

# Tomy Lee

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## EMPLOYMENT

**Central European University**, Budapest, Hungary  
Assistant Professor of Finance

2018—Current

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## EDUCATION

**University of Toronto**, ON, Canada

PhD in Economics

2013—2018

Committee: Jordi Mondria, Xianwen Shi, Ettore Damiano, Colin Stewart

**University of Toronto**, ON, Canada

MA in Economics

2012—2013

**Brock University**, ON, Canada

BA in Economics

2008—2012

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## RESEARCH INTERESTS

Over-the-Counter Markets, Information and Learning in Financial Markets, Applied Theory

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## PUBLICATION

### “[Latency in Fragmented Markets](#)”

*Review of Economic Dynamics* (2019), vol. 33, pages 128-153, July.

*Conference presentations— 2016: CIREQ, CEA, Dauphine, ECOMFIN, ARM, APAD (Runner-up, Best Paper), NFA*

I examine the impact of cross-venue latency on market quality using a model of informed trader competition in a fragmented market. As cross-venue latency decreases, liquidity and price discovery improve while the profits of informed traders decline. Moreover, a fall in the latency of one venue can harm liquidity at the other venue. An extension predicts that, as the informed traders consolidate or outsource trading, benefits of shorter cross-venue latency are attenuated and its harmful effects intensify. My model generates testable predictions about the effects of changes in cross-venue latency on market quality.

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## WORKING PAPER

### “[Why Trade Over-the-Counter? When Investors Want Price Discrimination](#)”

(with [Chaojun Wang](#))

*Conference presentations — 2018: AMES, ASSA, CBC Hong Kong, EFA, EUROfidai, NFA; 2019: FML Budapest; 2020: AFA (forthcoming)*

Despite the availability of low-cost exchanges, over-the-counter (OTC) trading is pervasive for most assets. We explain the prevalence of OTC trading using a model of adverse selection, in which informed and uninformed investors choose to trade over-the-counter or on an exchange. OTC dealers’ ability to price discriminate allows them to imperfectly cream-skim the uninformed investors from the exchange. Assets with lower adverse selection risk are predicted to have a higher share of trades executed over-the-counter, as observed in practice. Having an OTC market can reduce welfare while increasing total trade volume and decreasing average bid-ask spread. Specifically, for assets that are mostly traded over-the-counter (such as swaps and bonds), having the OTC market actually harms welfare. Our results justify recent policies that seek to end OTC trading in such assets.

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## WORKS IN PROGRESS

### “[Markets are All Right: Risk Sharing in Public Markets](#)”

(with [Corey Garriott](#))

A typical public market is a continuous auction with price-time priority, and discrete price and quantity increments. Despite criticism from regulators and investors, nearly all public markets share this design. We develop a model of

auctions with price-time priority and discrete price-quantity increments to show that, by choosing optimal increments, such auctions can obtain (in equilibrium) “close to” maximum welfare.

### “Sticking to One: Trading Relationships in Over-the-Counter Markets”

(with [Liyan Yang](#))

Over-the-counter (OTC) trading is relationship based, in which investors trade exclusively with a few dealers. This exclusivity in OTC trading relationships is typically viewed as an inefficient outcome of limited competition. Using a model of endogenous learning, we show to the contrary that exclusive trading relationships can arise as a competitive outcome. Moreover, exclusivity in trading relationships increases both liquidity and price discovery in OTC markets.

#### PRESENTATIONS AND CONFERENCE SERVICE

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2019 — FML Budapest, ESSEC OTC Workshop (chair), Leuven (forthcoming)

2018 — AMES, BoC-Laurier FMD, CBC Hong Kong, EFA, EUROfidai, NFA, RED Philly, Bank of Canada, CEU, Guelph, McGill

2017 — University of Toronto

2016 — CIREQ, CEA, Dauphine, ECOMFIN, ARM NUS, APAD, NFA

2015 — University of Toronto

#### HONORS AND AWARDS

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Unicredit Foscolo Top-Up Fellowship	2018—Current
SSHRC Doctoral Fellowship	2017—2018
University of Toronto Doctoral Fellowship	2013—2018
SSHRC Graduate Scholarship	2012—2013
Brock University Distinguished Graduate Award	2012
Brock University Entrance Scholarship	2008—2012

#### TEACHING

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<i>Instructor</i>		<b>CEU, Budapest, Hungary</b>
Financial Economics (PhD)	2018, 2019	
Topics in Financial Economics (PhD)	2018, 2019	
Financial Econometrics (MA)	2018, 2020	
FinTech in Depth (MS Finance)	2020	
Investments I (MA)	2018	
		<b>University of Toronto, ON, Canada</b>
Corporate Finance (BA)	2017	

#### ADDITIONAL INFORMATION

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*Citizenship:* Canadian

*Languages:* English (native), Korean (native)