

Basil Williams

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Employment Assistant Professor of Economics 2015-
Department of Economics, New York University New York, NY

Visiting Scholar 2017
Federal Reserve Bank of Philadelphia Philadelphia, PA

Research Interests Financial economics, corporate theory, game theory

Education *Ph.D. Finance* 2015
Duke University Durham, NC

B.S. Mathematics, B.S. Statistics 2009
Brigham Young University Provo, UT

Working Papers “Model Secrecy and Stress Tests” (with Yaron Leitner)

- Conventional wisdom holds that the models used to stress test banks should be kept secret to prevent gaming. We show instead that secrecy can be suboptimal, because although it deters gaming, it may also deter socially desirable investment. When the regulator can choose the minimum standard for passing the test, we show that secrecy is suboptimal if the regulator is sufficiently uncertain regarding bank characteristics. When failing the bank is socially costly, then under some conditions, secrecy is suboptimal when the bank’s private cost of failure is either sufficiently high or sufficiently low.

“Search, Liquidity, and Retention: Signaling Multidimensional Private Information”

- Revise and resubmit at *Journal of Political Economy*
- *Abstract:* I present a model in which sellers can signal the quality of an asset by both retaining a fraction of the asset and by choosing the liquidity of the market in which they search for buyers. Although these signals may seem interchangeable, I present two settings which show they are not. In the first setting, sellers have private information regarding only asset quality, and I show that liquidity dominates retention as a signal in equilibrium. In the second setting, both asset quality and seller impatience are privately known, and I show that both retention and liquidity operate simultaneously to fully separate both dimensions of private information. Contrary to received theory, the fully separating equilibrium of the second setting may contain regions where market liquidity is increasing in asset quality. Finally, I show that if sellers design an asset-backed security before receiving private information regarding its quality, then the optimality of standard debt is robust to the paper’s various settings.
- Awarded the 2014 PhD Outstanding Paper Award in Honor of Stuart I. Greenbaum, Olin Business School, Washington University in St. Louis.
- Awarded the 2015 Cubist Systematic Strategies Ph.D. Candidate Award for Outstanding Research.

“Stress Tests and Bank Portfolio Choice”

- *Abstract:* How informative should bank stress tests be? I use Bayesian persuasion to formalize stress tests and show that regulators can reduce the likelihood of a bank run by performing tests which are only partially informative. Fully disclosing stress tests are never strictly optimal, and I find conditions under which full disclosure is worse than no disclosure. Optimal stress tests give just enough failing grades to keep passing grades credible enough to avoid runs. I find that optimal stress tests, by reducing the probability of runs, reduce the optimal level of banks' capital cushions. I also examine the impact of anticipated stress tests on banks' ex ante incentive to invest in risky versus safe assets.

Dissertation	<p>“Revealing Asset Quality: Strategic Stress Tests and Liquidity Signaling,” 2014, Duke University.</p> <ul style="list-style-type: none"> • <i>Committee:</i> S. Viswanathan (Chair), Adriano Rampini, Felipe Varas, and David McAdams.
Publications	<p>“Pollution source direction identification: embedding dispersion models to solve an inverse problem,” (with William Christensen and Shane Reese). <i>Environmetrics</i> 2011; 22: 962-974.</p>
Teaching	<p><i>Instructor, Intermediate Microeconomics (undergraduate)</i> 2016- Economics Department, New York University New York, NY</p> <ul style="list-style-type: none"> • Preferences and utility, comparative statics, revealed preferences, choice under uncertainty, intertemporal choice, firm supply, equilibrium, externalities. <p><i>Instructor, Corporate Finance Theory (PhD)</i> 2015- Economics Department, New York University New York, NY</p> <ul style="list-style-type: none"> • Costly state verification, moral hazard, dynamic financing, bank runs, stress tests, IPO underpricing, limited enforcement, debt overhang. <p><i>Teaching Assistant, Corporate Finance (MMS)</i> 2013-2014 Finance Department, Duke University Durham, NC</p> <ul style="list-style-type: none"> • Discounted cash flow, financial distress costs, adjusted present value, real options, capital budgeting. <p><i>Teaching Assistant, Advanced Corporate Finance (MBA)</i> 2011-2013 Finance Department, Duke University Durham, NC</p> <ul style="list-style-type: none"> • Valuation under short-term financing, valuation for large projects, valuation during a financial crisis, repurchase financing, cash accumulation, international capital budgeting. <p><i>Teaching Assistant, Capital Markets (MMS)</i> 2011-2012 Finance Department, Duke University Durham, NC</p> <ul style="list-style-type: none"> • Portfolio optimization, CAPM, and factor models.
Additional Research	<p><i>Research Assistant</i> 2008 National Center for Atmospheric Research Boulder, CO</p> <ul style="list-style-type: none"> • Worked with statistician Steve Sain to formulate and implement an MCMC estimation procedure for modeling extreme values of precipitation.
Seminar Talks	<p>New York Federal Reserve 2017</p> <p>Princeton Economics, Civitas Finance 2016 Georgetown Economics</p>

Philadelphia Federal Reserve
Stanford GSB, Finance

Wharton 2015
University of Illinois, Urbana-Champaign
UNC-Chapel Hill
Michigan State University
University of Chicago
University of Rochester
University of Maryland
New York University, Economics
London Business School
Brigham Young University

Conference Talks Macro Marrakech—Fourth Workshop in Macroeconomics 2017
Society of Economic Dynamics (SED) 2016
Financial Intermediation Research Society (FIRS)
Econometric Society World Congress 2015
Western Finance Association (WFA) Annual Meeting
FIRS Conference (invited)
Wash U. St. Louis Corporate Finance Conference (poster)
INFINITI Conference on International Finance 2014

Discussions (2016) FIRS, Federal Reserve Stress Testing Conference; (2015) Tel Aviv University Finance Conference, Oxford Financial Intermediation Theory (OxFIT), Financial Intermediation Research Society (FIRS); (2014) INFINITI Conference

Professional Association Finance Theory Group (FTG) 2016-

Referee Service American Economic Review, Review of Economic Studies, Review of Financial Studies, Journal of Finance, International Economic Review, Management Science

Awards *PhD Outstanding Paper Award in Honor of Stuart I. Greenbaum* 2014
Olin Business School, Washington University in St. Louis St. Louis, MO
Cubist Systematic Strategies Ph.D. Candidate Award 2015
for Outstanding Research
Western Finance Association Annual Meeting Seattle, WA