

Mario Cerrato

Professor of Finance

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Research Profile

My research focuses on foreign exchange market microstructure, bank balance sheets, derivatives, and the interaction between financial regulation, market liquidity, and dealer intermediation. My work combines empirical and econometric approaches with policy-relevant applications in international finance, asset pricing, and risk management, and has been presented to academic and policy audiences including central banks and financial institutions.

Research Interests

- Foreign Exchange Microstructure
- Financial Markets and Derivatives
- Bank balance sheets, dealer intermediation, and funding liquidity
- Financial intermediation and regulatory economics
- Asset pricing and quantitative risk management

Employment

Current Position

- Professor of Finance, Adam Smith Business School, University of Glasgow.

Previous Academic Positions

- Visiting Professor, Department of Economics and Statistics, University of Salerno (Italy).
- Senior Lecturer in Financial Economics, Adam Smith Business School, University of Glasgow, 2010-2012.
- Lecturer in Financial Economics, Department of Economics, University of Glasgow, 2008-2010.
- Senior Lecturer in Finance, Department of Economics, Finance and International Business, London Metropolitan University, 2004-2008.
- Lecturer in Finance, Department of Economics, Finance and International Business, London Metropolitan University, 2002-2004.
- Visiting Lecturer, Department of Economics, London Guildhall University, 2000-2002.

Industry Experience

- Financial Specialist, Banca del Salento (Italy), 1998-1999.
- Currency Analyst, Expedia Capital Management Limited (London), 1997-1998.

Education

- PhD in Financial Econometrics, London Metropolitan University, 2004.
- MSc in Economics, London Metropolitan University, 1997.
- Laurea in Economics and Finance, University of Salerno (Italy), 1994.

Professional Training

- Finance Training Programme, Banca del Salento (Salerno, Italy), 2000.

Publications

Refereed Journal Articles

1. Burnside, C., Cerrato, M., and Zhang, Z. (2024). "Foreign Exchange Order Flow as a Risk Factor". *Journal of Financial and Quantitative Analysis*.
2. Li, D., Zhang, Z., and Cerrato, M. (2023). "Factor Investing and Currency Portfolio Management". *International Review of Financial Analysis*, 87.
3. Bakshi, G., Cerrato, M., and Crosby, J. (2018). "Studying the Implications of Consumption and Asset Return Data for Stochastic Discount Factors in Incomplete International Economies". *Review of Financial Studies*.
4. Caporale, G. M., Cerrato, M., and Zhang, X. (2017). "Analysing the Determinants of Credit Risk for General Insurance Firms in the UK". *Journal of Banking and Finance*.
5. Cerrato, M., Crosby, J., Kim, M., and Zhao, Y. (2017). "Correlated Default of UK Banks: Dynamics and Asymmetries". *Journal of Futures Markets (Special Issue)*.
6. Cerrato, M., Crosby, J., Kim, M., and Zhao, Y. (2017). "Relation Between Higher Order Co-moments and Dependence Structure of Equity Portfolio". *Journal of Empirical Finance*, 40.
7. Cerrato, M., Kim, H., and MacDonald, R. (2015). "Microstructure Order Flow: Statistical and Economic Evaluation of Nonlinear Forecasts". *Journal of International Financial Markets, Institutions and Money*, 39, 40-52.
8. Cerrato, M., Kim, H., and MacDonald, R. (2013). "Equilibrium Exchange Rates Determination and Multiple Structural Changes". *Journal of Empirical Finance*, 22, 52-66.
9. Cerrato, M., Kadow, A., MacDonald, R., and Straetmans, S. (2013). "Does the Euro Dominate Central and Eastern European Money Markets?". *Journal of International Money and Finance*, 32, 700-718.

10. Cerrato, M., de Peretti, C., and Stewart, C. (2013). "Is the Consumption Income Ratio Stationary? Evidence from a Non-Linear Unit Root Test for OECD and Non-OECD Countries". *Manchester School*, 81, 102-120.
11. Cerrato, M., Kellard, N., and Sarantis, N. (2011). "An Investigation of Customer Order Flow in the Foreign Exchange Market". *Journal of Banking and Finance*, 38(8), 1892-1906.
12. Cerrato, M., Kim, H., and MacDonald, R. (2010). "Three-Regime Asymmetric STAR Modeling and Exchange Rate Reversion". *Journal of Money, Credit and Banking*, 42(7), 1447-1467.
13. Cerrato, M., Kellard, N., and Sarantis, N. (2008). "The Purchasing Power Parity Persistence Paradigm: Evidence from a Black Currency Market". *Manchester School*, 76(4), 401-423.
14. Caporale, G. M., and Cerrato, M. (2008). "Black Market and Official Exchange Rates: Long-run Equilibrium and Short-run Dynamics". *Review of International Economics*, 16(3), 401-412.

Working Papers

1. Covered Interest Parity Violations, Debt Overhang and Funding Value Adjustments (with C. Burnside), 2025.
2. The Dark Side of FX Volume: Evidence from Large Dealer Banks (with Shengfeng Mei, Alex Saunders and Tongtong Wang), 2025.
3. Quantitative Easing, Banks' Funding Costs, and Credit Line Prices (with Shengfeng Mei), 2024.
4. European Firms, Panic Borrowing and Credit Line Drawdowns: What Did We Learn from the COVID-19 Shock? (with Hormoz Ramian and Shengfeng Mei), June 2023.
5. Default Risk and the Cross-Section of UK Insurance Firms' Returns (with Paolo Coccoresse and Xuan Zhang), June 2022.
6. A Non-Linear Panel Unit Root Test under Cross-Section Dependence (with C. de Peretti, R. Larsson, and N. Sarantis).

Books and Book Chapters

1. Cerrato, M., and Sarantis, N. (2005). "Structural Breaks and Unit Root Tests in the Black Market Real Exchange Rates". In *Recent Developments on Exchange Rates*, eds. S. Lardic and V. Mignon. Palgrave Macmillan, 50-55.
2. Cerrato, M., and Spagnolo, L. V. (2006). "No euro please, We're British!" In *The City in Europe and the World*, ed. S. Barber. European Research Forum at London Metropolitan University, 30-40.
3. de Peretti, C., Cerrato, M., and co-authors. "An Artificial Neural Network Based Heterogeneous Panel Unit Root Test in Case of Cross-Sectional Independence". In *Leung, M. Lee, and J. H. Chan (Eds.). Springer, Heidelberg*, 441-450.

4. Cerrato, M., and Djennad, A. (2011). "Dynamic Option Adjusted Spread and the Value of Mortgage Backed Securities". In *The Mathematics of Derivatives Securities, with Applications in MATLAB*. John Wiley and Sons.
5. Cerrato, M. (2012). *The Mathematics of Derivatives Securities, with Applications in MATLAB*. John Wiley and Sons.
6. de Peretti, C., Siani, C., and Cerrato, M. "An Artificial Neural Network Based Heterogeneous Panel Unit Root Test In Case of Cross Sectional Independence". *IJCNN (IEEE)*, 2487-2493.

External Research Funding

- Wards Funding, University of Glasgow, 2024.
- University of Salerno, 2019.
- SIRE Scotland, 2015.
- Scottish Funding Council, 2013: Ten scholarships (four years) for the MSc Investment Fund Management and Financial Risk Management.
- Scottish Enterprise and Structured Credit Investor / Cold Fountain Media, 2010 (liquidity risk).
- UBS Investment Bank (London), 2010 (risk management).
- Scottish Government with the Chinese Ministry of Education, 2009 (risk management).
- John Robertson Bequest, 2009 (option pricing).
- University of Evry (France), 2007.
- University of Evry (France), 2006.
- Regional Convergence and Divergence in Euroland: the Role of the Financial Sector (Italian Ministry for Higher Education), 2003-2005.

Teaching

- Financial Derivatives (graduate and executive level).
- Hedge Fund Risk Management (graduate level).
- Financial Markets, Securities and Derivatives (graduate level).
- Corporate Risk Management.

PhD Supervision

Completed Supervisions

- Shengfeng Mei (2024). "Credit Lines and the COVID-19 Shock" (now Lecturer, London).
- Zhekai Zhang (2020). "FX Market" (now Lecturer, China).
- Daning Li (2019). "Empirical Asset Pricing" (now Lecturer, China).
- Yang Zhao (2016). "Empirical Essays in Quantitative Risk Management". International Institute for Financial Studies, Jiangxi University of Finance and Economics.
- Nazanin Shirdazi (2015). "Credit Risk Modeling for Multilateral Lenders". ECO Trade and Development Bank, Istanbul.
- Mohammad Kaleem (2013). "FX Microstructure".
- Hyunsok Kim (2011). "Exchange Rates and Non-Linear Models" (Research Fellow, University of Glasgow, Adam Smith Business School).

- Ke Fei You (2008). "Exchange Rates in Emerging Markets" (Lecturer in Finance, LondonMet Business School).

University Administration and Service

University of Glasgow

- REF Outputs Lead, 2015-present.
- Deputy Director, Centre for Economic and Financial Studies, 2010-2015.
- Member, Appointment Panel for Lecturer/Senior Lecturer in Finance, 2010-present.
- Academic Adviser of Study, 2009-present.

London Metropolitan University

- Member, Appointment Panel for Senior Lecturer, 2007.
- Director, MSc Financial Markets and Derivatives, 2005-2009.
- Member, London Metropolitan University Research Committee, 2001-2008.

Refereeing Activity

Applied Economics; Journal of Economic Integration; New Frontiers in Finance and Economics; Journal of Computational Finance; Scottish Journal of Political Economy; Econometric Review; Manchester School; Applied Mathematical Finance; Economics Bulletin; Review of International Economics; Studies in Nonlinear Dynamics and Econometrics; Economic and Social Research Council (ESRC); Journal of Banking and Finance; Journal of Money, Credit and Banking; Journal of Financial Markets, Institutions and Money; Oxford Bulletin of Economics and Statistics; Journal of Empirical Finance; Journal of Financial and Quantitative Analysis.

Professional Memberships, Editorial Roles, and Conference Organization

- Member, American Finance Association, 2015-present.
- Research Affiliate, Centre for Empirical Finance, Brunel University, 2009-present.
- Guest Editor, International Journal of Risk Assessment and Management, 2008.
- Organiser (with G. M. Caporale), MMF symposium on "FX Microstructure", Brunel University, 2008.
- Organiser (with G. M. Caporale), MMF symposium on "Advances in Econometrics and Finance", London Metropolitan University, July 2003.
- Organizer, Asset Pricing and Corporate Finance Conference, Adam Smith Business School, University of Glasgow, 2013-2015.
- Organiser of Policy Event on Valuation Adjustments (XVAs), University of Glasgow, 2024.

Honours, Awards, and External Recognition

- EFMA Annual Meeting (Athens), Best Paper shortlist (Top 3 out of 600 submissions), 2025.
- IFABS Conference (organised by BoE, FED, ECB), Said Business School, Oxford, 2025.
- Citi (New York), joint project on US Dollar FX volume and balance sheet costs, 2025.
- Consultancy: BCC Bank-Gambatesa (Italy), 2024.
- REF (Research Excellence Framework), Nominated Member, UoA-17, 2021.
- Visiting Professor, Duke University (Economics), USA, 2016.

- External Examiner (PhD), Seconda Universita' degli Studi di Napoli (Italy), 2016.
- "No Good Deal-No Bad Models" (Boyarchenko, N., Cerrato, M., Crosby, J., and Hodges, S.), Best Paper, French Finance Association (2nd out of 240 papers), Lyon, 2015.
- External Examiner (PhD), University of Essex Business School, 2015.
- External Examiner (PhD), Manchester Business School, 2011.
- UBS London, Quantitative Research Team, joint project on risk management, 2010.
- External Examiner (PhD), University of Essex, Centre for Computational Finance and Economic Agents, 2009.
- External Examiner (MPhil), University of York, Department of Economics and Related Studies, 2009.
- External Examiner (MPhil), University of York, Department of Economics and Related Studies, 2007.

Conferences, Invited Seminars, and Visiting Positions

Conference Presentations and Symposia (selected)

York Annual Meeting in Econometrics, University of York (UK), 2002; Money Macro and Finance (MMF) annual conference, University of Warwick (UK), 2002; Royal Economic Society annual conference, University of Warwick (UK), 2002, 2003; International Economics and Finance conference, City University London, 2003; Applied Econometrics Association conference, Marseille (France), 2003; Applied Econometrics Association conference, Luxembourg, 2005; MMF annual conference, Crete, 2005; MMF annual conference, York, 2006; EEA-ESEM, Milan, 2008; Federal Reserve Bank of San Francisco, 2008; Computing in Economics and Finance (CEF), Paris, 2008; GREQAM, Marseille, 2009; IEEE / International Neural Network Society, Georgia (USA), 2009; Computing in Economics and Finance, Sydney (Australia), 2009; Conference on Panel Data, Amsterdam, 2010; American Finance Association Annual Meeting, 2014, 2015; Frontiers of Factor Investing Conference, Lancaster, 2024; European Management Association Conference, 2024; EFMA Annual Meeting, Lisbon, 2024; EFMA Annual Meeting, Athens, 2025; Royal Economic Conference, Birmingham (UK), 2025.

Invited Seminars and Visiting Positions (selected)

Brunel University (departmental seminars), 2004, 2007; Westminster University Business School, 2004, 2008; Centre for International Capital Market symposium, 2005; University of Salerno (visiting researcher and seminars), 2006; University of Evry (France), 2006-2008; University of York (International Conference in Economics and Finance), 2008; University of Newcastle, 2008; University of Reading, 2010; Central Bank of Ireland, 2011; Bank of England, 2013; University of Naples, 2015; CONSOB (Rome), invited speaker; Imperial College Business School, International Finance Meeting, 2019; Heriot-Watt University, 2023; XVAs Present and Future (Policy Talk), University of Glasgow, 2024; Lancaster University Management School, 4th Frontiers of Factor Investing Conference, 2024; IFABS Conference (Oxford), 2025.

Media Coverage

Interviewed by newspapers, TV, and radio including Bloomberg, BBC Radio, Notizie Irno, and ReteEconomy Channel.

Policy Articles and Public Engagement

- Bank Capital Structure, Valuation Adjustments and Financial Market Liquidity (with Shengfeng Mei), 2025.
- Policy Talk: XVA, University of Glasgow, 16 April 2024.
- Webinar, Financial Economics, University of Glasgow, 2023.
- Mobility and the Economic Effect of COVID-19 in the United Kingdom (with Joseph P. Byrne, Xuan Zhang, and Mario Cerrato), October 2020.
- The COVID-19 Pandemic and The Economy: We Are Fighting A New War (with Guglielmo Maria Caporale), April 2020.
- "No Good Deal-No Bad Models" (Boyarchenko, N., Cerrato, M., Crosby, J., and Hodges, S.), Federal Reserve Bank of New York Staff Report, 2018.
- A Note on the Italian 2011-2014 Budget Plan, University of Glasgow Business School working paper, 2011.
- The Rise and Fall of the ABS Market, policy note prepared for Structured Credit Investor (London), University of Glasgow Business School working paper, 2010.