Nicolas Inostroza

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Positions:	**University of Toronto, Assistant Professor** 2019 - present
	Rotman School of Management, Finance Department
Education:	Ph.D., Economics, Northwestern University, 2019
	M.A., Economics, Northwestern University, 2019
	M.A., Economics, University of Chile, 2013, *Maximum Distinction*
	B.S., Industrial Engineering, University of Chile, 2013, *Maximum Distinction*
Fields:	Corporate Finance, Information Economics, Financial Intermediation, Financial Contracting, Mechanism Design

Fellowships & Awards:

Becas Chile Grant, 2015-2017
Northwestern Graduate Fellowship, 2013-2019
Highest Honors Bachelor Engineering Sciences, major Industrial Engineering, 2012
Conycit Grant for MSc studies at CEA-DII-Universidad de Chile, 2012
Outstanding Student Award in Industrial Engineering 2009, 2010
Excellence Grant "Eiffel" to study at Ecole Centrale Paris, 2007
Outstanding Student Award in Engineering and Science core curriculum, 2005, 2006
Excellence Grant. 4th highest average score accepted at Engineering School, 2005
Highest national score: math section, PSU (national admission test) 2004
Bronze Medal. XVI National Mathematics Olympiad. Mathematical Society of Chile, 2004

Teaching Experience:

Instructor, Rotman School of Management, University of Toronto, 2019
Corporate Finance (PhD)
Instructor, Rotman Commerce, University of Toronto, 2019
Risk Management and Financial Institutions (U)

Presentations:

2020: Boston Fed (Stress Testing Conference) (scheduled), **European Finance Association** (scheduled), **World Congress of Econometric Society** (Scheduled), **Midwest Finance Association** (scheduled), **Northern Finance Association** (Scheduled)

2019: Boulder Colorado, **Carnegie Mellon**, **Federal Reserve Bank of New York**, **Federal Reserve Bank of Richmond**, **MIT Sloan**, **Pittsburgh**, **Texas Austin**, **Toronto**, **Tsinghua** (Information and Coordination Conference), **Southern Economic Association**

2018: AEA meetings (Information Design session), **Wisconsin- Madison** (Midwest Macroeconomics Conference), **Northwestern**

2017: Yale (Young Economist Symposium), **Booth** (Chicago Theory Conference), **Wharton** (Liquidity Conference), **PUC Chile**

Discussions:

"The Interdependence of Bank Capital and Liquidity" by Itay Goldstein, Elena Carletti, & Agnese Leonello (**European Central Bank -** *Macropru* Conference)

"How I learned to stop worrying and Love Fire Sales" by Pablo Kurlat (**Oxford Financial Intermediation Theory**)

"Learning in Financial Markets: Implications for Debt-Equity Conflicts" by Jesse Davis & Naveen Gondhi (**Northern Finance Association**),

"Timely Persuasion" by Deepal Basak & Zhen Zou (**Tsinghua** - Information and Coordination Conference)

Refereeing: **American Economic Review, Econometrica, Journal of Economic Theory, Journal of the European Economic Association, Journal of Finance, Quarterly Journal of Economics, Review of Economic Studies**

Papers: **Persuading Multiple Audiences: An Information Design Approach to Banking Regulation**
A policy-maker concerned with the potential default of a bank sequentially conducts an *asset quality review* and a *liquidity stress test* under the scrutiny of multiple types of market participants (audiences). Surprisingly, the optimal *comprehensive assessment* (asset quality review and stress test) is opaque when the bank has high-quality assets, and transparent when the bank has poor-quality assets. The optimal policy also imposes contingent recapitalizations. Without them, disclosure of information may backfire and the bank may fare worse than under laissez faire. To deal with sudden liquidity shocks the policy maker optimally designs a persuasion mechanism that resembles an *emergency lending* facility, which (a) provides funds to banks in exchange for assets, and (b) discloses information about the bank's liquidity. Interestingly, imposing capital requirements hurts the effectiveness of emergency lending programs. In fact, public and private sector interventions are substitutes, and combinations of the two are strictly suboptimal. There exists a non-monotone pecking order: the private sector funds banks with either high or poor-quality assets, while institutions with intermediate-quality assets participate in the government's emergency lending mechanism. My results shed light on the role information disclosure as a regulatory tool in environments with multiple audiences and multi-dimensional fundamentals.

Persuasion in Global Games with Application to Stress Testing (joint with A. Pavan)
R&R American Economic Review.
We study robust/adversarial information design in global games of regime change. We show that the optimal policy coordinates all market participants on the same course of action. Importantly, while it removes any *strategic uncertainty*, it preserves heterogeneity in "structural uncertainty". When the designer is constrained to public disclosures, we identify conditions under which the optimal policy is a "pass/fail" test, as well as conditions under which the test is monotone in the banks' fundamentals. Finally, we show that the benefits from discriminatory disclosures come from "dividing-and-conquering" the market, and relate them to the type of securities issued by the banks.

Under Pressure: Optimal Security Design with Liquidity Constrained Sellers (joint w. N. Figueroa) *working paper*
A firm under distress is forced to sell assets to improve its liquidity position. The firm maximizes revenue and fully discounts future payoffs associated with the underlying assets. When buyers' private signals are informative in the strong order, the only type of contracts the seller offers are debt contracts with face values monotonically ordered in buyers' types. Furthermore, the optimal auction of securities satisfies the same qualitative properties found in standard auction design. Namely, the optimal allocation rule features (i) no distortion at the top; (ii) binding downward, local incentive constraints; and (iii) no rents at the bottom. We then ask whether the seller benefits from disclosing information to potential buyers. When asymmetric information of the latter represents different levels of optimism regarding the future asset's payoffs and not a technological advantage over other bidders, the seller commits to a full-disclosure policy.

Languages: English (fluent), Spanish (native), French (proficient)