

Salil Gadgil

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EDUCATION **UCLA Anderson School of Management** Los Angeles, CA
Ph.D. Finance Expected 2022

Swarthmore College Swarthmore, PA
B.A. Economics and Mathematics 2013

RESEARCH INTERESTS Primary: Market Microstructure, Financial Intermediation
Secondary: Labor and Finance

WORKING PAPERS **Do Credit Default Swaps Still Lead? The Effects of Regulation on Price Discovery** (job market paper)

We investigate how price discovery in the credit default swap (CDS) market has been impacted by regulation implemented since the Global Financial Crisis. We find that single-name CDS spreads impound less private information prior to rating downgrades and adjust more slowly after downgrades are announced. We also show that CDS spreads lead corporate bond spreads less strongly following the adoption of stringent margin requirements that apply only to derivatives. This decline is sharpest for reference entities that are most exposed to the new rules. Price discovery appears to be unharmed for CDS indices, which are largely centrally cleared and, thus, less affected by many of the reforms. We rationalize the findings with a model in which increased transaction costs for single names drive informed agents to trade indices. Together, the results highlight a lesser-studied channel through which post-crisis regulation has influenced financial markets.

Counterparty Risk and Counterparty Choice in the Credit Default Swap Market with Wenxin Du, Michael Gordy, and Clara Vega

We investigate how market participants price and manage counterparty credit risk in the post-crisis period using confidential trade repository data on single-name credit default swap (CDS) transactions. We find that counterparty risk has a modest impact on the pricing of CDS contracts, but a large impact on the choice of counterparties. We show that market participants are significantly less likely to trade with counterparties whose credit risk is highly correlated with the credit risk of the reference entities and with counterparties whose credit quality is low. Our results suggest that credit rationing may arise under wider circumstances than previously recognized.

Caught in the Act: How Corporate Scandals Hurt Employees with Jason Sockin

Using a sample of corporate scandals and data from the website Glassdoor, we study how negative reputation shocks affect the relationship between firms and their employees. Worker sentiment declines sharply and persistently following scandals, driven by diminished perceptions of management and culture. While base earnings and fringe benefits remain unchanged, variable compensation falls

six percent, with less-experienced workers bearing the largest reductions. Consistent with the decreases in job satisfaction and compensation, we find that average labor productivity drops and that firms may face more difficulty filling job vacancies. Our results demonstrate that rank-and-file employees are adversely impacted by corporate misconduct.

PRESENTATIONS	2021: Office of Financial Research PhD Symposium, UCLA Anderson	
WORK EXPERIENCE	Federal Reserve Board of Governors Research Assistant	Washington, DC 2013-2016
FELLOWSHIPS	Laurence and Lori Fink Center for Finance and Investments, Ph.D. Fellow UCLA Anderson Fellowship	
PROFESSIONAL SERVICE	Referee for Journal of Money, Credit and Banking	
TEACHING EXPERIENCE	Corporate Finance , MBA and MFE courses TA for William Mann and Ivo Welch Financial Innovation , MFE course TA for John O'Brien Venture Capital and Private Equity , MBA course TA for Mark Garmaise Computational Finance , MFE course TA for Levon Goukassian Foundations of Finance , MBA course TA for Barney Hartman-Glaser and Bernard Herskovic	2018 2018 2018-2021 2021 2020-2021
PERSONAL	Citizenship: United States	
REFERENCES	<p>Avanidhar Subrahmanyam (Chair) UCLA Anderson School of Management subra@anderson.ucla.edu (310) 825-5355</p> <p>Francis Longstaff UCLA Anderson School of Management francis.longstaff@anderson.ucla.edu (310) 825-2218</p> <p>Mark Garmaise UCLA Anderson School of Management mark.garmaise@anderson.ucla.edu (310) 794-4118</p>	