal of Finance*)

“Frequent Issuers’ Influence on Long-Run Post-Issuance Returns” (with Matthew Billett and Jon Garfinkel), December 2007. (Revise and re-submit, *Journal of Financial Economics*)

“Scale Economies at Payday Loan Stores,” (with Katherine Samolyk), FDIC Center for Financial Research Working Paper, July 2007.

“New Estimates of the Jumbo-Conforming Spread” (with Alan Blinder and Brandon Lockhart), January 2006.

### **Work in Progress**

- “Macroeconomic News and the DM/\$ Exchange Rate, 1980-1998” (with Aris Protopapadakis and Andy Naranjo), in progress.
- “Impact of Macroeconomic Announcements on Index Options’ Implied Volatility Measures” (with Elvan Aktase and Aris Protopapadakis), in progress.
- “Improved Measures of Target Capital Structures” (with R. Burt Porter), in progress.

### **Refereed Publications**

- “Why Do Large Banking Organizations Hold So Much Capital?” (with Allen Berger, Robert DeYoung, Ozde Oztekin, and David Lee), *Journal of Financial Services Research*, (2008) v34(#2/3).
- “Fiduciary Standards and Institutions’ Preference for Dividend-Paying Stocks” (with Kristine Watson Hankins and M. Nimalendran), *Financial Management*, forthcoming.
- “What Caused the Bank Capital Build-up of the 1990s?” (with Kasturi Rangan), *Review of Finance* (2008) 12: 391-429.
- “Are Bank Loans Special? Evidence on the Post-Announcement Performance of Bank Borrowers” (with Matthew T. Billett and Jon A. Garfinkel), *Journal of Financial and Quantitative Analysis*, 2006, 41(4), 733-752. (Lead article)
- [“Partial Adjustment toward Target Capital Structures”](#) (with Kasturi Rangan), *Journal of Financial Economics*, 79(3), 2006, pp. 469–506. (Lead article)
- “Market Evidence on the Opaqueness of Banking Firms’ Assets” (with S. Kwan and M. Nimalendran), *Journal of Financial Economics*, 71(3), 2004, pp. 419-460. (Lead article)
- “Market Discipline in the Governance of U.S. Bank Holding Companies: Monitoring versus Influencing,” (with Robert R. Bliss) *European Finance Review*, vol. 6(3), 2002, pp. 361-395.
- “Macroeconomic Factors Do Influence Aggregate Stock Returns” (with Aris Protopapadakis) *Review of Financial Studies*, (Summer 2002), pp. 751-782.
- “The Faces of Market Discipline” *Journal of Financial Services Research*, (October/December 2001), pp. 107-119.
- “The Informational Content of Bank Exam Ratings and Subordinated Debt Prices” (with Robert De Young, William Lang, and Sorin Sorescu) *Journal of Money, Credit and Banking*, (November 2001), pp. 900-925.
- “Comparing Market and Regulatory Assessments of Bank Performance: Who Knows What When?” (with A. Berger and S. Davies) *Journal of Money, Credit and Banking* (August 2000, Part 2), pp. 641-667.

- “Modernizing Financial Regulation: The Relation Between Interbank Transactions and Supervisory Reform”, *Journal of Financial Services Research* (September/ December 1999), pp.101-116.
- “The Value of a Government Monitor for Firms with Hard-to-Value Assets” (with Joel F. Houston) *Journal of Money, Credit and Banking* (February 1999), pp. 14-34.
- “Using Market Information in Prudential Bank Supervision: A Review of the U.S. Empirical Evidence” *Journal of Money, Credit and Banking* (August 1998, Part I), pp. 273-305.
- “Asset Pricing with Time-Varying Factor Volatilities” (with A. Hameed and R. Harjes), *Journal of Banking and Finance* (March 1997), pp. 315-335.
- “Financial Crises, Payment System Problems, and Discount Window Lending” *Journal of Money, Credit and Banking* (November 1996, Part II), pp. 804-824.  
Reprinted in *Financial Crises, Contagion, and the Lender of Last Resort*, Charles Goodhart and Gerhard Illing (eds.) (Oxford: Oxford University Press, 2002).
- “Evidence of Bank Market Discipline In Subordinated Debenture Yields: 1983-1991” (with Sorin M. Sorescu) *Journal of Finance* (September 1996), pp. 1347-1377.  
Reprinted in *The Regulation and Supervision of Banks* (a 4-volume set), Maximilian J.B. Hall (ed.) (Cheltenham: Edward Elgar Publishing, Ltd., 2002).
- “The Effect of Lender Identity on a Borrowing Firm’s Equity Return” (with M. Billett and J. Garfinkel), *Journal of Finance* (June 1995), pp. 699-718.
- “Debt Maturity Structure and the Deadweight Cost of Leverage: Optimally Financing Banking Firms” *American Economic Review* (March 1994), pp. 320-331.
- “Financing Multiple Investment Projects” (with Joel F. Houston and S. Venkataraman), *Financial Management Corporate Investments Special Issue* (Summer 1993), pp. 161-172.
- “Does the Debt Market Assess Large Banks’ Risk?” (with David M. Ellis) *Journal of Monetary Economics* (December 1992), pp. 481-502.  
Reprinted in *The Regulation and Supervision of Banks* (a 4-volume set), Maximilian J.B. Hall (ed.) (Cheltenham: Edward Elgar Publishing, Ltd., 2002).
- “Pricing Deposit Insurance When the Insurer Measures Bank Risk with Error” *Journal of Banking and Finance* (September 1991), pp.975-998.  
Reprinted in *The Regulation and Supervision of Banks* (a 4-volume set), Maximilian J.B. Hall (ed.) (Cheltenham: Edward Elgar Publishing, Ltd., 2002).
- “Capital Regulation and Insured Banks’ Choice of Individual Loan Default Risk” *Journal of Monetary Economics* (September 1989), pp. 235-258.  
Reprinted in *The Regulation and Supervision of Banks* (a 4-volume set), Maximilian J.B. Hall (ed.) (Cheltenham: Edward Elgar Publishing, Ltd., 2002).
- “From T-bills to Common Stocks: Investigating the Generality of Intra-Week Return Seasonality” *Journal of Finance* (June 1988), pp. 431-450 (with Aris A. Protopapadakis).

- “The Bank-Customer Relationship” *Geld, Banken und Versicherungen* (1987, Number 2), pp. 801-812 (with Timothy M. Devinney).
- “Asymmetric Information and Risky Debt Maturity Choice” *Journal of Finance* (March 1986), pp. 19-37.
- “The Effect of Interest Rate Changes on the Common Stock of Financial Institutions” *Journal of Finance*, (September 1984), pp. 1141-1154 (with Christopher James).
- “Market Evidence on the Effective Maturity of Bank Assets and Liabilities” *Journal of Money, Credit and Banking*, (November 1984), pp. 435-445 (with Christopher James).
- “The Social Cost of Unit Banking Restrictions” *Journal of Monetary Economics* (March 1984), pp. 237-249
- “Interest Rates and Bank Profitability: Additional Evidence” *Journal of Money, Credit and Banking* (August 1983), pp. 355-362
- “Correspondent Services and Cost Economies in Commercial Banking” *Journal of Banking and Finance* (March 1983), pp. 83-100.
- “Retail Bank Deposits as Quasi-fixed Factors of Production” *American Economic Review* (June 1983), pp. 527-536.
- “Market Interest Rates and Commercial Bank Profitability: An Empirical Investigation” *Journal of Finance* (December 1981), pp. 1085-1101.
- “Can State Bank Examination Data Replace FDIC Examination Visits?” *Journal of Bank Research* (Winter 1983), pp. 312-316.
- “Indexing the U.S. Economy: Simulation Results with the MPS Model” *Journal of Econometrics* (Annals of Applied Econometrics Supplement) (January 1981), pp. 93-114 (with Lewis Johnson).
- “Risk-Efficient Monopoly Pricing for the Multiproduct Firm: Comment” *Quarterly Journal of Economics* (November 1979), pp.737-740.

### **Other Academic Publications**

- “Market Discipline in Bank Supervision,” in the *Oxford Handbook of Banking*, A. Berger, P. Molyneux, and J. Wilson (eds.), forthcoming.
- “The Role of Hedge Funds in World Capital Markets,” in Paolo Savona (ed.) *Money and Derivatives, Innovation and Growth* (Florence: Associazione Guido Carli, 2007).
- “Supervising Bank Safety and Soundness: Some Open Issues“, Federal Reserve Bank of Atlanta *Economic Review* First and Second Quarters 2007, pp. 83-100.
- “The Federal Home Loan Bank System: The ‘Other’ Housing GSE” (with W. Scott Frame), Federal Reserve Bank of Atlanta *Economic Review*, 91(3) Third Quarter 2006, 33-54.

- “Commentary” on “Market Indicators, Bank Fragility, and Indirect Market Discipline” by Reint Gropp, Jukka Vesala, and Giuseppe Vulpes, New York Federal Reserve Bank *Economic Policy Review*, forthcoming (2004).
- “Market Discipline of U.S. Financial Firms: Recent Evidence and Research Issues” (with Stanislava Nikolova), in William C. Hunter, George G. Kaufman, Claudio Borio, and Kostas Tsatsaronis (eds.), *Market Discipline across Countries and Industries* (Cambridge: MIT Press, 2004), pp. 87-100.
- “No Pain, No Gain? Effecting Market Discipline via ‘Reverse Convertible Debentures’”, in Hal S. Scott (ed.), *Capital Adequacy beyond Basel: Banking, Securities, and Insurance* (Oxford: Oxford University Press, 2005).
- “Discussion” of three papers on credit rating agencies, in (*Ratings, Rating Agencies, and the Global Financial System* (eds: Richard M. Levich, Carmen Reinhart and Giovanni Majnoni), to be published by Kluwer Academic Publishers (2002), pp.89-95.
- “Market Discipline in the Governance of U.S. Bank Holding Companies: Monitoring versus Influencing,” in Frederic S. Mishkin (ed.) *Prudential Supervision: What Works and What Doesn’t* (Chicago: The University of Chicago Press, 2001), pp. 107-143 (with Robert R. Bliss).
- “Discussion” of “Megamergers and Expanded Scope: Theories of Bank Size and Activity Diversity”, by Todd Millbourn, Arnoud Boot, and Anjan Thakor, *Journal of Banking and Finance*, v. 23 (#2-4) (February 1999), pp. 215-220.
- “Discussion” of “Who Benefits from Secondary Market Price Stabilization of IPOs?”, by L.M. Benveniste, S.M. Erdal, and W.J. Wilhelm Jr., *Journal of Banking and Finance*, v22(#6-8) (August 1998), pp. 768-772.
- “Market Evidence on the Opaqueness of Bank Assets”, *Proceedings of the 1997 Conference on Bank Structure and Competition*, Federal Reserve Bank of Chicago, pages 470-485 (with Simon Kwan and M. Nimalendran).
- “Off-Site Surveillance Systems”, in *History of the Eighties: Lessons for the Future*, Symposium Proceedings (FDIC Conference, January 1997), pp. 31-40.
- “Technology and Payments: Deja Vu All Over Again?”, panel discussion (“Innovations in Money and Payments”) in a Conference Proceedings published in the *Journal of Money, Credit and Banking* (November 1996).
- “Discussion of the Historical and Foreign Experience with Universal Banking”, in Anthony Saunders and Ingo Walter (eds.), *Universal Banking* (Chicago: Irwin Professional Publishing, 1996), pp. 101-108.
- “Pricing Bank Default Risk in Subordinated Debenture Yields”, *Proceedings of the 1995 Conference on Bank Structure and Competition*, Federal Reserve Bank of Chicago, pages 459-482 (with Sorin M. Sorescu).
- “Regulatory Responses to the Potential for Systemic Risk in the Financial Sector”, George Kaufman (ed.), *Research in Financial Services, Private and Public Policy* (Volume 7) (Greenwich: JAI

Press, 1995), pp. 323-336.

“Prudential Regulation in Banking”, in Kuniho Sawamoto, Zenta Nakajima and Hiroo Taguchi (eds.) *Financial Stability in a Changing Environment* (New York: St. Martin’s Press, Inc., 1995), pp. 281-318.

“Panel Discussion on The Implications of ‘Banking’s Decline’ for Safety and Soundness Regulation”, *Proceedings of the 1994 Conference on Bank Structure and Competition*, Federal Reserve Bank of Chicago, pp. 69-72.

“Corporate Finance, Market Discipline, and Bank Supervision”, *Proceedings of the 1994 Conference on Bank Structure and Competition*, Federal Reserve Bank of Chicago, pp. 313-330.

“The Future of the Financial Services Industry”, *Journal of Banking and Finance* (April 1993), pp. 559-561.

“Comment” on “Deposit Insurance Reform: A Functional Approach” by Robert Merton and Zvi Bodie, *Journal of Monetary Economics* (Proceedings of the 1992 Carnegie-Rochester Conference), (June 1993), pp. 35-40.

Reprinted in *The Regulation and Supervision of Banks* (a 4-volume set), Maximilian J.B. Hall (ed.) (Cheltenham: Edward Elgar Publishing, Ltd., 2002).

“Government Risk-Bearing in the Financial Sector of a Capitalist Economy”, in Mark S. Sniderman (ed.), *Proceedings of a Conference on Government Risk-Bearing*, 1993, pp. 71-100.

Book Review: *The Future of Banking* (by James L. Pierce), *Journal of Finance* (March 1992), pp. 417-420.

Book Review: *The S&L Debacle* (by Lawrence White), *Journal of Economic Literature* (March 1992), pp. 205-207.

“Comment on Payments System Risk”, in *Governing Banking’s Future: Markets vs. Regulations*, Catherine England (ed.) (Norwell, MA: Kluwer Academic Publishers, 1991), pages 181-187.

“Discussion” of “Off Balance Sheet Activities: Banking and Monetary Policy”, in *Journal of Accounting, Auditing, and Finance* (Spring 1989), pp. 161-168.

“Payments System Risk and Public Policy” in William S. Haraf (ed.) *Restructuring The Financial System*, (Washington: The American Enterprise Institute, 1988), pp. 261-287.

“Contagious Bank Runs, Financial Structure, and Corporate Separateness within a Bank Holding Company”, *Proceedings of the 1986 Conference on Bank Structure and Regulation*, Federal Reserve Bank of Chicago, pp. 213-230.

“Recapitalizing the Thrift Industry”, in Federal Home Loan Bank of San Francisco, *Financial Stability of the Thrift Industry* (1986), pp. 91-114.

“Comment” on “The Role of Interstate Banking in the Diffusion of Electronic Payments Technology” and “Technology and Financial Intermediation in a Multiproduct Banking Firm” in C. Lawrence and R. P. Shay (eds.), *Technological Innovation, Regulation and the Monetary Economy* (Boston:

Ballinger Press, 1986).

“Discussion” of “Can Supervision and Regulation Ensure Financial Stability?”, in *The Search for Financial Stability: The Last 50 Years* (Federal Reserve Bank of San Francisco, (1985), pp. 147-151.

“An Economic Evaluation of Bank Securities Activities Before 1933,” in Ingo Walter (ed.), *Deregulating Investment Banking* (New York: John Wiley and Sons, 1985), pp. 67-87.

“A Portfolio View of Loan Selection and Pricing”, in Robert A. Eisenbeis and Richard C. Aspinwall (eds.), *Handbook for Banking Strategy* (New York: John Wiley and Sons, 1985), pp. 457-472.

“Discussion” of Fischer Black’s “The Future of Financial Services”, in Robert P. Inman (ed.), *Managing the Service Economy: Prospects and Problems*, (Cambridge: Cambridge University Press, 1985), pp. 234-38.

“Policy Issues in Federal Deposit Insurance,” *Proceedings* of the 1983 Conference on Bank Structure and Competition, Federal Reserve Bank of Chicago, pp. 295-298.

“The Impact of Market Interest Rates on Intermediary Stock Prices,” *Proceedings* of the 1982 Conference on Bank Structure and Competition, Federal Reserve Bank of Chicago, pp. 520-538 (with Christopher James).

Book Review: *Risk and Capital Adequacy in Commercial Banks* (by Sherman J. Maisel), *Journal of Finance* (June 1982), pp. 891-895

“Discussion of: ‘An Economic Theory of a Credit Union’”, *Journal of Finance* (May 1981), pp. 554-556.

“A Method for Empirically Assessing the Impact of Market Interest Rates on Intermediary Profitability”, *Proceedings* of the 1980 Conference on Bank Structure and Regulation, Federal Reserve Bank of Chicago, pp.1-15.

Book Review: *Implications of Regulation on Bank Expansion: A Simulation Analysis* (by George S. Oldfield), *Journal of Finance* (December 1980), pp. 1286-88.

“Identifying Problem Banks”, *Proceedings* of the 1979 Conference on Bank Structure and Regulation, Federal Reserve Bank of Chicago, pp. 1-32 (with Jack M. Guttentag).

“Thrift Institutions and Small Banks in the EFTS”, in *The Economics of a National Electronic Funds Transfer System*, Federal Reserve Bank of Boston, 1975.

*An Economic Evaluation of Credit Unions in the United States*, Research Report # 54, Federal Reserve Bank of Boston, 1974.

*Economic Implications of an Electronic Monetary Transfer System* (Lexington: D.C. Heath and Company, 1973), (with Dwight M. Jaffee).

**Other Publications**

- “Banking and Finance”, chapter in *The Economy of Florida* (1995: University of Florida Bureau of Business and Economic Research), pages 171-188 (with Joel F. Houston).
- “Deposit Insurance”, *New Palgrave Dictionary of Money and Finance*, Volume 1 (1992).
- “More Capital is Needed: External Sources are Best”, *Outlook of the Federal Home Loan Bank System*, (March/April 1986), pp. 12-15.
- “Risk-Sensitive Deposit Insurance Premia: Some Practical Issues”, Federal Reserve Bank of Philadelphia *Business Review* (September/October 1984), pp. 3-10 (with Aris A. Protopapadakis).
- “Removing Deposit Rate Ceilings: How Will Bank Profits Fare?”, Federal Reserve Bank of Philadelphia *Business Review*, (March/April 1983), pp. 13-21.
- “Deposit Insurance Creates a Need for Bank Regulation”, Federal Reserve Bank of Philadelphia *Business Review*, January/February 1982), pp. 17-27.
- “How Do Changes in Market Interest Rates Affect Bank Profits?”, Federal Reserve Bank of Philadelphia *Business Review* (September/October 1980), pp. 13-22.
- “Credit Unions as Consumer Lenders in the United States”, *New England Economic Review*, July/August 1974.
- “Comparability of State and FDIC Examination Results”, in Leonard Lapidus (and others), *State and Federal Regulation of Commercial Banks*, Federal Deposit Insurance Corporation, 1980.
- “Problem Banks: Examination, Identification, and Supervision”, in Leonard Lapidus (and other), *State and Federal Regulation of Commercial Banks*, Federal Deposit Insurance Corporation, 1980 (with Jack M. Guttentag).

**Fellowships, Honors and Awards**

University of Florida Research Foundation Professorship, 2006-8

MBA Teaching Award - Outstanding Faculty Award for Core Courses (2006)

Keynote Addresses:

2003 Financial Management Association European meeting (Dublin, Ireland).

2005 Australian Banking and Finance Conference (Sydney, Australia)

2006 Infiniti Conference (Trinity College, Dublin)

2006 Asian Finance Association – FMA Conference (Auckland, NZ)

2007 Conference on “Information in bank asset prices: theory and empirics” Ghent University, Belgium

2007 Southern Finance Association

2008 Mid-Atlantic Research Conference in Finance

FMA Fellow, 2005

1997 *Journal of Money, Credit and Banking* Lecture at the Ohio State University Department of Economics (by invitation).

1995 FMA Competitive Paper Award, best paper in Financial Institutions

Institute for Quantitative Research in Finance Research Award, 1987, 1994

Prochnow Educational Foundation Research Award, 1987

North Carolina Business Foundation Summer Research Grant, 1984-88

University of Pennsylvania Summer Research Grant, 1977-79, 1982-83

FDIC Dissertation Support Fellowship, 1975-1976

#### *Conferences Organized*

FIRS Annual Conference, May 2009 (Prague)

Frontiers of Finance, January 2005, 2006, 2007

“Identifying and Resolving Financial Crises” (with Joe Haubrich), FDIC and Federal Reserve Bank of Cleveland, April 2008

“Market Discipline in Banking” (November 2001).

Financial Management Association North American Meeting, October 2001.