



School of Business

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“Trading Rare Events and Status Inconsistency”

Dr Emmanuel Kypraios – School of Business

Paper Abstract

This paper explores the role of third-party quality evaluations in alleviating audiences’ interpretive difficulties in the face of rare events. Leveraging an emerging literature in the multidimensionality of status and status inconsistency, it is argued that while status benefits organizations and products, the inconsistency between the status of the organization and the status of the product results in a penalty to the organization. High status organizations that offer low status products violate audiences’ expectations about product quality and are likely to be penalized. Low status organizations that offer high status products are likely to be seen as not credible and will thus not receive the full benefit of offering a high-status product. The hypotheses are empirically tested using data on all catastrophe bonds issued since the inception of the catastrophe bond market in 1996. The results show that despite the sophistication of this financial market, due to the unpredictability of rare events, investors use third party quality evaluations to overcome interpretive difficulties in making investment decisions. While third party quality evaluations are positive for the valuation of a product, the inconsistency between the status of the organization and the status of the product has moderating effects on the benefits of status.

About the Speaker

Dr **Emmanuel Kypraios** is an assistant professor/lecturer of management at the School of Business, Maynooth University. He received his PhD in management at the Università della Svizzera italiana/University of Lugano, Switzerland. His research interests lie at the intersection of organization theory, sociology of finance, and strategic management, with particular focus on sustainable finance, the Sustainable Development Goals and the socio-cognitive mechanisms that underlie decision-making processes. His work is under consideration for the 2020 Moskowitz Prize for Outstanding Research in Sustainable and Responsible Investing. Before joining academia, he spent 12 years in the financial markets as senior trader and broker of equity derivatives working for financial institutions such as BNP Paribas, Hypovereinsbank, hedge fund groups such as Integrated Asset Management and wealth management companies in Munich, Frankfurt, London, Paris and lately in Lugano, Switzerland.

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