

FRIC members published in top journals

FRIC members published 3 papers in top journals: 1 in *Journal of Finance*, 1 in *Journal of Financial Economics* and 1 in *Review of Financial Studies*. We published 8 papers in other journals and one book chapter.

FRIC research has impact

Lasse Heje Pedersen published the lead article *Betting against Beta* in *Journal of Financial Economics*. The article is co-authored with Andrea Frazzini from AQR Capital Management. The article suggests a model of leverage and margin constraints that help explain the relation between risk and return in each of the major asset classes, including why 'high beta equals low alpha'. The article has been featured in *The Economist*, *Financial Times* and *Forbes*. It is widely used by asset managers.

Research by FRIC associate member Susan Christoffersen, University of Toronto, on brokers' incentives is now serving as the basis of white house policy discussion on brokers fiduciary responsibilities in the US. The research was cited in a White House memo and many of the calculations in the document are based on Susan Christoffersen and co-authors' regression estimates.

FRIC members are in heavy demand as speakers

In 2014, FRIC members were invited to present their work at more than 40 international universities, at the most prestigious finance conferences, and in 3 central banks as well as the IMF.

FRIC'14 featured world-leading economists

In 2014, we were again able to attract world-leading researchers for our annual FRIC conference, FRIC'14 Conference on Financial Frictions. FRIC'14 featured a number of academic heavyweights, several of whom have written extensively about the global financial crisis and conducted research relevant to the crisis already before it happened. FRIC'14 had 122 registered participants.

Top Finance Graduate Award – the future stars

In cooperation with the global investment management firm AQR, FRIC also organized the annual Top Finance Graduate Award. The event featured research presentations by six of the most promising PhD graduates from this year's academic job market. The selection committee is chaired by Lasse Heje Pedersen and has members from Columbia, Chicago, Harvard, Stanford and Yale. The event was attended by 78 registered participants.

A Nobel laureate visited FRIC

In connection with delivering a Nobel laureate lecture in a series sponsored by the Novo Nordisk Foundation, the 1997 Nobel Laureate in Economics, professor Robert C. Merton of MIT, gave a seminar at FRIC. His topic was reverse mortgages as a tool for addressing the global challenge of funding retirement.

The DSEB prize went to FRIC - again

For the second year in a row, FRIC won the DSEB (Danish Society for Education and Research) research prize. Lasse Heje Pedersen received the prize for his numerous top contributions to research in liquidity, asset pricing and financial frictions.

FRIC member received grant from the (DFF)

Assistant professor Gyuri Venter received a grant of DKK 1.81 mill. from the Danish Council for Independent Research (DFF) to study the effect of financial institutions' capital constraints on asset prices.

A 20-meter long tapestry of the financial crisis

In 2014, FRIC launched its most ambitious research dissemination effort to date. FRIC was part of CBS's delegation to the Science in the City Festival 2014 in Copenhagen. For this occasion, Center Director David Lando created a 20-meter long FRIC tapestry (in Danish), explaining the financial crisis from 2008-2013. The tapestry is currently on display at Rotunden at the CBS Campus, but can also be accessed online via www.cbsfrictapet.dk.

The tapestry was supplemented with four posters which were displayed in a separate FRIC lounge explaining four examples of our research on Credit Default Swaps, liquidity of corporate bonds, early exercise of American call options, and betting-against-beta investment strategies. David Lando also recorded 4 videos (in Danish) where he talks about frictions, American call options, liquidity and capital requirements for banks. All of this can be found on our website: www.fric.dk

FRIC attracted new faculty and PhD students

FRIC was pleased to welcome Andreas Park as professor mso, Katya Malinova as associate professor, and Remy Praz as assistant professor. These hires were all successful outcomes of our international recruiting efforts carried out in close collaboration with the Department of Finance at CBS. FRIC also welcomed 2 new PhD students in 2014.

Center for Financial Frictions (FRIC) focuses on how prices and markets are affected by financial frictions such as transactions costs, leverage constraints, counterparty credit risk, illiquidity and asymmetric information.

Currently, the CBS members of FRIC count 5 professors, 4 associate professors, 5 assistant professors/post docs and 11 PhD students. In addition, there are 4 external professors from four different universities associated with FRIC. The Center has 1 center coordinator and 6 student assistants.