TWENTIETH ANNUAL CONFERENCE
MULTINATIONAL FINANCE SOCIETY

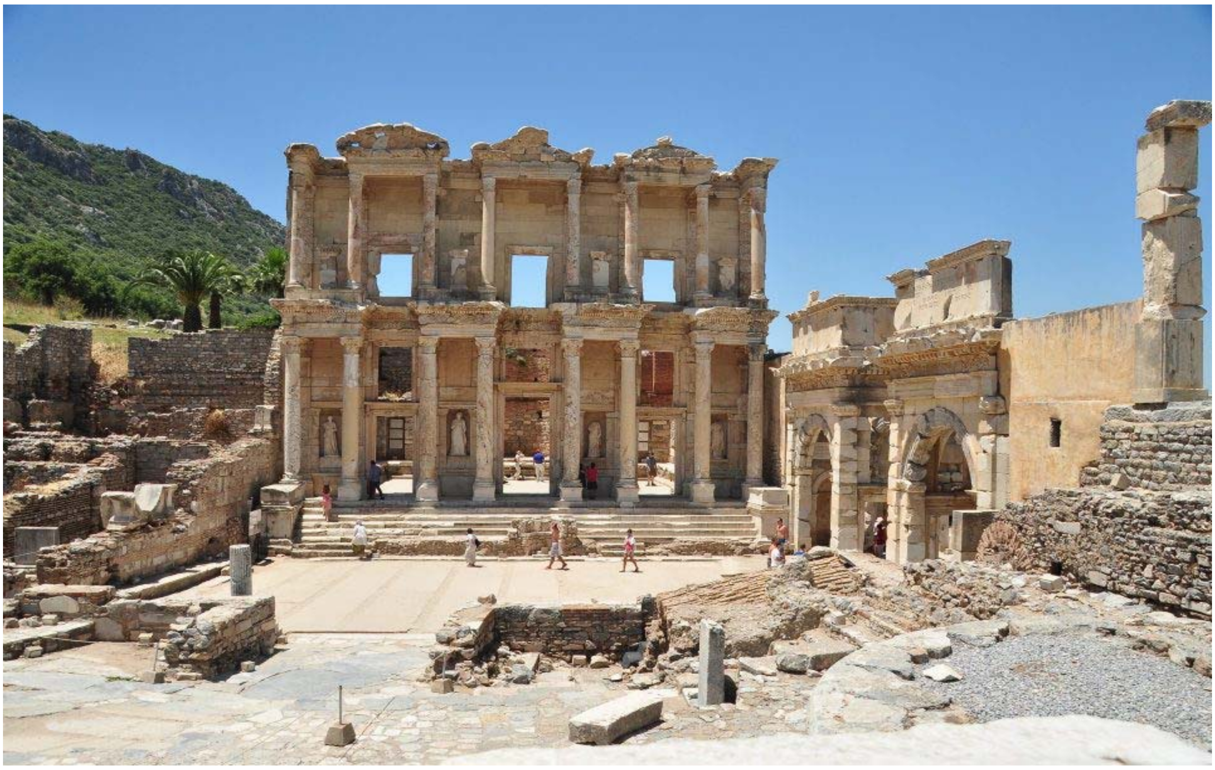
http://www.mfsociety.org

Organized by

Faculty of Economics and Administrative Sciences
TOBB University of Economics and Technology, Turkey

London Business School, UK

University of Chicago Booth School of Business, USA



June 30 - July 2, 2013
Swissôtel Büyük Efes
Gaziosmanpasa Bulvari
No: 1Alsancak
35210 Izmir
TURKEY

Multinational Finance Society

Multinational Finance Society : A non-profit organization established in 1995 for the advancement and dissemination of financial knowledge and research findings pertaining to industrialized and developing countries among members of the academic and business communities.

Conference Objective

The objective of the conference is to bring together academic researchers, educators and practitioners from various international institutions to focus on timely financial issues and research findings pertaining to industrialized and developing countries including the recent financial and economic crisis.

Keynote Speakers

Suleyman Basak - London Business School, UK
Luigi Zingales - University of Chicago, USA

Program Committee - Chairs

Ramazan Aktas - TOBB University of Economics and Technology, Turkey
Suleyman Basak - London Business School, UK
George Constantinides - University of Chicago, USA
Mehmet Baha Karan - Hacettepe University, Turkey
Panayiotis Theodossiou - CUT and Rutgers University, USA

Program Committee

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Petko Kalev - University of South Australia, Australia
Johan Knif - HANKEN, Finland
Lawrence Kryzanowski - Concordia University, Canada
Park Kwangwoo - KAIST, Korea
Neophytos Lambertides - Cyprus University of Technology, Cyprus
Christodoulos Louca - Cyprus University of Technology, Cyprus
Tassos Malliaris - Loyola University of Chicago, USA
Young Martin - Massey University, New Zealand
Nikolaos T. Milonas - University of Athens, Greece
Usha R. Mittoo - University of Manitoba, Canada
Imad Moosa - RMIT University, Australia
Edgar Ortiz - UNAM, Mexico
Saito Richard - Fundacao Getulio Vargas, Brazil
Bird Ron - University of Technology Sydney, Australia
Wendy Rotenberg - University of Toronto, Canada
Yoko Shirasu - Aoyama Gakuin University, Japan
Frank Skinner - Brunel University, UK
Samuel H. Szewczyk - Drexel University, USA
Yasuda Yukihiro - Tokyo Keizai University, Japan

Local Organizing Committee

9 Eylül University: Berna Taner, Tülay Yücel, Gülüzar Kurt Gümüs, Yusuf Gümüs; **Beykent University:** Cevat Gerni; **Bilkent University:** Kürsat Aydogan; **Bülent Ecevit Üniversity:** Turhan Korkmaz; **Çankaya University:** Mete Doganay, Alaeddin Tileylioglu; **Gazi Üniversity:** Metin Kamil Ercan; **Hacettepe University:** Mustafa Ipçi; **Istanbul Kemerburgaz University:** Güner Gürsoy; **Izmir University of Economics:** Cengiz Erol, Can Simga Mugan; **Okan Üniversity:** Suat Teker; **Selçuk University:** Melek Acar Boyacioglu; **TOBB University of Economics and Technology:** Ali Alp, Nur Asena Caner, Asunur Cezar, Bahar Çelikkol Erbas, Hüseyin Merdan, Atilim Murat, Hulusi Ögüt, Ümit Özlale, Ismail Saglam, Adem Sahin, Güven Sak, Ihsan Sezal, Bedri Kamil Onur Tas, Ekin Tokat, Hakki Arda Tokat, Abdullah Talha Yalta and Zafer Sayan; **University of Turkish Auronautical Association:** Emin Akçaoglu; **Yasar University:** Çagri Bulut; **Yildirim Beyazit University:** Nildag Basak Ceylan**.**

MULTINATIONAL FINANCE SOCIETY
OFFICERS AND DIRECTORS

Multinational Finance Society

20th Annual Conference, Izmir, Turkey, June 30 - July 2, 2013

Organizing Institutions

TOBB
UNIVERSITY OF
ECONOMICS AND TECHNOLOGY

CHICAGO BOOTH
The University of Chicago Booth School of Business

London
Business
School

Sponsoring Institutions

TÜRKİYE CUMHURİYET
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TÜRKİYE SERBEST MUHASEBECİ MALİ MÜŞAVİRLER
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(UNION OF CHAMBERS OF CERTIFIED PUBLIC ACCOUNTANTS OF TURKEY)

TÜBİTAK

TEB

T.C.
KÜLTÜR VE TURİZM BAKANLIĞI

LETTER FROM THE PROGRAM CHAIRS

Dear Colleagues,

We welcome you to the 20th Annual Conference of the Multinational Finance Society (MFS) in the beautiful city of Izmir. Since last year's meeting in Krakow, the economic and financial situation around the world has worsened. The general economic slowdown and in particular, the turbulence in the banking sector of numerous countries in the European Union, has proven that discussing financial issues and finding solutions to financial problems remains critical.

The experience of recent years has shown once more that no modern country can operate and develop without a strong financial sector - building such is neither easy nor straightforward and therefore discussing financial issues is of paramount importance. The wide range of participation from academicians and practitioners circles and the broad range of research topics covered in this conference proves this point very clearly.

Following the success of past conferences, this year's meeting has also received many excellent submissions. In total, we received 475 papers - of those papers, 320 were accepted for presentation by the Program Committee. This year's conference program includes 227 registered papers covering a wide range of research areas making the conference a perfect platform for research exchange and inspiration. Once more, it is wonderful to welcome our participants from so many countries, such as Australia, Brazil, Canada, China, Japan, Finland, France, Germany, Greece, India, Italy, Korea, Lebanon, Mexico, New Zealand, Pakistan, Portugal, Spain, South Africa, Taiwan, Thailand, Turkey, the UAE, United Kingdom, and the United States. This creates an opportunity to not only meet our old friends again but also our new colleagues from Turkey as well as other first-comers.

We are lucky this year to have two outstanding keynote speakers, Suleyman Basak of London Business School, UK and Luigi Zingales of the University of Chicago Booth School of Business, USA.

We have a wonderful location in the city of Izmir and surrounding areas, which is well known for its port area and archeological sites, dating back to the Greek-Roman times. This, however, would not be possible without the significant local organizational support of the Faculty of Economics and Administrative Sciences, TOBB University of Economics.

On behalf of everyone involved, we would like to thank our host institution, the members of the Local Organizing Committee, and all other individuals who have helped bring the conference about. It would have not been possible without all of your hard work!

We wish you a pleasant stay in Izmir and we hope you enjoy the Conference.

The Program Chairs,

Ramazan Aktas
Suleyman Basak
George Constantinides
Mehmet Baha Karan
Panayiotis Theodossiou

GENERAL INFORMATION

SPONSORING INSTITUTIONS

Faculty of Economics and Administrative Sciences
TOBB University of Economics and Technology, Turkey

London Business School, UK

University of Chicago Booth School of Business, USA

CONFERENCE INQUIRIES

Global Business Publications
mfc@mfsociety.org

CONFERENCE REGISTRATION

Saturday, June 29 (Swissôtel Büyük Efes)	5:30 p.m. - 9:00 p.m.
Sunday, June 30 (Swissôtel Büyük Efes)	8:00 a.m. - 9:00 a.m. & 6:00 p.m. - 8:45 p.m.
Monday, July 1 (Swissôtel Büyük Efes)	8:00 a.m. - 5:00 p.m.
Tuesday, July 2 (Swissôtel Büyük Efes)	8:00 a.m. - 5:00 p.m.

SOCIAL FUNCTIONS

Sunday, June 30

Tour to Archeological Sites, buses will leave Swissôtel 9:00 a.m.	9:00 a.m. - 5:00 p.m
Meeting of the Board of Directors and Trustees (Petek)	7:00 p.m. - 7:45 p.m.
Welcome Reception (Smyrna Foyer)	7:45 p.m. - 8:45 p.m.

Monday, July 1

Refreshments (Alsancak Foyer)	10:00 - 10:15 a.m.
Luncheon (Kordon)	12:15 - 1:15 p.m.
Keynote Speech (Prof. Basak - Smyrna)	1:15 - 2:00 p.m.
Refreshments (Alsancak Foyer)	4:15 - 4:30 p.m.
Reception (Secret Garden)	7:30 - 9:00 p.m.

Tuesday, July 2

Refreshments (Alsancak Foyer)	10:00 - 10:15 a.m.
Luncheon (Kordon)	12:15 - 1:15 p.m.
Keynote Speech (Prof. Zingales - Smyrna)	1:15 - 2:00 p.m.
Refreshments (Alsancak Foyer)	4:00 - 4:15 p.m.
Gala Dinner (Grand Efes Ballroom)	9:00 p.m.- midnight

LIST OF SESSIONS

Monday 8:30-10:00

Session 1	Asset Pricing I	Karsiyaka 1
Session 2	Corporate Finance I	Karsiyaka 2
Session 3	Banks I	Karsiyaka 3
Session 4	IPOs I	Konak 1
Session 5	Portfolio Management I	Konak 2
Session 6	Financial Crisis I	Bergama 2
Session 7	Financing	Bergama 3
Session 8	Emerging Markets I	Petek

Monday 10:15-12:15

Session 9	Asset Pricing II	Karsiyaka 1
Session 10	Structured Products	Karsiyaka 2
Session 11	Financial Crisis II	Karsiyaka 3
Session 12	IPOs II	Konak 1
Session 13	Portfolio Management II	Konak 2
Session 14	Risk Management	Bergama 2
Session 15	Financial Integration	Bergama 3
Session 16	Capital Structure	Petek
Session 17	Emerging Markets II	Alsancak

Monday 2:15-4:15

Session 18	Asset Pricing III	Karsiyaka 1
Session 19	Corporate Finance II	Karsiyaka 2
Session 20	Banks II	Karsiyaka 3
Session 21	Corporate Governance I	Konak 1
Session 22	Portfolio Management III	Konak 2
Session 23	Accounting Issues	Bergama 2
Session 24	Cost of Capital	Bergama 3
Session 25	Doctoral Session: Financial Crisis	Petek

Monday 4:30-6:00

Session 26	Fixed Income	Karsiyaka 1
Session 27	Analysts	Karsiyaka 2
Session 28	Financial Markets I	Karsiyaka 3
Session 29	Mergers and Acquisitions I	Konak 1
Session 30	Market Anomalies	Konak 2
Session 31	Financial Crisis III	Bergama 2
Session 32	Regulation and Disclosure	Bergama 3
Session 33	Doctoral Session: Corporate Finance I	Petek

LIST OF SESSIONS

Tuesday 8:30-10:00

Session 34	Asset Pricing IV	Karsiyaka 1
Session 35	Energy Markets	Karsiyaka 2
Session 36	Financial Markets II	Karsiyaka 3
Session 37	Corporate Governance II	Konak 1
Session 38	Investor Behavior and Stock Returns	Konak 2
Session 39	Volatility in Equity Markets	Bergama 2
Session 40	Firm Valuation	Bergama 3
Session 41	Doctoral Session: Corporate Finance II	Petek

Tuesday 10:15-12:15

Session 42	Asset Pricing V	Karsiyaka 1
Session 43	Corporate Finance III	Karsiyaka 2
Session 44	Financial Markets III	Karsiyaka 3
Session 45	Mergers and Acquisitions II	Konak 1
Session 46	Credit Default Swaps	Konak 2
Session 47	Behavioral Issues II	Bergama 2
Session 48	Payout Policy	Bergama 3
Session 49	Doctoral Session: Asset Pricing I	Petek

Tuesday 2:15-4:15

Session 50	Currency Markets	Karsiyaka 1
Session 51	Executive Compensation and Turnover	Karsiyaka 2
Session 52	Financial Intermediaries I	Karsiyaka 3
Session 53	Mergers and Acquisitions III	Konak 1
Session 54	Mutual Funds	Konak 2
Session 55	Behavioral Issues I	Bergama 2
Session 56	Information Asymmetry	Bergama 3
Session 57	Doctoral Session: Asset Pricing II	Petek

Tuesday 4:30-6:00

Session 58	Asset Pricing VI	Karsiyaka 1
Session 59	Corporate Finance IV	Karsiyaka 2
Session 60	Financial Intermediaries II	Karsiyaka 3
Session 61	Corporate Governance III	Konak 1
Session 62	Hedging	Konak 2
Session 63	Market Efficiency	Bergama 2
Session 64	Market Microstructure	Bergama 3
Session 65	Spillover Effects	Petek

Monday 8:30-10:00

SESSION 1 **Karsiyaka 1**

ASSET PRICING I
Session Chair: Petko Kalev - University of South Australia, Australia

"Momentum Profits and Idiosyncratic Volatility: The Korean Evidence"
Unyong Pyo - Brock University, Canada
Yong Jae Shin - Soongeui Women's College, Korea

Discussant: Davi Simon - Universidade do Vale do Rio dos Sinos - UNISINOS, Brazil

"Analysis of Beta Coeficient's Stationarity Regarding Brazilian Public Companies Traded between 2002 and 2011"
Davi Simon - UNISINOS, Brazil
Milton Pagini - UNISINOS, Brazil
Roberto Decourt - UNISINOS, Brazil

Discussant: Brett Green - UC Berkeley, USA

"Learning Whether Other Traders are Informed"
Snehal Banerjee - Northwestern University, USA
Brett Green - UC Berkeley, USA

Discussant: Unyong Pyo - Brock University, Canada

SESSION 2 **Karsiyaka 2**

CORPORATE FINANCE I
Session Chair: Stylianos Perrakis - Concordia University, Canada

"Labor Conflicts in French Workplaces: Do Family Ownership and Management Matter?"
François Belot - Université de Cergy-Pontoise, France
Timothee Waxin - EDHEC Family Business Center, France

Discussant: Nirosha Hewa Wellalage - University of Waikato, New Zealand

"Corporate Performance in the 2008-2009 Global Financial Crisis: Evidence from the Asia Pacific Markets"
Nirosha Hewa Wellalage - University of Waikato, New Zealand
Stuart Locke - University of Waikato, New Zealand

Discussant: Ortenca Kume - University of Kent, UK

"Impact of Financial Crisis on Capital Structure of UK Firms"
Abdullah Iqbal - University of Kent, UK
Ortenca Kume - University of Kent, UK

Discussant: François Belot - Université de Cergy-Pontoise, France

Monday 8:30-10:00

SESSION 3 **Karsiyaka 3**

BANKS I
Session Chair: Eduardo Maqui - University of Granada, Spain

"Drivers of Securitization: A Bank Level Examination"
Douglas Pearce - North Carolina State University, USA
Ali Termos - American University of Beirut, Lebanon

Discussant: Konstantinos Vergos - University of Portsmouth, UK

"Culture, Performance and Banking Acquisition Value in an Era of Increasing Risks: Global Findings"
Konstantinos Vergos - University of Portsmouth, UK
Apostolos Christopoulos - University of Athens, Greece

Discussant: Krishnamurthy Subramanian - Indian School of Business, India

"Deregulation of Bank Entry and Bank Failures"
Krishnamurthy Subramanian - Indian School of Business, India
Ajay Yadav - Duke University, USA

Discussant: Ali Termos - American University of Beirut, Lebanon

SESSION 4 **Konak 1**

IPOS I
Session Chair: Wendy Rotenberg - University of Toronto, Canada

"Effective Junior Equity Market Regulation"
Ari Pandes - University of Calgary, Canada
Michael Robinson - University of Calgary, Canada

Discussant: James Booth - DePaul University, USA

"Why is IPO Underpricing a Global Phenomenon?"
James Booth - DePaul University, USA
Lena Booth - Thunderbird School of Global Management, USA

Discussant: Stéphanie Serve - University of Cergy-Pontoise, France

"Delisting and Corporate Governance:A Review and Research Agenda"
Stéphanie Serve - University of Cergy-Pontoise, France
Isabelle Martinez - University of Toulouse, France
Constant Djama - University of Toulouse, France

Discussant: Ari Pandes - University of Calgary, Canada

Monday 8:30-10:00

SESSION 5 **Konak 2**

PORTFOLIO MANAGEMENT I
Session Chair: Louis Murray - University College Dublin, Ireland

"Diversification Versus Concentration: The Winner is?"
Danny Yeung - University of Technology Sydney, Australia
Paolo Pellizzari - Ca' Foscari University of Venice, Italy
Ron Bird - University of Technology Sydney, Australia
Sazali Abidin - University of Waikato, New Zealand

Discussant: Jang Schiltz - University of Luxembourg, Luxembourg

"Conditioned Higher Moment Portfolio Optimisation Using Optimal Control"
Marc Boissaux - University of Luxembourg, Luxembourg
Jang Schiltz - University of Luxembourg, Luxembourg

Discussant: Mei Qiu - Massey University, New Zealand

"International Portfolio Diversification: A Currency Timing Approach"
Mei Qiu - Massey University, New Zealand
John Pinfold - Massey University, New Zealand
Lawrence Rose - California State University - San Bernardino, USA

Discussant: Ron Bird - University of Technology Sydney, Australia

SESSION 6 **Bergama 2**

FINANCIAL CRISIS I
Session Chair: Laurent Bodson - HEC Management School, Belgium

"Does Price Stability Lead to Financial Instabilty?"
Anastasios Malliaris - Loyola University Chicago, USA

Discussant: Sachapon Tungsong - Thammasat Business School, Thailand

"Contagion in the ASEAN Interbank Market: Before and After the ASEAN Economic Community (AEC)"
Sachapon Tungsong - Thammasat Business School, Thailand

Discussant: Basma Majerbi - University of Victoria, Canada

"Systemic Banking Crises, Financial Liberalization and Governance"
Basma Majerbi - University of Victoria, Canada
Houssem Rachdi - University of Jendouba, Tunisia

Discussant: Bora Ozkan - University of New Orleans, USA

Monday 8:30-10:00

SESSION 7 **Bergama 3**

FINANCING
Session Chair: Gautam Goswami - Fordham University, USA

"Why Does Microfinance Focus on Women Borrowers? Insights from International Variations"
Raj Aggarwal - University of Akron, USA
John Goodell - University of Akron, USA
Lauren Selleck - University of Akron, USA

Discussant: Mehmet Karan - Hacettepe University, Turkey

"Should Eximbanks Finance Firms with Direct Export Credits?"
Nedim Sozen - Turk Eximbank, Turkey
Mehmet Karan - Hacettepe University, Turkey
Goknur Buyukkara - Hacettepe University, Turkey

Discussant: Wim Westerman - University of Groningen, Netherlands

"The Control of Working Capital: A Case Study on Performance Measurement"
Willem Van Barneveld - University of Groningen, Netherlands
Coen Heijes - University of Groningen, Netherlands
Wim Westerman - University of Groningen, Netherlands

Discussant: John Goodell - University of Akron, USA

SESSION 8 **Petek**

EMERGING MARKETS I
Session Chair: Nikolaos Philippas - University of Piraeus, Greece

"Regional Integration: Evidence from Africa"
Kashif Saleem - Lappeenranta University of Technology, Finland

Discussant: Thomas Chiang - Drexel University, USA

"Empirical Evidence of Co-Movements Between China and Global Stock Markets"
Thomas Chiang - Drexel University, USA
Lanjun Lao - Fudan University, China
Qingfeng Xue - Fudan University, China

Discussant: Nildag Ceylan - Yildirim Beyazit University, Turkey

"Examining the Effect of Foreign Portfolio Investments on Istanbul Stock Exchange Using Fama-French Three Factor Model"
M. Hakan Berument - Bilkent University, Turkey
Nildag Ceylan - Yildirim Beyazit University, Turkey

Discussant: Kashif Saleem - Lappeenranta University of Technology, Finland

Refreshments 10:00 - 10:15 a.m.

Alsancak Foyer

Monday 10:15-12:15

SESSION 9 **Karsiyaka 1**

ASSET PRICING II
Session Chair: Ron Bird - University of Technology Sydney, Australia

"Asset Pricing with Heterogeneous Investors and Portfolio Constraints"
Georgy Chabakauri - London School of Economics, UK

Discussant: George Constantinides - University of Chicago, USA

"Default Risk and Stock Returns"
Andreas Charitou - University of Cyprus, Cyprus
Neophytos Lambertides - Cyprus University of Technology, Cyprus
Lenos Trigeorgis - University of Cyprus, Cyprus

Discussant: Laurie Prather - Bond Univeristy, Australia

"Asset Pricing with Countercyclical Household Consumption Risk"
George Constantinides - University of Chicago, USA
Anisha Ghosh - Carnegie-Mellon University, USA

Discussant: Suleyman Basak - London Business School and CEPR, UK

"Solving Asset-Pricing Models: A Statistical Approach"
Walt Pohl - University of Zurich, Switzerland

Discussant: Neophytos Lambertides - Cyprus University of Technology, Cyprus

SESSION 10 **Karsiyaka 2**

STRUCTURED PRODUCTS
Session Chair: Frank Skinner - University of Surrey, UK

"Learning How to Smile: Can Rational Learning Explain the Predictable Dynamics in the Implied Volatility Surface?"
Alejandro Bernales - Banque de France, France
Massimo Guidolin - University of Manchester, UK

Discussant: Peter Carayannopoulos - Wilfrid Laurier University, Canada

"Diversification Through Catastrophe Bonds: Lessons from the Subprime Financial Crisis"
Peter Carayannopoulos - Wilfrid Laurier University, Canada
Fabricio Perez - Wilfrid Laurier University, Canada

Discussant: Emrah Ahi - Ozyegin University, Turkey

"Robust Estimation of the Term Structure"
Robert Bliss - Wake Forest University, USA
Emrah Sener - Ozyegin Univesity, Turkey
Gunes Erdogan - Southampton University, UK
Emrah Ahi - Ozyegin University, Turkey

Discussant: Alejandro Bernales - Banque de France, France

"Trinomial-tree Distribution of a Nonlinear Positive Stochastic Interest Rate Model with Connections to the Potential approach"
Weihua Lin - University of Oklahoma, USA
Kevin Grasse - University of Oklahoma, USA
S. Lakshmivarahan - University of Oklahoma, USA

Discussant: Martin Young - Massey University, New Zealand

SESSION 11 **Karsiyaka 3**

FINANCIAL CRISIS II
Session Chair: Mehmet Karan - Hacettepe University, Turkey

"How Credible is the ECB's Inflation Targeting? An Empirical Examination of Sovereign Bond Yields"
Alexander Kupfer - University of Innsbruck, Austria

Discussant: Adrian Pop - University of Nantes, France

"Calibrating Initial Shocks in Bank Stress Test Scenarios:An Outlier Detection Based Approach"
Olivier Darne - University of Nantes, France
Guy Levy-Rueff - Banque de France, France
Adrian Pop - University of Nantes, France

Discussant: Susan Hume - The College of NJ, USA

"Solvency Predictions in Banks in Selecting European Countries: What Factors are Important During The Financial Crisis?"
Susan Hume - The College of NJ, USA
Alexis Servedio - The College of NJ, USA
Richard Guardino - The College of NJ, USA
Michael Reccia - The College of NJ, USA

Discussant: Sam Agyei - Ampomah - University of Surrey, UK

"Does Gold Offer a Better Protection Against Sovereign Debt Crisis than Other Metals?"
Sam Agyei - Ampomah - University of Surrey, UK
Dimitrios Gounopoulos - University of Surrey, U.K.,
Khelifa Mazouz - University of Bradford, UK

Discussant: Alexander Kupfer - University of Innsbruck, Austria

SESSION 12 **Konak 1**

IPOS II
Session Chair: James Booth - DePaul University, USA

"The IPO Underwriting Market Share in China: Do Ownership and Quality Matter?"
Chao Chen - Fudan University, China
Haina Shi - Fudan University, China
Haoping Xu - Fudan University, China

Discussant: Walid Busaba - University of Western Ontario, Canada

"Do Underwriters Overprice IPOs to Avert Potential Withdrawal by the Issuers?"
Walid Busaba - University of Western Ontario, Canada
Zheng Liu - University of Western Ontario, Canada

Discussant: Ufuk Gucbilmez - University of Edinburgh, UK

"Long-Run Performance of Hot vs. Cold IPOs"
Shantanu Banerjee - Lancaster University, UK
Ufuk Gucbilmez - University of Edinburgh, UK
Grzegorz Pawlina - Lancaster University, UK

Discussant: Haoping Xu - Fudan University, China

SESSION 13 **Konak 2**

PORTFOLIO MANAGEMENT II
Session Chair: Yong Jae Shin - Soongeui Women's College, Korea

"Investment Horizons, Time Diversification and Sustainable Withdrawal Rates during Retirement Investing in UK Markets"
Lakshman Alles - Curtin University of Technology, Australia
Louis Murray - University College Dublin, Ireland

Discussant: Valerio Poti - Dublin City University, Ireland

"Predictability, Trading Rule Profitability and Learning in Currency Markets"
Valerio Poti - Dublin City University, Ireland
Richard Levich - Stern - NYU, USA
Pierpaolo Pattitoni - Bologna University, Italy

Discussant: Yacine Belghitar - Cranfield School of Management, UK

"Does it Pay to be Ethical? On the Contrary! Evidence from the FTSE4Good"
Nitin Deshmukh - Middlesex University Business School, UK
Ephraim Clark - Middlesex University Business School, UK
Yacine Belghitar - Cranfield School of Management, UK

Discussant: Sha Liu - Trinity College Dublin, Ireland

"Perverse Incentives in the Hedge Fund Contract"
Paul Lajbcygier - Monash University, Australia
David Ghijben - Monash University, Australia

Discussant: Stylianos Perrakis - Concordia University, Canada

SESSION 14 **Bergama 2**

RISK MANAGEMENT
Session Chair: Dariusz Zarzecki - University of Szczecin, Poland

"Research of Hedging and Trading Derivatives Impact on Public European Banks' Value and Share Performance: Panel Data Approach"
Nikita Gomauyn - National Research University Higher School of Economics, Russian Federation
Henry Penikas - National Research University Higher School of Economics, Russian Federation
Yulia Titova - University Paris 1 Pantheon-Sorbonne, France

Discussant: Francis In - Monash University, Australia

Monday 10:15-12:15

"Why Optimal Diversification Cannot Outperform Naive Diversification: Evidence from Tail Risk Exposure"
Stephen Brown - Stern - NYU, USA
Inchang Hwang - University of Melbourne, Australia
Francis In - Monash University, Australia

Discussant: Elvis Jarnecic - University of Sydney, Australia

"Equity Issues and the Impact of Lead Manager Affiliation on Broker Market Share and Trading Volume"
Elvis Jarnecic - University of Sydney, Australia
Yubo Liu - University of Sydney, Australia

Discussant: Hany Ahmed - University of Hull, UK

"On the Over-Dispersed Nature of Operational Losses:Does it Influence the Capital at Risk (CaR)?"
Jose Manuel Feria-Dominguez - Pablo de Olavide University, Spain
Enrique Jose Jimenez-Rodriguez - Pablo de Olavide University, Spain
Ola Sholarin - Westminster University, UK

Discussant: Henry Penikas - National Research University Higher School of Economics, Russian Federation

SESSION 15 **Bergama 3**

FINANCIAL INTEGRATION
Session Chair: Aydin Ozkan - University of Hull, UK

"Do Macroeconomic Fundamentals Matter for Stock Returns? Some International Evidence"
Nikiforos Laopodis - Fairfield University, USA
Anna Merika - Deree College, Greece
Anna Triantafillou - American College of Greece, Greece

Discussant: Roselyne Joyeux - Macquarie University, Australia

"International Natural Gas Market Integration"
Raymond Li - Hong Kong Polytechnic University, Hong Kong
Roselyne Joyeux - Macquarie University, Australia
Ronald Ripple - Curtin University of Technology, Australia

Discussant: Xisong Jin - Université du Luxembourg, Luxembourg

"Banking Systemic Vulnerabilities: A Tail-Risk Dynamic CIMDO Approach"
Xisong Jin - Université du Luxembourg, Luxembourg
Francisco Nadal De Simone - Banque Centrale du Luxembourg, Luxembourg

Discussant: Nikiforos Laopodis - Fairfield University, USA

"Methodological Problems of Economic Policy: The Problem of Temporal Aggregation"
Eleni Thanou - Hellenic Open University, Greece
Dikeos Tserkezos - University of Crete, Greece

Discussant: Osman Aktas - Concordia University, Canada

Monday 10:15-12:15

SESSION 16 **Petek**

CAPITAL STRUCTURE
Session Chair: Didier Maillard - Cnam, France

"European Integration and Corporate Financing"
Gulnur Muradoglu - Queen Mary University of London, UK
Ceylan Onay - Bogazici University, Turkey
Kate Phylaktis - Cass Business School, UK

Discussant: Hue Hwa Au Yong - Monash University, Australia

"Off-Market Buybacks in Australia: Evidence of Abnormal Trading Around Key Dates"
Hue Hwa Au Yong - Monash University, Australia
Christine Brown - Monash University, Australia
Chloe Choy Yeing Ho - Monash University, Australia

Discussant: Richard Saito - Fundacao Getulio Vargas, Brazil

"The Role of Bond Covenants and Short-Term Debt: Evidence from Brazil"
Vinicius Augusto - Fundacao Getulio Vargas, Brazil
Richard Saito - Fundacao Getulio Vargas, Brazil
Fernando Barbi - Fundacao Getulio Vargas, Brazil

Discussant: Ceylan Onay - Bogazici University, Turkey

"Predicted vs. Real Stock Prices: Can the Difference be Explained by Key Macroeconomic Factors?"
Stella Spilioti - Athens University of Economics and Business, Greece

Discussant: Lorenz Schneider - EMLYON, France

SESSION 17 **Alsancak**

EMERGING MARKETS II
Session Chair: Ramazan Aktas - TOBB University of Economics and Technology, Turkey

"Determining Systematic Risk Factors in IMKB"
Serkan Yüksel - Istanbul Stock Exchange, Turkey

Discussant: Cihat Sobaci - Istanbul Stock Exchange, Turkey

"Information Flow between Exchange Rates and Stock Markets in Emerging Countries: Effects of the 2008 Crisis"
Ahmet Sensoy - Borsa Istanbul, Turkey
Fatih Alali - Istanbul Stock Exchange, Turkey
Cihat Sobaci - Istanbul Stock Exchange, Turkey

Discussant: Elif Mutlu - IMKB Research Department, Turkey

"Interaction between SSFs and the Underlying Securities: Lead-Lag Relationship of Price Movements"
Elif Mutlu - IMKB Research Department, Turkey
Evren Arik - IMKB Research Department, Turkey

Discussant: Serkan Yüksel - Istanbul Stock Exchange, Turkey

Monday 10:15-12:15

"Seasonality in the Vietnam Stock Index"
Swint Friday - Texas A&M University Corpus Christi, USA
Nhung Hoang - Texas A&M University - Corpus Christi, USA

Discussant: Mona Soufian - Newcastle Business School, Northumbria University, UK

LUNCHEON

12:15 - 1:15 p.m. Kordon

KEYNOTE SPEECH

1:15 - 2:00 p.m. Smyrna

Professor Suleyman Basak
London Business School and CEPR, UK

ASSET PRICES AND INSTITUTIONAL INVESTORS

SESSION 18 **Karsiyaka 1**

ASSET PRICING III
Session Chair: Thomas Chiang - Drexel University, USA

"The Performance of Socially Responsible Investments: An Examination under the ICAPM Framework"
Yuchao Xiao - Monash University, Australia
Robert Faff - University of Queensland, Australia
Philip Gharghori - Monash University, Australia
Byoung-Kyu Min - University of Neuchatel, Switzerland

Discussant: Nader Virk - Hanken School of Economics, Finland

"Skewness and the Relation Between Risk and Return"
Panayiotis Theodossiou - Cyprus University of Technology, Cyprus
Christos Savva - Cyprus University of Technology, Cyprus

Discussant: Konstantinos Tolikas - Cardiff University, UK

"A Model for the Downside Risk in the Japanese Stock Market"
Konstantinos Tolikas - Cardiff University, UK

Discussant: Philip Gharghori - Monash University, Australia

"Cash-Flow News, Discount-Rate News and the Co-Skewness Risk"
Leon Zolotoy - Melbourne Business School, Australia
Petko Kalev - University of South Australia, Australia

Discussant: Anna Triantafillou - American College of Greece, Greece

SESSION 19 **Karsiyaka 2**

CORPORATE FINANCE II
Session Chair: Kate Phylaktis - Cass Business School, UK

"The Poor Man's IPO: Reverse Takeovers in the UK"
Mario Levis - Cass Business School, UK

Discussant: Vincenzo Capizzi - Eastern Piedmont State University, Italy

"The Impact of Functional Forms of the Determinants of Business Angels' Investments: An Empirical Analysis"
Vincenzo Capizzi - Eastern Piedmont State University, Italy
Giovanni Tirino - SDA Bocconi School of Management, Italy

Discussant: Krishna Reddy - University of Waikato, New Zealand

"Do M&As Create Value? The Pre-and-Post M&A Performance of Chinese and Indian Companies"
Song Chen - University of Waikato, New Zealand
Sazali Abidin - University of Waikato, New Zealand
Krishna Reddy - University of Waikato, New Zealand

Discussant: Evangelos Vasileiou - University of the Aegean, Greece

"The Global Financial Crisis and the Role of Ownership Structure on Cost of Capital"
Salman Afkhami Rad - Finance Department, New Zealand
Stuart Locke - University of Waikato, New Zealand
Krishna Reddy - University of Waikato, New Zealand

Discussant: Kate Phylaktis - Cass Business School, UK

SESSION 20 **Karsiyaka 3**

BANKS II
Session Chair: Lakshman Alles - Curtin University of Technology, Australia

"Competitive Conditions in Turkish Banking System After 2001 Turkish Crisis"
Gülin Vardar - Izmir University of Economics, Turkey
Berna Aydogan - Izmir University of Economics, Turkey
Unal Seven - IMT Institute for Advanced Studies Lucca, Italy

Discussant: Mahir Alman - Bamberg University, Germany

"Shari'ah Supervisory Board Composition Effects on Islamic Banks' Risk-Taking Behavior"
Mahir Alman - Bamberg University, Germany

Discussant: W. Travis Selmier II - Indiana University, USA

"Relationship Banking, Information Economics and Private Monitoring in China"
W. Travis Selmier II - Indiana University, USA

Discussant: Gülin Vardar - Izmir University of Economics, Turkey

"Long Memory Volatility and VaR for Long and Short Positions in the Mexican Stock Exchange"
Francisco Lopez Herrera - UNAM, Mexico
Edgar Ortiz - Universidad Nacional Autonoma de Mexico,
Alejandra Cabello - UNAM, Mexico

Discussant: Swint Friday - Texas A&M University Corpus Christi, USA

SESSION 21 **Konak 1**

CORPORATE GOVERNANCE I
Session Chair: Yukihiro Yasuda - Tokyo Keizai University, Japan

"The Informative Content of CEO and CFO Insider Trading: New Evidence from the Financial Crisis"
Aydin Ozkan - University of Hull, UK
Agnieszka Trzeciakiewicz - University of Hull, UK

Discussant: Oguzhan Karakas - Boston College, USA

"The Impact of Creditor Control on Corporate Bond Pricing and Liquidity"
Peter Feldhutter - London Business School, UK
Edith Hotchkiss - Boston College, USA
Oguzhan Karakas - Boston College, USA

Discussant: Shuqing Luo - National University of Singapore, Singapore

"CEO Turnover, Financial Distress and Contractual Innovations"
Harry Evans - University of Pittsburgh, USA
Shuqing Luo - National University of Singapore, Singapore
Nandu Nagarajan - University of Pittsburgh, USA

Discussant: Sabri Boubaker - Champagne School of Management, France

"Large Controlling Shareholders and Stock Price Synchronicity"
Sabri Boubaker - Champagne School of Management, France
Hatem Mansali - Universite Paris - Est, France
Hatem Rjiba - Universite Paris - Est, France

Discussant: Yannick Van Landuyt - K.U.Leuven, Belgium

SESSION 22 **Konak 2**

PORTFOLIO MANAGEMENT III
Session Chair: Andrey Ukhov - Cornell University, USA

"Has Gold Been a Good Hedge Against Inflation in France from 1949 to 2011?"
Van Hoang - Groupe Sup de Co Montpellier Business School, France

Discussant: Didier Maillard - Cnam, France

"Investment Decisions and Asset Management in a High-Tax Environment"
Didier Maillard - Cnam, France

Discussant: Andrea Buffa - Boston University, USA

"Strategic Risk Taking with Systemic Externalities"
Andrea Buffa - Boston University, USA

Discussant: Laurent Bodson - HEC Management School, Belgium

"Comparison Between Morningstar Ratings and Traditional Performance Measures Ratings"
Laurent Bodson - HEC Management School, Belgium
Stephanie Delhalle - HEC Management School, Belgium
Danielle Sougne - HEC Management School, Belgium

Discussant: Van Hoang - Groupe Sup de Co Montpellier Business School, France

SESSION 23 **Bergama 2**

ACCOUNTING ISSUES
Session Chair: Christos Negakis - University of Macedonia, Greece

"R&D Expenditures and Earnings Management: Evidence from the IFRS Post-Implementation Period in South Europe"
Panayiotis Tahinakis - University of Macedonia, Greece

Discussant: Heung-Joo Cha - Univeristy of Redlands, USA

"Impact of Capitalization of Operating Lease for Lessees' Financials"
Heung-Joo Cha - Univeristy of Redlands, USA

Discussant: Michalis Samarinas - University of Macedonia, Greece

"Strategic Considerations for an Audit Game: Tax Audit Cerftificate"
Panayiotis Tahinakis - University of Macedonia, Greece
Michalis Samarinas - University of Macedonia, Greece

Discussant: Anestis Ladas - University of Macedonia, Greece

"Capital Market Effects on Financial Reporting Incentives"
Dimitrios Kousenidis - Aristotle University of Thessaloniki, Greece
Anestis Ladas - University of Macedonia, Greece
Christos Negakis - University of Macedonia, Greece

Discussant: Panayiotis Tahinakis - University of Macedonia, Greece

SESSION 24 **Bergama 3**

COST OF CAPITAL
Session Chair: Francis In - Monash University, Australia

"Does the Stock Market Value Information? A Tale of Beauties and Beasts"
Håkan Jankensgård - Lund University, Sweden

Discussant: Viet Do - Monash University, Australia

"Australian Syndicated Loans: Domestic and Foreign Banks"
Tram Vu - Monash University, Australia
Viet Do - Monash University, Australia
Michael Skully - Monash University, Australia

Discussant: Usha Mittoo - University of Manitoba, Canada

"The Evolving World of Regulation S Debt Market: A Cross-Country Analysis"
Usha Mittoo - University of Manitoba, Canada

Discussant: Håkan Jankensgård - Lund University, Sweden

"Revising the Relevance of Accounting Betas in Estimating the Cost of Equity Capital: A Panel Approach"
Julio Sarmiento-Sabogal - Macquarie University, Australia
Mehdi Sadeghi - Macquarie University, Australia

Discussant: Stella Spilioti - Athens University of Economics and Business, Greece

SESSION 25 **Petek**

DOCTORAL SESSION: FINANCIAL CRISIS
Session Chair: Anastasios Malliaris - Loyola University Chicago, USA

"Trust in Banks: Evidence from the Spanish Financial Crisis"
Santiago Carbo-Valverde - Bangor University, UK
Eduardo Maqui - University of Granada, Spain
Francisco Rodriguez-Fernandez - University of Granada, Spain

Discussant: Dariusz Zarzecki - University of Szczecin, Poland

Monday 2:15-4:15

"Is there any influence of Governance factors on Market Discipline? The case of Greece"
Aristeidis Samitas - University of Aegean, Greece
Evangelos Vasileiou - University of the Aegean, Greece
Andreas Andrikopoulos - University of the Aegean, Greece

Discussant: Oral Erdogan - Istanbul Bilgi University, Turkey

"Securitization, Financial Development and Economic Growth"
Ata Can Bertay - Tilburg University, Netherlands

Discussant: Wendy Rotenberg - University of Toronto, Canada

"Predictability of Real Estate Price Index Returns in Emerging Markets"
Bora Ozkan - University of New Orleans, USA

Discussant: Anastasios Malliaris - Loyola University Chicago, USA

Refreshments 4:15 - 4:30 p.m.

Alsancak Foyer

Monday 4:30-6:00

SESSION 26 **Karsiyaka 1**

FIXED INCOME
Session Chair: Malick Sy - RMIT University, Australia

"What Do Nominal Rigidities and Monetary Policy Tell us about the Real Yield Curve?"
Erica X.N. Li - Cheung Kong Graduate School of Business, China
Alex Hsu - Georgia Tech University, USA
Francisco Palomino - University of Michigan, USA

Discussant: Frank Skinner - University of Surrey, UK

"The Choice Among Non-Callable and Callable Bonds"
Laurence Booth - Rotman School of Business, Canada
Dimitrios Gounopoulos - University of Surrey, UK
Frank Skinner - University of Surrey, UK

Discussant: Apostolos Xanthopoulos - Benedictine University, USA

"Iso-Effect Contour Lines and Implications About the Canadian and US Bond Markets"
Apostolos Xanthopoulos - Benedictine University, USA
Andy Kumiega - Illinois Institute of Technology, USA
Ben Van Vliet - Stuart School of Business - IIT, USA

Discussant: Francisco Palomino - University of Michigan, USA

SESSION 27 **Karsiyaka 2**

ANALYSTS
Session Chair: Richard Saito - Fundacao Getulio Vargas, Brazil

"Toward Improved Use of Value Creation Measures in Financial Decision-Making"
John Hall - University of Pretoria, South Africa

Discussant: Elisa Cavezzali - Ca' Foscari University of Venice, Italy

"Financial Analysts' Accuracy: Do Valuation Methods Matter?"
Elisa Cavezzali - Ca' Foscari University of Venice, Italy
Ugo Rigoni - Ca' Foscari University of Venice, Italy

Discussant: Noor Hashim - University of Manchester, UK

"Do Analysts Use Their Cash Flows Forecasts When Setting Target Prices?"
Noor Hashim - University of Manchester, UK
Norman Strong - University of Manchester, UK

Discussant: John Hall - University of Pretoria, South Africa

Monday 4:30-6:00

SESSION 28 **Karsiyaka 3**

FINANCIAL MARKETS I
Session Chair: Usha Mittoo - University of Manitoba, Canada

"Changing Rule 2a-7 and the Management of Money Market Mutual Funds"
Ozgur Akay - US Department of the Treasury, USA
Mark Griffiths - Miami University, USA
Drew Winters - Texas Tech University, USA

Discussant: Paul Lajbcygier - Monash University, Australia

"Predicting US Recessions: Yield Curve and Stock Market Liquidity Deviation as Leading Indicators"
Oral Erdogan - Istanbul Bilgi University, Turkey
Paul Bennett - Fordham University, USA
Cenktan Ozyildirim - Istanbul Bilgi University, Turkey

Discussant: Gautam Goswami - Fordham University, USA

"Understanding the Cross-Section of US Housing Bubble: The Roles of Lending, Transaction Costs and Rent Growth"
Gautam Goswami - Fordham University, USA
Sinan Tan - Fordham University, USA
Maya Waisman - Fordham University, USA

Discussant: Ozgur Akay - US Department of the Treasury, USA

SESSION 29 **Konak 1**

MERGERS AND ACQUISITIONS I
Session Chair: Philip Gharghori - Monash University, Australia

"Does Who You Know Matter? A Look at Professional and Social Ties Between Target and Bidder Boards"
Paul Andre - ESSEC Business School, France
Ioannis Tsalavoutas - University of Stirling, UK

Discussant: Ahmed Elbadry - Cairo University, Egypt

"Do Acquisitions Relieve Target Firms' Financial Constraints?"
Isil Erel - Ohio State University, USA
Yeejin Jang - Ohio State University, USA
Michael Weisbach - Ohio State University, USA

Discussant: Panagiotis Dontis Charitos - University of Westminster, UK

"Diversification, Size and Risk: The case of Bancassurance Deals"
Barbara Casu Lukac - Cass Business School, UK
Panagiotis Dontis Charitos - University of Westminster, UK
Sotiris Staikouras - Cass Business School, UK
Jonathan Williams - Bangor University, UK

Discussant: Ioannis Tsalavoutas - University of Stirling, UK

Monday 4:30-6:00

SESSION 30 **Konak 2**

MARKET ANOMALIES
Session Chair: Johan Knif - Hanken School of Economics, Finland

"What is Common Among Return Anomalies? Evidence from Insider Trading Decisions"
Qingzhong Ma - Cornell University, USA
Andrey Ukhov - Cornell University, USA

Discussant: Mohammed Elgammal - Qatar University, Qatar

"Value Premium and Default Risk: Time-Varying Approach"
Mohammed Elgammal - Qatar University, Qatar

Discussant: Adrian Woloszyn - University of Szczecin, Poland

"The Impact of the January Effect on the IPO Underpricing in Poland"
Adrian Woloszyn - University of Szczecin, Poland
Dariusz Zarzecki - University of Szczecin, Poland

Discussant: Andrey Ukhov - Cornell University, USA

SESSION 31 **Bergama 2**

FINANCIAL CRISIS III
Session Chair: Walid Busaba - University of Western Ontario, Canada

"The Effectiveness of the EU/IMF Bailout Programs for Greece: Risk and Wealth Effects on the Financial and Real Sectors of the ASE During the Greek Sovereign Crisis"
Kyriaki Kosmidou - Aristotle University of Thessaloniki, Greece
Dimitrios Kousenidis - Aristotle University of Thessaloniki, Greece
Christos Negakis - University of Macedonia, Greece

Discussant: Yonglei Wang - Toulouse School of Economics, France

"The Cost of Political Tension: An Anatomy"
Yinghua He - Toulouse School of Economics, France
Ulf Nielsson - Copenhagen Business School, Denmark
Yonglei Wang - Toulouse School of Economics, France

Discussant: Elmas Yaldiz - University of Trento, Italy

"Use and Motivations for Credit Derivatives: An Empirical Investigation on Italian Banks"
Eleonora Broccardo - University of Trento, Italy
Maria Mazzuca - Universita della Calabria, Italy
Elmas Yaldiz - University of Trento, Italy

Discussant: Danielle Sougne - HEC Management School, Belgium

Monday 4:30-6:00

SESSION 32 **Bergama 3**

REGULATION AND DISCLOSURE
Session Chair: António Pinto - Instituto Politécnico de Viseu, Portugal

"The Fair Value of Executive Compensation: The Case of Redeemable Equity Warrants"
Loic Belze - EMLYON, France
Francois Larmande - EMLYON, France
Lorenz Schneider - EMLYON, France

Discussant: Yukihiro Yasuda - Tokyo Keizai University, Japan

"A New Approach to Identify the Economic Effects of Disclosure: Information Content of Business Risk Disclosures in Japanese Firms"
Hyonok Kim - Tokyo Keizai University, Japan
Yukihiro Yasuda - Tokyo Keizai University, Japan

Discussant: Li Li - Groupe Sup de Co Montpellier Business School, France

"The Subtle Power of Word Choice in the Quarterly Earnings Press Release by French Listed Companies"
Li Li - Groupe Sup de Co Montpellier Business School, France

Discussant: Jose Manuel Feria-Dominguez - Pablo de Olavide University, Spain

SESSION 33 **Petek**

DOCTORAL SESSION: CORPORATE FINANCE I
Session Chair: Mario Levis - Cass Business School, UK

"Employment Protection Legislation and Firm Profitability"
Yannick Van Landuyt - K.U.Leuven, Belgium
Nico Dewaelheyns - K.U.Leuven, Belgium
Cynthia Van Hulle - K.U.Leuven, Belgium

Discussant: Christos Negakis - University of Macedonia, Greece

"Does Venture Capital Syndicate Size Matter?"
Mesut Tastan - City University London, UK
Sonia Falconieri - Cass Business School, UK
Igor Filatotchev - Cass Business School, UK

Discussant: Aydin Ozkan - University of Hull, UK

"Spillovers in a New Keynesian Continuous Time Framework with Financial Markets"
Bernd Hayo - University of Marburg, Germany
Britta Niehof - University of Marburg, Germany

Discussant: Petko Kalev - University of South Australia, Australia

RECEPTION

7:30 - 9:00 p.m.   Secret Garden

Tuesday 8:30-10:00

SESSION 34 **Karsiyaka 1**

ASSET PRICING IV
Session Chair: George Athanassakos - University of Western Ontario, Canada

"Volatility Downside Risk"
Adam Farago - Stockholm School of Economics, Sweden
Romeo Tedongap - Stockholm School of Economics, Sweden

Discussant: Azilawati Banchit - The University of Waikato, New Zealand

"Pricing Convertible Bonds"
Jonathan Batten - Hong Kong University of Science and Technology, Hong Kong
Karren Khaw - Massey University, New Zealand
Martin Young - Massey University, New Zealand

Discussant: Yildiray Yildirim - Syracuse University, USA

"On Optimal Acceptance Policies in Real Estate"
Thomas Emerling - Syracuse University, USA
Abdullah Yavas - University of Wisconsin, USA
Yildiray Yildirim - Syracuse University, USA

Discussant: Romeo Tedongap - Stockholm School of Economics, Sweden

SESSION 35 **Karsiyaka 2**

ENERGY MARKETS
Session Chair: Omrane Guedhami - University of South Carolina, USA

"Oil Prices and Industrial Sector Indices"
Stavros Degiannakis - Bank of Greece, Greece
George Filis - Bournemouth University, UK
Christos Floros - University of Portsmouth, UK

Discussant: Andre Dorsman - Vu University Amsterdam, Netherlands

"Renewable Energy Integration in European Energy Markets"
Nabi Abudaldah - Gen Holding, Netherlands
Andre Dorsman - Vu University Amsterdam, Netherlands
Geert Franx - VU University Amsterdam, Netherlands
Paul Pottuijt - Gen Holding, Netherlands

Discussant: Erkan Yonder - Maastricht University, Netherlands

"Political Taste and Green Property Investments: Evidence from REITs"
Piet Eichholtz - Maastricht University, Netherlands
Nils Kok - Maastricht University, Netherlands
Erkan Yonder - Maastricht University, Netherlands

Discussant: Stavros Degiannakis - Bank of Greece, Greece

Tuesday 8:30-10:00

SESSION 36 **Karsiyaka 3**

FINANCIAL MARKETS II
Session Chair: Laurie Prather - Bond Univeristy, Australia

"Options Traders Reacting to Bad News: The SEC vs. Goldman Sachs"
Ryan McKeon - University of San Diego, USA

Discussant: Gözde Ünal - Bogazici University, Turkey

"Stock Market Reactions to Oil Price Fluctuations in Turkey and Russia"
Gözde Ünal - Bogazici University, Turkey
Derya Korman - Bogaziçi University, Turkey

Discussant: Eduardo Maqui - University of Granada, Spain

"Trade Credit, Hedging with Derivatives and the Credit Crisis: Canadian Evidence"
Robert Kieschnick - University of Texas at Dallas, USA
Wendy Rotenberg - University of Toronto, Canada

Discussant: Ryan McKeon - University of San Diego, USA

SESSION 37 **Konak 1**

CORPORATE GOVERNANCE II
Session Chair: Yoko Shirasu - Aoyama Gakuin University, Japan

"Intraday Analysis of the Limit Order Bias at the Ex-Dividend Day of US Common Stocks"
Vassilis Efthymiou - Athens University of Economics and Business (AUEB), Greece
Vassilis Efthymiou - Athens University of Economics and Business (AUEB), Greece

Discussant: Mario Levis - Cass Business School, UK

"Ownership Structure and Performance: An Empirical Application with Panel Data in the Context of Portuguese SMEs"
António Pinto - Instituto Politécnico de Viseu, Portugal
Mario Augusto - Universidade de Coimbra, Portugal
Paulo Gama - Universidade de Coimbra, Portugal

Discussant: Panayiotis Andreou - Cyprus University of Technology, Cyprus

"Corporate Governance and Stock Price Crashes"
Panayiotis Andreou - Cyprus University of Technology, Cyprus
Constantinos Antoniou - Exeter University, UK
Christodoulos Louca - Cyprus University of Technology, Cyprus
Joan Horton - Exeter University, UK

Discussant: António Pinto - Instituto Politécnico de Viseu, Portugal

SESSION 38 **Konak 2**

INVESTOR BEHAVIOR AND STOCK RETURNS
Session Chair: Kudret Topyan - Manhattan College, USA

"Media and Google: The Impact of Information Supply and Demand on Stock Returns"
Yanbo Wang - INSEAD, Singapore

Discussant: Hui Zhu - Cape Breton University, Canada

"Implications of Limited Investor Attention to Economic Links"
Hui Zhu - Cape Breton University, Canada

Discussant: Zana Grigaliuniene - Siauliai university, Lithuania

"Investor Sentiment Effect on Portfolio Returns and Its Volatility in the US Stock Market"
Dmitrij Celov - Vilnius University, Lithuania
Zana Grigaliuniene - Siauliai university, Lithuania

Discussant: Yanbo Wang - INSEAD, Singapore

SESSION 39 **Bergama 2**

VOLATILITY IN EQUITY MARKETS
Session Chair: Shahid Hamid - Florida International University, USA

"Volatility Forecasting: A Backward Recursion Volatility Forecasting Exercise"
Dimos Kambouroudis - University of Stirling Management School, UK
David McMillan - University of Stirling, UK

Discussant: Rabih Moussawi - University of Pennsylvania, USA

"ETFs, Arbitrage and Shock Propagation"
Itzhak Ben-David - Ohio State University, USA
Francesco Franzoni - University of Lugano, Switzerland
Rabih Moussawi - University of Pennsylvania, USA

Discussant: Tugkan Tuzun - Federal Reserve Board, USA

"Are Leveraged and Inverse ETFs the New Portfolio Insurers?"
Tugkan Tuzun - Federal Reserve Board, USA

Discussant: Dimos Kambouroudis - University of Stirling Management School, UK

SESSION 40 **Bergama 3**

FIRM VALUATION
Session Chair: Ali Lazrak - UBC, Canada

"Do credit ratings affect underpricing and volatility? Evidence from Chinese IPOs"
Dimitrios Gounopoulos - University of Surrey, UK
Yilmaz Guney - University of Hull, UK
Tianxiangxu Xu - Hull university, UK

Discussant: Michalis Makrominas - Frederick University, Cyprus

"Reassessing the Value Relevance of Earnings in the Presence of Firm Growth Options"
Michalis Makrominas - Frederick University, Cyprus

Discussant: Markus Brendel - HHL Leipzig Graduate School of Management, Germany

"Diversification Discount Revisited: An Application of the Oaxaca-Blinder Decomposition"
Markus Brendel - HHL Leipzig Graduate School of Management, Germany
Christin Rudolph - HHL Leipzig Graduate School of Management, Germany
Bernhard Schwetzler - HHL Leipzig Graduate School of Management, Germany

Discussant: Tianxiangxu Xu - Hull university, UK

SESSION 41 **Petek**

DOCTORAL SESSION: CORPORATE FINANCE II
Session Chair: Lawrence Kryzanowski - Concordia University, Canada

"Are Financial Analysts all the same? Financial Analyst Bold, Leading and Herding Behavior in Stock Recommendation"
Palmon Dan - Rutgers University, USA
Hua Xin - Rutgers University, USA

Discussant: Dimitrios Kousenidis - Aristotle University of Thessaloniki, Greece

"The Effect of Hedging on Firm's Value and Performance: Evidence from the UK Non-Financial Firms"
Hany Ahmed - University of Hull, UK
Alcino Azevedo - Hull University Business School, UK
Yilmaz Guney - Hull University Business School, UK

Discussant: Lakshman Alles - Curtin University of Technology, Australia

"Earnings Quality in IPOs Backed by Listed Private Equity Firms"
Mehmet Goktan - California State University East Bay, USA
Volkan Muslu - University of Houston, USA
Erdem Ucar - University of South Florida, USA

Discussant: Lawrence Kryzanowski - Concordia University, Canada

Refreshments 10:00 - 10:15 a.m.

Alsancak Foyer

Tuesday 10:15-12:15

SESSION 42 **Karsiyaka 1**

ASSET PRICING V
Session Chair: Samuel Szewczyk - Drexel University, USA

"Implications of Predictability across Horizons for Asset Pricing Models"
Carlo Favero - Bocconi Univ, Italy
Fulvio Ortu - Bocconi University, Italy
Andrea Tamoni - London School of Economics, UK
Haoxi Yang - Bocconi University, Italy

Discussant: Johan Knif - Hanken School of Economics, Finland

"A Powerful Testing Procedure of Abnormal Stock Returns in Long-Horizon Event Studies"
Johan Knif - Hanken School of Economics, Finland
Jmes Kolari - Texas A&M University, USA
Seppo Pynnonen - University of Vaasa, Finland

Discussant: Vesela Ivanova - GoeUniversity, Germany

"Separating Winners from Losers Among Value and Growth Stocks in Different US Exchanges: 1968-2011"
George Athanassakos - University of Western Ontario, Canada

Discussant: Mesut Tastan - City University London, UK

"Determining Investor Behavior and its Impact on Investment Decision Process: A case of Individual Investors from Pakistan"
Bushra Ghufran - Air Universality Multan Campus, Pakistan
Hayat Muhammad Awan - Air University, Pakistan
Farooq Durrani - Bahauddin Zakriya University Multan, Pakistan

Discussant: Yong Jae Shin - Soongeui Women's College, Korea

SESSION 43 **Karsiyaka 2**

CORPORATE FINANCE III
Session Chair: Vefa Tarhan - Loyola University Chicago, USA

"R&D Expenditures and Geographical Sales Diversification"
Christopher Baum - Boston College, USA
Mustafa Caglayan - Heriot-Watt University, UK
Oleksandr Talavera - University of Sheffield, UK

Discussant: Dionysia Dionysiou - University of Stirling, UK

"Are the Discounts in UK Open Offers and Placings Due to Inelastic Demand?"
Seth Armitage - University o Edinburgh, UK
Dionysia Dionysiou - University of Stirling, UK
Angelica Gonzalez - University of Edinburgh, UK

Discussant: Ali Lazrak - UBC, Canada

"Ambiguity in Corporate Finance"
Lorenzo Garlappi - University of British Columbia, USA
Ron Giammarino - University of British Columbia, USA
Ali Lazrak - UBC, Canada

Discussant: Iordanis Kalaitzoglou - Audencia Business School, France

"Should Companies Increase Size or Improve their CSR Profile in Order to Improve Their Performance?Evidence from UK Listed Firms"
Iordanis Kalaitzoglou - Audencia Business School, France
Hui Pan - Coventry Business School, UK
Jacek Niklewski - Coventry University, UK

Discussant: Mustafa Caglayan - Heriot-Watt University, UK

SESSION 44 **Karsiyaka 3**

FINANCIAL MARKETS III
Session Chair: Shuh-Chyi Doong - National Chung Hsing University, Taiwan

"Short-Sales, Information and Performance: Evidence from an Emerging Market"
Asli Ascioglu - Bryant University, USA
John B. McDermott - Fairfield University, USA
Kemal Saatcioglu - , USA

Discussant: Shahid Hamid - Florida International University, USA

"Short Sale Ban During Financial Crisis: Impact on Volatility, Liquidity and Market Efficiency"
Olesya Lobanova - Florida International University, USA
Shahid Hamid - Florida International University, USA
Arun Prakash - Florida International Ubiversity, USA

Discussant: Muhammed Altuntas - University of Cologne, Germany

"The Relationship Between Home-Market Performance and Internationalization Decisions: Evidence from German Insurance Groups"
Muhammed Altuntas - University of Cologne, Germany
Gerrit Gossmann - University of Cologne, Germany

Discussant: John B. McDermott - Fairfield University, USA

"Do Domestic Investors Trade at Favorable Prices? Evidence from Turkish Stock Exchange"
Oya Can Mutan - capital markets board of turkey, Turkey
Alaattin Ecer - Capital Markets Board of Turkey, Turkey
Aslihan Altay-Salih - Bilkent University, Turkey
Levent Akdeniz - Bilkent University, Turkey

Discussant: Ata Can Bertay - Tilburg University, Netherlands

Tuesday 10:15-12:15

SESSION 45 **Konak 1**

MERGERS AND ACQUISITIONS II
Session Chair: Ephraim Clark - Middlesex University Business School, UK

"The Role of Government and Value Creation of Chinese Cross-Border Mergers and Acquisitions"
Agyenim Boateng - University of Nottingham China, China
Min Du - University of Nottingham, UK

Discussant: Wolfgang Bessler - Justus-Liebig University Giessen, Germany

"Competitive Bidding in International Takeover Contests: An Analysis of Preemptive Bidding, Toeholds and Termination Fees"
Wolfgang Bessler - Justus-Liebig University Giessen, Germany
Colin Schneck - Justus-Liebig University, Germany
Jan Zimmermann - Justus-Liebig University, Germany

Discussant: Yoko Shirasu - Aoyama Gakuin University, Japan

"Market Evaluations and Strategic Factors: A Compatison from Asian Banks' M&A and Alliances"
Yoko Shirasu - Aoyama Gakuin University, Japan

Discussant: Serif Simsir - Sabanci University, Turkey

"Measuring Takeover Premiums: Lessons from Turkey"
Hasan Arslan - Sabanci University, Turkey
Serif Simsir - Sabanci University, Turkey

Discussant: Agyenim Boateng - University of Nottingham China, China

SESSION 46 **Konak 2**

CREDIT DEFAULT SWAPS
Session Chair: Hsiang-Tai Lee - National Chi Nan University, Taiwan

"Long Memory and Correlation Dynamics of Eurozone Sovereign CDS"
Orcun Kaya - GoeUniversity, Germany
Yalin Gündüz - Deutsche Bundesbank, Germany

Discussant: James Grant - Imperial College London, UK

"Market Efficiency and Default Risk: Evidence of an Anomaly from the CDS and Loan CDS Markets"
Lawrence Kryzanowski - Concordia University, Canada
Stylianos Perrakis - Concordia University, Canada
Rui Zhong - Concordia University, Canada

Discussant: Lorne Switzer - Concordia University, Canada

"Default Risk and Corporate Governance in Financial vs. Non-Financial Firms"
Lorne Switzer - Concordia University, Canada
Jun Wang - Concordia University, Canada

Discussant: Jiri Svec - University of Sydney, Australia

"Fiscal Opacity and Sovereign Credit Spreads"
Jue Wang - University of Sydney, Australia
Jiri Svec - University of Sydney, Australia
Maurice Peat - University of Sydney, Australia

Discussant: Yalin Gündüz - Deutsche Bundesbank, Germany

SESSION 47 **Bergama 2**

BEHAVIORAL ISSUES II
Session Chair: Michael Schill - University of Virginia, USA

"Do Fund Managers Herd in Frontier Markets and Why?"
Fotini Economou - Business College of Athens, Greece
Constantinos Gavriilidis - Durham University, UK
Vasileios Kallinterakis - University of Liverpool, UK
Nikolay Yordanov - Ernst & Young Audit OOD, Bulgaria

Discussant: Suk-Joon Byun - KAIST, Korea

"Continuing Overreaction and Stock Return Predictability"
Suk-Joon Byun - KAIST, Korea
Sonya Lim - DePaul University, USA
Sang Hyun Yun - KAIST, Korea

Discussant: Kudret Topyan - Manhattan College, USA

"Return Predictability of Turkish Stocks: An Empirical Investigation"
Nusret Cakici - Fordham University, USA
Kudret Topyan - Manhattan College, USA

Discussant: Fotini Economou - Business College of Athens, Greece

"What are the Driving Forces of Market Performance, Market Structure or Agents' Intelligence, or Both?"
Viktor Manahov - Newcastle University, UK
Mona Soufian - Newcastle Business School, Northumbria University, UK
Robert Hudson - Newcastle University, UK

Discussant: Edgar Ortiz - Universidad Nacional Autonoma de Mexico,

SESSION 48 **Bergama 3**

PAYOUT POLICY
Session Chair: Panayotis Alexakis - National and Kapodistrian University of Athens, Greece

"Corporate Liquidity and Dividend Policy Under Uncertainty"
Nicos Koussis - Frederick University, Cyprus
Spiros Martzoukos - University of Cyprus, Cyprus
Lenos Trigeorgis - University of Cyprus, Cyprus

Discussant: Mika Vaihekoski - University of Turku, Finland

"Dividend Policy in Nordic Listed Firms"
Tor Brunzell - Stockholm University, Sweden
Eva Liljeblom - Hanken School of Economics, Finland
Anders Loflund - Hanken School of Economics, Finland
Mika Vaihekoski - University of Turku, Finland

Discussant: Hubert De La Bruslerie - University Paris Dauphine, France

"Share repurchase: Does it increase informativeness in the market prices?"
Hubert De La Bruslerie - University Paris Dauphine, France

Discussant: Amedeo De Cesari - Aston University, UK

"CEO Incentives and Payout Policy: Empirical Evidence from Europe"
Amedeo De Cesari - Aston University, UK
Neslihan Ozkan - University of Bristol, UK

Discussant: Nicos Koussis - Frederick University, Cyprus

SESSION 49 **Petek**

DOCTORAL SESSION: ASSET PRICING I
Session Chair: Suleyman Basak - London Business School and CEPR, UK

"Copula Modeling and Dependency Among the Stock Markets from the Western Hemisphere and VaR Estimations"
Christian Bucio - UNAM, Mexico
Edgar Ortiz - Universidad Nacional Autonoma de Mexico,

Discussant: Sandra Mortal - University of Memphis, USA

"Getting Real Forecasts, State Price Densities and Risk Premium from Euribor Options"
Vesela Ivanova - GoeUniversity, Germany
Josep Maria Puigvert Gutierrez - European Central Bank, Germany

Discussant: Georgy Chabakauri - London School of Economics, UK

"The Modified Dividend-Price Ratio"
Ioannis Neokosmidis - Aristotle University of Thessaloniki, Greece
Vassilis Polimenis - Aristotle University of Thessaloniki, Greece

Discussant: Lena Booth - Thunderbird School of Global Management, USA

"Is Textual Sentiment a Determinant of Sovereign Bond Yield Spreads? The Case of PIGS."
Sha Liu - Trinity College Dublin, Ireland

Discussant: Fulvio Ortu - Bocconi University, Italy

LUNCHEON

12:15 - 1:15 p.m. Kordon

KEYNOTE SPEECH

1:15 - 2:00 p.m. Smyrna

Professor Luigi Zingales
University of Chicago Booth School of Business, USA

WHY I WAS WON OVER BY GLASS STEAGALL

Tuesday 2:15-4:15

SESSION 50 **Karsiyaka 1**

CURRENCY MARKETS
Session Chair: Wolfgang Bessler - Justus-Liebig University Giessen, Germany

"Error Correction Modelling and Dynamic Specifications as a Conduit to Outperforming the Random Walk in Exchange Rate Forecasting"
Imad Moosa - RMIT University, Australia

Discussant: Mehmet Goktan - California State University East Bay, USA

"On Option Pricing in Illiquid Markets with Random Jumps"
Youssef EL-Khatib - UAE University, United Arab Emirates
Abdulnasser Hatemi-J - UAE University, United Arab Emirates

Discussant: Ephraim Clark - Middlesex University Business School, UK

"The Effect of Exchange Rate Movements on the Share Price Performance of UK SMEs"
Yacine Belghitar - Cranfield School of Management, UK
Ephraim Clark - Middlesex University Business School, UK
Salma Mefteh - ESSCA School of Management, France

Discussant: Ahmet Ikiz - Mugla Sitki Kocman University, Turkey

"Evolution of Future Exchanges in Turkey a Decade of Change"
Ahmet Ikiz - Mugla Sitki Kocman University, Turkey

Discussant: Imad Moosa - RMIT University, Australia

SESSION 51 **Karsiyaka 2**

EXECUTIVE COMPENSATION AND TURNOVER
Session Chair: Mika Vaihekoski - University of Turku, Finland

"The Use of Financial Contracting Arrangements to Constrain Rent-Seeking Behaviour of Managers of Subsidiary Firms: Evidence from UK and US Multinational Subsidiary Firms"
Robert Suban - Manchester Business School, UK
Michael Bowe - Manchester Business School, UK
Mo Yamin - Manchester Business School, UK

Discussant: Hatice Uzun - Long Island University, USA

"Executive Compensation, Pay Gap, Financial Firm Performance and Risk"
Elizabeth Cooper - La Salle University, USA
Hatice Uzun - Long Island University, USA
Yudan Zheng - Long Island University, USA

Discussant: Wai Hay Ng - University of Waikato, New Zealand

"Relationships between CEO's Compensation and Firm's Value: Not Necessarily Positive"
Sazali Abidin - University of Waikato, New Zealand
Adam Grenside - University of Waikato, New Zealand
Wai Hay Ng - University of Waikato, New Zealand
Azilawati Banchit - University of Waikato, New Zealand
Nirosha Hewa Wellalage - University of Waikato, New Zealand

Discussant: Shage Zhang - Trinity University, USA

"Pay Gap among Executives and Firm Value"
Shage Zhang - Trinity University, USA

Discussant: Robert Suban - Manchester Business School, UK

SESSION 52 **Karsiyaka 3**

FINANCIAL INTERMEDIARIES I
Session Chair: Mustafa Caglayan - Heriot-Watt University, UK

"Monitoring and its Effects on Interest Income"
Dilek Bulbul - GoeUniversity Frankfurt, Germany

Discussant: Shuh-Chyi Doong - National Chung Hsing University, Taiwan

"The Effects of Bank's Attributes on the Relationship Between Risk and Performance"
Chia-Hao Lee - National Taichung University of Science and Technology, Taiwan
Shuh-Chyi Doong - National Chung Hsing University, Taiwan

Discussant: Omrane Guedhami - University of South Carolina, USA

"Bank Internationalization and Risk-Taking"
Allen Berger - University of South Carolina, USA
Sadok El Ghoul - University of Alberta, Canada
Omrane Guedhami - University of South Carolina, USA
Raluca Roman - University of South Carolina, USA

Discussant: George Filis - Bournemouth University, UK

"Monetary and Fiscal Policy Interactions and Their Importance in Stock Market Performance"
Ioannis Chatziantoniou - University of Portsmouth, UK
David Duffy - University of Portsmouth, UK
George Filis - Bournemouth University, UK

Discussant: Dilek Bulbul - GoeUniversity Frankfurt, Germany

SESSION 53 **Konak 1**

MERGERS AND ACQUISITIONS III
Session Chair: Lorne Switzer - Concordia University, Canada

"The Post-Acquisition Returns of Stock Deals: Evidence of the Asset Growth Effect"
Sandra Mortal - University of Memphis, USA
Michael Schill - University of Virginia, USA

Discussant: Samuel Szewczyk - Drexel University, USA

"Stock Price Idiosyncratic Information and Merger Investment Decisions"
Wenjing Ouyang - University of the Pacific, USA
Samuel Szewczyk - Drexel University, USA

Discussant: Konstantinos Bozos - Leeds University Business School, UK

"How Has the International Harmonization of Financial Reporting Standards Affected Merger Premiums Within the European Union?"
Konstantinos Bozos - Leeds University Business School, UK
Yasanji Ratnaike - Leeds University Business School, UK
Malek Alsharairi - German Jordanian University, Jordan

Discussant: Elif Akben Selcuk - Kadir Has University, Turkey

"The Impact of Diversifying Acquisitions on Shareholders' Wealth: Evidence from Turkish Acquirers"
Elif Akben Selcuk - Kadir Has University, Turkey
Halil Kiymaz - Rollins College, USA

Discussant: Michael Schill - University of Virginia, USA

SESSION 54 **Konak 2**

MUTUAL FUNDS
Session Chair: Kristian Rydqvist - Binghamton University, USA

"Did Behavioral Mutual Funds Exploit Market Inefficiencies During the Crisis?"
Nikolaos Philippas - University of Piraeus, Greece

Discussant: William Bertin - Bond University, Australia

"Recent Evidence on Emerging Market Funds: Diversification and Performance"
William Bertin - Bond University, Australia
Laurie Prather - Bond Univeristy, Australia

Discussant: Iordanis Karagiannidis - Citadel, USA

"The Causes and Consequences of Management Team Changes in Mutual Funds"
Iordanis Karagiannidis - Citadel, USA

Discussant: Dawood Ashraf - Prince Mohammad Bin Fahd University, Saudi Arabia

"Genesis of Differential Performance Between Shari'ah Compliant Equity Indices and Conventional Indices"
Dawood Ashraf - Prince Mohammad Bin Fahd University, Saudi Arabia

Discussant: Nikolaos Philippas - University of Piraeus, Greece

SESSION 55 **Bergama 2**

BEHAVIORAL ISSUES I
Session Chair: John B. McDermott - Fairfield University, USA

"Information Arrival, Jumps and Cojumps in European Financial Markets: Evidence Using Tick by Tick Data"
Frederic Deleze - Hanken school of Economics, Finland
Syed Mujahid Hussain - Hanken School of Economics, Finland

Discussant: Marco Guidi - University of Glasgow, UK

"Financial Institutions, Opportunistic Strategies and Government Debt Guarantees: The Moral Debt Perspective."
Marco Guidi - University of Glasgow, UK

Discussant: Leh-chyan So - National Tsing Hua University, Taiwan

"Investor Sentiment Contagion in East Asian Stock Markets"
Leh-chyan So - National Tsing Hua University, Taiwan

Discussant: Syed Mujahid Hussain - Hanken School of Economics, Finland

"Behavioral Finance in the Egyptian Capital Market"
Ahmed Elbadry - Cairo University, Egypt

Discussant: Ioannis Neokosmidis - Aristotle University of Thessaloniki, Greece

SESSION 56 **Bergama 3**

INFORMATION ASYMMETRY
Session Chair: Yildiray Yildirim - Syracuse University, USA

"Informed Trading Behavior of Institutions and Individuals around Earnings Announcements"
Yu-Chen Wei - National Kaohsiung First University of Science and Technology, Taiwan
Yen-Ju Hsu - National Kaohsiung First University of Science and Technology, Taiwan

Discussant: Ying-Jiuan Wong - National Kaohsiung University, Taiwan

"The Reporting Strategy of Earnings Before Family CEO Succession"
Shao-Chi Chang - National Cheng Kung University, Taiwan
Ying-Jiuan Wong - National Kaohsiung University, Taiwan
Wen-Chun Lin - National Taipei College of Business, Taiwan

Discussant: Jana Fidrmuc - University of Warwick, UK

"Strategic Timing of Opportunistic Insider Purchases and Sales"
Jana Fidrmuc - University of Warwick, UK
Jiri Novak - Charles University, Czech Republic

Discussant: Bushra Ghufran - Air Universality Multan Campus, Pakistan

"Conflicts between shareholders in ASEAN 5 Mergers and Acquisitions"
Azilawati Banchit - The University of Waikato, New Zealand
Stuart Locke - The University of Waikato, New Zealand
Daniel Choi - The University of Waikato, New Zealand
Nirosha Hewa Wellalage - The University of Waikato, New Zealand

Discussant: Yu-Chen Wei - National Kaohsiung First University of Science and Technology, Taiwan

SESSION 57 **Petek**

DOCTORAL SESSION: ASSET PRICING II
Session Chair: George Constantinides - University of Chicago, USA

"Liquidity and Asset Prices: An Empirical Investigation from the Finnish Market"
Hilal Butt - Hanken School of Economics, Finland
Nader Virk - Hanken School of Economics, Finland

Discussant: Malick Sy - RMIT University, Australia

"The Returns to Carry and Momentum Strategies"
Jan Danilo Ahmerkamp - Imperial College London, UK
James Grant - Imperial College London, UK

Discussant: George Athanassakos - University of Western Ontario, Canada

"Trade Classification Accuracy for the Istambul Stock Exchange"
Osman Aktas - Concordia University, Canada
Lawrence Kryzanowski - Concordia University, Canada

Discussant: Kwangwoo Park - Korea Advanced Institute of Science and Technology (KAIST), Korea

"An Impact of Illiquidity Risk for the Cross-Section of Nordic Markets"
Hilal Butt - Hanken School of Economics, Finland

Discussant: Panayotis Alexakis - National and Kapodistrian University of Athens, Greece

Refreshments 4:00 - 4:15 p.m.

Alsancak Foyer

SESSION 58 **Karsiyaka 1**

ASSET PRICING VI
Session Chair: William Bertin - Bond University, Australia

"Forecasting Crude Palm Oil Price Movements from the Dynamic Relationship Between CPO Spot and Futures Prices: Empirical Evidence"
Malick Sy - RMIT University, Australia

Discussant: Abhay Singh - Edith Cowan University, Australia

"Financial Dependence Analysis: Applications of Vine Copulae"
David Allen - Edith Cowan University, Australia
M.A. Ashraf - Indian Institute of Technology, India
Michael McAleer - Erasmus University, Netherlands
Robert Powell - Edith Cowan University, Australia
Abhay Singh - Edith Cowan University, Australia

Discussant: Walt Pohl - University of Zurich, Switzerland

"Environment Costs and Financial Performance: Evidence Around the World"
Hakkon Kim - KAIST, Korea
Bong-Soo Lee - Florida State University, USA
Kwangwoo Park - Korea Advanced Institute of Science and Technology (KAIST), Korea

Discussant: Alejandra Cabello - UNAM, Mexico

SESSION 59 **Karsiyaka 2**

CORPORATE FINANCE IV
Session Chair: Andre Dorsman - Vu University Amsterdam, Netherlands

"Managerial Ability and Firm Performance: Evidence from the Global Financial Crisis"
Panayiotis Andreou - Cyprus University of Technology, Cyprus
Daphna Ehrlich - Tel Aviv University, Israel
Christodoulos Louca - Cyprus University of Technology, Cyprus

Discussant: Vefa Tarhan - Loyola University Chicago, USA

"Do Cash Flow Sensitivities VaryDuring Non-Crisis and Liquidity Crisis Periodsand Across Countries?"
Wolfgang Drobetz - University of Hamburg, Germany
Rebekka Haller - University of Hamburg, Germany
Iwan Meier - HEC Montreal, Canada
Vefa Tarhan - Loyola University Chicago, USA

Discussant: Gloria Gardenal - Ca' Foscari University of Venice, Italy

"The Effect of the Enterprise Risk Management Imprementation on the Firm Value of European Companies"
Giorgio Bertinetti - Ca' Foscari University of Venice, Italy
Elisa Cavezzali - Ca' Foscari University of Venice, Italy
Gloria Gardenal - Ca' Foscari University of Venice, Italy

Discussant: Christodoulos Louca - Cyprus University of Technology, Cyprus

Tuesday 4:30-6:00

SESSION 60 **Karsiyaka 3**

FINANCIAL INTERMEDIARIES II
Session Chair: Susan Hume - The College of NJ, USA

"The Impact of Bank Liquidity Creation on Loan Prices"
Kai Hoa - Monash University, Australia
Viet Do - Monash University, Australia
Tram Vu - Monash University, Australia

Discussant: Frank Niemeyer - Prof. Roll & Pastuch - Management Consultants, Germany

"Towards a Fairer Deal for Consumers and the FinancialIndustryLessons from the Retail Distribution Review and the Ban of Commissions in the UK Study"
Christian Thorun - ConPolicy GmbH, Germany
Frank Niemeyer - Prof. Roll & Pastuch - Management Consultants, Germany

Discussant: Ioannis Samantas - National and Kapodistrian University of Athens, Greece

"Potential Correlates of Bank Efficiency in the Eurozone"
Panayotis Alexakis - National and Kapodistrian University of Athens, Greece
Yannis Bilias - Athens University of Economics and Business, Greece
Ioannis Samantas - National and Kapodistrian University of Athens, Greece

Discussant: Tram Vu - Monash University, Australia

SESSION 61 **Konak 1**

CORPORATE GOVERNANCE III
Session Chair: Agyenim Boateng - University of Nottingham China, China

"Busy Boards, Corporate Liquidity and Financial Risk: Evidence from UK Panel Data"
Valentina Tarkovska - Dublin Institute of Technology, Ireland

Discussant: Ahmad Ismail - UAE University, United Arab Emirates

"Corporate Governance Practices, Shareholders' Rights and Corporate Performance in the GCC Countries"
Ahmad Ismail - UAE University, United Arab Emirates
Abed Al-Nasser Abdallah - American University of Sharjah, United Arab Emirates

Discussant: Sheraz Ahmed - Lappeenranta University of Technology, Finland

"Stock Price Synchronicity and Corporate Governance Mechanisms: Evidence from an Emerging Market"
Omar Farooq - Aalborg University, Denmark
Mehdi Sribi - Barclays Capital, UK
Sheraz Ahmed - Lappeenranta University of Technology, Finland

Discussant: Valentina Tarkovska - Dublin Institute of Technology, Ireland

Tuesday 4:30-6:00

SESSION 62 **Konak 2**

HEDGING
Session Chair: Peter Carayannopoulos - Wilfrid Laurier University, Canada

"Double Smooth Transition Correlation Hedging"
Hsiang-Tai Lee - National Chi Nan University, Taiwan

Discussant: Georgios Gatopoulos - University of Geneva, Switzerland

"Explaining Firms' Exchange Rate Exposure: The Role of Country Factors"
Georgios Gatopoulos - University of Geneva, Switzerland
Dusan Isakov - University of Fribourg, Switzerland

Discussant: Mehmet Umutlu - Yasar University, Turkey

"Foreign Equity Trading and Average Stock-Return Volatility"
Mehmet Umutlu - Yasar University, Turkey
Levent Akdeniz - Bilkent University, Turkey
Aslihan Altay-Salih - Bilkent University, Turkey

Discussant: Hsiang-Tai Lee - National Chi Nan University, Taiwan

SESSION 63 **Bergama 2**

MARKET EFFICIENCY
Session Chair: Jana Fidrmuc - University of Warwick, UK

"The Profitability of Techical Analysis and Stock Returns from a Traditional and Bootstrap Perspective: Evidence from Australia and Hong Kong"
Barry O'Grady - Curtin University, Australia
David Allen - Curtin University, Australia
Darren O'Connell - Curtin University, Australia

Discussant: Ralf Baumann - Innsbruck University, Austria

"Market Efficiency Under Ad Hoc Information: Evidence from Germany"
Matthias Bank - Innsbruck University, Austria
Ralf Baumann - Innsbruck University, Austria

Discussant: Mohd Edil Abd Sukor - University of Melbourne, Australia

"Month-of-the-Year, Heavy-Spending Holiday and Firm Size Effect: Evidence from Asian Emerging Markets"
Mohd Edil Abd Sukor - University of Melbourne, Australia

Discussant: Barry O'Grady - Curtin University, Australia

Tuesday 4:30-6:00

SESSION 64 **Bergama 3**

MARKET MICROSTRUCTURE
Session Chair: Imad Moosa - RMIT University, Australia

"The Sign Switch Efferct of Macroeconomic News in Foreign Exchange Markets"
Walid Ben Omrane - Brock University, Canada
Tanseli Savaser - Williams College, USA

Discussant: Arie Gozluklu - University of Warwick, UK

"Pre-Trade Transparency and Informed Trading: An Experimental Approach to Hidden Liquidity"
Arie Gozluklu - University of Warwick, UK

Discussant: Kristian Rydqvist - Binghamton University, USA

"Pre-Auction Inventory and Bidding Behavior: An Analysis of Canadian Treasury Auctions"
Kristian Rydqvist - Binghamton University, USA
Mark Wu - Binghamton University, USA

Discussant: Walid Ben Omrane - Brock University, Canada

SESSION 65 **Petek**

SPILLOVER EFFECTS
Session Chair: Fulvio Ortu - Bocconi University, Italy

"Interdependency and Stock Market Behavior During Global Financial Crisis in Europe"
Faten Ben Slimane - University Paris East -MArne La Vallée, France
Irfan Kazi - University Paris-West, France
Mohamed Mehanaoui - Amiens School of Management, France

Discussant: Basak Tanyeri - Bilkent University, Turkey

"Tiebout-Extended Regulatory Competition and Cross-Fertilization in Bank Performance"
Dogan Tirtiroglu - University of Adelaide, Australia
Basak Tanyeri - Bilkent University, Turkey
Ercan Tirtiroglu - University of Adelaide, Australia
Kenneth Daniels - Virginia Commonwealth University, USA

Discussant: James Leontiades - Cyprus International Institute of Management, Cyprus

"Foreign Company Spillover and American Product Quality"
James Leontiades - Cyprus International Institute of Management, Cyprus

Discussant: Faten Ben Slimane - University Paris East -MArne La Vallée, France

GALA DINNER

9:00 p.m. - midnight Grand Efes Ballroom

Conference Participants

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The Multinational Finance Journal (MFJ) publishes high-quality refereed articles on capital markets, financial institutions, management of investments, and corporate finance, dealing with issues that are relevant to the study and practice of finance in a global context. The MFJ makes a specific contribution by publishing research investigating phenomena related to the integration and interaction of national financial systems at the micro- and macro-finance levels and by disseminating research originating from countries with financial markets in different stages of development and diverse institutional arrangements.

Shipping Finance

In 2013, the MFJ editorial board has decided to widen the journal's scope by focusing in particular on finance aspects relevant to ocean shipping and transportation related areas. For this reason the Journal has appointed a new Editor, Dr. Photis M. Panayides to provide leadership to this new venture for the Journal. Articles of the special section on 'Shipping Finance' will be published regularly with each publication volume of the Journal. The Special section will host papers in the following topics for the shipping, logistics and transportation sectors:

- Maritime and transport infrastructure investment and financing
- Capital structure of shipping and transport companies
- Managing firm value in maritime transport
- Corporate governance and ownership structure in shipping and transport
- Maritime and transport mergers and acquisitions
- Financing, investment and privatization of transport related infrastructure
- Behavioral finance in relation to ship financing and management
- Financial performance and efficiency in maritime and transport sectors
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- Forecasting, volatility and shipping markets
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35210 Izmir
TURKEY

Monday 8:30-10:00

SESSION 1 **Karsiyaka 1**

ASSET PRICING I
Session Chair: Petko Kalev - University of South Australia, Australia

"Momentum Profits and Idiosyncratic Volatility: The Korean Evidence"
Unyong Pyo - Brock University, Canada
Yong Jae Shin - Soongeui Women's College, Korea

Discussant: Davi Simon - Universidade do Vale do Rio dos Sinos - UNISINOS, Brazil

This study focuses on the profitability of momentum trading in the Korean stock market. More specifically, an examination of the relationship between momentum returns and idiosyncratic volatility is conducted to determine whether momentum profits can be explained by idiosyncratic volatility. We form portfolios based on their past performance and examine the momentum, or contrarian returns, as the difference between winning and losing portfolios. To confirm that the momentum strategy provides excess returns, we study the relationship between momentum returns and idiosyncratic volatility (IVol). We also examine the Fama and French (1993) three-factor model to see whether systematic risk affects momentum profits. We control firm size, stock price, and turnover to determine robustness. Finally, we investigate a time-series relationship between aggregate IVol and momentum profits.

"Analysis of Beta Coeficient's Stationarity Regarding Brazilian Public Companies Traded between 2002 and 2011"
Davi Simon - UNISINOS, Brazil
Milton Pagini - UNISINOS, Brazil
Roberto Decourt - UNISINOS, Brazil

Discussant: Brett Green - UC Berkeley, USA

In this paper we examine the reliability of historical data as basis for the estimation of stocks' and portfolios' future risk, through the analysis of the assets' beta coefficient's stationarity. We estimated betas from logarithmic returns on stocks publicly traded between 2002 and 2011 on the Brazilian stock exchange (BM&FBOVESPA), and on logarithmic returns on Ibovespa and IBRx portfolios under the CAPM model. We performed correlation studies between 52-week betas and the following 52 weeks betas, finding little no evidence of strong correlation, either for individual stocks and industry portfolios. Companies that were traded since 2002, however, converged to a higher degree of beta stability from 2008 to 2011, benefiting from the stabilization of the local economy. We conclude that the usage of betas estimated from past market data must be approached with caution when estimating the of cost of equity of securities publicly traded on the Brazilian market.

"Learning Whether Other Traders are Informed"
Snehal Banerjee - Northwestern University, USA
Brett Green - UC Berkeley, USA

Discussant: Unyong Pyo - Brock University, Canada

Standard rational expectations (RE) models of financial markets assume that market participants know whether other traders are informed, and therefore know how to update their beliefs using prices. We relax this assumption to study return dynamics when investors learn how to use the information in prices. In this setting, the price is a non-linear function of the underlying signal, and, as a result, expected returns and volatility are stochastic and persistent, even when fundamental shocks are i.i.d. Moreover, the price reaction to information about dividends is asymmetric: the price reacts stronger to bad news than it does to good news. In fact, the price can even decrease following positive signals about dividends. The model also generates volatility clustering in which surprises in return realizations (or dividend realizations) are followed by higher volatility and higher expected returns.

SESSION 2 **Karsiyaka 2**

CORPORATE FINANCE I
Session Chair: Stylianos Perrakis - Concordia University, Canada

"Labor Conflicts in French Workplaces: Do Family Ownership and Management Matter?"
François Belot - Université de Cergy-Pontoise, France
Timothee Waxin - EDHEC Family Business Center, France

Discussant: Nirosha Hewa Wellalage - University of Waikato, New Zealand

This paper investigates the influence of family control on labor relations. Using French workplace-level data, we find that family involvement - through corporate ownership and management - significantly reduces (1) the likelihood that a workplace experiences a strike, (2) the duration of the strikes and (3) the percentage of employees that are involved in major conflicts. Moreover, the family status tends to offset the negative effect of labor disputes on corporate performance. These findings suggest that peaceful labor relationships are a peculiar attribute that founding families bring to corporations and extend our understanding of the "family effect" on organizational performance. Overall, this paper contributes to the growing literature on the interactions between finance and labor.

"Corporate Performance in the 2008-2009 Global Financial Crisis: Evidence from the Asia Pacific Markets"
Nirosha Hewa Wellalage - University of Waikato, New Zealand
Stuart Locke - University of Waikato, New Zealand

Discussant: Ortenca Kume - University of Kent, UK

In this paper we study the financial performance of Asia and Pacific corporations in the immediate years before, after and the global financial crisis periods. Not surprisingly sales to assets and Tobin's Q ratio report lowest values in crisis period. After controlling potential endogenity effect of firm financial performance and explanatory variables this study finds that firm level financial dependence indexes, firm characteristics and country specific factors have significant impact on firm financial performance. The policy implications are thus clear and straightforward: Macro-economic policy should get back on track. The global financial crisis showed that risks arising from the corporate sector typically occurred because of institutional weaknesses, including weak regulatory, property rights, poor bankruptcy and accounting procedure and low transparency.

"Impact of Financial Crisis on Capital Structure of UK Firms"
Abdullah Iqbal - University of Kent, UK
Ortenca Kume - University of Kent, UK

Discussant: François Belot - Université de Cergy-Pontoise, France

World economies experienced a major financial and banking crisis during the first decade of 21st century. This study examines the impact of this financial crisis on capital structure decision of UK industrial firms. Our results show that firms first increase their leverage ratios from pre-crisis (2006 and 2007) to crisis (2008 and 2009) years and then decrease it in the post-crisis (2010 and 2011) years. Firms use both debt and equity to manage their capital structure however, they rely more heavily on short term debt rather than long term debt during the crisis years. Our results also reveal that firm with lower than industrial average capital structure ratio in the pre-crisis years gradually increase their leverage during crisis and post-crisis years. However, firms with higher than industrial average capital structure ratios in the pre-crisis years steadily decrease their leverage by improving their equity levels.

SESSION 3 **Karsiyaka 3**

BANKS I
Session Chair: Eduardo Maqui - University of Granada, Spain

"Drivers of Securitization: A Bank Level Examination"
Douglas Pearce - North Carolina State University, USA
Ali Termos - American University of Beirut, Lebanon

Discussant: Konstantinos Vergos - University of Portsmouth, UK

We examine the determinants of bank loan securitization in the U.S. between 2001 and 2010. Four drivers for securitization have been identified in recent studies: credit risk transfer (CRT), liquidity creation, equity capital arbitrage, and profitability. We test these drivers over the seven types of securitized loans reported in the Call Reports. Liquidity creation is found to be the most significant driver for most securitized loans except for commercial and industrial (C&I) loans. While CRT hypothesis holds true for credit cards and auto loans, there is no such evidence for home mortgages. Further, only Credit Cards and C&I loans tend to be securitized to improve the bank equity capital ratio. However, no evidence is found to support the capital arbitrage hypothesis for other loans. We also find that lower interest income tends to be associated with higher probability of securitization of most loans except for home mortgages and auto loans.

"Culture, Performance and Banking Acquisition Value in an Era of Increasing Risks: Global Findings"
Konstantinos Vergos - University of Portsmouth, UK
Apostolos Christopoulos - University of Athens, Greece

Discussant: Krishnamurthy Subramanian - Indian School of Business, India

Our study investigates whether cultural factors and performance affect Mergers and Acquisitions (M&As) value creation in Europe, Northern America and Asia after the financial crisis of 2007. We also examine whether the magnitude and degree of the effect of these factors changed, when compared to the pre-crisis period. To examine our hypothesis, we investigated abnormal returns for the largest bank-to-bank mergers for the period 2002 to 2012. We examine whether the Hofstede cultural dimensions are associated with high market returns for Target companies, Acquirers and Joint market value returns, after accounting for size and efficiency control variables. We found that there is some evidence that supports the hypothesis that some cultural factors remain statistically significant. Our results are partly in line with findings from previous researches, regarding Target Banks and support the hypothesis that cultural factors have been associated with benefits for the joint bank value.

"Deregulation of Bank Entry and Bank Failures"
Krishnamurthy Subramanian - Indian School of Business, India
Ajay Yadav - Duke University, USA

Discussant: Ali Termos - American University of Beirut, Lebanon

Does bank deregulation enhance bank stability or exacerbate bank fragility? Consensus about the answers to this question remain elusive as theoretical and empirical studies arrive at disparate conclusions. We utilize the natural experiment offered by banking deregulation at the state level in the U.S. to examine this question. We find strong evidence that deregulation enhances bank stability by lowering bank failures. Intra-state deregulation lowers bank failures–primarily in the sixteen unit-banking states–by generating benefits from portfolio diversification, operating efficiencies and reduced loan losses. In contrast, inter-state deregulation had no effect on bank failures. Pre-existing bank failures in a state did not determine its timing of deregulation, which assures against reverse causal effects. In falsification tests, we find no effect of the deregulation on thrift failures. Our results have important implications for the regulation of the banking sector.

SESSION 4 **Konak 1**

IPOS I
Session Chair: Wendy Rotenberg - University of Toronto, Canada

"Effective Junior Equity Market Regulation"
Ari Pandes - University of Calgary, Canada
Michael Robinson - University of Calgary, Canada

Discussant: James Booth - DePaul University, USA

This study examines Canada's Capital Pool Company (CPC) program to show how effective regulation can create a vibrant junior equity market and help the development of smaller firms. Examining the complete population of blind pools and CPC firms in Canada since 1986, we show that the CPC program has expanded geographically from exclusively one Canadian province to include firms and investors from across Canada and internationally. We further show an increase in the quality of firms going public using the CPC program and the quality of underwriters taking these firms public. Finally, we show that the CPC regulations reduced the incidence of fraud.

"Why is IPO Underpricing a Global Phenomenon?"
James Booth - DePaul University, USA
Lena Booth - Thunderbird School of Global Management, USA

Discussant: Stéphanie Serve - University of Cergy-Pontoise, France

We explain why initial underpricing of new issue exists globally and is not arbitraged away in an efficient market. We argue that initial underpricing is a natural by-product of liquidity-motivated ownership dispersion requirements and divergence of opinion. In our framework, as shares are widely distributed to achieve exchange listing and related liquidity creation, optimistic investors rationed at the offering will bid up the share price in the secondary market, hence generating initial underpricing. We predict that as the level of divergence of opinion about an issue increases, underpricing will increase. We develop several proxies of divergence of opinion to explain the level of initial underpricing. The empirical results strongly support the model.

"Delisting and Corporate Governance:A Review and Research Agenda"
Stéphanie Serve - University of Cergy-Pontoise, France
Isabelle Martinez - University of Toulouse, France
Constant Djama - University of Toulouse, France

Discussant: Ari Pandes - University of Calgary, Canada

This review documents the extensive empirical work conducted on delistings and provides a future research agenda. We examine both involuntary and voluntary delisting studies in an international context (Anglo-Saxon vs. continental Europe markets) to better examine the reasons for and the consequences of this phenomenon and to identify the interaction between delisting and corporate governance. The review shows that the decision to go private relies on a cost-benefit trade-off, whereas firms are involuntarily delisted because of a violation of stock exchange requirements and/or poor performance. Furthermore, we identify a strong interaction between delistings and both (1) corporate governance regulations and (2) a firm's specific corporate governance. We document that value destruction can be expected for involuntary delistings but that whether value creation will occur is questionable when a firm goes private.

SESSION 5 **Konak 2**

PORTFOLIO MANAGEMENT I
Session Chair: Louis Murray - University College Dublin, Ireland

"Diversification Versus Concentration: The Winner is?"
Danny Yeung - University of Technology Sydney, Australia
Paolo Pellizzari - Ca' Foscari University of Venice, Italy
Ron Bird - University of Technology Sydney, Australia
Sazali Abidin - University of Waikato, New Zealand

Discussant: Jang Schiltz - University of Luxembourg, Luxembourg

Diversification has its obvious benefits but its pursuit can involve a trade-off between risk-controls and returns. We investigate this trade-off by examining the relative performance of diversified versus concentrated portfolios where both are formed on the basis of the same stock preferences. Using US equity mutual funds as our data base, we establish that the concentrated portfolios achieve the better performance both for long-only and long/short portfolios. This highlights the potential for investors to do their own diversification using concentrated funds rather than have the funds do the diversification. It also highlights that the stocks selection skills of the managers may be lost by their portfolio construction endeavours.

"Conditioned Higher Moment Portfolio Optimisation Using Optimal Control"
Marc Boissaux - University of Luxembourg, Luxembourg
Jang Schiltz - University of Luxembourg, Luxembourg

Discussant: Mei Qiu - Massey University, New Zealand

Within a traditional context of myopic discrete-time mean-variance portfolio investments, the problem of conditioned optimisation, in which predictive information about returns contained in a signal is used to inform the choice of portfolio weights, was first expressed and solved in concrete terms by Ferson and Siegel. We proposed an optimal control formulation which opens up the possibility of solving variants of the basic problem that do not allow for closed-form solutions through the use of standard numerical algorithms used for the discretisation of optimal control problems.The present paper applies this formulation to set and solve variants of the conditioned portfolio problem which use the third and fourth moments as well as the variance. Using backtests over a realistic data set, the performance of strategies resulting from conditioned optimisation is then compared to that obtained using analogous optimisation strategies which do not exploit conditioning information.

"International Portfolio Diversification: A Currency Timing Approach"
Mei Qiu - Massey University, New Zealand
John Pinfold - Massey University, New Zealand
Lawrence Rose - California State University - San Bernardino, USA

Discussant: Ron Bird - University of Technology Sydney, Australia

We investigate an international portfolio diversification strategy based on timing currency movements. Portfolios are constructed using the stocks of nations whose currencies have weakened over the preceding five years when measured by the purchasing power parity. Using data of eight nations with freely floating currencies over the period 1986 to 2011, we show that the currency timing strategy generally outperformed the passive diversification strategy and the MSCI World index on the basis of risk-adjusted returns. While currency appreciation is the main contributor to the strategy's superior performance, improved equity market returns compliment portfolio performance for shorter investment horizons.

SESSION 6 **Bergama 2**

FINANCIAL CRISIS I
Session Chair: Laurent Bodson - HEC Management School, Belgium

"Does Price Stability Lead to Financial Instabilty?"
Anastasios Malliaris - Loyola University Chicago, USA

Discussant: Sachapon Tungsong - Thammasat Business School, Thailand

This paper discusses financial instabilities in general as well as the financial crisis of 2007-09 that was caused by the bursting of the housing bubble. We review in some detail the role of monetary policy and how inflation targeting may have inadvertently contributed to financial instability. The concept of financial instability is discussed and we also evaluate the appropriate role of central banks in managing asset bubbles. It is argued that central banks pursuing price stability and acting asymmetrically in terms of asset bubbles, may encourage the emergence of asset price bubbles and when such bubbles burst the financial system destabilizes.

"Contagion in the ASEAN Interbank Market: Before and After the ASEAN Economic Community (AEC)"
Sachapon Tungsong - Thammasat Business School, Thailand

Discussant: Basma Majerbi - University of Victoria, Canada

Interbank activities including interbank deposits/loans are widely considered a direct channel for financial contagion. Through this channel, the failure of one bank may trigger insolvency of others, causing a systemic failure or large loss of assets. This research empirically tests the possibility for contagion in the context of the increasingly more integrated ASEAN Economic Community (AEC). Simulations are performed to examine the potential for contagion. In the simulations, the bankruptcy of a single bank is initially assumed. Then, bankruptcy and losses incurred to other banks via the aforementioned interbank exposures are estimated. Theoretical framework by Allen and Gale (2000) and empirical study by Upper and Worms (2004) are extended to account for the characteristics of the ASEAN financial network. It is found that the more integrated, more complete ASEAN banking system under AEC is more resilient to contagion than individual national banking networks.

"Systemic Banking Crises, Financial Liberalization and Governance"
Basma Majerbi - University of Victoria, Canada
Houssem Rachdi - University of Jendouba, Tunisia

Discussant: Bora Ozkan - University of New Orleans, USA

We use multivariate logit models to estimate the probability of systemic banking crisis for a sample of 54 countries. In particular, we investigate the interaction between financial liberalization and banking governance and institutional variables in an Early Warning System framework. We find that most of the institutional and governance variables retained in this study have a positive and significant impact in terms of reducing the probability of systemic banking crises despite the potential negative effects of financial liberalization. We also find that the types of institutional variables that may be most effective in mitigating the liberalization effect on crises vary across countries/regions.

SESSION 7 **Bergama 3**

FINANCING
Session Chair: Gautam Goswami - Fordham University, USA

"Why Does Microfinance Focus on Women Borrowers? Insights from International Variations"
Raj Aggarwal - University of Akron, USA
John Goodell - University of Akron, USA
Lauren Selleck - University of Akron, USA

Discussant: Mehmet Karan - Hacettepe University, Turkey

Little is known about how and why microfinance differs internationally especially with regard to its success with women. We document that among Microfinance Institutions (MFIs) there are a higher percent of women borrowers in low trust countries, and among MFIs that are non-profit or that target the poorest; and a lower percent of female borrowers for larger loan sizes and the MFI being in Latin America. These results are robust to different estimation techniques and are consistent with the microfinance group pressure to repay being more effective in countries where social trust is primarily behavioral rather than economic.

"Should Eximbanks Finance Firms with Direct Export Credits?"
Nedim Sozen - Turk Eximbank, Turkey
Mehmet Karan - Hacettepe University, Turkey
Goknur Buyukkara - Hacettepe University, Turkey

Discussant: Wim Westerman - University of Groningen, Netherlands

An export credit is in principle a financing arrangement of loan facility extended to an exporter by a bank in the exporter's country. The private sector trading firms drive the majority of their exports through export credits and credit subsidies. Whether the credit institutions finance exporters with direct credits or not is an important economic concern that have significant consequences. This study searches the determinants of the firm failure of exporters that use direct credits from Türk Eximbank, which is one of the few export credit institutions in the world that engages in direct lending activities as well as implementing insurance and guarantee schemes within the same institution as compared with most of the developing countries like US, England, Japan and Germany that generally focus only on the export insurance and guaranteeing mechanisms.

"The Control of Working Capital: A Case Study on Performance Measurement"
Willem Van Barneveld - University of Groningen, Netherlands
Coen Heijes - University of Groningen, Netherlands
Wim Westerman - University of Groningen, Netherlands

Discussant: John Goodell - University of Akron, USA

Working capital gets into the top of minds of organizations worldwide. However, the measurement and

control of the combined basic elements of working capital - accounts receivable, accounts payable, and inventory - yields too little academic discussion currently. A renewed focus on financial and operational performance control on working capital is needed. It is important to know which performance measures are to be in place. Therefore, we developed a framework on working capital and performance measures that takes contingencies of today's firms into account. We did so with the help of a case study on a global manufacturing firm. Despite the focus on working capital improvement within this firm, it shows that working capital improvement is measured in a way that is legitimate from a finance perspective and focuses on efficiency. Cash conversion cycle measures stand out. Yet, these measures do not provide reliable information for control and do not foster improvement initiatives.

SESSION 8 **Petek**

EMERGING MARKETS I
Session Chair: Nikolaos Philippas - University of Piraeus, Greece

"Regional Integration: Evidence from Africa"
Kashif Saleem - Lappeenranta University of Technology, Finland

Discussant: Thomas Chiang - Drexel University, USA

The purpose of this study is to examine the stock market integration among the African financial markets, in a regional setting. Particularly, South Africa, Nigeria, Kenya, Morocco, Egypt, Mauritius and Tunisia. We estimate a bivariate GARCH-BEKK model proposed by Engle and Kroner (1995) using daily returns calculated by MSCI. We find evidence of direct linkage between all the equity market, both in regards of returns and volatility, South African market seems the most integrated market in the region, while Kenya is found least integrated within the region. Our results show that south, east and western Africa, representing, South Africa, Kenya and Nigeria are totally isolated to each other, while Egypt, Morocco and Tunisia, representatives of North Africa share common influences both in regards to returns and volatility. Our results clearly indicate the need of financial and economic integration within the region.

"Empirical Evidence of Co-Movements Between China and Global Stock Markets"
Thomas Chiang - Drexel University, USA
Lanjun Lao - Fudan University, China
Qingfeng Xue - Fudan University, China

Discussant: Nildag Ceylan - Yildirim Beyazit University, Turkey

This paper investigates the dynamic correlations at both the market and the sectoral levels for Chinese stock returns with those of its counterparts in Japan, South Korea, Hong Kong, Europe, and the US. Statistics suggest that stock-return correlations across markets are time-varying and display structural breaks as demonstrated by logistic smoothing transition analysis. All the structural shifts occur after China became a WTO member. The evidence indicates that the stock returns of the financial sector exhibit the highest correlation across countries among the 10 sectors. From a market perspective, the sectoral stock correlation is closely tied to the geographic location between China and neighboring markets. The data show that the correlation is closely tied to Hong Kong, followed by Korea or Japan, depending on the sector under investigation. The stock correlations of the Chinese market show a relatively weaker relation with European and US markets.

"Examining the Effect of Foreign Portfolio Investments on Istanbul Stock Exchange Using Fama-French Three Factor Model"
M. Hakan Berument - Bilkent University, Turkey
Nildag Ceylan - Yildirim Beyazit University, Turkey

Discussant: Kashif Saleem - Lappeenranta University of Technology, Finland

The foreign investors stock preference is often monitored by the domestic investors in emerging markets and the stocks that the foreign investors hold are closely monitored by the domestic investors. Sometimes, the portfolios that foreigners hold, may affect the portfolios formed by the domestic investors. In this study, the effect of the portfolio selection of foreigners is examined by adding an additional factor to Fama-French three factor model for the case of Borsa Istanbul. Moreover, in addition to these three factors, which are market, size and B/M, foreigners' portfolio factor is also added to the model and 27 portfolio returns are explained with the return formed by the portfolios that foreign investors hold. The coefficients of this additional variable, which are all significant and negative, give support to the model. As a result, all the factors in our model explain the variation in average return in Borsa Istanbul.

Refreshments 10:00 - 10:15 a.m.

Alsancak Foyer

SESSION 9 **Karsiyaka 1**

ASSET PRICING II
Session Chair: Ron Bird - University of Technology Sydney, Australia

"Asset Pricing with Heterogeneous Investors and Portfolio Constraints"
Georgy Chabakauri - London School of Economics, UK

Discussant: George Constantinides - University of Chicago, USA

We study dynamic general equilibrium in one-tree and two-trees Lucas economies with one consumption good and two CRRA investors with heterogeneous risk aversions and portfolio constraints. In one-tree economy we focus on the impact of limited stock market participation and margin constraints on market prices of risk, interest rates, stock return volatilities and price-dividend ratios. We demonstrate conditions under which constraints increase or decrease these equilibrium processes, and generate dynamic patterns consistent with empirical findings. In a two-trees economy we demonstrate that investor heterogeneity gives rise to large countercyclical excess stock return correlations, but margin constraints significantly reduce them by restricting the leverage in the economy, and give rise to rich saddle-type patterns. We also derive a new closed-form consumption CAPM that captures the impact of constraints on stock risk premia.

"Default Risk and Stock Returns"
Andreas Charitou - University of Cyprus, Cyprus
Neophytos Lambertides - Cyprus University of Technology, Cyprus
Lenos Trigeorgis - University of Cyprus, Cyprus

Discussant: Laurie Prather - Bond Univeristy, Australia

This study provides an alternative explanation for a negative overall relation between default risk and stock returns. The analysis sheds light on the debate of whether default risk commands a positive or a negative risk premium, depending on firm-specific characteristics. Unlike most previous studies which rely mainly on event-based explanations (such as mispricing, covenant violations, default renegotiations), our option-based alternative explanation holds for event-free samples and the universe of firms. Our documented negative relation between default risk and stock returns may be attributed to the enhanced skewness provided by the option held by shareholders of levered firms to default. The impact of default risk on stock returns decreases with firm size and depends on value-growth characteristics. While healthy firms on main exchanges show a positive (traditional) return impact, distressed firms exhibit a negative skewness-related default impact.

"Asset Pricing with Countercyclical Household Consumption Risk"
George Constantinides - University of Chicago, USA
Anisha Ghosh - Carnegie-Mellon University, USA

Discussant: Suleyman Basak - London Business School and CEPR, UK

We present evidence that shocks to household consumption growth are negatively skewed, persistent, and countercyclical and play a major role in driving asset prices. We construct a parsimonious model with one state variable that drives the conditional cross-sectional moments of household consumption growth. The estimated model provides a good fit for the moments of the cross-sectional distribution of household consumption growth and the unconditional moments of the risk free rate, equity premium, market price-dividend ratio, aggregate dividend and consumption growth. The explanatory power of the model does not derive from the predictability of aggregate dividend and consumption growth as these are modeled as i.i.d. processes. Consistent with empirical evidence, the model implies that the risk free rate and price-dividend ratio are pro-cyclical while the expected market return is countercyclical.

"Solving Asset-Pricing Models: A Statistical Approach"
Walt Pohl - University of Zurich, Switzerland

Discussant: Neophytos Lambertides - Cyprus University of Technology, Cyprus

This paper introduces a simple non-parametric procedure for solving consumption-based asset pricing models. This procedure avoids auxiliary distributional assumptions and permits calculating the model's implications using the first-order conditions and the data alone. I use this to re-examine the empirical performance of several calibrated and GMM-based estimates in the literature.

SESSION 10 **Karsiyaka 2**

STRUCTURED PRODUCTS
Session Chair: Frank Skinner - University of Surrey, UK

"Learning How to Smile: Can Rational Learning Explain the Predictable Dynamics in the Implied Volatility Surface?"
Alejandro Bernales - Banque de France, France
Massimo Guidolin - University of Manchester, UK

Discussant: Peter Carayannopoulos - Wilfrid Laurier University, Canada

We develop a general equilibrium asset pricing model under rational learning to explain the puzzling and yet unexplained predictable dynamics observable in option prices. In our model, the fundamental dividend growth rate is unknown and subject to breaks, where time periods between breaks follow a memory-less stochastic process. Immediately after a break there is insufficient information to price option contracts accurately. However, as new information arrives a representative Bayesian agent recursively learns about the parameters of the process followed by fundamentals. We show that learning makes beliefs time-varying in ways that induce large and dynamic premiums in option prices and their implied volatilities. In addition, similarly to the predictability features observable from option market data, learning yields statistically strong predictable dynamics in option prices.

"Diversification Through Catastrophe Bonds: Lessons from the Subprime Financial Crisis"
Peter Carayannopoulos - Wilfrid Laurier University, Canada
Fabricio Perez - Wilfrid Laurier University, Canada

Discussant: Emrah Ahi - Ozyegin University, Turkey

Are Catastrophe bonds zero beta investments? Are they a valuable new source of diversification for investors? We study these questions by analysing the dynamic relations of catastrophe bond returns and the returns of the stock, corporate bond and government bond markets. Our multivariate GARCH model results provide evidence that, Catastrophe Bonds are zero beta assets only in non-crisis periods. We document that Catastrophe Bonds were not immune to the effects of the recent financial crisi s. However, by estimating and analyzing the hedge ratios of different assets, we conclude that the Catastrophe Bonds asset class is still a valuable source of diversification for investors.

"Robust Estimation of the Term Structure"
Robert Bliss - Wake Forest University, USA
Emrah Sener - Ozyegin Univesity, Turkey
Gunes Erdogan - Southampton University, UK
Emrah Ahi - Ozyegin University, Turkey

Discussant: Alejandro Bernales - Banque de France, France

The Nelson-Siegel-Svensson (NSS) function is one of the most widely used models for estimating the term structure of interest rates. However, estimating the function's parameters reliably has proven to be difficult. This has important implications for managing fixed income portfolios, and long-dated liabilities such as pensions and life insurance. This paper investigates the scope of these problems, their link to the methods employed to fit the NSS model, and the reliability of the estimated parameters and zero-coupon yields. We find that gradient and direct search methods perform poorly, while global optimization methods, particularly the hybrid particle swarm optimization introduced in this paper, do well. Our results are consistent across four countries, both in- and out-of-sample, and for perturbations in prices and starting values. This study provides clear evidence of the practical importance of choice of optimization method and validates a method that works well for NSS.

"Trinomial-tree Distribution of a Nonlinear Positive Stochastic Interest Rate Model with Connections to the Potential approach"

Weihua Lin - University of Oklahoma, USA
Kevin Grasse - University of Oklahoma, USA
S. Lakshmivarahan - University of Oklahoma, USA

Discussant: Martin Young - Massey University, New Zealand

We consider a new nonlinear stochastic interest rate model that is adapted from a stochastic population growth model and exhibits the desirable properties of positivity and mean reversion. We show that in the constant parameter case this model falls within the paradigm of the Rogers approach for generating positive interest rate models. Moreover, motivated by a procedure initiated by Hull and White, we offer a variant of the model with a time-dependent parameter that allows calibration of the model to a specified initial term structure when a trinomial-tree method is implemented to obtain discrete approximations of the distributions of the interest-rate process. Although nonlinear, our model has a closed form solution, which facilitates the generation of sample paths and the approximate distributions by Monte Carlo simulation.. This allows us to compare the distributions obtained by these two methods. Our results show that the agreement between the two approach is good.

SESSION 11 **Karsiyaka 3**

FINANCIAL CRISIS II
Session Chair: Mehmet Karan - Hacettepe University, Turkey

"How Credible is the ECB's Inflation Targeting? An Empirical Examination of Sovereign Bond Yields"

Alexander Kupfer - University of Innsbruck, Austria

Discussant: Adrian Pop - University of Nantes, France

Recent financial turmoil has led the EU, the IMF and the ECB to use various bailouts and other supporting activities in Europe. With a two-fold analysis (i.e., long-run analysis and event study), I investigate whether the ECB's inflation targeting is still credible regarding the various activities the ECB has undertaken in order to solve the sovereign debt crisis. I argue that in the long-run, the ECB's inflation targeting is very credible at least before the crisis. During the crisis, however, the yield impact of an ECB announcement to buy sovereign bonds is highly significant indicating that investors did not expect this measure. Both results are in line with existing literature suggesting that ECB credibility in general was very high before the crisis and that unexpected ECB announcements have an impact on yields and prices.

"Calibrating Initial Shocks in Bank Stress Test Scenarios:An Outlier Detection Based Approach"

Olivier Darne - University of Nantes, France
Guy Levy-Rueff - Banque de France, France
Adrian Pop - University of Nantes, France

Discussant: Susan Hume - The College of NJ, USA

We propose a rigorous and flexible methodological framework to select and calibrate initial shocks to be used in bank stress test scenarios based on statistical techniques for detecting outliers in time series of risk factors. Our approach allows us to characterize not only the magnitude, but also the persistence of the initial shock. The stress testing exercises regularly conducted by supervisors distinguish between two types of shocks, transitory and permanent. One of the main advantages of our framework, particularly relevant as regards the calibration of transitory shocks, is that it allows considering various reverting patterns for the stressed variables and informs the choice of the appropriate stress horizon. We illustrate the proposed methodology by implementing outlier detection algorithms to several time series of (macro)economic and financial variables typically used in bank stress testing.

"Solvency Predictions in Banks in Selecting European Countries: What Factors are Important During The Financial Crisis?"

Susan Hume - The College of NJ, USA
Alexis Servedio - The College of NJ, USA

Richard Guardino - The College of NJ, USA
Michael Reccia - The College of NJ, USA

Discussant: Sam Agyei - Ampomah - University of Surrey, UK

In 2008, the financial crisis in the United States swept across the world, affecting the global economies. More recently, following financial crises in Ireland and Greece, the countries of Spain, Italy and Portugal also experienced banking crises that stemmed from multiple factors of high government debt levels, real estate and off-balance sheet excesses and banking inefficiencies. Using data from 2005-2012, this paper examines early U.S. banking models and market variables in predicting bank insolvency in those selected European countries. The study adds to the research as it uses the Z-score to measure a bank's insolvency. Results suggest the importance of combining U.S. models with market measures. Further, the study confirms a fundamental change in the studied banks beginning in 2010.

"Does Gold Offer a Better Protection Against Sovereign Debt Crisis than Other Metals?"
Sam Agyei - Ampomah - University of Surrey, UK
Dimitrios Gounopoulos - University of Surrey, U.K.,
Khelifa Mazouz - University of Bradford, UK

Discussant: Alexander Kupfer - University of Innsbruck, Austria

It is a commonly held view that gold protects investors' wealth in the event of negative economic conditions. In this study, we test whether other metals offer similar or better investment opportunities in periods of crisis. Using a sample of 13 sovereign bonds, we show that other precious metals, palladium in particular, offer investors greater compensation for their bond market losses than gold. We also find that industrial metals, especially copper, tend to outperform gold and other precious metals as hedging vehicles and safe haven assets against sovereign bonds. However, the outcome of the hedge and safe haven properties is not always consistent across the different bonds. Finally, our analysis suggests that copper (palladium) is the best performing industrial (precious) metal in the period immediately after negative bond price shocks.

SESSION 12 **Konak 1**

IPOS II
Session Chair: James Booth - DePaul University, USA
"The IPO Underwriting Market Share in China: Do Ownership and Quality Matter?"
Chao Chen - Fudan University, China
Haina Shi - Fudan University, China
Haoping Xu - Fudan University, China

Discussant: Walid Busaba - University of Western Ontario, Canada

The purpose of this paper is to investigate how underwriting quality and government relationship affect underwriters' market share in China's IPO market. We show that state-owned-enterprise (SOE) issuer and non-SOE (NSOE) issuer value underwriting quality differently. Among the four dimensions of underwriting quality, underwriters' market share is significantly related to post-IPO performance of previous clients and affiliated star analyst (industry specialization) in the SOE (NSOE) issuer market. Underwriters' central government ownership is positively related to market share only in the SOE issuer market. The evidence casts doubt on the conjecture that NSOE issuer seeks rent from government through hiring government controlled underwriters. We provide new evidence of how underwriters establish reputation in transitional economies like China. It also adds to the literature by examining the economic consequences of government relationship in a transitional economy.

"Do Underwriters Overprice IPOs to Avert Potential Withdrawal by the Issuers?"
Walid Busaba - University of Western Ontario, Canada
Zheng Liu - University of Western Ontario, Canada

Discussant: Ufuk Gucbilmez - University of Edinburgh, UK

We argue that underwriters have the incentive to overprice lukewarmly (not poorly) received offerings in order to avert potential withdrawal of the offerings. Empirical analysis provides supporting evidence.

Measuring underwriter's pricing intention by the NASDAQ-adjusted percentage change from the offer price to the closing price three days prior to the end of the quiet period, we find "deliberate" overpricing to be more pronounced in issues that end up priced exactly at the lower boundary of the preliminary price range, especially when the ex ante withdrawal probability is higher or when the lower boundary represents a smaller percent drop from the range's midpoint.

"Long-Run Performance of Hot vs. Cold IPOs"
Shantanu Banerjee - Lancaster University, UK
Ufuk Gucbilmez - University of Edinburgh, UK
Grzegorz Pawlina - Lancaster University, UK

Discussant: Haoping Xu - Fudan University, China

The market timing hypothesis predicts that hot market IPOs should perform worse than cold market IPOs. Consistent with this prediction, early literature on long-run IPO performance documents that firms which go public during high-issuance years underperform more. We find that since 1990s there has been a major reversal in this pattern. Hot IPOs perform significantly better over the period between 1994 and 2011, and there is not much evidence of underperformance. The results are robust to the way hot markets are defined and consistent across different methods of measuring long-run performance.

SESSION 13 **Konak 2**

PORTFOLIO MANAGEMENT II
Session Chair: Yong Jae Shin - Soongeui Women's College, Korea

"Investment Horizons, Time Diversification and Sustainable Withdrawal Rates during Retirement Investing in UK Markets"
Lakshman Alles - Curtin University of Technology, Australia
Louis Murray - University College Dublin, Ireland

Discussant: Valerio Poti - Dublin City University, Ireland

Previous studies that have assessed the impact of investment horizon on returns, risks and end of period wealth distributions of the major U.K. asset classes. They have shown evidence in favour of time diversification. The probability of a shortfall in end of period wealth has been shown to decrease as the holding period lengthens, and higher risk asset classes outperform lower risk asset classes. The objective of this paper is to first re-examine the time diversification effects of major U.K. asset classes in the updated market history. Then it investigates the effects of time diversification on the probabilities of financial ruin for a retiree with an initial thirty year retirement horizon and for a range of retirement horizons that progressively decline with time. The probabilities of financial ruin are examined for several alternative investment strategies based on some periodic withdrawal rates commonly recommended by retirement investment advisors.

"Predictability, Trading Rule Profitability and Learning in Currency Markets"
Valerio Poti - Dublin City University, Ireland
Richard Levich - Stern - NYU, USA
Pierpaolo Pattitoni - Bologna University, Italy

Discussant: Yacine Belghitar - Cranfield School of Management, UK

This paper studies currency predictability over time. We assess predictability by testing for the presence of exploitable patterns in currency returns. To do so, we first generate consistent and parsimonious reduced-form estimates of currency expected returns and variances and then use these estimates to form dynamic trading strategies that maximize the multi-period Sharpe ratio. Our results show that currency predictability is time-varying and, for a number of currencies, has increased substantially in recent times, casting doubt on the widespread view that currency pricing may be on a path of convergence towards efficiency. We find, however, that currency markets learn in an efficient manner and a close relation between our strategies and indices that track popular technical trading rules, namely moving average cross-over rules and the carry trade, suggesting that the technical rules represent heuristics by which professional market participants exploit currency mispricing.

"Does it Pay to be Ethical? On the Contrary! Evidence from the FTSE4Good"
Nitin Deshmukh - Middlesex University Business School, UK
Ephraim Clark - Middlesex University Business School, UK
Yacine Belghitar - Cranfield School of Management, UK

Discussant: Sha Liu - Trinity College Dublin, Ireland

The empirical mean-variance evidence comparing the performance of ethical and non-ethical investments suggests that there is no significant difference between the two. This paper reexamines the problem in the context of Marginal Conditional Stochastic Dominance (MCSD). Comparing the performance of the ethical FTSE4Good Series of indices with that of similar conventional indices, it provides strong evidence that the conventional indices in the UK, US and Globally dominate the ethical FTSE4Good Series. Thus, investors pay a price for investing ethically.

"Perverse Incentives in the Hedge Fund Contract"
Paul Lajbcygier - Monash University, Australia
David Ghijben - Monash University, Australia

Discussant: Stylianos Perrakis - Concordia University, Canada

Embedded within the hedge fund contract are lucrative fees. These fees typically comprise a 2% management fee paid in proportion to the assets under management and a 20% incentive fee paid from the profits the manager generates. Ideally, these fees should perfectly align the interests of managers and investors and hence mitigate agency costs. However, we show that the current fee structure fails in this regard. By growing assets under management managers increase their overall revenue via management fees but, as a consequence of increased capacity constraints, returns to their investors decrease. Thus, the fee structure motivates perverse behavior. Hence, we reconsider the hedge fund contract and suggest increasing its flexibility with the aim of realigning the interests of fund managers with investors.

SESSION 14 **Bergama 2**

RISK MANAGEMENT
Session Chair: Dariusz Zarzecki - University of Szczecin, Poland

"Research of Hedging and Trading Derivatives Impact on Public European Banks' Value and Share Performance: Panel Data Approach"
Nikita Gomauyn - National Research University Higher School of Economics, Russian Federation
Henry Penikas - National Research University Higher School of Economics, Russian Federation
Yulia Titova - University Paris 1 Pantheon-Sorbonne, France

Discussant: Francis In - Monash University, Australia

In most cases the ultimate goal of a bank is profit maximization. That depends on what derivatives one uses. Thus the objective of this research is to examine the relationship between a bank's value and characteristics of derivatives it subscribed to. The financials from 2005 to 2010 of 130 European public banks countries are examined. The study is based on two sets of data: the first one contains the accounting data on balance sheets and the profit and loss accounts from Bankscope from 2005 to 2010, while the second one includes the manually collected data from the notes to the financial statement disclosures. Regression analysis is used to trace the impact of derivative use on bank's value. Two key research implications are as follows. The return on hedging derivatives is positively associated with the growth in bank's stock returns, whereas trading derivatives' notional value negatively impacts both Tobin's q and ROAA, and positively impacts risk of the bank's stocks.

"Why Optimal Diversification Cannot Outperform Naive Diversification: Evidence from Tail Risk Exposure"
Stephen Brown - Stern - NYU, USA
Inchang Hwang - University of Melbourne, Australia
Francis In - Monash University, Australia

Discussant: Elvis Jarnecic - University of Sydney, Australia

This paper examines the outperformance of naive diversification relative to optimal diversification. From out-of-sample analysis using portfolios consisting of individual stocks as well as diversified equity portfolios, we find that optimal diversification fails to consistently outperform naive diversification. Our results show that naive diversification increases tail risk measured by skewness and kurtosis and makes portfolio returns more concave relative to equity benchmarks. In addition, tail risk exposure and concavity increases with the number of stocks in the portfolio. These results imply that the outperformance of naive diversification relative to optimal diversification represents a compensation for the increase in tail risk and the reduced upside potential associated with the concave payoff.

"Equity Issues and the Impact of Lead Manager Affiliation on Broker Market Share and Trading Volume"
Elvis Jarnecic - University of Sydney, Australia
Yubo Liu - University of Sydney, Australia

Discussant: Hany Ahmed - University of Hull, UK

Using a unique broker ID data, this paper investigates the trading volume and market share of brokers surrounding Seasoned Equity Offerings (SEOs) in the Australian primary market. It also uses pooled regression analysis to examine the key determinants of the behaviour of affiliated and unaffiliated brokers around SEOs. The results suggest that broker affiliation has a significant impact on broker trading volumes and market share on both the announcement days and issuance days. However, there is no significant evidence showing that lead managers or co-manager outperform other underwriters. Rather, the results indicate that co-managers are not expected to gain any abnormal volume or market share. Moreover, broker reputation, market capitalization and relative offer size of the offering firm are shown as the primary characteristics influencing broker performance.

"On the Over-Dispersed Nature of Operational Losses:Does it Influence the Capital at Risk (CaR)?"
Jose Manuel Feria-Dominguez - Pablo de Olavide University, Spain
Enrique Jose Jimenez-Rodriguez - Pablo de Olavide University, Spain
Ola Sholarin - Westminster University, UK

Discussant: Henry Penikas - National Research University Higher School of Economics, Russian Federation

The Poisson distribution is commonly assumed for modelling count data, but its application implies equi-dispersion. In this paper, we demonstrate the over-dispersed nature of operational losses and analyze the impact of the so called extra-Poisson phenomenon on the final Capital at Risk (CaR). Thus, we calibrate the potential model risk embodied when applying the Poisson function into the Loss Distribution Approach (LDA) on the basis of an external operational losses database provided by Algorithmics-Fitch Group. Our analysis brings into light that the alternative Compound Poisson-Gamma models provide with much better goodness of fit than the traditional Poisson distribution. Despite of it, comparative results in of terms regulatory capital reveal that the LDA-Standard appears to be not sensitive enough to the over-dispersion involved in frequency. On the contrary, higher differences are observed when using alternative heavy tail severity distribution.

FINANCIAL INTEGRATION

Session Chair: Aydin Ozkan - University of Hull, UK

"Do Macroeconomic Fundamentals Matter for Stock Returns? Some International Evidence"

Nikiforos Laopodis - Fairfield University, USA
Anna Merika - Deree College, Greece
Anna Triantafillou - American College of Greece, Greece

Discussant: Roselyne Joyeux - Macquarie University, Australia

We address the dynamic linkages among stock prices and economic fundamentals for the period from 1990 to 2010 for France, Germany, Italy, the UK and the US using VAR/VEC analyses. In general, the results revealed different sensitivities in the way stock prices reacted to changes in economic fundamentals suggesting that stock markets appeared to move independently of them in the long run, especially since the 2000s. For example, stock returns were not influenced much by industrial production or interest rates since their impacts were smaller in the post-Euro than in the pre-Euro period.

"International Natural Gas Market Integration"

Raymond Li - Hong Kong Polytechnic University, Hong Kong
Roselyne Joyeux - Macquarie University, Australia
Ronald Ripple - Curtin University of Technology, Australia

Discussant: Xisong Jin - Université du Luxembourg, Luxembourg

We explore the relationships among the North American, European and Asian natural gas markets for evidence of convergence and integration for the January 1997 through May 2011 period. The analyses are conducted under a multivariate framework, so the dynamics among the prices can be captured without the necessity of identifying an anchor price series. We find evidence of convergence among the Japanese, Korean, Taiwanese and UK prices. The North American price displays behaviour that is distinct from this group of prices. We conclude that there is not a fully integrated international natural gas market. The integration between European (represented by NBP) and Asian geographic regions appears to be due primarily to underlying contractual mechanisms specifically linking natural gas prices to oil prices rather than the result of market supply and demand interactions.

"Banking Systemic Vulnerabilities: A Tail-Risk Dynamic CIMDO Approach"

Xisong Jin - Université du Luxembourg, Luxembourg
Francisco Nadal De Simone - Banque Centrale du Luxembourg, Luxembourg

Discussant: Nikiforos Laopodis - Fairfield University, USA

This study proposes a novel framework which combines marginal probabilities of default estimated from a structural credit risk model with the consistent information multivariate density optimization (CIMDO) methodology of Segoviano, and the generalized dynamic factor model (GDFM) supplemented by a dynamic t-copula. The framework models banks default dependence explicitly and captures the time-varying non-linearities and feedback effects typical of financial markets. It measures banking systemic credit risk in three forms. In addition, the estimates of the common components of the banking sector short-term and conditional forward default measures contain early warning features, and the identification of their drivers is useful for macroprudential policy. Finally, the framework produces robust out-of-sample forecasts of the banking systemic credit risk measures. This paper advances the agenda of making macroprudential policy operational.

"Methodological Problems of Economic Policy: The Problem of Temporal Aggregation"

Eleni Thanou - Hellenic Open University, Greece
Dikeos Tserkezos - University of Crete, Greece

Discussant: Osman Aktas - Concordia University, Canada

The present paper focuses on the analysis of methodological problems affecting the implementation and efficiency of economic policy due to the problem of temporal aggregation. Very often, lack of data at the appropriate temporal aggregation level lead to the utilization of data at a higher level of aggregation. This type of methodological compromise affects the estimation of the correct relationships among the variables of interest and has potentially significant consequences on the efficient implementation of economic policy. A frequently used compromise is the utilization of annual instead of quarterly or quarterly instead of monthly data in estimating the impulse functions between variables which in theory and in reality interact in much shorter time frames. The result of such practices is that models used for economic policy purposes are mis-specified and end up in erroneous conclusions regarding the temporal reactions (impulse functions) among the concerned variables.

SESSION 16 **Petek**

CAPITAL STRUCTURE
Session Chair: Didier Maillard - Cnam, France

"European Integration and Corporate Financing"
Gulnur Muradoglu - Queen Mary University of London, UK
Ceylan Onay - Bogazici University, Turkey
Kate Phylaktis - Cass Business School, UK

Discussant: Hue Hwa Au Yong - Monash University, Australia

We explore the importance of the supply of capital for corporate financing decisions by investigating an exogenous event, the adoption of the Euro in 1999, which caused a shift in stock and credit market conditions and impacted on European integration. We find that firms increase equity financing as the country they reside accedes to EU, the first phase of European integration, and debt financing as well as debt maturities as it accedes to EMU, after controlling for developments in equity and credit markets due to ongoing financial globalisation, firm level determinants and the moderating effects of the country of origin.

"Off-Market Buybacks in Australia: Evidence of Abnormal Trading Around Key Dates"
Hue Hwa Au Yong - Monash University, Australia
Christine Brown - Monash University, Australia
Chloe Choy Yeing Ho - Monash University, Australia

Discussant: Richard Saito - Fundacao Getulio Vargas, Brazil

Off-market share buybacks in Australia are often structured with the buyback price comprising a large dividend component (which may carry imputation tax credits) and a small capital component. This unique structure has the consequence that institutions on low tax rates stand to benefit most from selling shares back to the company. In this paper, we explore evidence of abnormal trading activities around key dates in the conduct of off-market buybacks and investigate the drivers of these activities. We find evidence of abnormal trading activities around the initial announcement and the final announcement dates of the buyback. The significant differences in abnormal volumes between the buybacks with and without imputation tax credits highlight the importance of tax motivations in explaining abnormal trading activities in the shares of companies conducting off-market buybacks.

"The Role of Bond Covenants and Short-Term Debt: Evidence from Brazil"
Vinicius Augusto - Fundacao Getulio Vargas, Brazil
Richard Saito - Fundacao Getulio Vargas, Brazil
Fernando Barbi - Fundacao Getulio Vargas, Brazil

Discussant: Ceylan Onay - Bogazici University, Turkey

This paper examines the role of financial covenants as substitutes for short-term debt and a possible trade off between short-term debt and long-term debt especially with companies with growth opportunities. Using a sample of 159 corporate bonds issued on, the Brazilian Market, we found evidence that: Firstly, financial covenants and shortterm debt are substitute tools to minimize agency conflict, as per literature confirming that stronger financial covenants could limit the possible expropriation of debtholders and in exchange debtholders may be willing to lend at longer tenors and; secondly, companies with growth opportunities are willing to exchange its short-term debt for long-term debt under the presence of covenants and mostly important, this does not seem to be a restriction for financing growth opportunities.

"Predicted vs. Real Stock Prices: Can the Difference be Explained by Key Macroeconomic Factors?"
Stella Spilioti - Athens University of Economics and Business, Greece

Discussant: Lorenz Schneider - EMLYON, France

Penman and Sougiannis (1998) consider that price deviations from fundamental value are model estimation errors, while Barberis et al. (1998) suggest that these deviations are due to psychological factors that affect investor reaction to information. In this paper, we use the valuation models proposed by Barberis (1998) and Ohlson (1995) and data from the London Stock Exchange in order to calculate the fundamental value of a stock and then examine whether the differences between predicted and real stock prices are due to macroeconomic fundamentals or psychological factors. On the whole the results show that, for both valuation models, differences between predicted and real stock prices are explained by important macroeconomic variables.

SESSION 17 **Alsancak**

EMERGING MARKETS II
Session Chair: Ramazan Aktas - TOBB University of Economics and Technology, Turkey

"Determining Systematic Risk Factors in IMKB"
Serkan Yüksel - Istanbul Stock Exchange, Turkey

Discussant: Cihat Sobaci - Istanbul Stock Exchange, Turkey

This study tries to identify the different common risk factors in the returns of the common stocks in Istanbul Stock Exchange (IMKB). Three factor model of the Fama and French defines the common risk factors as stock-market factors and the bond-market factors. By including term structure of interest proxy and including parameter for default risk for the source of risk in the return of the stocks in IMKB, this study examines the common variation in stock returns. Our results show that with the introduction of bond market components, the overlapping effect of the term structure risk vanishes. More importantly, this study is the first attempt to distinguish different systematic risk factors using three factor model in IMKB.Findings show that stock factors have more powerful effect on the stock returns so that systematic risk of the common stocks highly structured on the stock-market factors.

"Information Flow between Exchange Rates and Stock Markets in Emerging Countries: Effects of the 2008 Crisis"
Ahmet Sensoy - Borsa Istanbul, Turkey
Fatih Alali - Istanbul Stock Exchange, Turkey
Cihat Sobaci - Istanbul Stock Exchange, Turkey

Discussant: Elif Mutlu - IMKB Research Department, Turkey

We investigate the strength and the direction of information flow between exchange rates and stock markets in emerging countries by the concept of transfer entropy. Transfer entropy is a model-free approach that is non-restricted to linear dynamics and it allows us to quantify information flow between financial time series with minimum assumptions. Our empirical applications show that before the 2008 crisis, only low level interactions exist between the exchange rates and stock markets in emerging countries, and in general domination of currency returns is observed. On the other hand, during the post-crisis period, the interaction between these two significantly increases in all studied countries and in general stock markets seem to dominate currency returns. The reasons and the implications are discussed.

"Interaction between SSFs and the Underlying Securities: Lead-Lag Relationship of Price Movements"
Elif Mutlu - IMKB Research Department, Turkey
Evren Arik - IMKB Research Department, Turkey

Discussant: Serkan Yüksel - Istanbul Stock Exchange, Turkey

We investigate the lead-lag relationship between price movements of single stock futures and spot stock markets in four organized markets, namely, Korea Exchange, National Stock Exchange of India, Warsaw Stock Exchange, and MICEX-RTS. Employing vector error correction model and using daily data of 78 single stock futures-stock pairs, we find that, in the long-run, spot market leads futures market in 38.5% of the sample. Leading role of futures contracts slightly rises for older futures markets, and is less apparent for pairs where ratio of futures market volume to spot market volume is lower. Regarding the short run dynamics, spot market acts as a dominant leader for younger futures contracts while futures market mostly leads for relatively mature contracts.

"Seasonality in the Vietnam Stock Index"
Swint Friday - Texas A&M University Corpus Christi, USA
Nhung Hoang - Texas A&M University - Corpus Christi, USA

Discussant: Mona Soufian - Newcastle Business School, Northumbria University, UK

This study examines seasonality in the Vietnam Stock Market Index over 10 years, since the market's establishment on July 28th, 2000 until December 31st, 2010. The study found significant positive returns in April and significant negative returns in July for the VN-Index. Also, the "Halloween Effect" or "Go away in May come back Halloween Day" effect is observed in the Vietnam Stock Market Index. The authors posit these results are partially driven by the rainy season in Vietnam where monthly rainfall reaches up to 1000 mm.

LUNCHEON

12:15 - 1:15 p.m. Kordon

KEYNOTE SPEECH

1:15 - 2:00 p.m. Smyrna

Professor Suleyman Basak
London Business School and CEPR, UK

ASSET PRICES AND INSTITUTIONAL INVESTORS

Empirical evidence indicates that trades by institutional investors have sizable effects on asset prices, generating phenomena such as index effects, asset-class effects and others. It is difficult to explain such phenomena within traditional asset pricing models. Here, we consider a setting with institutional investors alongside standard retail investors. We explicitly incorporate the incentives of institutions to do well relative to their index. This simple ingredient has profound implications for asset prices. In particular, institutions optimally tilt their portfolios towards stocks that comprise their benchmark index. The resulting price pressure boosts index stocks, while leaving nonindex stocks unaffected. By demanding a higher fraction of risky stocks than retail investors, institutions amplify the index stock volatilities and aggregate stock market volatility. Trades by institutions induce excess correlations among stocks that belong to their benchmark index, generating an asset-class effect.

SESSION 18 **Karsiyaka 1**

ASSET PRICING III
Session Chair: Thomas Chiang - Drexel University, USA

"The Performance of Socially Responsible Investments: An Examination under the ICAPM Framework"
Yuchao Xiao - Monash University, Australia
Robert Faff - University of Queensland, Australia
Philip Gharghori - Monash University, Australia
Byoung-Kyu Min - University of Neuchatel, Switzerland

Discussant: Nader Virk - Hanken School of Economics, Finland

This study formulates a two-factor empirical model under the ICAPM framework to evaluate the cross-sectional implications of socially responsible investments in the US equity market. Our results show that socially responsible investments have no asset pricing impact on the US market. To this end, we argue that (i) socially responsible corporations understand how to successfully incorporate SRI strategies into the decision making process without adversely affecting their core business and, (ii) investors will not be disadvantaged financially by investing in socially responsible funds or corporations. As such, a trade-off in returns in exchange for socially responsible holdings is not necessary. This evidence should further encourage the adoption of socially responsible investment strategies and might also explain the increasing trend of socially responsible holdings in the US marketplace.

"Skewness and the Relation Between Risk and Return"
Panayiotis Theodossiou - Cyprus University of Technology, Cyprus
Christos Savva - Cyprus University of Technology, Cyprus

Discussant: Konstantinos Tolikas - Cardiff University, UK

The empirical literature examining the relation between expected returns and risk premium is voluminous and the results so far have been inconclusive. In this study we re-examine this puzzle using a general framework that accounts for skewness, excess kutorsis and heteroskedasticity. The results show a positive and statistically significant relation between risk and return. However, in case the effects of skewness are ignored in model specification, this relation turns insignificant with mixed signs.

"A Model for the Downside Risk in the Japanese Stock Market"
Konstantinos Tolikas - Cardiff University, UK

Discussant: Philip Gharghori - Monash University, Australia

This paper investigates the limiting distribution of the extreme daily returns in the Japanese stock market. The results indicate that the too much celebrated Generalised Extreme Value distribution is not the most appropriate model for the data since the fatter tailed Generalised Logistic distribution was found to provide better descriptions of the extreme minima. This finding may have important implications for risk management tools, such as Value-at-Risk and Expected Shortfall, since risk measurements which cannot capture the fatness of tails of the empirical distribution function of returns may lead to serious underestimation of downside risk.

"Cash-Flow News, Discount-Rate News and the Co-Skewness Risk"
Leon Zolotoy - Melbourne Business School, Australia
Petko Kalev - University of South Australia, Australia

Discussant: Anna Triantafillou - American College of Greece, Greece

The current paper considers an extension of the two-beta model of Campbell and Vuolteenaho (2004) to the higher-moment asset pricing model which includes co-skewness risk. We break down co-skewness risk into the co-skewness with the cash-flow news, co-skewness with the discount-rate news and the covariance with the product of the two - the co-variation risk. We find that stocks with high past returns have higher exposure to the co-variation risk in comparison to the stocks with low past returns. We also document positive and statistically significant market price of the co-variation risk, while no such evidence is found for the cash-flow and discount-rate co-skewness risk factors. The two-beta model of Campbell and Vuolteenaho, when it is augmented with the co-variation risk factor, explains about 73% of the variation of the size/book-to-market, size/momentum and industry-sorted portfolio excess returns.

SESSION 19 **Karsiyaka 2**

CORPORATE FINANCE II
Session Chair: Kate Phylaktis - Cass Business School, UK

"The Poor Man's IPO: Reverse Takeovers in the UK"
Mario Levis - Cass Business School, UK

Discussant: Vincenzo Capizzi - Eastern Piedmont State University, Italy

Reverse takeovers (RTOs) have been referred to as the poor man's IPO as it offers an alternative route to go public that is marketed as cheaper and faster than an IPO. Using for the first time a sample of RTOs from the London Stock Exchange (LSE), that applies a significantly different regulatory framework from US on such transactions. In sharp contrast to the US experience, we find that a significant proportion of the UK RTOs are undertaken by firms looking for expansion through a simultaneous synergetic acquisition (59% of our sample) and a public listing and are often actively involved in acquisitions and SEOs, soon after their public listing. Again, in contrast to the US findings, the UK sample of RTOs display significantly better viability compared to the US. Furthermore, there is no evidence to suggest that their aftermarket performance for RTOs in the UK is fundamentally different from their peers which opt for a traditional IPOs listing.

"The Impact of Functional Forms of the Determinants of Business Angels' Investments: An Empirical Analysis"
Vincenzo Capizzi - Eastern Piedmont State University, Italy
Giovanni Tirino - SDA Bocconi School of Management, Italy

Discussant: Krishna Reddy - University of Waikato, New Zealand

Start-ups need capital to make new investments, but they don't have access to debt capital because of their inability to produce positive cash flows. The economic player who best suits seeds and start-ups financial needs is the Business Angel, a private investor who finance newly constituted firms with his own savings, filling the equity gap. Given the economic structure of several EU countries based on SMEs, the presence of business angels is very important. This study is the first attempt to present a wide picture of the players of the informal venture capital market, and analyzes data on transactions and personal features of business angels gathered during 2007-2011. The aim of the empirical analysis is to investigate the determinants of business angels' investments, and shows that their investments (in terms of stake in the investee company and amount invested) are influenced mainly by non-financial reasons.

"Do M&As Create Value? The Pre-and-Post M&A Performance of Chinese and Indian Companies"
Song Chen - University of Waikato, New Zealand
Sazali Abidin - University of Waikato, New Zealand
Krishna Reddy - University of Waikato, New Zealand

Discussant: Evangelos Vasileiou - University of the Aegean, Greece

The growth in Chinese and Indian economies has witnessed an increase in the mergers and acquisitions (M&A) activities over the last twenty years. The effects of M&As on Chinese and Indian listed companies' are analysed using average abnormal returns (AAR) and cumulative average abnormal returns (CAAR) as performance measures. We use a mean adjusted returns model, a market adjusted returns model and ordinary least squares (OLS) adjusted returns model to calculate both AAR and CAAR for the listed companies. We compare the performance of the bidder before the acquisition with performance of the merged company and results for Chinese and Indian markets are also compared to the results obtained for the more mature and developed US market. The sample for our study includes 30 companies from China, 40 from India, and 32 from the US for the period 2004 to 2007. Our findings are consistent for all three countries, that is, there is no improvement in company value after M&A.

"The Global Financial Crisis and the Role of Ownership Structure on Cost of Capital"

Salman Afkhami Rad - Finance Department, New Zealand
Stuart Locke - University of Waikato, New Zealand
Krishna Reddy - University of Waikato, New Zealand

Discussant: Kate Phylaktis - Cass Business School, UK

This paper explores the relationship between ownership structure and cost of capital. Prior studies established links between ownership structure, firm performance and cost of capital but their results are mixed and inconclusive. As ownership structure is one of the important issues in every corporate, especially in listed companies, this study tries to track the relationship between ownership structure and cost of capital in listed companies. Although the important role of ownership structure is obvious to academics and practitioners, the expectation of managers and shareholders is that this corporate characteristic protects the company both in normal situations and in crisis situations. This study explores the role of ownership structure on cost of capital during and after financial crisis. A panel regression method is employed to address these questions. Findings of this study document a negative role for ownership structure on cost of capital during a global financial crisis.

SESSION 20 **Karsiyaka 3**

BANKS II

Session Chair: Lakshman Alles - Curtin University of Technology, Australia

"Competitive Conditions in Turkish Banking System After 2001 Turkish Crisis"

Gülin Vardar - Izmir University of Economics, Turkey
Berna Aydogan - Izmir University of Economics, Turkey
Unal Seven - IMT Institute for Advanced Studies Lucca, Italy

Discussant: Mahir Alman - Bamberg University, Germany

This study assesses the competitive conditions in the Turkish banking system by using Panzar-Rose (1987) during the period 2002-2011 and examines whether the country's banking system has been affected by the structural changes that have been initiated. Differing from previous literature in Turkish banking system, different estimator methods with more comprehensive and wider data set are utilized to cover the processes of the deregulation, and consolidation. Therefore, the analysis of the competition in the banking industry with so many important development milestones is of high interest to policy makers.

"Shari'ah Supervisory Board Composition Effects on Islamic Banks' Risk-Taking Behavior"

Mahir Alman - Bamberg University, Germany

Discussant: W. Travis Selmier II - Indiana University, USA

The Shari'ah Supervisory Board (SSB) monitors and certifies compliancy and is unique to the governance structure of Islamic banks compared to their Western counterparts. This study addresses the question of how the compositional characteristics of the SSB influence the loan portfolio risk-taking of Islamic banks. As such, we analyze to which degree the legal supervisory functions of a SSB affect the banks' risk-taking behavior. Our results reveal evidence that the loan portfolio risk-taking of Islamic banks is positively influenced by increasing size of the SSB, as well as when top ranked Shari'ah scholars with multiple memberships have board mandates and when annual changes occur in the composition of a SSB, regarding particularly previous period variables with second lags. We find that supervisory effectiveness and disciplining power of individual bank SSBs towards the loan portfolio risk-taking of Islamic banks decreases in a decentralized Shari'ah-compliant governance structure.

"Relationship Banking, Information Economics and Private Monitoring in China"

W. Travis Selmier II - Indiana University, USA

Discussant: Gülin Vardar - Izmir University of Economics, Turkey

Criticism directed toward banking in China revolves around self-dealing. Corruption, nepotism, high NPLs and inefficiency of government-directed lending have been blamed on embedded guanxi networks. While valid to an extent, this criticism ignores two important points: guanxi networks bring disciplining mechanisms as well as potential corruption, and those mechanisms may improve banking governance. Relationship banking in a Chinese context- with the influence of guanxi in banking- further increases reputational costs when self-dealing is uncovered. Employing theory from relationship banking, information economics and the business ethics of guanxi, I present a simple transactional cost argument: costs to bad banking behavior are increasing just as the benefits from staying rich increase. Increased disclosure through private monitoring affects the chances of staying rich as disclosure increases the chances that a corrupt relationship will lead to loss of wealth and reputation.

"Long Memory Volatility and VaR for Long and Short Positions in the Mexican Stock Exchange"

Francisco Lopez Herrera - UNAM, Mexico
Edgar Ortiz - Universidad Nacional Autonoma de Mexico,
Alejandra Cabello - UNAM, Mexico

Discussant: Swint Friday - Texas A&M University Corpus Christi, USA

This work analyzes the relevance of models that capture the presence of long memory on the performance of Value at Risk (VaR) estimates, Long memory effects both for the case of returns and volatility in the Mexican Stock Index are captured employing autoregressive models with fractional integration. Volatility of returns are estimated applying FIGARCH, FIAPARCH e HYGARCH models, including for each model three different specifications for the error distribution. The evidence shows that for, daily VaR calculations, models that consider distributions other than gaussian, perform better than those that do, both for the short and long positions. The study covers the 1983-2009 period.

SESSION 21 **Konak 1**

CORPORATE GOVERNANCE I

Session Chair: Yukihiro Yasuda - Tokyo Keizai University, Japan

"The Informative Content of CEO and CFO Insider Trading: New Evidence from the Financial Crisis"

Aydin Ozkan - University of Hull, UK
Agnieszka Trzeciakiewicz - University of Hull, UK
Discussant: Oguzhan Karakas - Boston College, USA

This paper investigates the impact of CEO and CFO insider purchases on stock returns. Using an extensive dataset on director purchase transactions in the UK during the period 2000-2010, our analysis reveals that director characteristics in addition to a position they hold in the firm can partially explain the market-adjusted returns on insider trading. We report that purchases performed by the CEOs are generally more informative than those by the CFOs. Our results also reveal that opportunistic transactions reveal more information about firm value, but only in the post-crisis period. The opportunistic trades made by CEOs during the crisis lead to lower subsequent returns. Finally, our analysis provides evidence that board independence is an important corporate governance feature in determining the informative content of the trades made by executive directors.

"The Impact of Creditor Control on Corporate Bond Pricing and Liquidity"

Peter Feldhutter - London Business School, UK
Edith Hotchkiss - Boston College, USA
Oguzhan Karakas - Boston College, USA

Discussant: Shuqing Luo - National University of Singapore, Singapore

This paper analyzes the impact of the shift of control rights from shareholders to creditors on corporate bond pricing and liquidity. Specifically, we propose a new measure to demonstrate the premium in bond prices that is related to creditor control. The main insight for our methodology is that CDS prices reflect the cash flows of the underlying bonds, but not the control rights. We estimate the premium in bond prices as the difference in the bond price and an equivalent non-voting synthetic bond that is constructed using credit default swaps (CDS). Empirically, we find this premium increases around important credit events such as defaults, bankruptcies, covenant violations and periods of financial distress. The increase is greatest in cases where the value of control is expected to be highest. We also document bond and CDS liquidity changes around these events, and show that liquidity changes do not appear to drive the increases in the premium.

"CEO Turnover, Financial Distress and Contractual Innovations"
Harry Evans - University of Pittsburgh, USA
Shuqing Luo - National University of Singapore, Singapore
Nandu Nagarajan - University of Pittsburgh, USA

Discussant: Sabri Boubaker - Champagne School of Management, France

CEO performance is both particularly important and particularly at risk for firms in financial distress because of potential misalignment between the CEO's incentives and the interests of the firm's stakeholders. We compare the resolution of CEO incentive problems in distressed firms between the 1980s versus the 1990s, focusing on how changes in the contractual environment, as well as in the executive labor market, resulted in a shift in equilibrium. We provide evidence that the increased bargaining power of creditors, associated with the application of contractual innovations in the 1990s, enabled them to more effectively retain more highly skilled CEOs and provide them with incentive to increase firm performance.

"Large Controlling Shareholders and Stock Price Synchronicity"
Sabri Boubaker - Champagne School of Management, France
Hatem Mansali - Universite Paris - Est, France
Hatem Rjiba - Universite Paris - Est, France

Discussant: Yannick Van Landuyt - K.U.Leuven, Belgium

This paper examines the effect of controlling shareholders on stock price synchronicity, a measure of the relative amount of industry- and market-level information impounded into stock prices. In particular, it focuses on two salient corporate governance features in a concentrated ownership setting, namely, the control-ownership wedge and ultimate cash flow rights. Using a unique dataset of 662 French listed firms spanning 1998 to 2007, this paper provides strong evidence that stock price synchronicity increases with the control-ownership wedge. This result supports the argument that controlling shareholders tend to limit the disclosure of firm-specific information to conceal any opportunistic, self-serving practices. Additionally, this study shows that firms with a substantial control-ownership wedge are more likely to experience stock price crashes, consistent with the conjecture that controlling shareholders are more likely to engage in bad information hoarding activities.

SESSION 22 **Konak 2**

PORTFOLIO MANAGEMENT III
Session Chair: Andrey Ukhov - Cornell University, USA

"Has Gold Been a Good Hedge Against Inflation in France from 1949 to 2011?"
Van Hoang - Groupe Sup de Co Montpellier Business School, France

Discussant: Didier Maillard - Cnam, France

This article aims to examine the role of gold quoted in Paris as an inflation hedge in France over the period 1949 to 2011. With a French monthly database of the prices of one-kilo ingots, Napoleon coins and the consumer price index, we test for the short-term and long-term relationships between gold and inflation in France. The Pearson and Spearman correlation coefficients and linear regression are used to study the short-term relationship. Cointegration tests of Engle and Granger (1987) and Phillips and Ouliaris (1990) are used to study the long-term relationship. The results show no significant relationship between the price of gold quoted in Paris and French inflation. This leads to the conclusion that gold quoted in Paris is not a good hedge against inflation in France, unlike gold quoted in London or New York.

"Investment Decisions and Asset Management in a High-Tax Environment"
Didier Maillard - Cnam, France

Discussant: Andrea Buffa - Boston University, USA

Tax is central to corporate finance theory, but less considered in market finance, investment analysis or asset management. Yet, in most countries, investments are subject to often substantial, and multiple, taxation. In times of public debt crisis, governments are tempted to increase the tax burden on investment.Tax has a significant, and non-uniform, impact on asset returns. Taking account of taxes can therefore lead to important changes in investment choices and increase the allocation of resources to dealing with tax issues rather than to pure investment analysis. Tax considerations should not play an exclusive or even dominant role in wealth management, as many examples of misleading tax incentives show. But the high levels of taxation on wealth and its yield now imposed in many countries mean that tax aspects cannot be overlooked.

"Strategic Risk Taking with Systemic Externalities"
Andrea Buffa - Boston University, USA

Discussant: Laurent Bodson - HEC Management School, Belgium

This paper studies strategic risk taking of highly-levered financial institutions within a structural model of credit risk. We consider a context in which systemic default induces externalities that amplify the private cost of financial distress. This represents a source of strategic interaction and mandates an analysis of financial institutions' asset allocations in coalescence. We derive a unique strategic equilibrium in which two heterogenous institutions adopt polarized and stochastic risk exposures, without sacrificing full diversification. In the presence of systemic externalities, both financial firms are concerned with maintaining sufficient wealth in adverse states. To this purpose, the conservative institution reduces its risk exposure, whereas the aggressive institution optimally gambles on positive and negative outcomes by taking long and short positions in risky securities over time. This equilibrium mechanism increases the likelihood of a systemic crisis.

"Comparison Between Morningstar Ratings and Traditional Performance Measures Ratings"
Laurent Bodson - HEC Management School, Belgium
Stephanie Delhalle - HEC Management School, Belgium
Danielle Sougne - HEC Management School, Belgium

Discussant: Van Hoang - Groupe Sup de Co Montpellier Business School, France

In this paper, we compare Morningstar ratings and ratings obtained using the same methodology of rating attribution with a set of commonly used performance measures. We study three types of investment horizons: 3-year, 5-year and 10-year ratings. Our analysis focuses on Open-End US Mutual Funds available in Morningstar Direct Database from which we create three sets of 16,617, 13,505 and 7,992 funds corresponding respectively to the three investment horizons analyzed. Our results show that Morningstar ratings are very close (correlation around 80%) to ratings obtained with Sharpe's alpha, Jensen's alpha, Four-factor alpha and Excess returns.

SESSION 23 **Bergama 2**

ACCOUNTING ISSUES
Session Chair: Christos Negakis - University of Macedonia, Greece

"R&D Expenditures and Earnings Management: Evidence from the IFRS Post-Implementation Period in South Europe"
Panayiotis Tahinakis - University of Macedonia, Greece

Discussant: Heung-Joo Cha - Univeristy of Redlands, USA

The aim of this paper is the examination of a potential relation between R&D expenditures and earnings management in three of the Eurozone countries, challenged by the recent sovereign debt crisis, namely Italy, Greece and Spain. The implementation of IFRS in Europe has provided data comparability both amongst firms and countries, while simultaneously created fertile ground for expanding research scope. In order to examine the relation between earnings management and the recording of R&D expenditures, the methodologies of Baber et al (1991), Bushee (1998) and Burgstahler and Dichev (1997) are applied. The sample used for the analysis is consisted of a dataset of Italian, Greek and Spanish firms listed for the period 2005-2011. The findings of this research are in agreement with other results in the literature and show, irrespective of the methodology followed, evidence of earnings management through R&D manipulation to avoid losses.

"Impact of Capitalization of Operating Lease for Lessees' Financials"
Heung-Joo Cha - Univeristy of Redlands, USA

Discussant: Michalis Samarinas - University of Macedonia, Greece

To examine the financial effects of the proposed right-to-use model (or capitalization of operating lease) for lessees with the U.S. public firms, we analyzed 80 experimental firms and 88 control firms. Our results show that the adoption of the right-to-use model has insignificant effects on the liquidity measure of the current ratio. However, the adoption has strong negative effects on the financial flexibility measured by the debt-to-asset ratio, and has significant effects on the various profitability measures of EBIT and EBT. Thus, our findings indicate that the adoption of the right-to-use model has significant economic consequences to the firms whose relatively large portions of the long-term leased properties are classified as operating leases under the current accounting rules.

"Strategic Considerations for an Audit Game: Tax Audit Cerftificate"
Panayiotis Tahinakis - University of Macedonia, Greece
Michalis Samarinas - University of Macedonia, Greece

Discussant: Anestis Ladas - University of Macedonia, Greece

This paper attempts to model the strategic interactions between auditors and auditees in order to conceptualize the audit problem and inherent risk that arises from the adoption of an alternative to tax audit, namely tax audit certificate. The recent implementation of a tax audit in Greece, performed not by tax authorities but by auditing firms, created a noticeable phenomenon. Auditors, under fee, undertook the obligation of ensuring and reporting tax conformity, essentially substituting Greek authorities. This development raised a series of issues concerning a type of audit risk, related indirectly, with the provision of non-audit services. Based on a game theoretic framework, we try to emulate the behavioral patterns of auditor and auditee, thus investigating the effect of a "private" tax audit. The results illustrate the conceptual issues involved in this audit-auditee strategic interactions game, providing a structure of choices and highlighting the socially optimal strategies.

"Capital Market Effects on Financial Reporting Incentives"
Dimitrios Kousenidis - Aristotle University of Thessaloniki, Greece
Anestis Ladas - University of Macedonia, Greece
Christos Negakis - University of Macedonia, Greece

Discussant: Panayiotis Tahinakis - University of Macedonia, Greece

The present paper examines the capital market effects on the determination of incentives for financial reporting. The importance of incentives should not be overlooked due to the fact that they may affect financial reporting quality under specific conditions. The study uses a sample of firms from a single country that incorporates substantial variation in market effects, such as periods of wide (upward and downward) market movements, as well as, in institutional effects, such as changes in the accounting framework regimes (implementation of the International Financial Reporting Standards). These special characteristics of the sample present a likely fruitful research opportunity to examine changes of financial reporting quality due to changes in the capital market or the institutional framework.

COST OF CAPITAL
Session Chair: Francis In - Monash University, Australia

"Does the Stock Market Value Information? A Tale of Beauties and Beasts"
Håkan Jankensgård - Lund University, Sweden

Discussant: Viet Do - Monash University, Australia

According to the cost-of-capital hypothesis, increased voluntary disclosure should reduce information asymmetries, lower the cost of capital, and increase firm value. The optimal-disclosure hypothesis, however, predicts that costs related to voluntary disclosure lead to the existence of an interior optimum of disclosure that maximizes firm value. These hypotheses are tested using disclosure indexes based on analysts' ratings of firms' financial reports for a sample of 181 Swedish firms. For annual reports, the data supports the optimal disclosure hypothesis, whereas for quarterly reports the findings suggest the existence of a "disclosure premium" in accordance with the cost of capital hypothesis.

"Australian Syndicated Loans: Domestic and Foreign Banks"
Tram Vu - Monash University, Australia
Viet Do - Monash University, Australia
Michael Skully - Monash University, Australia

Discussant: Usha Mittoo - University of Manitoba, Canada

Australian banks are different from foreign banks in terms of domestic reputation, sources of funding and regulatory environment. This study explores whether there is a home market advantage and reputation effect in the price of syndicated loans led by the big 4 domestic banks versus those arranged by foreign banks. The analysis takes into account important factors which may determine potential value of lead bank reputation, such as availability of borrower credit rating, past lending relationships, and loan type. Our results confirm the existence of a home market advantage and reputation effect in that loans arranged by the big 4 domestic banks carry lower interest rates than those led by foreign banks. The loan price savings offered by domestic lead banks are enjoyed by unrated borrowers, relationship borrowers, and those financed through a revolving loan.

"The Evolving World of Regulation S Debt Market: A Cross-Country Analysis"
Usha Mittoo - University of Manitoba, Canada

Discussant: Håkan Jankensgård - Lund University, Sweden

This paper examines the evolution of Regulation S debt market from 1990 to 2010 period. We find a dramatic surge in Reg S offerings after the 2002 Sarbanes-Oxley Act and a larger increase for combined Rule 144A/Reg S (144A/Reg S) issues compared to Regulation S (Reg S) only issues. We also document a decline in Reg S yield spreads from 2002 to 2007 and a substantial increase in yield spreads after the 2008 financial crisis. Our evidence suggests that Reg S has become an important source of debt financing for lower credit quality firms over time.

"Revising the Relevance of Accounting Betas in Estimating the Cost of Equity Capital: A Panel Approach"
Julio Sarmiento-Sabogal - Macquarie University, Australia
Mehdi Sadeghi - Macquarie University, Australia

Discussant: Stella Spilioti - Athens University of Economics and Business, Greece

This paper is an attempt to re-examine the relationship between six alternative definitions of Accounting Beta and Market Beta using a panel data approach. Consistent with the previous studies, our estimated coefficients for Accounting Betas are statistically significant at the conventional levels. We get further evidence that, i) All calculated Accounting Betas overestimate the Market Beta in a range between 10.2% and 23.2% ($P < 0.05$), ii) The coefficient estimated based on Net Income to Total Assets ratio is the most closely related to Market Beta with 16.93% overestimation probability and, iii) The measures based on Total Assets are more correlated with Market Beta, compared to those computed from Common Equity. These findings have important implications for determining the cost of capital in the private equity market.

SESSION 25 **Petek**

DOCTORAL SESSION: FINANCIAL CRISIS
Session Chair: Anastasios Malliaris - Loyola University Chicago, USA

"Trust in Banks: Evidence from the Spanish Financial Crisis"
Santiago Carbo-Valverde - Bangor University, UK
Eduardo Maqui - University of Granada, Spain
Francisco Rodriguez-Fernandez - University of Granada, Spain

Discussant: Dariusz Zarzecki - University of Szczecin, Poland

In this article we assess the economic problem of trust in financial institutions employing unique survey evidence from Spanish bank customers. Almost no studies have been able to evaluate the impact of bank customers' perceptions about financial institutions on trust in the financial system, controlling simultaneously for the underlying levels of general distrust. In order to fill in this gap, we study the potential impact of factors that might determine the level of trust in banks and analyse the effects of the perception of the 2007 financial crisis by bank customers. Allowing for bank customer heterogeneity and controlling for general distrust, we show that trust in banks is mainly affected by bank customers assessment of several performance characteristics and attributes of banks.

"Is there any influence of Governance factors on Market Discipline? The case of Greece"
Aristeidis Samitas - University of Aegean, Greece
Evangelos Vasileiou - University of the Aegean, Greece
Andreas Andrikopoulos - University of the Aegean, Greece

Discussant: Oral Erdogan - Istanbul Bilgi University, Turkey

The purpose of this paper is to examine the relationship among market discipline, deposit insurance and governance indicators.We choose Greece as a natural experiment to implement our assumptions, because is the country with the greatest economic and governance problems in the European Union (EU). Moreover, Greece is the first EU country which appears most at risk of leaving the euro (or being thrown out), while its sovereign default spreads the fear of contagion. We employ simple regression panel data for period 2002-10 in order to demonstrate that Greek safety net did not function effectively. The empirical evidence supports that market discipline was superficial, while we try to prove that banking sector is directly influenced by the ineffectiveness of the Greek state’s mechanisms. Moreover, our paper suggests that Greek deposit insurance scheme structure must be change in order to enhance the depositors’ market discipline.

"Securitization, Financial Development and Economic Growth"
Ata Can Bertay - Tilburg University, Netherlands

Discussant: Wendy Rotenberg - University of Toronto, Canada

We analyze the impact of securitization on long-run growth performances and the economic growth experience during the financial crisis in a cross-country perspective. We modify the main model linking financial development and economic growth including the securitization technology as a dummy variable. The dynamic panel approach suggests that there is some evidence for a marginal positive impact of securitization on economic growth in the long run, but it is not consistent throughout the methodologies. This weak positive effect is not through increasing the loan supply - lending channel- but rather other aspects of securitization such as ameliorations in risk sharing. The positive impact of securitization is also observed during the initial period of the recent financial crisis: the cross-sectional evidence suggests that in 2007 countries with securitization technology perform better than other countries, but once whole crisis period included the relationship loses its significance.

"Predictability of Real Estate Price Index Returns in Emerging Markets"
Bora Ozkan - University of New Orleans, USA

Discussant: Anastasios Malliaris - Loyola University Chicago, USA

This essay searches for a link between house prices, broad money, private credit and the macroeconomy among 20 emerging markets. I am also trying to explain which variables predict the emerging markets real estate stock market index returns. A unique data is being used for the emerging markets real estate price indexes in this study. The data is provided by a Dubai based private company which offers emerging markets real estate information to its customers.

Refreshments 4:15 - 4:30 p.m.

Alsancak Foyer

SESSION 26 **Karsiyaka 1**

FIXED INCOME
Session Chair: Malick Sy - RMIT University, Australia

"What Do Nominal Rigidities and Monetary Policy Tell us about the Real Yield Curve?"
Erica X.N. Li - Cheung Kong Graduate School of Business, China
Alex Hsu - Georgia Tech University, USA
Francisco Palomino - University of Michigan, USA

Discussant: Frank Skinner - University of Surrey, UK

We study term and inflation risk premia in real and nominal bonds, respectively, in an equilibrium framework. The model economy is characterized by recursive preferences, nominal wage and price rigidities, and an interest-rate monetary policy rule. A calibration to United States data shows that wage rigidities generate positive real term and inflation risk premia, mainly as a compensation for permanent productivity shocks. Wage rigidities generate high marginal utility, wages, expected consumption growth, real rates, and inflation, simultaneously. Policy shocks and inflation-target shocks generate significant variability in real short- and long-term bond yields, respectively. More aggressive policy responses to output and inflation decrease real term premia and increase inflation risk premia. The correlations between real and nominal bond returns are increased by nominal rigidities, reducing the diversification benefits of real bonds.

"The Choice Among Non-Callable and Callable Bonds"
Laurence Booth - Rotman School of Business, Canada
Dimitrios Gounopoulos - University of Surrey, UK
Frank Skinner - University of Surrey, UK

Discussant: Apostolos Xanthopoulos - Benedictine University, USA

This paper examines the choice and the pricing of callable and non-callable bonds. The popularity of callable and non-callable bonds is significantly related to the economic environment. Callable bonds are also more likely to be issued via a shelf prospectus and are more likely to be issued by banks than non-callable bonds. Evidently, firms that prefer to issue callable bonds seek to take advantage of their ability to process economic information but must pay a premium relative to straight bonds for the call feature. Firms that issue callable bonds do not consistently display the characteristics associated with sever agency problems.

"Iso-Effect Contour Lines and Implications About the Canadian and US Bond Markets"
Apostolos Xanthopoulos - Benedictine University, USA
Andy Kumiega - Illinois Institute of Technology, USA
Ben Van Vliet - Stuart School of Business - IIT, USA

Discussant: Francisco Palomino - University of Michigan, USA

The nature of long-term economic relations between bond markets and rates in the U.S. and Canada have stayed the same. Only the market sensitivities have changed. We find that the recent concerns about the Canadian bond market are somewhat justified, although not at all novel. The Canadian bond market moves in tandem with the U.S. to a large degree, and against it to a lesser extent. This study proposes a new method that combines the effects of market fluctuations with sensitivity of bond aggregate indexes. The response of bond indexes in Canada and the United States to principal components of the yield curve exhibits is broken down into a market effect and a sensitivity effect.

SESSION 27 **Karsiyaka 2**

ANALYSTS
Session Chair: Richard Saito - Fundacao Getulio Vargas, Brazil

"Toward Improved Use of Value Creation Measures in Financial Decision-Making"

John Hall - University of Pretoria, South Africa

Discussant: Elisa Cavezzali - Ca' Foscari University of Venice, Italy

In the last two decades, numerous studies have been conducted to find sources and explanations for value creation and the value drivers of share returns or shareholder value creation by firms. This study aimed to determine whether more refined firm categorization and an increase in the number of variables analyzed would yield more robust information on value creation measures that financial decision-makers can use. The empirical results show that different value creation measures explain shareholder value creation best for different categories of firms. Economic-based indicators provide higher information content than accounting-based indicators for financial decision-making. The information content of internal value drivers varied when different external shareholder value indicators were used.

"Financial Analysts' Accuracy: Do Valuation Methods Matter?"
Elisa Cavezzali - Ca' Foscari University of Venice, Italy
Ugo Rigoni - Ca' Foscari University of Venice, Italy

Discussant: Noor Hashim - University of Manchester, UK

This study investigates how different ways to evaluate a company influence the accuracy of the target price. We know that finance theory and professional practice propose alternative approaches to the evaluation of a company. The literature on the relationship between the valuation methods used and target price accuracy is still scant, and the results are inconclusive and contradictory. Coding the valuation methods of 1,650 reports, we find that the accuracy of target prices decreases when the target price is based just on a main method. Furthermore, we show that methods based on company fundamentals and those based on market multiples lead to similar levels of accuracy. Among different classes of methods, there are no superior methods. Therefore, we argue that in order to improve forecast accuracy, analysts need to assess company value by choosing and applying a set of different methods, combining them and getting the average value, but regardless of the specific technique chosen.

"Do Analysts Use Their Cash Flows Forecasts When Setting Target Prices?"
Noor Hashim - University of Manchester, UK
Norman Strong - University of Manchester, UK

Discussant: John Hall - University of Pretoria, South Africa

This study examines whether analysts' decisions to issue cash flow forecasts depend endogenously on their decision to use these forecasts to set target prices. An endogenous switching regression model, with analyst report regimes of disclosure and non-disclosure of cash flow forecasts, shows that cash flow revisions are more important than earnings revisions in explaining the magnitude of target price revisions in the cash flow disclosure regime. Cash flow forecasts and analyst valuation choices are jointly determined. Additional analysis shows that cash flow-based pseudo-target prices play a greater role in explaining target price implied returns than do earnings-based pseudo-target prices. These findings provide insights into analysts' valuation decision processes.

SESSION 28 **Karsiyaka 3**

FINANCIAL MARKETS I
Session Chair: Usha Mittoo - University of Manitoba, Canada

"Changing Rule 2a-7 and the Management of Money Market Mutual Funds"
Ozgur Akay - US Department of the Treasury, USA
Mark Griffiths - Miami University, USA
Drew Winters - Texas Tech University, USA

Discussant: Paul Lajbcygier - Monash University, Australia

Rule 2a-7 defines the quality, maturity and diversity of investments in money market fund (MMF) portfolios. Following the financial crisis, the SEC modified this rule to improve the liquidity and the credit quality of

MMFs. We analyze the portfolio composition of 298 taxable money market mutual funds (MMFs) to determine if liquidity and credit quality were problems during the crisis and whether the changes to the rule address the issues. We find that the problems in the MMF industry during the crisis stem principally from credit quality and argue that the proposed modifications to Rule 2a-7 are only a partial solution towards making MMFs more resilient to market disruptions. We propose a two-tier system based on asset classes, where Tier One would comprise traditional informationally-insensitive money market securities and Tier Two would allow less transparent/more risky qualifying securities.

"Predicting US Recessions: Yield Curve and Stock Market Liquidity Deviation as Leading Indicators"
Oral Erdogan - Istanbul Bilgi University, Turkey
Paul Bennett - Fordham University, USA
Cenktan Ozyildirim - Istanbul Bilgi University, Turkey

Discussant: Gautam Goswami - Fordham University, USA

This paper extends Estrella and Hardouvelis (1991) term spread approach to recession forecasting by including the stock market macro liquidity deviation factor. A dependent dummy variable for crisis is used based on NBER business cycle dates between 1959Q1 and 2011Q4. It is found out that combining the yield curve parameter with the stock market liquidity deviation, and the change in market depth measures significantly improves the ability to predict the onset of a US recession, based both on in-sample and out-of-sample tests. This suggests that economic forecasters, as well as US Federal Reserve and Treasury officials charged with economic stabilization policy should monitor not only the yield curve but also stock market depth, liquidity, and the deviation of the two.

"Understanding the Cross-Section of US Housing Bubble: The Roles of Lending, Transaction Costs and Rent Growth"
Gautam Goswami - Fordham University, USA
Sinan Tan - Fordham University, USA
Maya Waisman - Fordham University, USA

Discussant: Ozgur Akay - US Department of the Treasury, USA

This paper establishes baseline valuation for the housing asset using rent cash flows in 20 regions of the US in a Lucas (1978) framework. The model matches the unconditional averages of the price rent ration from 1978 to 2007 quite well. However the housing assets during 2002 to 2007 seem overvalued. The paper explores three mechanisms to understand the housing overvaluation in this period relative to a consumption based model: (1) Using cross-sectional subprime consumer and commercial lending characteristics; (2) Transaction costs; (3) Turning off the pro-cyclicality of the rent growth in the data. We find that while all three considerations can explain some fraction of the bubble valuation, none alone is enough to understand the full extent of post 2002 valuations.

SESSION 29 **Konak 1**

MERGERS AND ACQUISITIONS I
Session Chair: Philip Gharghori - Monash University, Australia
"Does Who You Know Matter? A Look at Professional and Social Ties Between Target and Bidder Boards"
Paul Andre - ESSEC Business School, France
Ioannis Tsalavoutas - University of Stirling, UK

Discussant: Ahmed Elbadry - Cairo University, Egypt

We examine whether connections, professional and social ties between members of opposing bidders and targets boards, have an impact on deal characteristics and outcomes. In a preliminary stage, we look at 45 of the largest UK deals between 1997 and 2009.We find that 24 of the 45 deals have at least one set of directors having a direct (interlocks, past employment or board membership) or 1st degree (past or current 3rd board overlapping membership, work(ed) together at the same 3rd firm or in the civil service or some not-for-profit organization or went to the same school at the same time). There is an average of 3.311 people connected by deal (median 2.000) or an average ratio of people connected of 16.9% (median 8.3%). Alternatively, when we look at the number of pairs connected by at least one relationship over total number of potential pairs, the average P2P per deal is 3.6% (median of 0.7%). The level of connectedness is greater than in prior US studies.

"Do Acquisitions Relieve Target Firms' Financial Constraints?"

Isil Erel - Ohio State University, USA
Yeejin Jang - Ohio State University, USA
Michael Weisbach - Ohio State University, USA

Discussant: Panagiotis Dontis Charitos - University of Westminster, UK

Managers often claim that an important source of value in acquisitions is the acquiring firm's ability to finance investments for the target firm. This claim implies that targets are financially constrained prior to being acquired and that these constraints are eased following the acquisition. We evaluate these predictions on a sample of 5,187 European acquisitions occurring between 2001 and 2008, for which we can observe the target's financial policies both before and after the acquisition. We examine whether target firms' post-acquisition financial policies reflect improved access to capital. We find that the level of cash target firms hold, the sensitivity of cash to cash flow, and the sensitivity of investment to cash flow all decline significantly, while investment significantly increases following the acquisition. These effects are stronger in deals that are more likely to be associated with financing improvements.

"Diversification, Size and Risk: The case of Bancassurance Deals"

Barbara Casu Lukac - Cass Business School, UK
Panagiotis Dontis Charitos - University of Westminster, UK
Sotiris Staikouras - Cass Business School, UK
Jonathan Williams - Bangor University, UK

Discussant: Ioannis Tsalavoutas - University of Stirling, UK

This paper examines the risk profile of international bancassurance ventures over the period 1990-2006. We examine risk changes for the acquiring financial institutions before and after the announcement of bancassurance partnerships by decomposing [total] risk into its systematic and idiosyncratic components. Subsequently, we examine the relationship between risk and diversification by modelling the determinants of risks, after controlling for financial institution-specific attributes. Finally, we assess if the effect on risk is driven by the characteristics of the participating financial institutions. Our findings suggest that bancassurance offers financial institutions the opportunity to re-balance their risk exposure. Diversification per se does not increase systematic risk; rather, the causal factor in driving systematic risk is the increasing scale of the combined entities. Our results have relevance to on-going debates on the optimal scale and scope of financial institutions.

SESSION 30 **Konak 2**

MARKET ANOMALIES

Session Chair: Johan Knif - Hanken School of Economics, Finland

"What is Common Among Return Anomalies? Evidence from Insider Trading Decisions"

Qingzhong Ma - Cornell University, USA
Andrey Ukhov - Cornell University, USA

Discussant: Mohammed Elgammal - Qatar University, Qatar

Conventional wisdom suggests that insiders buy shares on positive, and sell on negative, information. Under regulations of insider trading, however, insiders keep silent while possessing extreme information. We find that this phenomenon of insider silence is systematically related to a broad set of anomalies, particularly in the short legs. Specifically, among firms in the short legs, those whose insiders kept silent in the past experience significant negative future returns, which are even lower than when insiders net sold. On average, insider silence accounts for 64% of the short-leg abnormal returns. Our paper provides quantitative evidence of mispricing for return anomalies.

"Value Premium and Default Risk: Time-Varying Approach"

Mohammed Elgammal - Qatar University, Qatar

Discussant: Adrian Woloszyn - University of Szczecin, Poland

This paper investigates the relationship between the value premium and financial distress using a long U.S data set over 1927-2011. Measures of leverage and default are used as proxies for financial distress applying a time-varying volatility methodology. The paper examines the potential risk-based explanation for the source of the value premium. The empirical analysis shows that both the default premium and its volatility have a positive explanatory power for the value premium and its volatility. The findings suggest a negative association between the lagged values of the default premium and current small stocks value premium. Investigating the reasons behind this association uniquely uncovers an asymmetric correlation between returns on both value and growth stocks and default risk before and post July 1954 after the change in the monetary regime in the U.S.

"The Impact of the January Effect on the IPO Underpricing in Poland"
Adrian Woloszyn - University of Szczecin, Poland
Dariusz Zarzecki - University of Szczecin, Poland

Discussant: Andrey Ukhov - Cornell University, USA

We examine the initial public offering (IPO) underpricing phenomenon in Poland using data from the Warsaw Stock Exchange (the main market). In the article we survey historical average IPO underpricing in Europe and outside Europe. We discuss determinants of IPO underpricing which based on asymmetry of information, ownership and control, institutional explanations and behavioural explanations. We discuss the calendar effect and we examine the influence of the January effect on the IPO underpricing. On the Warsaw Stock Exchange in 2005-2011, IPO underpricing was bigger for companies that debut in January than for companies that debut in other months. The empirical results are not statistically significant.

SESSION 31 **Bergama 2**

FINANCIAL CRISIS III
Session Chair: Walid Busaba - University of Western Ontario, Canada

"The Effectiveness of the EU/IMF Bailout Programs for Greece: Risk and Wealth Effects on the Financial and Real Sectors of the ASE During the Greek Sovereign Crisis"
Kyriaki Kosmidou - Aristotle University of Thessaloniki, Greece
Dimitrios Kousenidis - Aristotle University of Thessaloniki, Greece
Christos Negakis - University of Macedonia, Greece

Discussant: Yonglei Wang - Toulouse School of Economics, France

The present paper provides evidence on the various effects of the bailout programs of the Troika on the banking sector, the financial sector and the real economy sector of Greece during the Greek sovereign crisis. Using the SUR econometric methodology, we test across the three sectors for wealth and risk effects of a broad set of news announcements concerning the actions of the Troika partners, the actions of the Greek government, the reaction of the Greek public, the reaction of three leading rating agencies and the ongoing situation in other fiscally unstable European countries. We find that the actions of the Troika cause a significant sift in all risk variables of banking sector firms and in the systematic risk of the firms in the other sectors. The actions of the Greek government significantly increase the risk of the firms in the banking sector only suggesting that the effect is likely systemic. We also discuss further implications of our findings.

"The Cost of Political Tension: An Anatomy"
Yinghua He - Toulouse School of Economics, France
Ulf Nielsson - Copenhagen Business School, Denmark
Yonglei Wang - Toulouse School of Economics, France

Discussant: Elmas Yaldiz - University of Trento, Italy

The paper examines how increased political tension in Taiwan's sovereignty debate has affected stock returns

and identifies the channels through which this occurs. Non-violent, historical events harming the Taiwan-China political relationship are associated with an average drop of 200 basis points in daily Taiwanese stock returns. Examining the source of this cost shows a more severe impact on Chinese firms located close to the potential conflict zone (within missile range). Additionally, the effect varies across political connections, with Taiwanese firms politically supporting the pro-independence party being particularly negatively affected. This result concentrates on those economically exposed to mainland China through either investments or exports. Thus, the paper concludes that the cost of political tension originates not only from the risk of military action, but is also attributable to strategic and selective economic pressures imposed by the Chinese mainland authorities.

"Use and Motivations for Credit Derivatives: An Empirical Investigation on Italian Banks"

Eleonora Broccardo - University of Trento, Italy
Maria Mazzuca - Universita della Calabria, Italy
Elmas Yaldiz - University of Trento, Italy

Discussant: Danielle Sougne - HEC Management School, Belgium

Focusing on a sample of Italian banks during 2005-2011, we aim to provide answers to three research questions: i) how much do Italian banks use CD?; ii) what are the differences between user and non-user banks?; iii) why do banks use CD? We find that only a small number of banks use of CD, and that the use of CD increases till 2007. Significant differences emerge between users and non-users in their risk and capitalization measures, attitude/expertise in hedging activity, and profitability. Large, listed and commercial banks are more likely to use CD. Our results seem not to support the hedging hypothesis in general. Findings of the separate estimates for small/large banks and for listed/unlisted banks show that the probability of using CD varies when different sub-samples are considered, and that results for larger and listed banks tend to confirm the results of the main regressions on the entire sample. Finally, relevant differences emerge between the pre and the post-crisis period.

SESSION 32 **Bergama 3**

REGULATION AND DISCLOSURE

Session Chair: António Pinto - Instituto Politécnico de Viseu, Portugal

"The Fair Value of Executive Compensation: The Case of Redeemable Equity Warrants"

Loic Belze - EMLYON, France
Francois Larmande - EMLYON, France
Lorenz Schneider - EMLYON, France

Discussant: Yukihiro Yasuda - Tokyo Keizai University, Japan

IFRS2 and SFAF123R recommend using formal valuation models to measure the fair value of share based payments. This paper addresses a two-fold issue: the manipulation of the model itself and the discretionary choice of the volatility input. We review the fair value measurement of redeemable warrants, a listed employee stock option used in France. It reveals an average 40% discount on a standard model valuation. We provide then an analysis of its main justification: transaction costs. When they are factored in, a range of possible prices actually exists, whereas accounting standards assume only one. As we show that the lower bound is systematically used in practice, we argue that no discount is justified, but a premium. Besides, regarding the volatility input, we show that discretionary choices systematically lower the fair value reaching an up to 66% discount. Never addressed, this issue shed light on the necessary improvement of the process for fair valuing share-based payments.

"A New Approach to Identify the Economic Effects of Disclosure: Information Content of Business Risk Disclosures in Japanese Firms"
Hyonok Kim - Tokyo Keizai University, Japan
Yukihiro Yasuda - Tokyo Keizai University, Japan

Discussant: Li Li - Groupe Sup de Co Montpellier Business School, France

We empirically examine the economic effects of disclosure focusing on Japanese textual business risk disclosures. A unique feature of this study is the construction of a new risk measure, enabling us to directly isolate economic disclosure effects from fundamental value effects. We find that on average about 40 percent of total risk components are due to the effects of disclosure. We find that there is a positive association between the number of items and the text within business risk disclosures and our new risk measure. This indicates business risk disclosures change investors' risk perceptions (i.e., information risk) and thus results in increasing the information component with the cost of capital. We also find that disclosure of firm-specific business risks increases information risk, but interestingly, decreases fundamental risk. Overall, our empirical evidence strongly rejects the criticism that business risk disclosures suffer from being boilerplate information.

"The Subtle Power of Word Choice in the Quarterly Earnings Press Release by French Listed Companies"
Li Li - Groupe Sup de Co Montpellier Business School, France

Discussant: Jose Manuel Feria-Dominguez - Pablo de Olavide University, Spain

This paper examines the narrative form of the quarterly earnings press release by French listed companies. We focus on the linguistic style in this financial publication, especially the degree of optimism. We start by analyzing whether the tone of an earnings press release can be an indicator of the firm's future performance. We then study the reaction of French capital markets to the tone of the press release. The empirical results show a positive relationship between the tone and future performance. We also observe that cumulative abnormal returns are positively related to the degree of optimism. These findings thus suggest that the degree of optimism may be an indicator of future performance. Furthermore, French capital markets react positively to the degree of optimism, even after firm size and the variation in sales are controlled for. Last, investors are more sensitive to the pessimistic degree than the optimistic degree in a financial announcement.

SESSION 33 **Petek**

DOCTORAL SESSION: CORPORATE FINANCE I
Session Chair: Mario Levis - Cass Business School, UK

"Employment Protection Legislation and Firm Profitability"
Yannick Van Landuyt - K.U.Leuven, Belgium
Nico Dewaelheyns - K.U.Leuven, Belgium
Cynthia Van Hulle - K.U.Leuven, Belgium

Discussant: Christos Negakis - University of Macedonia, Greece

This study examines the effect of employment protection legislation (EPL) on firm performance. Using a panel dataset of 12,773 Belgian small and medium-sized firms between 2000 and 2009, we compute several company-specific measures of a firm's exposure to EPL. The empirical results show that firms are more profitable when they are faced with less hiring and firing costs by employing relatively more blue-collar workers than their industry peers. Firms that attempt to be more flexible by hiring more temporary workers, however, do not significantly outperform their competitors.

"Does Venture Capital Syndicate Size Matter?"
Mesut Tastan - City University London, UK
Sonia Falconieri - Cass Business School, UK
Igor Filatotchev - Cass Business School, UK

Discussant: Aydin Ozkan - University of Hull, UK

This paper empirically investigates the impact of venture capital (VC) syndicate size on the IPO and post-IPO performance of investee companies. After controlling for endogeneity problems, we provide evidence that firms backed by larger VC syndicates experience greater underpricing and lower post-IPO profitability. We suggest that this might be the result of coordination problems and conflict of interests that characterize large VC syndicates. Additionally, we find that the impact of VC syndicate size on IPO underpricing is mitigated by the existence of alternative monitoring mechanisms such as leverage and bank loans. This indicates that the certification role of leverage and bank loans is able to curb the costs associated with large VC syndicates.

"Spillovers in a New Keynesian Continuous Time Framework with Financial Markets"
Bernd Hayo - University of Marburg, Germany
Britta Niehof - University of Marburg, Germany

Discussant: Petko Kalev - University of South Australia, Australia

The recent financial and real economic crisis revealed that central banks will react to a much greater degree to financial market developments than they did in the past. The purpose of this paper is to explore the consequences of treating the interaction between different financial markets, monetary policy, and the real economy seriously by developing a rigorously dynamic theoretical modelling framework. Extending a classic New-Keynesian framework we use stochastic differential equations to analyse spillover effects and steady state properties. We solve the model for theoretically derived parameters distinguishing between closed, equally sized and differently sized economies. Moreover, we estimate parameters which allow us to apply our model on Canada and the United States. Our findings reveal the importance of explicit inclusion of different financial markets. Furthermore, using Lyapunov techniques we find evidence for instabilities in the U.S and Canadian financial system.

RECEPTION

7:30 - 9:00 p.m.   TBA

SESSION 34 **Karsiyaka 1**

ASSET PRICING IV
Session Chair: George Athanassakos - University of Western Ontario, Canada

"Volatility Downside Risk"
Adam Farago - Stockholm School of Economics, Sweden
Romeo Tedongap - Stockholm School of Economics, Sweden

Discussant: Azilawati Banchit - The University of Waikato, New Zealand

This paper derives and tests the cross-sectional predictions of an intertemporal equilibrium asset pricing model with generalized disappointment aversion and time-varying macroeconomic uncertainty. To the contrary of the existing literature, disappointment may result not only from a fall in the market index, but also from a rise in a volatility index. Theoretically, we show that besides the market return and changes in market volatility, three two-asset option-like payoffs, contingent to the disappointing event, are also priced factors: a long binary cash-or-nothing option, a short put on the market index and a long call on the volatility index. Empirically, we find that the cross-section of stock returns reflects a premium for bearing undesirable exposures to these options. The signs of the estimated risk premia are consistent with theory, their economic magnitudes show that a long/short strategy on exposure to each of these options pays on average more than 5% per annum.

"Pricing Convertible Bonds"
Jonathan Batten - Hong Kong University of Science and Technology, Hong Kong
Karren Khaw - Massey University, New Zealand
Martin Young - Massey University, New Zealand

Discussant: Yildiray Yildirim - Syracuse University, USA

Convertible bonds are a developing segment of the corporate bond market. Nonetheless, the pricing of convertible bonds has not been addressed extensively due to the complicated optionality and the links between valuation and the underlying risk factors. Mixed results of mispricing have been reported. Our study clarifies this by a unique sample that consists of pure convertible bonds to control for complex optionality in these securities such as the call option. We examine the pricing of the real-time trade prices of the US convertible bonds. Least squares Monte Carlo simulation approach is used to solve a pricing model that includes stochastic volatility and credit risk. On average, an underpricing of 6.31% is observed from daily data covering from October 26, 2004 to June 30, 2011. Stochastic volatility is found to significantly affect the convertible bond pricing. Furthermore, illiquidity is an important explanatory variable that explain the mispricing of convertible bonds.

"On Optimal Acceptance Policies in Real Estate"
Thomas Emerling - Syracuse University, USA
Abdullah Yavas - University of Wisconsin, USA
Yildiray Yildirim - Syracuse University, USA

Discussant: Romeo Tedongap - Stockholm School of Economics, Sweden

This paper considers a full-information variation of the classical secretary problem from probability theory applied to the optimal selling problem in real estate. Here, we analyze the problem of finding the optimal selling policy under the situation when the first bid is distributionally different from subsequent bids and the total number of bids has an unknown distribution. In real estate markets, it is often observed that first offers for real estate tend to be larger than bids which follow. Our aim is to consider this phenomenon within a practical probabilistic framework which incorporates the realistic assumption that the total number of offers for the real estate is unknown. Mathematically, this represents a slight variation of the full-information best choice problem analyzed by Porosinski (1987). We identify the optimal selling strategy using the technique of Porosinski (1987) and general optimal stopping theory.

SESSION 35 **Karsiyaka 2**

ENERGY MARKETS
Session Chair: Omrane Guedhami - University of South Carolina, USA

"Oil Prices and Industrial Sector Indices"
Stavros Degiannakis - Bank of Greece, Greece
George Filis - Bournemouth University, UK
Christos Floros - University of Portsmouth, UK

Discussant: Andre Dorsman - Vu University Amsterdam, Netherlands

The paper investigates the time-varying correlation between oil prices innovations and 10 European industrial sector indices returns, considering the origin of the oil price shock. The results suggest that the relationship between sector indices and oil prices change over time and they are industry specific. Supply-side oil price shocks result in low to moderate positive correlation levels, the precautionary demand oil price shocks lead to almost zero correlation levels, whereas the aggregate demand oil price shocks generate significant changes in the correlation levels (either positive or negative). These findings suggest that both the origin of the oil price shock and the type of industry are important determinants of the correlation level between industrial sectors' returns and oil prices. Prominent among the results is the fact that during the financial crisis of 2008 some sectors were providing diversification opportunities to investors dealing with the crude oil market.

"Renewable Energy Integration in European Energy Markets"
Nabi Abudaldah - Gen Holding, Netherlands
Andre Dorsman - Vu University Amsterdam, Netherlands
Geert Franx - VU University Amsterdam, Netherlands
Paul Pottuijt - Gen Holding, Netherlands

Discussant: Erkan Yonder - Maastricht University, Netherlands

European wholesale electricity markets have in the last half decade been confronted with a rapid increase in Renewable Energy Source (RES)-generation. However, existing transmission systems were originally designed for electricity transportation from more traditional, centralized production locations and they require long lead times to be changed. Due to the changed pattern of production locations and timings, the European transmission systems are confronted with bottlenecks for transportation and hence local over and under productions occurs. In addition, regulations and subsidies in favor of RES-generation have changed electricity wholesale market prices and patterns significantly in the last years. This chapter identifies the changes in day ahead prices due to the increased supply of solar and wind energy.

"Political Taste and Green Property Investments: Evidence from REITs"
Piet Eichholtz - Maastricht University, Netherlands
Nils Kok - Maastricht University, Netherlands
Erkan Yonder - Maastricht University, Netherlands

Discussant: Stavros Degiannakis - Bank of Greece, Greece

This paper evaluates determinants of green property investments in U.S. Real Estate Investment Trusts (REITs). We investigate how REIT CEOs' political tastes affect these REITs' investments in sustainable properties. We hypothesize that REITs with Republican oriented management are less likely to own green properties than REITs with Democrat-leaning management. For each REIT CEO we determine the ratio of contributions to Democrats to total contributions during federal elections, and investigate whether that ratio is related to REIT holdings of Energy Star and LEED labeled properties. We find that this Democrat ratio is positively related to the likelihood and intensity of green property investment of a REIT. However, these results only hold if we use the Energy Star label as a proxy for property greenness. We do not find a significant relationship between political taste and ownership of LEED-labeled buildings.

SESSION 36 **Karsiyaka 3**

FINANCIAL MARKETS II
Session Chair: Laurie Prather - Bond Univeristy, Australia
"Options Traders Reacting to Bad News: The SEC vs. Goldman Sachs"
Ryan McKeon - University of San Diego, USA

Discussant: Gözde Ünal - Bogazici University, Turkey

This paper examines a case study to address the issue of why people trade, with specific focus on options trading strategies. On April 16th 2010 the SEC announced charges against Goldman, Sachs & Co. for alleged fraudulent dealings, causing a significant share price decline. Volume in Puts spiked immediately, and such trading was highly profitable for at least 30 minutes following the announcement. Traders also implemented volatility trades in the options market, although evidence suggests that they lost money on this activity. Volumes of spread trading in both Call and Put options also increased, with the surprising finding that this increase was larger in Calls than Puts. Trading in the weeks following the SEC announcement indicates that strong positive stock returns prompted increased trading in both Calls and Puts, while spikes in implied volatility discouraged such trading. Surprisingly, volume in volatility trades was not significantly affected by changes in implied volatility.

"Stock Market Reactions to Oil Price Fluctuations in Turkey and Russia"
Gözde Ünal - Bogazici University, Turkey
Derya Korman - Bogaziçi University, Turkey

Discussant: Eduardo Maqui - University of Granada, Spain

In this study, the relationship between oil price movements, the Turkish stock market (ISE 100) and the Russian stock market (RTS Index) is investigated. Considering that Turkey is an emerging oil dependent country and Russia is an emerging oil exporting country, we analyze how the stock market behaves with fluctuations in oil prices using Dynamic Conditional Correlation (DCC)-GARCH methodology to analyze time-varying conditional correlations and bivariate extreme value methodology to examine dependence structure of extreme events between oil prices and emerging stock markets. Over the period between 2000 and 2012, in times of crisis, a higher degree of correlation is observed between oil prices and stock market returns especially for the Russian market.

"Trade Credit, Hedging with Derivatives and the Credit Crisis: Canadian Evidence"
Robert Kieschnick - University of Texas at Dallas, USA
Wendy Rotenberg - University of Toronto, Canada

Discussant: Ryan McKeon - University of San Diego, USA

This study uses data on a sample of Canadian natural resource firms to examine whether their use of derivatives mitigates the effects of the 2007 credit crisis on their use of and extension of trade credit. Our analysis is the first to investigate the link between financial risk management with derivatives and adjustments to trade credit policy during a period with substantial financial risk. While we find that the crisis substantially reduced these firms use of and extension of trade credit, we do not find evidence that their prior use of financial derivatives mitigated these effects. Consistent with this evidence, we find that a firm's use of or extension of trade credit does not significantly influence its hedging choices. However, for the subset of firms that extend more trade credit than they use, a firm's use of debt and its capital expenditure levels do influence hedging choices.

SESSION 37 **Konak 1**

CORPORATE GOVERNANCE II
Session Chair: Yoko Shirasu - Aoyama Gakuin University, Japan

"Intraday Analysis of the Limit Order Bias at the Ex-Dividend Day of US Common Stocks"
Vassilis Efthymiou - Athens University of Economics and Business (AUEB), Greece
Vassilis Efthymiou - Athens University of Economics and Business (AUEB), Greece

Discussant: Mario Levis - Cass Business School, UK

This study places Dubofsky's (1992) "limit order adjustment hypothesis"

"Ownership Structure and Performance: An Empirical Application with Panel Data in the Context of Portuguese SMEs"
António Pinto - Instituto Politécnico de Viseu, Portugal
Mario Augusto - Universidade de Coimbra, Portugal

Paulo Gama - Universidade de Coimbra, Portugal

Discussant: Panayiotis Andreou - Cyprus University of Technology, Cyprus

This paper analyzes the causal relationship between the ownership concentration, insider ownership and profitability using a sample of 4163 Portuguese SMEs and panel data methodology. The results show an endogenous and dynamic relationship between the variables. The quadratic specification established between ownership concentration and profitability suggests that for low levels of control rights the expropriation hypothesis prevails and for high levels the supervision hypothesis prevails. It was also possible to validate the effect of entrenchment and convergence of interests in the relationship established between the insider ownership and profitability. The relationships established suggest a reciprocal causality between the variables, as well as an interdependence expressed by the relevance of the estimators obtained in the simultaneous equations model. Thus, each of the attributes "ownership concentration, insider ownership and profitability" is a function of the others.

"Corporate Governance and Stock Price Crashes"
Panayiotis Andreou - Cyprus University of Technology, Cyprus
Constantinos Antoniou - Exeter University, UK
Christodoulos Louca - Cyprus University of Technology, Cyprus
Joan Horton - Exeter University, UK

Discussant: António Pinto - Instituto Politécnico de Viseu, Portugal

We investigate whether firms with strong corporate governance exhibit lower firm-specific future stock price crashes. Results show that ownership structure, accounting opacity, as well as board structure and processes influence future crashes. These findings are more pronounced for firms that operate in less competitive industries and those with higher returns uncertainty. Further investigation of the responsiveness of crashes to changes in the corporate governance measures highlights that changes in ownership structure and CEO incentives are associated with significant changes in future crashes.

SESSION 38 **Konak 2**

INVESTOR BEHAVIOR AND STOCK RETURNS
Session Chair: Kudret Topyan - Manhattan College, USA

"Media and Google: The Impact of Information Supply and Demand on Stock Returns"
Yanbo Wang - INSEAD, Singapore

Discussant: Hui Zhu - Cape Breton University, Canada

This paper is the first to examine the joint effect of information supply and demand on stock returns. Unlike previous studies, I examine the relationship between cross-sectional stock returns and "pairs" of information supply and demand shifts. The number of news articles and Google search volume (for a company) are used as proxies for information supply and demand respectively. I show that only an upward shift in both information supply and demand is a significant predictor of future returns among shift pairs. A monthly rebalanced portfolio of buying stocks with this shift "pair" and short selling the other stocks generates an abnormal return between 16% and 22% per year. These findings imply that the supply of information affects stock returns conditional on the demand for information. The result is consistent with the hypothesis that investor attention boosts stock prices. It also affirms the importance of incorporating both information supply and demand in the analysis.

"Implications of Limited Investor Attention to Economic Links"
Hui Zhu - Cape Breton University, Canada

Discussant: Zana Grigaliuniene - Siauliai university, Lithuania

This study focuses on the market reaction to information transfers from economically linked customers. I examine whether investors have limited attention with respect to the information contained in customer earnings announcements for suppliers. Using 1,083 unique customer-supplier relationships for the period 1983-2011, I find that the cumulative abnormal returns of a supplier surrounding and following linked customers earnings announcements are positively related to earnings information of the customers. The results provide evidence that customer earnings announcements convey information for suppliers, suggesting that limited investor attention to customer-supplier information transfers from earnings announcements generates predictable returns across linked firms.

"Investor Sentiment Effect on Portfolio Returns and Its Volatility in the US Stock Market"
Dmitrij Celov - Vilnius University, Lithuania
Zana Grigaliuniene - Siauliai university, Lithuania

Discussant: Yanbo Wang - INSEAD, Singapore

We aim to explore investor sentiment impacts on future portfolio returns and volatility at aggregate and cross-sectional levels. Known empirical contradictions required testing the bidirectional Granger causality. This led to empirical non-rejection of unidirectional causality running from returns to sentiment in line with wealth and expected income explanations. Using improved composite sentiment index similar to Baker and Wurgler (2006) and portfolios constructed on the basis of size, dividend yield, momentum and value-growth characteristics, we considered a set of behavioural models and conclude that hard-to-value and hard-to-arbitrage portfolios are prone to stronger sentiment effect. At the same time behaviour of estimated conditional volatility suggested employing GARCH in-mean models with asymmetries caught by the absolute change in investor sentiment. These investor sentiment impacts on conditional volatility were found to vary across portfolios with different characteristics.

SESSION 39 Bergama 2

VOLATILITY IN EQUITY MARKETS
Session Chair: Shahid Hamid - Florida International University, USA

"Volatility Forecasting: A Backward Recursion Volatility Forecasting Exercise"
Dimos Kambouroudis - University of Stirling Management School, UK
David McMillan - University of Stirling, UK

Discussant: Rabih Moussawi - University of Pennsylvania, USA

A key parameter ignored in the volatility forecasting literature is the size of the in-sample period used for the forecasts. The question of "how much previous data do we need in order to produce accurate forecasts?" The debate is between practitioners and academics who share different views regarding this question. Respectively, a small in-sample period is preferred to a large in-sample period when forecasting volatility. The results show a degree of homogeneity. For most countries of the sample and for the majority of the models large in-sample periods are not necessary for producing the most accurate forecasts supporting the practitioners/investors view; however the models that produce the most accurate forecasts require larger in-sample durations. Furthermore, when taking into account the country classification smaller in-sample durations are required for producing accurate forecasts in emerging markets but more accurate forecasts produced for countries in developed economies.

"ETFs, Arbitrage and Shock Propagation"
Itzhak Ben-David - Ohio State University, USA
Francesco Franzoni - University of Lugano, Switzerland
Rabih Moussawi - University of Pennsylvania, USA

Discussant: Tugkan Tuzun - Federal Reserve Board, USA

We study whether exchange traded funds can amplify the exposure of the securities in their baskets to liquidity shocks. We show that ETFs are catalysts for high turnover investors who are an important source of liquidity shocks. Then we find that arbitrage trades propagate the liquidity shocks from ETF prices to the underlying securities. Supporting the claim that ETFs add a layer of shocks to their basket securities, the presence of ETFs is associated with an increase in the volatility of the stocks they hold. Finally, we provide results suggesting that ETFs facilitated shock transmission between the futures market and the equity market during the Flash Crash of May 6, 2010. Overall, our results highlight the role of financial innovation in increasing non-fundamental volatility and in propagating shocks across markets, especially in association with high frequency trading.

"Are Leveraged and Inverse ETFs the New Portfolio Insurers?"

Tugkan Tuzun - Federal Reserve Board, USA

Discussant: Dimos Kambouroudis - University of Stirling Management School, UK

This paper studies the systemic risk implications of Leveraged and Inverse Ex-change Traded Funds (LETFs) and emphasizes their similarities with portfolio insurers of the 1980s. Mechanical positive-feedback rebalancing of LETFs resem-bles the portfolio insurance strategies, which contributed to the stock market crash of October 19, 1987 (Brady Report, 1988). I show that a 1% increase in broadstock-market indexes induces LETFs to originate rebalancing fows equivalent to $1.04 billion worth of stock. Price-insensitive rebalancing of LETFs results in price reaction and extra volatility in the underlying stocks. Although LETFs are not as large as portfolio insurers of the 1980s and have not been proven to disrupt stock market activity, implied price impact calculations suggest that their effect could reach a tipping point after a large market move in periods of high volatility.

SESSION 40 **Bergama 3**

FIRM VALUATION
Session Chair: Ali Lazrak - UBC, Canada

"Do credit ratings affect underpricing and volatility? Evidence from Chinese IPOs"
Dimitrios Gounopoulos - University of Surrey, UK
Yilmaz Guney - University of Hull, UK
Tianxiangxu Xu - Hull university, UK

Discussant: Michalis Makrominas - Frederick University, Cyprus

This paper establishes credit rating effect on Chinese IPO underpricing and aftermarket volatility. In particular, we examine how multi rating existence by four credit agents and on a multi rating level affect the returns to the investors in the immediate aftermarket. Different econometric approaches are applied and we are able to confirm that there is negative relation between multiple credit ratings and IPO underpricing. Specifically, both rating existence and rating level are negatively associated to investor returns during IPOs. The results are attributed to the increased information revelation/reduced information asymmetry among investors in IPO market, which provide confidence. Our investment grade results also confirm the findings on rating level analysis corroborating the view that reducing level of underpricing is an increasing function of credit quality. Further, specific credit agents combination appears to determine the reduction of the initial returns lending support to the relationship of credit ratings with IPO underpricing.

"Reassessing the Value Relevance of Earnings in the Presence of Firm Growth Options"
Michalis Makrominas - Frederick University, Cyprus

Discussant: Markus Brendel - HHL Leipzig Graduate School of Management, Germany

We examine properties of earnings' value relevance in the presence of growth options. When a greater proportion of equity value is attributed to growth options, deviations of capitalized earnings from observed market values are higher due to positive book to market premia and greater variability in the changes of these premia. By relating growth options to accounting variables, we find that valuation errors increase with: a) higher R&D expenditure, b) higher advertising expenditure, c) higher intangibles recorded in the balance sheet, and d) lower capital expenditure. Valuation error attributed to recorded intangibles significantly decreases with the level of (normalized) balance sheet disclosure, reiterating the question of whether capitalizing a broader range of intangibles could enhance accounting relevance.

"Diversification Discount Revisited: An Application of the Oaxaca-Blinder Decomposition"
Markus Brendel - HHL Leipzig Graduate School of Management, Germany
Christin Rudolph - HHL Leipzig Graduate School of Management, Germany
Bernhard Schwetzler - HHL Leipzig Graduate School of Management, Germany

Discussant: Tianxiangxu Xu - Hull university, UK

We introduce the Oaxaca-Blinder decomposition (Blinder (1973), Oaxaca (1973)) as a novel approach to explaining diversification discounts. Conventional pooled sample OLS regression only captures the net effect, usually a net disadvantage, of diversification. Researchers widely agree that agency theory lies at the heart of the problem. The Oaxaca-Blinder method allows us to further decompose the net effect into its single components, providing a new, insightful view on the factors driving the discount. In particular, we aim to disentangle how the different agency conflicts - the one between the corporate manager and shareholders and the other between majority and minority shareholders - work on the discount. Using a sample of CDAX firms from 2000 to 2009, we find the latter conflict to be the driving force.

SESSION 41 **Petek**

DOCTORAL SESSION: CORPORATE FINANCE II
Session Chair: Lawrence Kryzanowski - Concordia University, Canada

"Are Financial Analysts all the same? Financial Analyst Bold, Leading and Herding Behavior in Stock Recommendation"
Palmon Dan - Rutgers University, USA
Hua Xin - Rutgers University, USA

Discussant: Dimitrios Kousenidis - Aristotle University of Thessaloniki, Greece

This study classifies analysts' stock recommendations into three categories: bold, leading and herd recommendations and finds that if I delete the firm years with earnings announcement around analysts' recommendations during the (-2, 4) days window, boldness increases the market return more than herding does. Also I find that leading recommendations produce the highest market returns both in the short run and in the long run. I also find that the market believes bold stock recommendations if there is an earnings announcement during the (-1, 3) days window around those stock recommendations. I also find that analysts who issue bold forecasts will not be more likely to issue bold recommendations; there is no significant relation between bold forecasts and bold recommendations. I find out some factors will influence analysts boldness when they issue stock recommendations.

"The Effect of Hedging on Firm's Value and Performance: Evidence from the UK Non-Financial Firms"
Hany Ahmed - University of Hull, UK
Alcino Azevedo - Hull University Business School, UK
Yilmaz Guney - Hull University Business School, UK

Discussant: Lakshman Alles - Curtin University of Technology, Australia

This paper investigates whether hedging activities in relate to the use of derivatives instruments have effect on firm value and performance. Using a sample of 143 nonfinancial firms listed in FTSE-All share index in LSE, for 2005-2011, we examine the popularity of the derivative usage among firms. We focus on three types of market risk regarding hedging: foreign exchange, interest rate and commodity price. We use the Tobin's Q (q) as a proxy for the firm value and the ROA and ROE as proxies for the firm performance. Our analyses control for financial crisis period (2008-2009) as the recent financial crisis has raised a question with respect to the use of derivatives during the crisis time. Contrary, we found that hedging activities, relate to the use of financial instrument derivatives, have a statistically significant negative impact on firm value and performance.

"Earnings Quality in IPOs Backed by Listed Private Equity Firms"
Mehmet Goktan - California State University East Bay, USA
Volkan Muslu - University of Houston, USA
Erdem Ucar - University of South Florida, USA

Discussant: Lawrence Kryzanowski - Concordia University, Canada

An increasing number of private equity firms list their shares on public exchanges, thereby committing to a public reporting and governance model that addresses outside shareholders. This model stands in contrast to the traditional private equity model, which relies on private contracting and communication with investors. We study whether the shareholder-oriented model of listed private equity firms provides greater capital market benefits than the private-contracting model of unlisted private equity firms by comparing IPOs backed by the two types of private equity firms. We find that IPO companies backed by listed private equity firms report less discretionary and less volatile accruals and recognize losses (versus gains) in a more timely fashion. We also show that IPO companies backed by listed private equity firms experience lower IPO

underpricing. Results suggest a positive contagion effect in financial reporting between listed private equity firms and their private investments.

Refreshments 10:00 - 10:15 a.m.

Alsancak Foyer

SESSION 42 **Karsiyaka 1**

ASSET PRICING V
Session Chair: Samuel Szewczyk - Drexel University, USA

"Implications of Predictability across Horizons for Asset Pricing Models"
Carlo Favero - Bocconi Univ, Italy
Fulvio Ortu - Bocconi University, Italy
Andrea Tamoni - London School of Economics, UK
Haoxi Yang - Bocconi University, Italy

Discussant: Johan Knif - Hanken School of Economics, Finland

We study the properties of unconditional Hansen and Jagannathan (1991) bounds in the presence of conditioning information as the horizon increases. We provide evidence that long-horizon predictability translates into a large lower bound on the variance of the stochastic discount factor (SDF). We then look at different asset pricing models and we show that all of them share a common feature at very long horizons: they have variance of the SDF that is too small compared to that in the data. The investment horizon is the fundamental dimension that allows the researches to set apart models, or, as in our case, to select the common behavior among apparently different models.

"A Powerful Testing Procedure of Abnormal Stock Returns in Long-Horizon Event Studies"
Johan Knif - Hanken School of Economics, Finland
Jmes Kolari - Texas A&M University, USA
Seppo Pynnonen - University of Vaasa, Finland

Discussant: Vesela Ivanova - GoeUniversity, Germany

This paper introduces a new approach based on Sharpe ratios for testing long-run abnormal stock returns in event studies. The proposed test has superior power and size properties over existing statistics. Contrary to conventional wisdom, we show that cross-correlation is not a major problem in most long-horizon event study tests. For cases in which it may be a problem, we derive a cross-correlation adjusted version of the proposed test. Based on simulations with actual return data, comparative results show that our test statistic is generally better specified than other tests under the null hypothesis of no event effects. Furthermore, the power of the new test outperforms previous tests.

"Separating Winners from Losers Among Value and Growth Stocks in Different US Exchanges: 1968-2011"
George Athanassakos - University of Western Ontario, Canada

Discussant: Mesut Tastan - City University London, UK

The purpose of this paper is first, to determine whether there is value premium in our sample of US stocks for the period May 1, 1969-April 30, 2011 and second, to examine whether an additional screening can be employed to separate the good value and growth stocks from the bad ones. We document a consistently strong value premium over the sample period. We are able to construct a composite score indicator (SCORE), combining various fundamental and market metrics, which enable us to predict future stock returns and separate the winners from the losers among value and growth stocks. We also found that the return of a portfolio strategy that buys (sells) stocks that rank low (high) in the composite score indicator has significant explanatory power in an asset pricing model framework.

"Determining Investor Behavior and its Impact on Investment Decision Process: A case of Individual Investors from Pakistan"
Bushra Ghufran - Air Universality Multan Campus, Pakistan
Hayat Muhammad Awan - Air University, Pakistan

Farooq Durrani - Bahauddin Zakriya University Multan, Pakistan

Discussant: Yong Jae Shin - Soongeui Women's College, Korea

The study investigated the behavioral determinants of individual investors and their impact on the investment decision process in context of Pakistani Stock Market. Multi-criteria technique of analytical hierarchical process is used to define the relative contribution of each of the behavioral dimension in shaping the overall investor behavior and the relative importance of different investment methods in overall investment decision process. Findings suggest that generally investors are overconfident who over-rate their stock picking skills and market knowledge and are found to have biased-self attribution, self-control bias, familiarity bias, quick money making attitude, lower level of optimism and an aversion to risk. Also these behavioral traits and biases are found to have significant influence on investment decision process. Investors are found to use a combination of three decision methods, technical analysis, fundamental analysis and market sentiments in reaching investment decision while giving high ranks to technical analysis among all.

SESSION 43 **Karsiyaka 2**

CORPORATE FINANCE III
Session Chair: Vefa Tarhan - Loyola University Chicago, USA

"R&D Expenditures and Geographical Sales Diversification"
Christopher Baum - Boston College, USA
Mustafa Caglayan - Heriot-Watt University, UK
Oleksandr Talavera - University of Sheffield, UK

Discussant: Dionysia Dionysiou - University of Stirling, UK

This paper empirically examines the role of diversification in export markets on firm-level R&D activities taking account of the potential endogeneity in this relationship. We show that geographical sales diversification across different regions of the world induces UK firms to increase their R&D expenditures, as firms must innovate and develop new products to maintain a competitive edge over their rivals.This finding is robust to a battery of sensitivity checks. Furthermore, we find no evidence of reverse causality between R&D and sales diversification.

"Are the Discounts in UK Open Offers and Placings Due to Inelastic Demand?"
Seth Armitage - University o Edinburgh, UK
Dionysia Dionysiou - University of Stirling, UK
Angelica Gonzalez - University of Edinburgh, UK

Discussant: Ali Lazrak - UBC, Canada

This paper investigates the large and diverse discounts in UK open offers and placings. Large discounts are a substantial cost to shareholders who do not buy new shares. The existing literature mainly examines US firm-commitment offers and private placements, but UK open offers and placings differ from both types of US offer. The paper presents evidence that inelastic demand or illiquidity of the issuer's shares, and financial distress, are key determinants of the discount in the UK. The effects of inelastic demand and distress are much more apparent than in US SEOs. We argue that institutional features obscure the role of these variables in the US context.

"Ambiguity in Corporate Finance"
Lorenzo Garlappi - University of British Columbia, USA
Ron Giammarino - University of British Columbia, USA
Ali Lazrak - UBC, Canada

Discussant: Iordanis Kalaitzoglou - Audencia Business School, France

We examine ambiguity in a model of corporate investment with follow up expansion and contraction options. We compare two models of ambiguity: Minimum Expected Utility (MEU) and Bewley's Expected Utility (BEU) model of incomplete preferences. The two approaches deliver significantly different predictions for real investment decisions. MEU predicts reluctance to expand and eagerness to abandon. BEU predicts reluctance to both expand and abandon projects, consistent with "escalating commitment". Moreover, anticipation of future reluctance to abandon may induce BEU entrepreneurs to forego initial investment altogether. We show that financial contracts, such as convertible bonds, can offset the reluctance to abandon and thereby enable the initial investment. Importantly, because BEU captures group decisions making under unanimity, the framework is well suited to guide empirical and theoretical studies of team decisions at the corporate level.

"Should Companies Increase Size or Improve their CSR Profile in Order to Improve Their Performance?Evidence from UK Listed Firms"

Iordanis Kalaitzoglou - Audencia Business School, France
Hui Pan - Coventry Business School, UK
Jacek Niklewski - Coventry University, UK

Discussant: Mustafa Caglayan - Heriot-Watt University, UK

We empirically investigate potential endogeneity among Corporate Social Responsibility (CSR), Corporate Financial Performance (CFP) and size, by proposing a new system of equations. A non-industry specific sample is employed, consisting of 233 companies (FTSE 250), from 2003 to 2010. The findings strongly indicate that UK market is sensitive to firmsâ€™ social profiles, which are found to be endogenous to both size and performance. Similar to Barnett and Salomon (2012), CSR is found to be asymmetrically related to performance, where excessive or no investment in CSR are the most rewarding financially. We also find larger and more profitable companies to be more likely to invest in CSR, which in turn further contributes to both, probably due to increased visibility. This is a strong indication that CSR is a long term police, with size being a significant determinant of its profitability.

SESSION 44 **Karsiyaka 3**

FINANCIAL MARKETS III

Session Chair: Shuh-Chyi Doong - National Chung Hsing University, Taiwan

"Short-Sales, Information and Performance: Evidence from an Emerging Market"

Asli Ascioglu - Bryant University, USA
John B. McDermott - Fairfield University, USA
Kemal Saatcioglu - , USA

Discussant: Shahid Hamid - Florida International University, USA

The idea that short positions are more risky than long positions is well established. A natural extension of this idea is to regard short position sellers as informed traders. Accordingly, high levels of short sales or significant increases in short positions indicate new negative information and should be followed by short-term negative price reactions and long-run underperformance. This paper analyzes the short and long-term stock price behavior of Turkish firms in relation to short sales. We attempt to assess the informational and wealth effects of short sales in the Istanbul Stock Exchange. The progression of short sales through time, correlations of short sales with current and lagged returns, short- and long-run performance following large short selling activities, characteristics of stocks that are sold short and determinants of short selling, causality between short sales and returns, and temporary vs. permanent impacts of short sales on prices are all investigated.

"Short Sale Ban During Financial Crisis: Impact on Volatility, Liquidity and Market Efficiency"

Olesya Lobanova - Florida International University, USA
Shahid Hamid - Florida International University, USA
Arun Prakash - Florida International Ubiversity, USA

Discussant: Muhammed Altuntas - University of Cologne, Germany

During the financial crisis in September 2008 the Securities and Exchange Commission put a temporary ban on the short sales of 797 financial stocks. This unprecedented measure allows us to explore the impact of short-sale restrictions on the U.S. stocks. In this study we investigate the effect of short-sale constraints on

volatility, liquidity and market efficiency. The results suggest there were statistically significant changes in liquidity, volume, and return volatility while the ban was in effect. We find that market liquidity deteriorated substantially, t quoted spread and percent quoted spread increased significantly, while turnover ratio, trading volume, and dollar volume declined during the ban. Furthermore, returns decreased and volatility of returns measured by squared returns increased during the restriction on shorting activity. Therefore, a significant drop in market efficiency is documented.

"The Relationship Between Home-Market Performance and Internationalization Decisions: Evidence from German Insurance Groups"
Muhammed Altuntas - University of Cologne, Germany
Gerrit Gossmann - University of Cologne, Germany

Discussant: John B. McDermott - Fairfield University, USA

In this paper we investigate the relationship between home-market performance and the choice of foreign market entry mode using survey data and financial statement data of German insurance groups with property-liability business for the years 1999 to 2009. We develop a dynamic resource-based perspective and argue that strategic transformation is a major motive driving in-surance groups' internationalization. Additionally, the more rapid the change for strategic trans-formation is, the more intense is the insurance groups' market entry mode choice. Furthermore, our findings corroborate the notion that internationalization has a positive effect on home-market performance when insurance groups are able to generate increasing premium volumes in foreign markets.

"Do Domestic Investors Trade at Favorable Prices? Evidence from Turkish Stock Exchange"
Oya Can Mutan - capital markets board of turkey, Turkey
Alaattin Ecer - Capital Markets Board of Turkey, Turkey
Aslihan Altay-Salih - Bilkent University, Turkey
Levent Akdeniz - Bilkent University, Turkey

Discussant: Ata Can Bertay - Tilburg University, Netherlands

The international finance literature has not been conclusive on the question of whether domestic or foreign investors have an advantage in trading stocks. While some scholars argue that foreign investors trade stocks in favorable prices others argue domestic traders are at an advantage. Empirical studies have documented evidence to support both sides of these arguments. In this paper we use a unique data set to investigate whether or not there is price discrepancy between domestic and foreign investors in trading stocks in Istanbul Stock Exchange (ISE) and find that foreign investors pay more relative to domestic investors when they buy and receive less when they sell during the period between September 2007 and October 2009. We also investigate the long term performance of two groups by analyzing the cumulative performances.

SESSION 45 **Konak 1**

MERGERS AND ACQUISITIONS II
Session Chair: Ephraim Clark - Middlesex University Business School, UK

"The Role of Government and Value Creation of Chinese Cross-Border Mergers and Acquisitions"
Agyenim Boateng - University of Nottingham China, China
Min Du - University of Nottingham, UK

Discussant: Wolfgang Bessler - Justus-Liebig University Giessen, Germany

Two decades of market-oriented reforms and open-door policies have spurred the unprecedented growth of Chinese multinational corporations abroad. This paper considers the role of government and institutional influences on value creation through cross-border mergers and acquisitions by Chinese firms during the period from 1998 to 2008. The findings indicate that Chinese bidders experience wealth gains ranging from 0.73% - 0.89% over a 3-day event window. Our cross-sectional analysis indicates that the reforms in the foreign currency approval system, the deal size and the regional location of the target firms exert significant impact on shareholder wealth. Another intriguing finding is that Chinese acquirers that conform to the government resource-seeking policy achieve positive gains; this finding provides support for the conformity-performance debate under institutional theory.

"Competitive Bidding in International Takeover Contests: An Analysis of Preemptive Bidding, Toeholds and Termination Fees"

Wolfgang Bessler - Justus-Liebig University Giessen, Germany
Colin Schneck - Justus-Liebig University, Germany
Jan Zimmermann - Justus-Liebig University, Germany

Discussant: Yoko Shirasu - Aoyama Gakuin University, Japan

This study examines bidder and target performance in international takeover contests and analyzes why contests occur and which bidder succeeds, focusing on three competitive bidding strategies: preemptive bidding, toeholds and termination fees. We document a 25 percent higher premium in takeovers with multiple bidders and provide evidence of the effectiveness of toeholds and termination fees in preventing competition. The percentage of cash payment, the size of the premium, and bidder toeholds are positively related to winning. In contrast, our results do not support hypotheses that preemptive bidding prevents competing bids, that a higher premium reduces competition, or that termination fees increase the probability of winning. Overall, we find evidence that the three competitive bidding strategies have different effects on either preventing or winning a contest. We also analyze the impact of other bidder and deal characteristics and the effects of competition in hostile takeovers.

"Market Evaluations and Strategic Factors: A Compatison from Asian Banks' M&A and Alliances"

Yoko Shirasu - Aoyama Gakuin University, Japan

Discussant: Serif Simsir - Sabanci University, Turkey

This paper covers Asian stock exchanges to empirically examine market responses to alliances, M&A announcements, and changes in management strategy made by listed banks. The cross-sectional results, based on Altunbas and Marques (2008), suggest that a cross-border diversification strategy anticipates value creation and that investors are not interested in industry diversification. Investors evaluate banks having low loan ratios with a view to later increasing the loan book by acquiring business loans through a mutually complementary alliance or M&A. Investors value banks with low loan ratios as ways to purchase larger loans for business through mutually complementary alliances between acquirers and targets. The M&A tools deployed by Asian banks' appear to be relief methods for unsound banks. The cross-border effect is dependent on the differences among countries' credit ratings, degree of economic freedom, and the nature of their legal and financial regulatory systems.

"Measuring Takeover Premiums: Lessons from Turkey"

Hasan Arslan - Sabanci University, Turkey
Serif Simsir - Sabanci University, Turkey

Discussant: Agyenim Boateng - University of Nottingham China, China

We investigate whether the merger announcement dates provided in a popular Mergers and Acquisitions (M&A) database, SDC, serve as accurate event dates for estimating the wealth effects of mergers on target firms that are located in Turkey. We find that 74% of SDC's merger announcement dates are preceded by merger-related events such as merger rumors, target firms' activities to seek for potential acquirers, and early stage merger negotiation announcements by the merging parties. Target cumulative abnormal return (CAR) estimates around these early dates are almost twice as large as the CAR estimates around SDC's merger announcement dates. Bid premium estimates that are based on the early dates are also significantly larger than the bid premium estimates that are based on SDC

SESSION 46 **Konak 2**

CREDIT DEFAULT SWAPS

Session Chair: Hsiang-Tai Lee - National Chi Nan University, Taiwan

"Long Memory and Correlation Dynamics of Eurozone Sovereign CDS"

Orcun Kaya - GoeUniversity, Germany
Yalin Gündüz - Deutsche Bundesbank, Germany

Discussant: James Grant - Imperial College London, UK

We study the variation of sovereign credit default swaps of eurozone countries, their link to the real economy and their co-movements. Specifically, using a dual fractional integration model, we test the evidence of persistent behavior during the financial crisis for CDSs of 10 eurozone countries. Our analysis reveals that price discovery processes satisfy the minimum requirements for a weak form of efficiency for sovereign CDS markets, even during the crisis. In contrast, the results imply persistent behavior in the volatility of CDS changes for Greece, Portugal, Ireland, Italy, Spain, and Belgium addressing long memory in sovereign uncertainty for these peripheral countries. We provide evidence of causality from volatility in CDS prices to sovereign risk premiums and demonstrate its effects on the real economy through local stock markets. Finally, we present the potential spillover effects utilizing a dynamic conditional correlation model and highlight a more explicit co-movement between peripheral eurozone economies.

"Market Efficiency and Default Risk: Evidence of an Anomaly from the CDS and Loan CDS Markets"
Lawrence Kryzanowski - Concordia University, Canada
Stylianos Perrakis - Concordia University, Canada
Rui Zhong - Concordia University, Canada

Discussant: Lorne Switzer - Concordia University, Canada

We identify significantly positive pricing-parity deviations from a simulated portfolio that simultaneously participates in opposite legs of the undervalued and overvalued contracts in the CDS and LCDS markets for exactly the same underlying firm, maturity, currency and restructure clauses. These deviations cannot be accounted for by trading costs, illiquidity or imperfect data about recovery rates in the event of default, suggesting segmentation between CDS and LCDS markets. Using panel regressions, we find that firm-level informational asymmetry and loan-recovery difficulty in case of default are more important than macroeconomic factors in accounting for the pricing-parity deviations.

"Default Risk and Corporate Governance in Financial vs. Non-Financial Firms"
Lorne Switzer - Concordia University, Canada
Jun Wang - Concordia University, Canada

Discussant: Jiri Svec - University of Sydney, Australia

This study explores the relation between credit risks of financial and non-financial firms and their corporate governance structures from the perspective of creditors. US based CDS spreads are used to measure firms' risk taking behavior. Governance attributes have differential effects across firm types. Board independence and financial transparency have a greater impact on the default risk of financial firms than on industrial firms. Ownership structure and takeover vulnerability are more important for industrial firms. For industrial firms, CEO ownership has a nonlinear relation with credit risk levels with an inflection point of around 40%, At ownership levels below (above) the inflection point, increased CEO ownership is associated with increased (decreased) credit risk. These results are consistent with an entrenchment effect. For financial firms, CEO ownership is associated with lower default probability only when CEOs hold a large fraction of the firms' shares.

"Fiscal Opacity and Sovereign Credit Spreads"
Jue Wang - University of Sydney, Australia
Jiri Svec - University of Sydney, Australia
Maurice Peat - University of Sydney, Australia

Discussant: Yalin Gündüz - Deutsche Bundesbank, Germany

This study addresses the counterintuitive result produced by the Duffie and Lando (2001) incomplete information model by remodelling its asset density function with added positive bias. We call this new model biased information model. The theory is then applied to study the effect of fiscal opacity on the levels and term structure of sovereign credit spreads. We make use of new panel datasets sourced from Open Budget Survey and IMF World Economic Outlook Database. Using panel data tests, we show that higher fiscal opacity leads to higher credit spreads, and that this relationship is nonlinear. Moreover, we show that fiscal opacity premium exists across the whole credit spread curve. These results have implications for policy setting in economies that are emerging from the debt crisis, since investors demand higher premium when there is high fiscal opacity.

BEHAVIORAL ISSUES II
Session Chair: Michael Schill - University of Virginia, USA

"Do Fund Managers Herd in Frontier Markets and Why?"
Fotini Economou - Business College of Athens, Greece
Constantinos Gavriilidis - Durham University, UK
Vasileios Kallinterakis - University of Liverpool, UK
Nikolay Yordanov - Ernst & Young Audit OOD, Bulgaria

Discussant: Suk-Joon Byun - KAIST, Korea

The present study investigates whether - and why - fund managers herd in frontier markets, which constitute a category of markets for which very little is known regarding the behaviour of their institutional investors. We examine this issue using two unique databases of quarterly portfolio holdings pertaining to funds from Bulgaria and Montenegro. Our results show that fund managers herd significantly in both markets; controlling for the interaction of their herding with different market states, we find that funds herd intentionally, motivated by informational and professional reasons.

"Continuing Overreaction and Stock Return Predictability"
Suk-Joon Byun - KAIST, Korea
Sonya Lim - DePaul University, USA
Sang Hyun Yun - KAIST, Korea

Discussant: Kudret Topyan - Manhattan College, USA

Prior studies argue that overconfidence-driven market overreaction leads to return predictability and high trading volume. Motivated by these studies, we propose a measure of continuing overreaction based on weighted signed volumes and examine whether it predicts future returns. We find that the strategies of buying stocks with upward continuing overreaction and selling stocks with downward continuing overreaction generate significant positive returns. Futhermore, the momentum effect disappears after controlling for the effect of continuing overreaction. An alternative measure of continuing overreaction constructed from volatility gives similar results. Our results provide direct support for the behavioral model of return predictability based on investor overconfidence.

"Return Predictability of Turkish Stocks: An Empirical Investigation"
Nusret Cakici - Fordham University, USA
Kudret Topyan - Manhattan College, USA

Discussant: Fotini Economou - Business College of Athens, Greece

This paper provides a comprehensive analysis on the stock return predictability in Turkey, January 1997 to July 2011, by employing both portfolio method and cross-sectional regressions. In the risk-related predictors, we found predictive power of beta, total volatility, and idiosyncratic volatility. The cheapness variable book-to-market ratio is the most important return predictor for the stocks traded in the Istanbul Securities Exchange. We also found that regrouping the stocks as small and large according to the median value of the market capitalization of the stocks adds important insights to the analysis. Our results show that the set of large stocks in the Istanbul Securities Exchange is the least predictable set of stocks and no particular predictor should be considered reliable in predicting the returns of the large stocks set.

"What are the Driving Forces of Market Performance, Market Structure or Agents' Intelligence, or Both?"
Viktor Manahov - Newcastle University, UK
Mona Soufian - Newcastle Business School, Northumbria University, UK
Robert Hudson - Newcastle University, UK

Discussant: Edgar Ortiz - Universidad Nacional Autonoma de Mexico, The first finding is the different degree of integration at the country and industry levels in the ASEAN, thus the second finding as the important result for this study is the effectiveness of the entropy index of Ruefli (1990) as a proxy for the level of intra industry competition in Singapore and finally the Malaysian bourses is still protective so that global investors need to be more active penetration with the local brokerage.

SESSION 48 **Bergama 3**

PAYOUT POLICY
Session Chair: Panayotis Alexakis - National and Kapodistrian University of Athens, Greece

"Corporate Liquidity and Dividend Policy Under Uncertainty"
Nicos Koussis - Frederick University, Cyprus
Spiros Martzoukos - University of Cyprus, Cyprus
Lenos Trigeorgis - University of Cyprus, Cyprus

Discussant: Mika Vaihekoski - University of Turku, Finland

In this paper we provide a contingent claims-real options theoretical framework for the analysis of the choice of retained earnings (liquidity) and dividend payout of the firm in the presence of revenue uncertainty and growth options. We provide an analytic benchmark three stage and extend it using a numerical numerical lattice-based framework. Our model allows for issuance costs of extenal financing and dynamic optimization of profit retention (plowback). In the absence of growth options, retained earnings is not optimal even when they earn a superior return compared to their opportunity cost. Retained earnings importance is enhanced at higher profit margins and low the revenue volatility (low risk of default). In the presence of growth options retained earnings become more important as a source of financing of growth .

"Dividend Policy in Nordic Listed Firms"
Tor Brunzell - Stockholm University, Sweden
Eva Liljeblom - Hanken School of Economics, Finland
Anders Loflund - Hanken School of Economics, Finland
Mika Vaihekoski - University of Turku, Finland

Discussant: Hubert De La Bruslerie - University Paris Dauphine, France

In this paper we analyze the results from a survey among all publicly listed Nordic firms on their dividend payout policy. A number of interesting results are found. The results show e.g. that 72 percent of the Nordic companies have a specified dividend policy. Larger and more profitable companies are more likely to have a defined dividend policy in place. The dividend policy is mostly influenced by the considerations of company's capital structure and future earnings. We get indirect support for agency / monitoring motives, or the need for a stable cash flow, rather than for the signaling motive, since the likelihood for a firm having an explicit dividend policy is positively related to ownership concentration as well as to large long-term, private or industrial owners.

"Share repurchase: Does it increase informativeness in the market prices?"
Hubert De La Bruslerie - University Paris Dauphine, France

Discussant: Amedeo De Cesari - Aston University, UK

Share repurchases are transactions which are supposed to cause market reaction in a signaling approach. However looking only at CARs is not enough and the results sometimes are contradictory. We introduce the concept of informativeness to assess if repurchases improve the private information content of stock prices. Our empirical test comprises American and European buybacks in the 1990-2011 period. We use the synchronicity measure introduced by Roll (1988) to follow the change of informativeness before and after the announcement of a transaction. The determinants of informativeness and CARs are also investigated. Our results are negative. Informativeness does not systematically improve, but sometimes it does if a change of dividend policy jointly occurs.

"CEO Incentives and Payout Policy: Empirical Evidence from Europe"
Amedeo De Cesari - Aston University, UK

Neslihan Ozkan - University of Bristol, UK

Discussant: Nicos Koussis - Frederick University, Cyprus

We investigate how payout policy is influenced by CEO share ownership and CEO stock option holdings for 1,754 publicly listed firms from the UK, Germany, France, Italy, the Netherlands, and Spain, over the period from 2002 to 2009. Similar to the findings for US firms, our results show that CEO stock option holdings are associated with lower dividend payments. This finding suggests that as CEOs accumulate more stock options as part of their equity-based compensation in European firms, they are reluctant to make dividend payments which would lead to a decline in the values of their stock option holdings. In contrast, we do not find any consistent evidence of CEO stock options driving the recent increase in share repurchase activity in European firms. Furthermore, we observe that the fraction of share repurchases in total payout increases as the CEO stock option holdings increase. Finally, our results do not show any significant impact of CEO share ownership on payout policy.

SESSION 49 **Petek**

DOCTORAL SESSION: ASSET PRICING I
Session Chair: Suleyman Basak - London Business School and CEPR, UK

"Copula Modeling and Dependency Among the Stock Markets from the Western Hemisphere and VaR Estimations"
Christian Bucio - UNAM, Mexico
Edgar Ortiz - Universidad Nacional Autonoma de Mexico,

Discussant: Sandra Mortal - University of Memphis, USA

This work applies copula modeling to estimate the degree of dependence among the nine major equity markets from the Western Hemisphere, six emerging markets from Latin America (Argentina, Brazil, Chile, Colombia, Peru, Venezuela, Mexico) and the two mature markets from North America (Canada, United States). The relevance of copula-measured dependence is assessed estimating Value at Risk for bilateral portfolio investments, comparing it with alternative VaR methodologies. The data encompass daily time series for the 1992-2009 period.

"Getting Real Forecasts, State Price Densities and Risk Premium from Euribor Options"
Vesela Ivanova - GoeUniversity, Germany
Josep Maria Puigvert Gutierrez - European Central Bank, Germany

Discussant: Georgy Chabakauri - London School of Economics, UK

In this paper we study the development of interest rate risk premium and option implied state price densities in the Euribor futures option market. By using parametric and non-parametric statistical calibration, we transform the risk-neutral option implied densities for the Euribor futures rate into real-world densities. We investigate the period from the introduction of the Euro in 1999 until December 2012. The estimated densities are used to provide a measure for the interest rate risk premium and state prices implicit in the futures market. We find that the real-world densities are good forecasters of the futures rate, while the forecasting ability of the risk-neutral distributions is rejected. The state price densities in the market exhibit a U-shaped curve suggesting that investors price higher states when rates are high and low compared to the expected spot rate. We further document a negative market price of interest rate risk.

"The Modified Dividend-Price Ratio"
Ioannis Neokosmidis - Aristotle University of Thessaloniki, Greece
Vassilis Polimenis - Aristotle University of Thessaloniki, Greece

Discussant: Lena Booth - Thunderbird School of Global Management, USA

After failing to reject the null of a unit root in the classical dividend-price ratio (dp), we show that a cointegrating relationship between dividends and prices exists. We then define the modified dividend-price ratio (mdp), as the long run trend deviation between log dividends and prices. Using S&P 500 data for the period 1926 to 2009, we show that mdp provides substantially improved forecasting results over the classical dp ratio. Actually, when both ratios are present in a multivariate setting, the classical dividend price ratio fails to bring any extra information about future returns. Out of sample, while the classical dp ratio cannot outperform the "mean" benchmark for any useful horizon, an investor who employs the modified dp ratio will do better in forecasting 5- and 7-year returns with an R2 between 52-54%. Further, with 1-year and 3-y R2 of 12% and 39% respectively. We argue that mdp can be considered as a de-noising of the classical ratio.

"Is Textual Sentiment a Determinant of Sovereign Bond Yield Spreads? The Case of PIGS."
Sha Liu - Trinity College Dublin, Ireland

Discussant: Fulvio Ortu - Bocconi University, Italy

I examine if textual sentiment, particularly negativity, is a determinant of sovereign bond yield spreads. The period of study is the European sovereign debt crisis, and the sample consists of 13,511 news articles of four most affected countries: Greece, Ireland, Portugal, and Spain. Traditionally textual sentiment has never been considered as a potential determinant of sovereign yield spreads. By employing panel regressions, this study is the first to show that the well-documented role of textual sentiment in the equity markets also applies to the debt markets. Negative words have a positive non-negligible impact on sovereign yield spreads, after controlling for the traditionally recognized variables. On the other hand, sovereign yield spreads are directly related to negative sentiment. The results are relevant to empirical asset pricing and market efficiency.

LUNCHEON

12:15 - 1:15 p.m. Kordon

KEYNOTE SPEECH

1:15 - 2:00 p.m. Smyrna

Professor Luigi Zingales
University of Chicago Booth School of Business, USA

WHY I WAS WON OVER BY GLASS STEAGALL

I do not like restrictions to contractual freedom and I did no buy the argument that the removal of Glass Steagall contributed to the 2008 financial crisis. There are certainly better ways to deal with excessive risk taking behavior by banks. So why was I won over by Glass Steagall? First, because the Volcker rule is much worse. Second, because I value simplicity. Third, because under Glass Steagall new markets prospered. Fourth, because the separation between investment and commercial banking also helps make the financial system more resilient. Last but not least, because Glass-Steagall helped restrain the political power of banks.

SESSION 50 **Karsiyaka 1**

CURRENCY MARKETS
Session Chair: Wolfgang Bessler - Justus-Liebig University Giessen, Germany

"Error Correction Modelling and Dynamic Specifications as a Conduit to Outperforming the Random Walk in Exchange Rate Forecasting"
Imad Moosa - RMIT University, Australia

Discussant: Mehmet Goktan - California State University East Bay, USA

The proposition that dynamic exchange rate models can outperform the random walk in out-of-sample forecasting, in the sense that they produce lower mean square errors, is examined and disputed. By using several dynamic versions of the flexible-price monetary model, it is demonstrated that while dynamic specifications outperform the static model, none of them performs better than the random walk. The results are explained by suggesting that any dynamic specification or transformation of the static model leads to the introduction of a lagged dependent variable, which in effect is a random walk component. The analysis leads to the conclusion that it is implausible to aim at beating the random walk by augmenting a static model with a random walk component.

"On Option Pricing in Illiquid Markets with Random Jumps"
Youssef EL-Khatib - UAE University, United Arab Emirates
Abdulnasser Hatemi-J - UAE University, United Arab Emirates

Discussant: Ephraim Clark - Middlesex University Business School, UK

One shortcoming of Black-Scholes model on option pricing is the assumption that the trading of the asset does not affect the price of that asset. This asumption is fulfilled in liquid markets. Since most markets are illqiud, this asumption is too restrictive. Thus, taking into account the price impact in option pricing is important. This issue has been dealt with, to some extent, for illiquid markets by assuming a continuous process, mainly based on the Brownian motion. However, the recent financial crisis and its effects on the global stock markets have propagated the urgent need for more realistic models where the stochastic process describing the price trajectories involves random jumps. Nontheless, works related to markets with jumps are scant compared to the continuous ones. In addition, these prevoius studies do not deal with illiquid markets. This paper tackles the pricing problem for options in illiquid markets with jumps as well as the hedging strategy within this context.

"The Effect of Exchange Rate Movements on the Share Price Performance of UK SMEs"
Yacine Belghitar - Cranfield School of Management, UK
Ephraim Clark - Middlesex University Business School, UK
Salma Mefteh - ESSCA School of Management, France

Discussant: Ahmet Ikiz - Mugla Sitki Kocman University, Turkey

This paper examines the effect of changes in the value of the pound on the share price performance of UK small and medium-sized enterprises (SMEs) for the period 1998-2009. We find that the share price of all firms in our sample, both those with and without foreign sales, have statistically significant exposure to changes in the exchange rate. The net effect of this exposure is share price reducing and there is no difference between firms with direct exposure through foreign sales and those without. These results are robust with respect to all three currencies under consideration as well as across the individual industrial sectors.

"Evolution of Future Exchanges in Turkey a Decade of Change"
Ahmet Ikiz - Mugla Sitki Kocman University, Turkey

Discussant: Imad Moosa - RMIT University, Australia
Future contracts are one of the main financial instruments in trading volume in dominant world exchanges such as NYSE and London Stock Exchange. The trade of standard contracts in future exchanges improves

countries portfolio in international funds. Turkey achieved liberalization after the financial reforms in 1980's. That increased the integration to world markets. The idea of foundation of future exchanges market initiated in the beginning of 1990's. There were studies about gains of cotton future exchanges in Izmir. Following years the first futures exchanges established in 1997 in Istanbul Gold Exchange in Turkey. The standard volume of gold certificates started to circulate for operations. Following to the establishment of legal framework first contracts started to trade in Istanbul Stock Exchange in February 2005. In this paper I will outline the development of derivatives markets in Turkey.

SESSION 51 **Karsiyaka 2**

EXECUTIVE COMPENSATION AND TURNOVER
Session Chair: Mika Vaihekoski - University of Turku, Finland

"The Use of Financial Contracting Arrangements to Constrain Rent-Seeking Behaviour of Managers of Subsidiary Firms: Evidence from UK and US Multinational Subsidiary Firms"
Robert Suban - Manchester Business School, UK
Michael Bowe - Manchester Business School, UK
Mo Yamin - Manchester Business School, UK

Discussant: Hatice Uzun - Long Island University, USA

We propose and test two hypotheses on how multinational (MNC) parents can use different financial contracting arrangements when financing their subsidiaries in order to constrain the rent-seeking behaviour of subsidiary management. Furthermore, we also examine how the MNC parent can effectively enhance the monitoring of their subsidiaries by delegating this function to external financial institutions. One hypothesis analyses the use of short-term debt. The second hypothesis investigates the use of short-term external debt. Moreover, our analysis is enriched by investigating these two hypotheses in two different settings, namely by comparing between UK domestic and UK subsidiary firms and by comparing UK and US subsidiary firms. This enables us to measure the subsidiary effect and the location/distance effect using an unbalanced panel data of 11762 and 10096 firm-year observations.

"Executive Compensation, Pay Gap, Financial Firm Performance and Risk"
Elizabeth Cooper - La Salle University, USA
Hatice Uzun - Long Island University, USA
Yudan Zheng - Long Island University, USA

Discussant: Wai Hay Ng - University of Waikato, New Zealand

The link between executive compensation and firm risk in financial firms has been questioned by the media, public, and regulatory agencies since the recent financial crisis. We conduct the first study on how the occurrence of the recent financial crisis changes the effect of compensation pay gap on risk-taking in financial firms under two competing hypotheses: the tournament theory and equity fairness/quiet life theories. Based on a sample of financial firms in EXECUCOMP between 1992 and 2009, we document a positive impact of managerial compensation pay gap on risk-taking. More importantly, we show that the positive effect of compensation pay gap on risk-taking in financial firms has weakened since the financial crisis, which implies that financial crisis may have changed the attitude of top executives toward tournament incentives. Our results are robust to different proxies for compensation pay gaps and risk-taking incentives, as well as OLS and firm fixed effect regressions.

"Relationships between CEO's Compensation and Firm's Value: Not Necessarily Positive"
Sazali Abidin - University of Waikato, New Zealand
Adam Grenside - University of Waikato, New Zealand
Wai Hay Ng - University of Waikato, New Zealand
Azilawati Banchit - University of Waikato, New Zealand
Nirosha Hewa Wellalage - University of Waikato, New Zealand

Discussant: Shage Zhang - Trinity University, USA

With the Global Financial Crisis, the debate on CEO's compensation has intensified to greater heights,

questioning on the high compensation package received by CEOs of large failed corporations. This study focuses on CEO's compensation in New Zealand and investigates relationships between CEO's compensation and various variables measuring firm's value such as total assets, market value, net income, return on assets, and stock price returns from 2006 to 2010. Our study found weak positive relationships between CEO's compensation in all of the variables except net income where surprisingly, the result shows a weak negative relationship. In addition, we also found that CEO's compensation is on a steady uprising trend while net income is not. Our findings thus provide empirical evidence that high CEO's compensation does not lead to better firm's value in New Zealand during the period of study.

"Pay Gap among Executives and Firm Value"
Shage Zhang - Trinity University, USA

Discussant: Robert Suban - Manchester Business School, UK

We study the relationship between pay gaps among top executives and firm value using the insights from a principal-agent framework. Large pay gaps on one hand reduce managerial shirking by imposing a large promotion incentive, and on the other hand they can induce counter-productive rivalries. Hence, both the pay gap level and its impact on firm value are jointly determined by the firm's optimizing pay gap so that the marginal benefit of reducing managerial moral hazard is balanced against the expected marginal costs of uncooperative manager behavior. We find that complex firms tend to have larger pay gaps, and their firm values increase with the pay gap level. On the other hand, R&D intensive firms tend to have lower pay gaps, and the effect of pay gaps on their firm value is much lower and can even become negative. We also find a substitution effect between pay gaps and other mechanisms used to control moral hazard problems.

SESSION 52 **Karsiyaka 3**

FINANCIAL INTERMEDIARIES I
Session Chair: Mustafa Caglayan - Heriot-Watt University, UK

"Monitoring and its Effects on Interest Income"
Dilek Bulbul - GoeUniversity Frankfurt, Germany

Discussant: Shuh-Chyi Doong - National Chung Hsing University, Taiwan

This study investigates empirically how advantages in information production affect loan rates and consequently the interest income of banks. Are cost reductions from superior monitoring passed on to the borrowers? For this study, a new ex-ante measure for monitoring efforts of a bank is applied. This measure investigates directly the efforts of a bank in assessing credit risk in the lending business, obtained from a survey conducted among all German savings banks. Using a unique dataset I find a robust and significant negative impact of superior monitoring efforts on the interest income of the bank. Implying that banks with higher monitoring efforts, which can also be interpreted as superior monitoring expertise or capability, pass on their advantages in information production to their customers by reduced loan rates. The results indicate that interest rates are high enough to provide banks with economic rents, but low enough to limit excessive risk-taking of firms.

"The Effects of Bank's Attributes on the Relationship Between Risk and Performance"
Chia-Hao Lee - National Taichung University of Science and Technology, Taiwan
Shuh-Chyi Doong - National Chung Hsing University, Taiwan

Discussant: Omrane Guedhami - University of South Carolina, USA

This paper discusses whether the relationship between bank's risk and financial performance changes with bank's attributes. The findings suggest that, in Taiwan's banking industry, bank's risk has negative effects on financial performance. Namely, the lower the bank's risk is, the better the bank's financial performance is. By further categorizing Taiwan's banks into financial holding group's subsidiary banks and banks that are not subsidiaries of any financial holding group, it can be found that the risk of financial holding banks has negative effects on financial performance. However, the risk of those non-financial holding banks has positive effects, indicating that they rely on holding high-risk assets to improve their financial performance. To prevent those non-financial holding banks from improving their performance by neglecting their operating risk, the government must develop appropriate financial regulatory policies to avoid the crisis of financial institution

"Bank Internationalization and Risk-Taking"
Allen Berger - University of South Carolina, USA
Sadok El Ghoul - University of Alberta, Canada
Omrane Guedhami - University of South Carolina, USA
Raluca Roman - University of South Carolina, USA

Discussant: George Filis - Bournemouth University, UK

This paper investigates the effects of bank internationalization on risk taking. We find that internationalization increases bank risk taking: the Z-score of US banks that engage in foreign activities is lower than that of their purely domestic peers. The results are consistent with the empirical dominance of the market risk hypothesis, whereby internationalization increases banks' risk due to market-specific factors (competition, culture, regulatory complexity, economic and political instability, etc.) over the diversification hypothesis, whereby internationalization allows banks to reduce risk through increased diversification of their operations. The results continue to hold after conducting a variety of robustness tests, including accounting for endogeneity and sample selection bias. We also find that the magnitude of this difference in risk taking is more pronounced during financial crises than normal times.

"Monetary and Fiscal Policy Interactions and Their Importance in Stock Market Performance"
Ioannis Chatziantoniou - University of Portsmouth, UK
David Duffy - University of Portsmouth, UK
George Filis - Bournemouth University, UK

Discussant: Dilek Bulbul - GoeUniversity Frankfurt, Germany

An SVAR model is employed to investigate the effects of monetary and fiscal policy shocks on stock market performance in Germany, UK and the US. A significant number of past studies have concentrated their attention on the relationship between monetary policy and stock market performance, yet only few on the effects of fiscal policy on stock markets. Even more we know little, if any, on the effects of fiscal and monetary policy on stock market performance when the two policies interact. This study aims to fill this void. Our results show that both fiscal and monetary policies influence the stock market, via either direct or indirect channels. More importantly, we find evidence that the interaction between the two policies is very important in explaining stock market developments. Thus, investors and analysts in their effort to understand the relationship between macroeconomic policies and stock market performance should consider fiscal and monetary in tandem rather than in isolation.

SESSION 53 **Konak 1**

MERGERS AND ACQUISITIONS III
Session Chair: Lorne Switzer - Concordia University, Canada

"The Post-Acquisition Returns of Stock Deals: Evidence of the Asset Growth Effect"
Sandra Mortal - University of Memphis, USA
Michael Schill - University of Virginia, USA

Discussant: Samuel Szewczyk - Drexel University, USA

A growing literature finds that the cross-section of stock returns is negatively correlated with past asset growth rates. Based on a large sample of U.S. firms, we show that the poor post-deal returns associated with stock acquisitions are more precisely explained by the systematically larger asset growth rates associated with stock relative to cash deals. We find a similar result when we examine other well-known cross-sectional and time-series acquisition effects, including glamour deals, weakly monitored deals, and deals done during high valuation periods. This observation calls into question the existing literature by asserting that the distinguishing characteristic associated with acquisitions is simply their tendency to grow assets.

"Stock Price Idiosyncratic Information and Merger Investment Decisions"

Wenjing Ouyang - University of the Pacific, USA
Samuel Szewczyk - Drexel University, USA

Discussant: Konstantinos Bozos - Leeds University Business School, UK

Stock price idiosyncratic information (SPII) is investors' firm-specific information impounded into stock price through informed trading. Our study examines whether SPII provides managers the new information about the value of growth opportunities and improves merger investment decisions. Focusing on 2,018 major merger transactions announced during the period from 1990 to 2006, we find the acquirer SPII increases the sensitivity of merger investment to q. It is positively associated with acquirer announcement return, combined merger return, long-run abnormal return, and post-merger operating performance. Furthermore, these relations are mainly driven by acquirers with high q or blockholder ownership. Our study provides important evidence that managers learn from the stock market in merger investment decisoins.

"How Has the International Harmonization of Financial Reporting Standards Affected Merger Premiums Within the European Union?"
Konstantinos Bozos - Leeds University Business School, UK
Yasanji Ratnaike - Leeds University Business School, UK
Malek Alsharairi - German Jordanian University, Jordan

Discussant: Elif Akben Selcuk - Kadir Has University, Turkey

We examine the impact of IFRS adoption on merger premiums. Using a comprehensive database of M&A deals within the EU during 2000-2012 we investigate the impact of overall IFRS adoption, the differences between voluntary and mandatory adopters and the role of the target country's pre IFRS accounting infrastructure and framework (absence of IFRS and IAS). We find that IFRS adoption by targets is generally associated with lower merger premiums. This decline is more pronounced in mandatory adopters and does not apply to voluntary adopters. In addition, we find that the further away the target's country standards are from IFRS, the stronger the negative impact of IFRS adoption on merger premiums. The results are robust to an exhaustive number of control variables and alternative model specifications, as well as across different subsamples.

"The Impact of Diversifying Acquisitions on Shareholders' Wealth: Evidence from Turkish Acquirers"
Elif Akben Selcuk - Kadir Has University, Turkey
Halil Kiymaz - Rollins College, USA

Discussant: Michael Schill - University of Virginia, USA

This study examines the impact of diversifying acquisitions on acquiring Turkish firms. Using a sample of 98 acquisitions during 2000-2011, the study finds that acquiring firms experience statistically significant abnormal returns surrounding the announcement date. The cross-sectional regression results show that diversifying acquisitions create higher abnormal returns to acquirers compared with focused acquisitions. We also show that smaller firms experience higher abnormal returns compare to larger firms in our sample. Finally, acquiring public firms result in higher wealth gains to acquirers.

SESSION 54 **Konak 2**

MUTUAL FUNDS
Session Chair: Kristian Rydqvist - Binghamton University, USA

"Did Behavioral Mutual Funds Exploit Market Inefficiencies During the Crisis?"
Nikolaos Philippas - University of Piraeus, Greece

Discussant: William Bertin - Bond University, Australia

This study examines the performance of mutual funds that employ investment strategies based on the principles of behavioral finance, commonly known as "behavioral mutual funds". We utilize a series of performance measures to test whether behavioral mutual funds outperform their benchmarks or passively managed index funds, using monthly data for the period January 2007-September 2011. Our results show that behavioral mutual funds actually had poor performance, rejecting the conjecture that the recent crisis period would provide an ideal environment for their strategies to be profitable by exploiting market inefficiencies.

"Recent Evidence on Emerging Market Funds: Diversification and Performance"
William Bertin - Bond University, Australia
Laurie Prather - Bond Univeristy, Australia

Discussant: Iordanis Karagiannidis - Citadel, USA

In recent years emerging market equity mutual funds have become one of the more rapidly growing mutual fund categories. This growth is most likely due to their impressive realized returns over a successive number of years, although these returns are also quite volatile. This study reports on U.S. based emerging market mutual funds' characteristics and performance relative to domestic and international mature market equity mutual funds over the period 1996 - 2010, and through performance and correlation analyses, explores the diversification benefits provided by these funds. The statistical analysis documents that the emerging market funds outperform domestic and international mature market funds, although their investment style has an impact, and their diversification benefits are limited by relatively high correlation.

"The Causes and Consequences of Management Team Changes in Mutual Funds"
Iordanis Karagiannidis - Citadel, USA

Discussant: Dawood Ashraf - Prince Mohammad Bin Fahd University, Saudi Arabia

This paper examines the causes and consequences team management by focusing on set of funds that have switched their management team structure during the period 1997-2004. Preliminary results show that team-managed funds switch to sole managed after poor performance while sole-managed funds switch to team-managed after significant over-performance. When a fund becomes sole-managed performance improves significantly (184 basis points in terms of 4-factor alpha) while a switch to team management leads to deteriorating performance. Sole managed funds that add more managers exhibit a decline in performance of 190 basis points. Sole-managed funds that switch to team-managed experience above normal increases in size (total net assets) the year before the change. Weak evidence suggests that risk taking considerations also relate to the decision to change a fund's management team structure.

"Genesis of Differential Performance Between Shari'ah Compliant Equity Indices and Conventional Indices"
Dawood Ashraf - Prince Mohammad Bin Fahd University, Saudi Arabia

Discussant: Nikolaos Philippas - University of Piraeus, Greece

The superior performance of Islamic equity investment funds has received a considerable attention during the recent financial crisis. However, it is not yet clear whether such a difference in performance stems from management skills (stock selection and market timing) of fund managers or the stock screening criteria imposed by the principles of Islamic Shari'ah. To isolate the impact of Shari'ah screens on performance measurement, this study focuses on Islamic equity indices (IEIs) rather than equity funds since IEIs do not consider management skills or transaction costs. The return performance of 29 IEIs versus conventional indices from four major international index providers is analyzed in a single as well as in a multi-equation framework. The empirical findings suggest that the difference in screening criteria does not significantly affect the performance of IEIs. Returns deviation if any stems from the relative riskiness of the IEI as compared with the relevant benchmark.

BEHAVIORAL ISSUES I

Session Chair: John B. McDermott - Fairfield University, USA

"Information Arrival, Jumps and Cojumps in European Financial Markets: Evidence Using Tick by Tick Data"

Frederic Deleze - Hanken school of Economics, Finland
Syed Mujahid Hussain - Hanken School of Economics, Finland

Discussant: Marco Guidi - University of Glasgow, UK

This paper investigates jumps and cojumps in European financial markets employing more than six years of tick by tick data on stock index, currency and interest rate futures. We use a new jump detection measure building upon a methodology proposed by Andersen et al. (2007c) and Lee and Mykland (2008). Our results show that scheduled US macroeconomic announcements cause significant jumps on all asset classes. European equity markets are found to be more responsive to the US fundamentals than currency and interest rate futures. There is a strong correlation between the type of news and orientation of the jumps. The frequency and intensity of jumps have considerably increased in European markets since the global credit crises started in 2007. We also report strong evidence of cojumps caused by the US macroeconomic surprises across European stock indices futures. The interdependence among European equity markets has increased since the recent worldwide recession.

"Financial Institutions, Opportunistic Strategies and Government Debt Guarantees: The Moral Debt Perspective."

Marco Guidi - University of Glasgow, UK

Discussant: Leh-chyan So - National Tsing Hua University, Taiwan

The massive externalities imposed onto society are due the financial institution's unwillingness to internalize the full consequences of these decisions. Financial institutions (FIs) opportunistic strategies exploit inefficient contracts with society due to government debt safety-net policies by avoiding legal and moral fiduciary duties. These opportunistic strategies extract current economic gain to the detriment to society whilst creating additional hazards and instability within the financial system. They do this using 'bankruptcy for profit' (go-broke) and excessive risk-taking (go-for-broke) strategies that exploit Too-Big-To-Fail, quantitative easing, capital requirement system, and disclosure policies.

"Investor Sentiment Contagion in East Asian Stock Markets"

Leh-chyan So - National Tsing Hua University, Taiwan

Discussant: Syed Mujahid Hussain - Hanken School of Economics, Finland

As globalization among financial markets has become mainstream and information technology has increasingly ripened into maturity, it seems that no individual market operates alone. Following this trend, investor sentiment contagion around certain regions makes sense, and might be one of the driving forces behind the ups and downs of stock prices. The purpose of this study is to find evidence of the influence of investor sentiment on four East Asian countries' stock markets: Japan, South Korea, Taiwan, and Mainland China. To detect to what extent investor sentiment is contagious, the four East Asian countries' investor sentiments have been decomposed into several sources: four individual local influences, East Asia's regional influence, and the global influence of the six major industrialized countries in the G6. Results show that investor sentiments are responsible for these four stock market returns, while investor sentiment contagion is not necessarily observed in each country.

"Behavioral Finance in the Egyptian Capital Market"

Ahmed Elbadry - Cairo University, Egypt

Discussant: Ioannis Neokosmidis - Aristotle University of Thessaloniki, Greece

In this paper, I investigate the effect of the Egyptian investors' behavioural biases on their investment

decision. The study will be concerned about identifying and exploring whether the Egyptian investors are rational or not and what are their behavioural preferences and cognitive biases that affect them while making an investment decision. Afterwards, their behaviour will be analyzed to measure its effect on the stock market.

SESSION 56 **Bergama 3**

INFORMATION ASYMMETRY
Session Chair: Yildiray Yildirim - Syracuse University, USA

"Informed Trading Behavior of Institutions and Individuals around Earnings Announcements"
Yu-Chen Wei - National Kaohsiung First University of Science and Technology, Taiwan
Yen-Ju Hsu - National Kaohsiung First University of Science and Technology, Taiwan

Discussant: Ying-Jiuan Wong - National Kaohsiung University, Taiwan

This study constructs the institutional- and individual- based probability of informed trading (PIN) by adjusting Easley, Hvidkjaer and O'Hara (2002) and investigates the impact of the informed trading behaviors of institutions and individuals on the post-announcement drift around the earnings announcement. The differences between this study and the previous literatures lie in that the investor types of informed traders are distinguished as institutions and individuals. Besides, the trading date effect is considered to examine the informed trading behaviors. The findings show that if there are informed traders involves in the stocks, the cumulative abnormal returns after the earnings announcement may be higher than the other stocks with no informed traders. Some individuals may possess relevant information that may prompt them to trade prior to or after the earnings announcement. The findings of the study may contribute to the government regulations and portfolio selections.

"The Reporting Strategy of Earnings Before Family CEO Succession"
Shao-Chi Chang - National Cheng Kung University, Taiwan
Ying-Jiuan Wong - National Kaohsiung University, Taiwan
Wen-Chun Lin - National Taipei College of Business, Taiwan

Discussant: Jana Fidrmuc - University of Warwick, UK

This study focused on a critical issue, how a family firm can successfully transit specific relationship with stakeholders to later generations by earnings management in order to perpetuate a family dynasty. The results showed that firms with family succession CEOs experience significantly positive earnings management before succession. Moreover, firms with younger family succession CEOs are more likely to manage earnings prior to succession. In addition, voluntary turnover CEO's have a positive moderating effect on the relationship between family succession and prior-succession earnings management. Only in firms where the succeeding CEOs are family heirs and have founders who still serve on the board is there higher incentive to inflate earnings before CEO turnover. Finally, for firms with a higher percentage of family ownership as well as a family succession CEO, higher prior-turnover earnings management is also evident.

"Strategic Timing of Opportunistic Insider Purchases and Sales"
Jana Fidrmuc - University of Warwick, UK
Jiri Novak - Charles University, Czech Republic

Discussant: Bushra Ghufran - Air Universality Multan Campus, Pakistan

This paper shows very good timing abilities of US insiders when purchasing or selling shares of their own firms. Insiders tend to sell (buy) after periods of positive(negative) returns and very positive (negative) earnings announcements. This trend changes sharply at the announcement of insider transactions. Returns start to decrease(increase), while earnings announcements are met with a very mild market reaction. Insiders also sell (buy) at the peak (bottom) of earnings growth, but earnings startto turn negative (positive) only 4 quarters after insider trading. These patterns are consistent with insiders selling while prices remain high, but stop selling when prices adjust downwards and start buying when prices are very low. Our data cover around 300,000 insider trades in the post-SOX period over 2003-2009 with prompter reporting of insider transactions.

"Conflicts between shareholders in ASEAN 5 Mergers and Acquisitions"

Azilawati Banchit - The University of Waikato, New Zealand
Stuart Locke - The University of Waikato, New Zealand
Daniel Choi - The University of Waikato, New Zealand
Nirosha Hewa Wellalage - The University of Waikato, New Zealand

Discussant: Yu-Chen Wei - National Kaohsiung First University of Science and Technology, Taiwan

The paper investigates principal-principal (PP) conflicts arising in mergers and acquisitions (M&A) in ASEAN 5 countries; Indonesia, Malaysia, the Philippines, Thailand and Singapore. The issue is of importance to investors and the growth of the equity markets in ASEAN countries in South East Asia and probably well beyond. Large controlling shareholders in Asian public limited corporations according to prior research do cause agency conflicts (Becht, Franks, Mayer, & Rossi, 2010; Burkart & Lee, 2008; Claessens, Djankov, Fan, & Lang, 2002). However, the net effect cannot be estimated with any degree of accuracy without understanding and being able to distinguish the single effect of an investment project. The relation between large shareholders and agency conflicts is difficult to test empirically since no public information is provided at the individual investment project level, which differs from the case of corporate mergers and acquisitions (M&A) (Amihud, Lev, & Travlos, 1990).

SESSION 57 **Petek**

DOCTORAL SESSION: ASSET PRICING II
Session Chair: George Constantinides - University of Chicago, USA

"Liquidity and Asset Prices: An Empirical Investigation from the Finnish Market"
Hilal Butt - Hanken School of Economics, Finland
Nader Virk - Hanken School of Economics, Finland

Discussant: Malick Sy - RMIT University, Australia

This paper presents a simplified single period asset-pricing model that adjusts for illiquidity and tests for the Finnish stock market. The empirical testing for a small yet developed market is motivated by the increased relevance of the illiquidity effect for illiquid assets/markets vastly reported in the literature. Our results support our hypothesis. The results show that expected returns on illiquidity portfolios are cross-sectionally linked with illiquidity risks more so than the market risk, whereas the comparable U.S. evidence reports otherwise. The illiquidity premium maintains its persistence even if we exclude illiquidity prone periods from the sample, although it generates a lower share of the total model risk premium than the full period. The remaining evidence highlights variations in the types of illiquidity risks depending upon proxy measure used, time variations in illiquidity premia, and the superior performance of liquidity-adjusted model compared to the simple CAPM.

"The Returns to Carry and Momentum Strategies"
Jan Danilo Ahmerkamp - Imperial College London, UK
James Grant - Imperial College London, UK

Discussant: George Athanassakos - University of Western Ontario, Canada

We find that global time series carry strategies (across bonds, commodities, currencies, equities and metals) can be explained by a set of lagged macroeconomic variables. The payoffs to carry strategies disappear once futures returns are adjusted for their macroeconomic predictability. On the other hand, momentum strategies are only weakly affected by lagged macroeconomic variables but are significantly related to measures of hedge fund capital flow. While momentum strategies were highly co-moving with carry strategies and therefore business cycle predictors between 1994 and 2002, when Hedge Fund AUM was low, correlation has since decreased. The decrease in correlation has coincided with significant increases in hedge fund AUM, and limits to arbitrage have become more relevant in explaining momentum returns. We embed these findings within a broad empirical investigation of time series carry and momentum strategies across 55 futures contracts over a sample period from 1980 to 2012.

"Trade Classification Accuracy for the Istambul Stock Exchange"
Osman Aktas - Concordia University, Canada

Lawrence Kryzanowski - Concordia University, Canada

Discussant: Kwangwoo Park - Korea Advanced Institute of Science and Technology (KAIST), Korea

Of the six trade classification algorithms (tick, reverse tick, quote, at-the-quote, Lee & Ready (LR) and Ellis, Michaely and O`Hara (EMO)] examined for the ISE-30 (30 stocks in the Istanbul Stock Exchange Index) for June-December 2008, the LR algorithm with a one-second lag has the highest accuracy rate of over 95%. As for U.S. markets, we document that the rate of misclassifications tends to be higher in the first versus last 30 minutes of the trading day and when trades that take place at the quote mid-spread. Unlike that for U.S. markets, we document that the rate of misclassifications decreases with decreasing time between consecutive trades and for decreasing trade sizes. Unlike that for U.S. markets, we find accuracy rates of at least 90% using one-second lagged quotes for both long and short trades for the quote, at-the-quote and LR algorithms.

"An Impact of Illiquidity Risk for the Cross-Section of Nordic Markets"
Hilal Butt - Hanken School of Economics, Finland

Discussant: Panayotis Alexakis - National and Kapodistrian University of Athens, Greece

An illiquidity measure for four Nordic markets is estimated as monthly average of those days for which the events of zero return in local equity markets and of no change in $/local exchange rate occurred simultaneously. The advantages of estimating market-wide illiquidity this way are twofold, firstly in comparison with other commonly proposed measures of illiquidity in literature, it yields the maximum return spread between the most illiquid and liquid stocks. Secondly, it establishes the link between the cross-sections of return for different testing portfolios used in this paper with market-wide illiquidity risk, whereas similar connection does not exist when market model is used.

Refreshments 4:00 - 4:15 p.m.

Alsancak Foyer

SESSION 58 **Karsiyaka 1**

ASSET PRICING VI
Session Chair: William Bertin - Bond University, Australia

"Forecasting Crude Palm Oil Price Movements from the Dynamic Relationship Between CPO Spot and Futures Prices: Empirical Evidence"
Malick Sy - RMIT University, Australia

Discussant: Abhay Singh - Edith Cowan University, Australia

Forecasting model of daily CPO price is tested. The cost of carry model is employed. Daily data from 1996 to 2011 show cointegration between CPO spot and 1,2,3 and 4-month futures. Vector Error Correction Model (VECM) is first estimated. From the in-sample performance of VECM, CPO futures can explain largely the CPO spot. VECM is a superior model in forecasting 1-M CPO futures both in terms of point forecasting performance and also of market timing ability compared with the random walk model (RWM) used as a benchmark. VECM performance is superior with that of Vector Autoregressive Model in Differences (VARD) both in and out-of sample.

"Financial Dependence Analysis: Applications of Vine Copulae"
David Allen - Edith Cowan University, Australia
M.A. Ashraf - Indian Institute of Technology, India
Michael McAleer - Erasmus University, Netherlands
Robert Powell - Edith Cowan University, Australia
Abhay Singh - Edith Cowan University, Australia

Discussant: Walt Pohl - University of Zurich, Switzerland

This paper features the application of a novel and recently developed method of statistical and mathematical analysis to the assessment of financial risk: namely Regular Vine (R-Vine) copulas. Dependence modelling using copulas is a popular tool in financial applications, but is usually applied to pairs of securities. Vine copulas offer greater flexibility and permit the modelling of complex dependency patterns using the rich variety of bivariate copulas which can be arranged and analysed in a tree structure to facilitate the analysis of multiple dependencies. We apply R-Vine copula to a sample of stocks comprising the Dow Jones Index to assess how their dependencies change in different economic circumstances using three different sample periods: pre-GFC, GFC and post-GFC. The empirical results suggest that the dependencies change in a complex manner, and there is evidence of greater reliance on the Student t copula in the copula choice within the tree structures for the GFC period.

"Environment Costs and Financial Performance: Evidence Around the World"
Hakkon Kim - KAIST, Korea
Bong-Soo Lee - Florida State University, USA
Kwangwoo Park - Korea Advanced Institute of Science and Technology (KAIST), Korea

Discussant: Alejandra Cabello - UNAM, Mexico

This paper examines how environment costs affect financial performance of manufacturing firms for 30 countries. We find that countries in Asia-Pacific region have the greatest variation between ROA and environment cost-adjusted ROA. This appears to come at the expense of rapid economic development in the emerging economies in this region. We further show that conventional industries such as basic resources and food and beverage industries have substantially high levels of total environment cost, while the opposite is valid for technology and telecommunication industries. Our results show that lowering environment costs has a significant role in enhancing firm performance. We find some dynamic effects between these two variables. Lowering environment costs are expected to precede at least for two years before enhancing ROA. Our findings suggest that policy makers dealing with climate change should continue to pursue environment-centered industry policy as firms with lower environment costs are performing better.

CORPORATE FINANCE IV

Session Chair: Andre Dorsman - Vu University Amsterdam, Netherlands

"Managerial Ability and Firm Performance: Evidence from the Global Financial Crisis"

Panayiotis Andreou - Cyprus University of Technology, Cyprus
Daphna Ehrlich - Tel Aviv University, Israel
Christodoulos Louca - Cyprus University of Technology, Cyprus

Discussant: Vefa Tarhan - Loyola University Chicago, USA

We examine the relation between managerial ability and firm performance during the 2008 global financial crisis. We find that managerial ability is positively associated with firm performance. Firms with better management ability invest more during the crisis period, generate greater profitability and issue more debt when profitability is not adequate. Finally, managerial ability is negatively associated to information asymmetry. Overall, these results are consistent with the view that managerial ability enhances firm performance, reduces underinvestment, improves profitability / borrowing capacity and reduces information asymmetry.

"Do Cash Flow Sensitivities VaryDuring Non-Crisis and Liquidity Crisis Periodsand Across Countries?"

Wolfgang Drobetz - University of Hamburg, Germany
Rebekka Haller - University of Hamburg, Germany
Iwan Meier - HEC Montreal, Canada
Vefa Tarhan - Loyola University Chicago, USA

Discussant: Gloria Gardenal - Ca' Foscari University of Venice, Italy

We examine whether or not firms are constrained in accessing capital markets using the system of equations model of Gatchev, Pulvino, and Tarhan (Journal of Finance, 2010). We investigate how cash flow sensitivities vary with economic conditions. We find strong support that firms faced relatively easy conditions for raising funds during normal times and earlier crises, but they experienced severe constraints during the recent financial crisis. Our results confirm that during the financial crisis, financially constrained firms cut their investments significantly while financially less constrained firms accessed their financial flexibility in the form of excess cash and short-term financing. Furthermore, we find that financing constraints are more stringent for firms that operate in civil-law and in emerging market economies.

"The Effect of the Enterprise Risk Management Imprementation on the Firm Value of European Companies"

Giorgio Bertinetti - Ca' Foscari University of Venice, Italy
Elisa Cavezzali - Ca' Foscari University of Venice, Italy
Gloria Gardenal - Ca' Foscari University of Venice, Italy

Discussant: Christodoulos Louca - Cyprus University of Technology, Cyprus

We aim to investigate the impact of the Enterprise Risk Management on the enterprise value and to discover the determinants of this adoption. Several economic actors have decided to face the current economic and financial complexity shifting from a Traditional silo-based Risk Management approach (TRM) to a more comprehensive one: the ERM. Some academics have investigated this topic, focusing mainly on the financial industry, but results are still controversial. In this study we try to understand if the ERM implementation affects firm value on a sample of 200 European companies, both financial and non-financial; second, we test which are the determinants of the ERM adoption. We do this through a FE panel regression analysis and a FE logistic analysis. We find a positive statistically significant relation between the ERM adoption and firm value. As for the probability that a firm engages in an ERM protocol, size, beta and profitability are the statistically significant determinants.

FINANCIAL INTERMEDIARIES II

Session Chair: Susan Hume - The College of NJ, USA

"The Impact of Bank Liquidity Creation on Loan Prices"

Kai Hoa - Monash University, Australia
Viet Do - Monash University, Australia
Tram Vu - Monash University, Australia

Discussant: Frank Niemeyer - Prof. Roll & Pastuch - Management Consultants, Germany

This paper examines the impact on loan prices of a bank's ability to create liquidity through qualitative asset transformation. We adopt Berger and Bouwman (2009)'s concept of liquidity creation. Our results demonstrate that higher liquidity creation leads to significantly lower loan spreads. In particular, off-balance-sheet business reduces the impact of liquidity creation on loan prices. Revolving loans are more strongly influenced by liquidity creation than non-revolving loans, as the former is more susceptible to liquidity risk.

"Towards a Fairer Deal for Consumers and the FinancialIndustryLessons from the Retail Distribution Review and the Ban of Commissions in the UK Study"

Christian Thorun - ConPolicy GmbH, Germany
Frank Niemeyer - Prof. Roll & Pastuch - Management Consultants, Germany

Discussant: Ioannis Samantas - National and Kapodistrian University of Athens, Greece

Commission payments in financial services will be banned in the UK, the Netherlands and Australia in the next year. The objective of this study is to shed light on the rationale for such a drastic regulatory overhaul, to analyse the anticipated impacts of the ban on the financial industry and consumers and to draw lessons from this intervention. In so doing, the UK Retail Distribution Review is analysed in a case study, and experiences from other countries as well as the academic literature is reviewed. The study concludes:The commission-based advice model is broken. Attempts to address the commission-bias with disclosure do not work. A ban of commissions will stir a new level of competition for product and advice quality. Potential negative impacts on consumers can be mitigated. The fee-only advice model will eradicate the current inherent conflict of interest in financial advice. Moreover it is interesting to see, that the financial industry and consumer bodies support this step.

"Potential Correlates of Bank Efficiency in the Eurozone"

Panayotis Alexakis - National and Kapodistrian University of Athens, Greece
Yannis Bilias - Athens University of Economics and Business, Greece
Ioannis Samantas - National and Kapodistrian University of Athens, Greece

Discussant: Tram Vu - Monash University, Australia

The aim of the paper is to contribute to the literature of banking efficiency regarding the per se estimation of operational performance and identification of its determinants. The sample covers a representative group of financial institutions operating within the Euro zone over the period 1998-2011. It embarks on a two-stage analysis estimating time-varying cost efficiency scores that are subsequently regressed on potential factors often addressed in empirical studies and theoretically grounded in the context of bank operations. In particular, Malmquist indices are estimated in order to produce TFP growth through output-oriented DEA, along the lines of the intermediation approach when it comes to define bank inputs/outputs. The best predictors of bank productivity are picked up encompassing adverse macroeconomic conditions, institutional policies and inherent bank specificities. Remarks upon empirical evidence are drawn alongside relative policy implications.

SESSION 61 **Konak 1**

CORPORATE GOVERNANCE III
Session Chair: Agyenim Boateng - University of Nottingham China, China

"Busy Boards, Corporate Liquidity and Financial Risk: Evidence from UK Panel Data"
Valentina Tarkovska - Dublin Institute of Technology, Ireland

Discussant: Ahmad Ismail - UAE University, United Arab Emirates

We examine a relationship between corporate financial risk and board "busyness" We offer new insights by evaluating two conflicting views on the quality of service that busy directors provide to corporate boards and their impact on board effectiveness. One view claims that directors who serve on multiple boards improve board decision making ability as they have better experience and business connections (reputational effect).The opposite view is that directors with multiple seats are "too busy to mind the business", which creates serious agency problems (busyness effect). By analysing a large sample of UK listed companies over the 1997 to 2009 period, we document evidence supporting a non-linear relationship between our proxy for board busyness and certain aspects of financial risk.

"Corporate Governance Practices, Shareholders' Rights and Corporate Performance in the GCC Countries"
Ahmad Ismail - UAE University, United Arab Emirates
Abed Al-Nasser Abdallah - American University of Sharjah, United Arab Emirates

Discussant: Sheraz Ahmed - Lappeenranta University of Technology, Finland

The examination of corporate governance in the GCC (Gulf Cooperative Council) region point to heterogeneity in governance quality across exchanges. Well governed firms outperform poorly governed firms over three and five year periods. The relation between governance quality and stock return changed from negative, insignificant to positively significant. The interpretation is that awareness of the value relevance of good governance is increasing over time. Robustness checks using Panel data regressions confirm the findings. The implications are that regulators and the concerned parties should continue their efforts in reforming governance practices in order to enhance stock markets efficiency and investors' confidence.

"Stock Price Synchronicity and Corporate Governance Mechanisms: Evidence from an Emerging Market"
Omar Farooq - Aalborg University, Denmark
Mehdi Sribi - Barclays Capital, UK
Sheraz Ahmed - Lappeenranta University of Technology, Finland

Discussant: Valentina Tarkovska - Dublin Institute of Technology, Ireland

How do corporate governance mechanisms affect stock price synchronicity? Using different proxies for corporate governance mechanisms, this paper reports positive relationship between governance mechanisms and synchronicity in India during the period between 2006 and 2008. Our results show that firms with lower ownership concentration, higher analyst following, and lower operational complexity are associated with higher stock price synchronicity. We also show that our results are robust for a sub-sample of small and large firms. One of the implications of our results is that firms with higher synchronicity (due to better governance environment) have better firm performance than firms with lower synchronicity.

SESSION 62 **Konak 2**

HEDGING
Session Chair: Peter Carayannopoulos - Wilfrid Laurier University, Canada

"Double Smooth Transition Correlation Hedging"
Hsiang-Tai Lee - National Chi Nan University, Taiwan

Discussant: Georgios Gatopoulos - University of Geneva, Switzerland

A number of recent papers found that incorporating Markov regime switching effect improves futures hedging effectiveness. All of these hedging models, however, assume an abrupt change between discrete regimes. This rules out a prior the possibility that transition between regimes is smooth and there is a continuum of states. In this paper we apply multivariate double smooth transition conditional correlation GARCH (DSTCC) model for estimating time-varying minimum variance hedge ratio. In DSTCC, the state transition is continuous and changes in correlation are controlled by variables of time and basis. Empirical results on futures hedging in London Metal Exchange show that adding basis as an additional transition variable for smooth correlation improves futures hedging effectiveness. Double smooth transition DSTCC is superior to single smooth transition model and DSTCC exhibits superior performance compared with discrete regime Markov switching dynamic conditional correlation GARCH.

"Explaining Firms' Exchange Rate Exposure: The Role of Country Factors"
Georgios Gatopoulos - University of Geneva, Switzerland
Dusan Isakov - University of Fribourg, Switzerland

Discussant: Mehmet Umutlu - Yasar University, Turkey

This paper provides new evidence on the measurement and determinants of exchange rate exposures of firms with an international orientation. We document the existence of significant foreign exchange rate exposures as well as substantial differences between firms originating from developed and emerging markets. We also propose newcountry-specific factors to explain the cross-sectional and time-series variation in exchange rate sensitivities. It appears that country specific factors account for about 30% of the variability of firms' exposure after controlling for firm and industry level determinants. Among such country factors, high use of foreign currency derivatives, deeper financial markets, as well as small and balanced current accounts significantly decrease firms' sensitivity with respect to exchange rate changesin both developed and emerging markets.

"Foreign Equity Trading and Average Stock-Return Volatility"
Mehmet Umutlu - Yasar University, Turkey
Levent Akdeniz - Bilkent University, Turkey
Aslihan Altay-Salih - Bilkent University, Turkey

Discussant: Hsiang-Tai Lee - National Chi Nan University, Taiwan

We examine whether there is a relationship between foreign equity trading and average total volatility, measured as the value-weighted average of stock-return variances in the Istanbul Stock Exchange. We employ foreign equity purchase and sale data to track changes in foreign equity trading, which not only enable us to capture effective foreign investor participation but also to observe the potential asymmetric effects of incoming and outgoing funds on the average total volatility. Consistent with the implications of the asymmetric information hypothesis, we find that net equity flow is positively associated with average total volatility. Furthermore, we show that net equity flow affects the average total volatility through the local and idiosyncratic volatilities, suggesting that foreign investors engage in firm-specific and market-wide information production.

SESSION 63 **Bergama 2**

MARKET EFFICIENCY
Session Chair: Jana Fidrmuc - University of Warwick, UK

"The Profitability of Techical Analysis and Stock Returns from a Traditional and Bootstrap Perspective: Evidence from Australia and Hong Kong"
Barry O'Grady - Curtin University, Australia
David Allen - Curtin University, Australia
Darren O'Connell - Curtin University, Australia

Discussant: Ralf Baumann - Innsbruck University, Austria

This study examines whether technical trading rules can help predict stock price movements for a sample of stocks chosen from the Australian and Hong Kong equity markets for the period 1989-2008. Stage-1 tests economic predictability of technical trading rules against a buy-and-hold strategy. A statistical analysis of returns using a traditional t-test methodology follows.Stage-2 applies a bootstrap process allowing returns conditional on a trading rule buy (sell) signal from the original stock price series to be compared with conditional returns simulated from four common null models: RW, AR (1), GARCH-M and E-GARCH. Results show returns conditional on technical trading rules exceed unconditional buy-and-hold returns for all stocks and that previous standard t-test outcomes of predictability may be reduced and/or eliminated. Thus the underlying returns generating process may be characterised by underlying features of some/all of the stochastic models.

"Market Efficiency Under Ad Hoc Information: Evidence from Germany"
Matthias Bank - Innsbruck University, Austria
Ralf Baumann - Innsbruck University, Austria

Discussant: Mohd Edil Abd Sukor - University of Melbourne, Australia

This paper focuses on the eff ects of Ad-Hoc-Disclosures on German stock market effi ciency. Absolute abnormal returns and abnormal volumes are calculated to investigate markets not only on event day, but also prior and after the issuance of ad hoc information. Unlike prior studies we fi nd abnormal returns occurring not only after disclosure issuance but also before. Abnormal reactions are found conditional on index affi liation and possible disclosure anticipation, but not related to the disclosure being published intradaily. A quantile-based assessment of abnormal returns provides additional insights towards in-advance market reactions and delivers strong and convincing indication for signi cant insider trading prior to disclosure issuances.

"Month-of-the-Year, Heavy-Spending Holiday and Firm Size Effect: Evidence from Asian Emerging Markets"
Mohd Edil Abd Sukor - University of Melbourne, Australia

Discussant: Barry O'Grady - Curtin University, Australia

The results of this study indicate that the January effect has been replaced by a February effect in emerging Asian stock markets. The February effect may be a phenomenon reflecting investors' response to the need for liquidity before the heavy-spending characteristic of the Chinese New Year, which requires investors to raise cash to finance their holiday expenditures. However, the effect exists only when the festival is in January. Contrary to the usual published studies on holiday effect, it was found that stock returns are lower before the heavy-spending holiday, followed by higher returns post-holiday. I find evidence of a relationship between the February effect, heavy-spending holiday, and firm size. Analyses of the results of both month-of-the-year and heavy-spending holiday effects indicate that the anomalies are stronger among smaller firms.

SESSION 64 **Bergama 3**

MARKET MICROSTRUCTURE
Session Chair: Imad Moosa - RMIT University, Australia

"The Sign Switch Efferct of Macroeconomic News in Foreign Exchange Markets"
Walid Ben Omrane - Brock University, Canada
Tanseli Savaser - Williams College, USA

Discussant: Arie Gozluklu - University of Warwick, UK

We analyze the effect of macro news on exchange rate returns during the 2005-2009 period and document that the US dollar appreciated (depreciated) against the three majorcurrencies, euro, pound and yen, in response to unfavorable (favorable) US growth news during the financial crisis. We show that about a third of the most significant macro newseffects switched sign, primarily announcements relating to consumption, credit, employment and housing markets. We explore possible factors contributing to the sign switch such as investors' flight to quality and the Federal Reserve Bank's zero interest rate policy and find that these explanations are not enough to account for the change in the sign of the news response coefficients. Our results suggest that the exchange-rate response to news dependsnot only on the stages of the business cycle, but also on the sources of the shocks that induce these fluctuations.

"Pre-Trade Transparency and Informed Trading: An Experimental Approach to Hidden Liquidity"
Arie Gozluklu - University of Warwick, UK

Discussant: Kristian Rydqvist - Binghamton University, USA

This paper proposes an experimental study to analyze trading in opaque limit order books under different informational settings. Previous literature disagrees on the role of information on hidden liquidity provision. We fi?nd that private information and liquidity concerns have a different effect on hidden liquidity. However, we do not ?find major differences between transparent and opaque markets across various market quality indicators, especially when informed traders are present. Some trader characteristics partly explain the heterogeneity in hidden liquidity supply. Our results suggest that current trend towards darker trading venues cannot be explained only on informationalgrounds.

"Pre-Auction Inventory and Bidding Behavior: An Analysis of Canadian Treasury Auctions"
Kristian Rydqvist - Binghamton University, USA
Mark Wu - Binghamton University, USA

Discussant: Walid Ben Omrane - Brock University, Canada

Many bidders enter the Government of Canada securities auctions with short pre-auction inventory. The pre-auction inventory positions and the auction bids are privy to the bidders. In one of every thirty auctions, short bidders must negotiate the terms of the security loan or purchase with one long bidder that can exercise market power over the collective of short bidders. We estimate from the auction bids of bidders with negative pre-auction inventory how much they are willing to pay to avoid a squeeze situation after the auction.

SESSION 65 **Petek**

SPILLOVER EFFECTS
Session Chair: Fulvio Ortu - Bocconi University, Italy

"Interdependency and Stock Market Behavior During Global Financial Crisis in Europe"
Faten Ben Slimane - University Paris East -MArne La Vallée, France
Irfan Kazi - University Paris-West, France
Mohamed Mehanaoui - Amiens School of Management, France

Discussant: Basak Tanyeri - Bilkent University, Turkey

The paper investigates the stock market behavior of three European stock markets, namely Germany, France, and United Kingdom during Global Financial Crisis. To achieve this, we study the intraday dynamics of linkages between these markets during phases of crisis and pre-crisis period. Specifically, a VAR-EGARCH frame work was applied to high frequency 5-minute intraday returns on selected representative stock indices. We find evidence that the interdependence among European markets increased substantially during the crisis period pointing towards shift contagion. In addition, our findings suggest that French and UK investors are herding around German market, while the reverse hold true but relatively irrelevant. These results have important implications for both policymakers and investors.

"Tiebout-Extended Regulatory Competition and Cross-Fertilization in Bank Performance"
Dogan Tirtiroglu - University of Adelaide, Australia
Basak Tanyeri - Bilkent University, Turkey
Ercan Tirtiroglu - University of Adelaide, Australia
Kenneth Daniels - Virginia Commonwealth University, USA

Discussant: James Leontiades - Cyprus International Institute of Management, Cyprus

Banks could 'vote with their feet' via mergers upon the interstate multibank holding company (IMBHC) deregulations. We examine empirically cross-fertilization in the productivity growth of banks among neighboring and non-neighboring states before (1971-1977) and during (1982-1995) banking deregulations. The Maine legislature made the first IMBHC deregulatory move, conditioned on reciprocity from other states, in 1978. There was no reciprocity until New York and Alaska made their deregulatory moves in 1982. Hence, the period 1978-1981offers a unique opportunity to test contestable markets theory in banking. Maine's first move should inject a competitive spirit and alter bank performance across banking markets. We find that cross-fertilization in bank performance, observed among neighboring states between 1971 and 1977, gets amplified upon deregulations between 1982 and 1995, and that the improvements in bank performance upon Maine's first move supports the contestable markets theory.

"Foreign Company Spillover and American Product Quality"
James Leontiades - Cyprus International Institute of Management, Cyprus

Discussant: Faten Ben Slimane - University Paris East -MArne La Vallée, France

This paper tests the notion that local firms can benefit from foreign company spillover in product quality. Previous research in this area has focused on spillover in terms of productivity. Quality spillover has not been measured. The paper also tests for convergence between the quality of foriegn firm products and domestic products.Consumer survey data on automobile product quality for both American and foreign firms is related to the degree of "foreign presence" in the American market. Foreignpresence is measured by market share.We find a positive association between product relaibility of host country products in the USA market and foreign presence in that market. Evidence is also provided of convergence between the quality of foreign company and domestic products.

GALA DINNER

9:00 p.m. - midnight Grand Efes Ballroom