TWENTY-FIRST ANNUAL CONFERENCE
MULTINATIONAL FINANCE SOCIETY

http://www.mfsociety.org

Organized by

Faculty of Management and Economics
Cyprus University of Technology, Cyprus

University of Chicago Booth School of Business, USA

Department of Economics, Finance and Environmental Management
Faculty of Management
AGH University of Science and Technology, Krakow, Poland

June 29 - July 1, 2014
Corinthia Hotel Prague
Kongresova 1
Praha 4, 14069
Czech Republic

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, doctoral students 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

Jeffrey Callen - University of Toronto, Canada
Roni Michaely - Cornell University, USA

Program Committee Chairs

George Constantinides - University of Chicago, USA
Panayiotis Theodossiou - Cyprus University of Technology, Cyprus

Program Committee

Panayiotis Andreou - Cyprus University of Technology, Cyprus
George Athanassakos - University of Western Ontario, Canada
Wolfgang Bessler - Justus-Liebig University Giessen, Germany
Ron Bird - University of Technology Sydney, Australia
Ephraim Clark - Middlesex University Business School, UK
Palmon Dan - Rutgers Business School, USA
Shuh-Chyi Doong - National Chung Hsing University, Taiwan
Zhaoyang Gu - Chinese University of Hong Kong, Hong Kong
Nils Hakansson - University of California, Berkeley, USA
Abdulnasser Hatemi-J - UAE University, UAE
Jimmy Hilliard - Auburn University, USA
Peter Jørgensen - Aarhus University, Denmark
Petko Kalev - University of South Australia, Australia
Mehmet Karan - Hacettepe University, Turkey
Johan Knif - Hanken School of Economics, Finland
Robert Korajczyk - Northwestern University, USA
Yoram Kroll - Ono Academic College (OAC), Israel
Lawrence Kryzanowski - Concordia University, Canada
Neophytos Lambertides - Cyprus University of Technology, Cyprus
Booth Laurence - University of Toronto, Canada
Stuart Locke - University of Waikato, New Zealand
Christodoulos Louca - Cyprus University of Technology, Cyprus
Tai Ma - National Sun Yat Sen University, Taiwan
Anastasios Malliaris - Loyola University Chicago, USA
Usha Mittoo - University of Manitoba, Canada
Louis Murray - University College Dublin, Ireland
Christos Negakis - University of Macedonia, Greece
Edgar Ortiz - UNAM, Mexico
Kwangwoo Park - KAIST, Korea
Nikolaos Philippas - University of Piraeus, Greece
Leszek Preisner - AGH University of Science and Technology, Poland
Gordon Roberts - York University, Canada
Wendy Rotenberg - University of Toronto, Canada
Yoko Shirasu - Aoyama Gakuin University, Japan
Frank Skinner - Brunel University, UK
Kyojik Song - Sungkyunkwan University, Korea
Raul Susmel - University of Houston, USA
Samuel Szewczyk - Drexel University, USA
Miloud Tarek - INSEEC Alpes-Savoie Business School, France
Stefan Trueck - Macquarie University, Australia
Mika Vaihekoski - University of Turku, Finland
Woody Wu - Chinese University of Hong Kong, Hong Kong
Yukihiro Yasuda - Tokyo Keizai University, Japan
Ania Zalewska - University of Bath, UK

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LETTER FROM THE PROGRAM CHAIRS

Dear Colleagues,

We welcome you to the 21st Annual Conference of the Multinational Finance Society (MFS) in the beautiful city of Prague. During the past few years 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 594 papers - of those papers, 345 were accepted for presentation by the Program Committee. This year's conference program includes 264 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, Belgium, Brazil, Canada, China, Cyprus, Denmark, Egypt, Japan, Finland, France, Germany, Ghana, Greece, India, Indonesia, Italy, Korea, Mexico, Netherlands, New Zealand, Poland, Portugal, Russia, Spain, South Africa, Sweden, Switzerland, Taiwan, Thailand, Turkey, the UAE, United Kingdom, United States and Vietnam. 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, Roni Michaely of Cornell University, USA and Jeffrey Callen of the University of Toronto, Canada.

We have a wonderful location in the lively city of Prague and surrounding areas, which is well known for its outstanding architecture and culture.

On behalf of everyone involved, we would like to thank the members of the Organizing Committee, and all other individuals who have helped bring the conference about. Special thanks go to our colleagues at the Cyprus University of Technology Panayiotis Andreou, Neophytos Lambertides, Christodoulos Louca and Christos Savva for helping us with the conference program and our support staff Grigoris Grigoriou, Michal Preisner, Niki Theodossiou and Theophanis Theodossiou for their adminstrative assistance. This conference would have not been possible without all of their hard work!

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

The Program Chairs,

George Constantinides
Panayiotis Theodossiou

GENERAL INFORMATION

CONFERENCE INQUIRIES

Global Business Publications
mfc@mfsociety.org

CONFERENCE REGISTRATION

Saturday, June 28 (Lobby)	5:00 p.m. - 8:00 p.m.
Sunday, June 29 (Lobby)	10:30 a.m. - 2:30 p.m. & 7:00 p.m. - 9:00 p.m.
Monday, June 30 (3rd Floor)	8:00 a.m. - 5:00 p.m.
Tuesday, July 1 (3rd Floor)	8:00 a.m. - 5:00 p.m.

SOCIAL FUNCTIONS

Sunday, June 29

City Tour: Take the subway to the Museum station (2 stops from hotel). A 24 hour subway ticket will be provided at the MFC registration booth. English speaking guides will be at the monument outside the station at 2:30, 3:00, 3:30, 4:00 and 4:30 p.m. Length of tour is about 2.5 hours.	2:30 p.m. - 7:00 p.m.
Meeting of the MFS Board of Directors and Trustees (3rd Floor)	7:30 p.m. - 8:30 p.m.
Keynote Speech (Prof. Michaely - Suite 1 - 3rd Floor)	8:30 -9:15 p.m.
Reception (Suite 1 - 3rd Floor)	9:15 - 10:00 p.m.

Monday, June 30

Refreshments (Foyer 3rd Floor)	10:15 - 10:30 a.m.
Luncheon (Restaurant)	12:40 - 2:00 p.m.
Refreshments (Foyer 3rd Floor)	3:45 - 4:00 p.m.

Tuesday, July 1

Refreshments (Foyer 3rd Floor)	10:15 - 10:30 a.m.
Luncheon (Restaurant)	12:15 - 1:45 p.m.
Refreshments (Foyer 3rd Floor)	3:30 - 3:45 p.m.
Keynote Speech (Prof. Callen - Suite 1 - 3rd Floor)	8:30 - 9:15 p.m.
Gala Dinner (Suite 1 - 3rd Floor)	9:30 p.m. - midnight

LIST OF SESSIONS

Monday 8:30 - 10:15

Session 1	Behavioural Issues	Tiber
Session 2	Regulation & Government	Seine
Session 3	Corporate Governance 1	Rhine
Session 4	Banking 1	Rhone
Session 5	CDS	Thames
Session 6	Financing 1	Severn
Session 7	Asset Pricing 1	Clyde
Session 8	Market Microstructure 1	Shannon

Monday 10:30-12:40

Session 9	Investments	Tiber
Session 10	Accounting Topics 1	Seine
Session 11	Corporate Governance 2	Rhine
Session 12	Macro Finance 1	Rhone
Session 13	Portfolio Management 1	Thames
Session 14	Capital and Ownership Structure	Severn
Session 15	Payout Policy	Clyde
Session 16	Money Markets	Shannon

Monday 2:00-3:45

Session 17	Asset Pricing 2	Tiber
Session 18	Commodities	Seine
Session 19	M&As 1	Rhine
Session 20	Credit Scoring and Modelling	Rhone
Session 21	Interest Rates	Thames
Session 22	Market Efficiency 1	Severn
Session 23	Market Microstructure 2	Clyde
Session 24	Macro Finance 2	Shannon

Monday 4:00 - 5:45

Session 25	Asset Pricing 3	Tiber
Session 26	Accounting Topics 2	Seine
Session 27	M&As 2	Rhine
Session 28	Emerging Markets 1	Rhone
Session 29	Funds 1	Thames
Session 30	Firm Value 1	Severn
Session 31	Executive Compensation	Clyde
Session 32	Volatility 1	Shannon

LIST OF SESSIONS

Tuesday 8:30-10:15

Session 33	Market Efficiency 2	Tiber
Session 34	Debt Announcements	Seine
Session 35	IPOs & Cross Listing 1	Rhine
Session 36	Banking 2	Rhone
Session 37	Derivative Products	Thames
Session 38	Financing 2	Severn
Session 39	Energy & Real Options	Clyde
Session 40	Macro Finance 3	Shannon

Tuesday 10:30 -12:15

Session 41	Asset Pricing 4	Tiber
Session 42	Credit Risk	Seine
Session 43	Risk Management & Shipping	Rhine
Session 44	Funds 2	Rhone
Session 45	IPOs & Cross Listing 2	Thames
Session 46	Firm Value 3	Severn
Session 47	Corporate Finance Topics	Clyde
Session 48	Volatility 2	Shannon

Tuesday 1:45 - 3:30

Session 49	Asset Pricing 5	Tiber
Session 50	Buyouts 1	Seine
Session 51	M&As 3	Rhine
Session 52	Emerging Markets 2	Rhone
Session 53	Portfolio Management 2	Thames
Session 54	Firm Value 2	Severn
Session 55	Liquidity	Clyde
Session 56	Pricing & Investing	Shannon

Tuesday 3:45 - 5:30

Session 57	Asset Pricing 6	Tiber
Session 58	Accounting Topics 3	Seine
Session 59	Contagion and Spillover	Rhine
Session 60	Banking 3	Rhone
Session 61	Analysts	Thames
Session 62	Corporate Governance 3	Severn
Session 63	Corporate Risk Management	Clyde
Session 64	Trading Behavior	Shannon

Sunday 8:00 p.m. - 9:45 p.m.

KEYNOTE SPEECH

8:30 - 9:15 p.m.   Suite 1 - 3rd Floor

Professor Roni Michaely

Cornell University, USA

TAXATION AND PAYOUT POLICY AND OWNERSHIP STRUCTURE

RECEPTION

9:15 - 10:00 p.m.   Suite 1 - 3rd Floor

Monday 8:30 - 10:15

SESSION 1 **Tiber**

BEHAVIOURAL ISSUES
Session Chair: Peter Jørgensen - Aarhus University, Denmark

"Value versus Growth Investing: Why Do Different Investors Have Different Styles?"
Henrik Cronqvist - China Europe International Business School, China
Stephan Siegel - University of Washington, USA
Frank Yu - China Europe International Business School, China

Discussant: Minh Hai Ngo - University of Trier, Germany

"Do Fluent Tickers Appeal to Sentimental Investors?"
Gregory (Greg) Durham - Montana State University, USA
Mukunthan Santhanakrishnan - Southern Methodist University, USA

Discussant: Henrik Cronqvist - China Europe International Business School, China

"Catering Convertible Design to Hedge Fund Demand"
Eric Duca - CUNEF, Spain

Discussant: Gregory (Greg) Durham - Montana State University, USA

"Can Myopic Loss Aversion Explain the Equity Risk Premium? Evidence from Stock Markets Worldwide"
Minh Hai Ngo - University of Trier, Germany
Marc Oliver Rieger - University of Trier, Germany

Discussant: Eric Duca - CUNEF, Spain

SESSION 2 **Seine**

REGULATION & GOVERNMENT
Session Chair: Nashaat Al Wakeel - Helwan University, Egypt

"Benefits of International Portfolio Diversification During the Financial Crisis"
Gülin Vardar - Izmir University of Economics, Turkey
Berna Aydogan - Izmir University of Economics, Turkey
Ece Erdener Acar - Izmir University of Economics, Turkey

Discussant: Chun-Hao Chang - Florida International University, USA

"Do the Shadow Economy and Corruption Influence the Sovereign Debt? The Case of the Spanish Regions."
Marcos González-Fernández - University of León, Spain
Carmen González-Velasco - University of León, Spain

Discussant: Gülin Vardar - Izmir University of Economics, Turkey

"Foreign Direct Investment Inflows:Evidence from four highly distressed European economies"
Fotini Economou - Open University of Cyprus, Cyprus
Christis Hassapis - University of Cyprus, Cyprus

Discussant: Marcos González-Fernández - University of León, Spain

"The Tax Exemption to Subchapter S Banks: Who Gets the Benefit?"
Chun-Hao Chang - Florida International University, USA
Ajeet Jain - Alabama A&M University, USA
Edward Lawrence - Florida International University, USA
Arun Prakash - Florida International University, USA

Discussant: Fotini Economou - Open University of Cyprus, Cyprus

SESSION 3 **Rhine**

CORPORATE GOVERNANCE 1
Session Chair: Usha Mittoo - University of Manitoba, Canada

"The Relationship Between Supervisory Board and Management and the Process of Their Communication in the Practice of Polish Public Companies"
Jacek Gad - University of Lodz, Poland

Discussant: Tarek Miloud - INSEEC Alpes-Savoie Business School, France

"Does Corporate Governance With the Shareholders in Control Make a Difference?"
Nils Hakansson - University of California, Berkeley, USA

Discussant: Jacek Gad - University of Lodz, Poland

"D&O Insurance, Excess Director Compensation and Firm Value: Evidence from Taiwan"
Shiou-Ying Lee - Taipei Chengshih University of Science and Technology, Taiwan
Chih-Liang Liu - National Yunlin University of Science and Technology, Taiwan

Discussant: Nils Hakansson - University of California, Berkeley, USA

"Corporate Governance Characteristics in Public Corporations: A Study of French Initial Public Offerings"
Tarek Miloud - INSEEC Alpes-Savoie Business School, France

Discussant: Shiou-Ying Lee - Taipei Chengshih University of Science and Technology, Taiwan

SESSION 4 **Rhone**

BANKING 1
Session Chair: Bang Nam Jeon - Drexel University, USA

"Time-Varying Systematic and Idiosyncratic Risk Exposures of US Bank Holding Companies"
Wolfgang Bessler - Justus-Liebig University Giessen, Germany
Philipp Kurmann - Justus-Liebig University Giessen, Germany
Tom Nohel - Loyola University Chicago, USA

Discussant: Ming Ying Lim - Macquarie Graduate School of Management, Australia

"Do Bank Loans Curb Corporate Moral Hazard?"
Joung Hwa Choi - Seoul National University, Korea
Paul Choi - Ewha School of Business, Korea

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

"How do Capital Buffers Respond to Basel? An Empirical Analysis of the Brazilian Banking System"
Richard Saito - Fundacao Getulio Vargas, Brazil
Joao Andre Pereira - Central Bank of Brazil, Brazil

Discussant: Paul Choi - Ewha School of Business, Korea

"Information Leakage on Analyst Recommendations: Does it Exist?"
Andrew Lepone - Macquarie Graduate School of Management, Australia
Ming Ying Lim - Macquarie Graduate School of Management, Australia
Jin Boon Wong - Macquarie Graduate School of Management, Australia

Discussant: Richard Saito - Fundacao Getulio Vargas, Brazil

SESSION 5 **Thames**

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

"Macroeconomic Conditions and Credit Default Swap Spread Changes"
Tong Suk Kim - Korea Advanced Institute of Science and Technology, Korea
Yuen Jung Park - Hallym University, Korea
Jaewon Park - DaiShin Securities, Korea

Discussant: Jun Wang - Concordia University, Canada

"The Determinants of CDS Spreads"
Koresh Galil - Ben-Gurion University, Israel
Offer Shapir - Ben-Gurion University, Israel
Dan Amiram - Columbia Business School, USA
Uri Benzion - Western Galilee College, Israel

Discussant: Yuen Jung Park - Hallym University, Korea

"Estimating Systematic Counterparty Risk in the Credit Default Swap Market"
Hilke Hollander - University of Oldenburg, Germany
Stefan Trueck - Macquarie University, Australia

Discussant: Offer Shapir - Ben-Gurion University, Israel

"Institutional Investment Horizon, the Information Environment and Firm Credit Risk"
Lorne Switzer - Concordia University, Canada
Jun Wang - Concordia University, Canada

Discussant: Hilke Hollander - University of Oldenburg, Germany

SESSION 6 **Severn**

FINANCING 1
Session Chair: Sheraz Ahmed - Lappeenranta University of Technology, Finland

"Financing and Bankruptcy Strategies for Firms with Supply-Chain Relationship under Uncertainty"
Po-yuan Chen - Jinwen University of Sci and Tech, Taiwan

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

"Bargaining Power and MNC Subsidiary Financing"
Robert Suban - Manchester Business School, UK
Michael Bowe - Manchester Business School, UK
Mohammad Yamin - Manchester Business School, UK

Discussant: Po-yuan Chen - Jinwen University of Sci and Tech, Taiwan

"Friends, Family and Co-Workers: How Place and Proximity Affect Financial Decision Making"
Annie Zhang - Auckland University of Technology, New Zealand

Discussant: Robert Suban - Manchester Business School, UK

"CEO Equity-Based Compensation and Impression Management in the MD&A Report"
Li Li - Groupe Sup de Co Montpellier Business School, France
Shage Zhang - School of Business Trinity University, USA
Carl Brousseau - Université Laval, Canada

Discussant: Annie Zhang - Auckland University of Technology, New Zealand

SESSION 7 **Clyde**

ASSET PRICING 1
Session Chair: Johan Knif - Hanken School of Economics, Finland

"Asset Pricing and the Rewards to Downside Risk in the Australian Share Market"
Lakshman Alles - Curtin University, Australia
Louis Murray - University College Dublin, Ireland

Discussant: Ghulame Rubbaniy - Zayed University, United Arab Emirates

"Fundamental Indexation and the Fama-French Three Factor Model: Models of Risk Assimilation or Stock Mispricing?"
Mike Dempsey - RMIT University, Australia
Terry Shi - Monash University, Australia

Discussant: Louis Murray - University College Dublin, Ireland

"Investment, Profitability and Stock Returns: A Q-Theory Perspective"
Marco Seta - University of Lausanne, Switzerland

Discussant: Mike Dempsey - RMIT University, Australia

"Alternative Investments are Mean Variance Efficient and Inflation Hedger-Fact or Fiction?"
Muhammad Murtaza - University of Central Punjab, Pakistan
Ghulame Rubbaniy - Zayed University, United Arab Emirates
K. Shahzad - Vrije University, Netherlands

Discussant: Marco Seta - University of Lausanne, Switzerland

Monday 8:30 - 10:15

SESSION 8 **Shannon**

MARKET MICROSTRUCTURE 1
Session Chair: Neophytos Lambertides - Cyprus University of Technology, Cyprus

"The Impact of Trading Floor Closure on Market Efficiency: Evidence from the Toronto Stock Exchange"
Dennis Chung - Simon Fraser University, Canada
Karel Hrazdil - Simon Fraser University, Canada

Discussant: Jun Chen - Auckland University of Technology, New Zealand

"Intraday periodicity in trading activity"
John Broussard - Rutgers University, USA
Andrei Nikiforov - Rutgers University, USA

Discussant: Karel Hrazdil - Simon Fraser University, Canada

"Stock Market Signals and Consequences of Securities Class Actions Lawsuits: A Microstructure Perspective"
Antonio Figueiredo - Florida International University, USA
Shahid Hamid - Florida International University, USA

Discussant: John Broussard - Rutgers University, USA

"Short Selling and Margin Trading: Evidence from Chinese Intra-Day Data"
Jun Chen - Auckland University of Technology, New Zealand
Palani-Rajan Kadapakkam - University of Texas at San Antonio, USA
Ting Yang - Auckland University of Technology, New Zealand

Discussant: Antonio Figueiredo - Florida International University, USA

Refreshments 10:15 a.m. - 10:30 a.m.

Foyer 3rd Floor

SESSION 9 **Tiber**

INVESTMENTS
Session Chair: Walid Busaba - University of Western Ontario, Canada

"A Framework for Assessing Speculative Land Value Finance in Port Infrastructure Development"
Luca Cocconcelli - QASER Lab - University College London, UK
Francesca Medda - QASER Lab - University College London, UK

Discussant: Gert Lowies - University of Pretoria, South Africa

"Thinking fast and slowly about financial decisions: Gigerenzer's critique of the Kahneman & Tversky research program."
William Forbes - Loughborough University, UK
Robert Hudson - Hull University, UK
Mona Soufian - Hull University Business School, UK

Discussant: Francesca Medda - QASER Lab - University College London, UK

"R&D and Capital Investment Adjustment Speed: Evidence from US Firms before and during the Financial Crisis"
Beata Coldbeck - University of Bedfordshire, UK
Aydin Ozkan - University of Hull, UK

Discussant: Mona Soufian - Hull University Business School, UK

"Anchoring and Adjustment and Herding Behaviour as Heuristic-Driven bias in Property Investment Decision-making in South Africa"
Gert Lowies - University of Pretoria, South Africa
John Hall - University of Pretoria, South Africa
Christiaan Cloete - University of Pretoria, South Africa

Discussant: Beata Coldbeck - University of Bedfordshire, UK

"Studying the 'Close-Open-Effect' on the Egyptian Exchange (EGX) Prices After the 25th of January Revolution"
Ahmed Elbadry - Cairo University, Egypt
Mona Komal - Cairo University, Egypt

Discussant: Dennis Dlugosch - WHU-Otto Beisheim School of Management, Germany

SESSION 10 **Seine**

ACCOUNTING TOPICS 1
Session Chair: Hoje Jo - Santa Clara University, USA

"Eurozone Crisis and Audit Opinion Credibility Perception"
Panayiotis Tahinakis - University of Macedonia, Greece
Michalis Samarinas - University of Macedonia, Greece

Discussant: Christos Negakis - University of Macedonia, Greece

"Evaluation of the Impact of Business in the Environment Using Green Accounting Indexes and Neutral Nerworks"
Savvas Savvidis - University of Macedonia, Greece
Dimitrios Ginoglou - University of Macedonia, Greece

Discussant: Panayiotis Tahinakis - University of Macedonia, Greece

"Invoking Transaction Costs to Understate Fair Value: A Case Study of Employee Stock Options"
Loic Belze - EMLYON Business School, France
Francois Larmande - EMLYON Business School, France
Lorenz Schneider - EMLYON Business School, Germany

Discussant: Dimitrios Ginoglou - University of Macedonia, Greece

"Net or Not: Does It Matter"
Xu Jiang - Duke University, USA
Mingzhu Li - Chinese University of Hong Kong, Hong Kong
Woody Wu - Chinese University of Hong Kong, Hong Kong

Discussant: Loic Belze - EMLYON Business School, France

"Measuring Market Synchronicity using a Pricing Errors Approach"
Dimitrios Kousenidis - Aristotle University of Thessaloniki, Greece
Anestis Ladas - University of Macedonia, Greece
Christos Negakis - University of Macedonia, Greece

Discussant: Woody Wu - Chinese University of Hong Kong, Hong Kong

SESSION 11 **Rhine**

CORPORATE GOVERNANCE 2
Session Chair: Nils Hakansson - University of California, Berkeley, USA

"Not the Token Woman"
Maria Strydom - Monash University, Australia
Hue Hwa Au Yong - Monash University, Australia

Discussant: Shumi Akhtar - University of Sydney, Australia

"Women on Board: Does Boardroom Gender Diversity Really Affect Firm Risk?"
Vathunyoo Sila - University of Edinburgh, UK
Angelica Gonzalez - University of Edinburgh, UK
Jens Hagendorff - University of Edinburgh, UK

Discussant: Hue Hwa Au Yong - Monash University, Australia

"Ownership as the Deparminant of Chairperson ActivityA Study on Nordic Listed Companies"
Tor Brunzell - Stockholm University, Sweden
Jarkko Peltomäki - Stockholm University, Sweden

Discussant: Vathunyoo Sila - University of Edinburgh, UK

"Corporate Toxic Substances Release and Financial Performance in Australia: Short and Long Run Causality Analysis"
Noor Muhammad - University of Waikato, New Zealand
Frank Scrimgeour - University of Waikato, New Zealand
Krishna Reddy - University of Waikato, New Zealand
Sazali Abdin - University of Waikato, New Zealand

Discussant: Jarkko Peltomäki - Stockholm University, Sweden

"Dividend Payout Determinants for Australian Multinational and Domestic Corporations"
Shumi Akhtar - University of Sydney, Australia

Discussant: Noor Muhammad - University of Waikato, New Zealand

SESSION 12 **Rhone**

MACRO FINANCE 1
Session Chair: Abdulnasser Hatemi-J - UAE University, United Arab Emirates

"An Explanation of Spread's Ability to Predict Economic Activity: A Regime Switching Model."
Anastasios Evgenidis - University of Patras, Greece
Costas Siriopoulos - University of Patras, Greece

Discussant: Anastasios Malliaris - Loyola University Chicago, USA

"Asset Prices Regime-Switching and the Role of Inflation Targeting Monetary Policy"
Ioannis Chatziantoniou - University of Portsmouth, UK
George Filis - Bournemouth University, UK
Christos Floros - Technological Educational Institute of Crete, Greece

Discussant: Anastasios Evgenidis - University of Patras, Greece

"A Reconsideration of the Meese-Rogoff Puzzle: Time-Varying Parametric Estimation and Alternative Measures of Forecasting"
Kelly Burns - RMIT University, Australia

Discussant: Ioannis Chatziantoniou - University of Portsmouth, UK

"Budget Deficits and Political Cycles: The Case of Greece, 1970-2013"
Nikiforos Laopodis - ALBA - The American College of Greece, Greece
Anna Merika - Deree College, Greece
Annie Triantafillou - Deree College, Greece

Discussant: Kelly Burns - RMIT University, Australia

"From Asset Price Bubbles to Liquidity Traps"
Anastasios Malliaris - Loyola University Chicago, USA

Discussant: Annie Triantafillou - Deree College, Greece

Monday 10:30 - 12:40

SESSION 13 **Thames**

PORTFOLIO MANAGEMENT 1
Session Chair: Alain Coen - University of Quebec in Montreal, Canada

"Manipulation-Proof Performance Measure and the Cost of Tail Risk"
Didier Maillard - CNAM, France

Discussant: Ania Zalewska - University of Bath, UK

"Portfolio infrastructure investments: an analysis of the European and UK cases"
Athina Panayiotou - UCL QASER LAB, UK
Francesca Medda - University College London, UK

Discussant: Didier Maillard - CNAM, France

"Jump Mis-specification and International Portfolio Selection"
Ke Chen - University of Manchester, UK
Luiz Vitiello - University of Essex, UK
Ser-Huang Poon - University of Manchester, UK

Discussant: Athina Panayiotou - UCL QASER LAB, UK

"Decision making with Conditional Value-at-Risk and Spectral Risk Measures, and the Problem of Comparative risk Aversion"
Mario Brandtner - Friedrich Schiller University of Jena, Germany
Wolfgang Kürsten - Friedrich-Schiller-University of Jena, Germany

Discussant: Luiz Vitiello - University of Essex, UK

"Jumping Over a Low Hurdle: Personal Pension Fund Performance"
Anastasia Petraki - IMA, UK
Ania Zalewska - University of Bath, UK

Discussant: Mario Brandtner - Friedrich Schiller University of Jena, Germany

SESSION 14 **Severn**

CAPITAL AND OWNERSHIP STRUCTURE
Session Chair: Po-yuan Chen - Jinwen University of Sci and Tech, Taiwan

"Do the Financing Types from Microfinance Affect the SMEs' Firm Performance? Evidence from South Sumatera, Indonesia"
Abdul Basyith - University of Muhammadiyah Palembang, Indonesia
Fitriya Fitriya - University of Muhammadiyah Palembang, Indonesia
Muhammad Idris - University of Muhammadiyah Palembang, Indonesia
Dedy Rinaldi - University of Muhammadiyah Palembang, Indonesia

Discussant: Anastasiya Shamshur - University of East Anglia, UK

"International Corporate Diversification and Financial Flexibility"
Yeejin Jang - Purdue University, USA

Discussant: Abdul Basyith - University of Muhammadiyah Palembang, Indonesia

"Do Cooperatives Perform Better than Capitalistic Firms? The Impact of Governance on Financial Structure, Performance and Volatility"
Sandra Challita - MRM, France
Patrick Sentis - University of Montpellier, France
Philippe Aurier - University of Montpellier, France

Discussant: Yeejin Jang - Purdue University, USA

"Optimal Firm Structure under Imperfect Information"
Fei Ding - Hong Kong University of Science and Technology, Hong Kong
Peter MacKay - HKUST, Hong Kong

Discussant: Patrick Sentis - University of Montpellier, France

"Do Mergers and Acquisitions Affect the Capital Structure of the Firm?"
Jan Hanousek - Charles University and Academy of Sciences, Czech Republic
Anastasiya Shamshur - University of East Anglia, UK

Discussant: Peter MacKay - HKUST, Hong Kong

SESSION 15 **Clyde**

PAYOUT POLICY
Session Chair: Chin-Bun Tse - University of Salford, UK

"Determinants of Dividend Payout Policy for UK Firms During Period of Economic Adversity"
Sazali Abidin - University of Waikato, New Zealand
Veshaal Singh - University of Waikato, New Zealand
Michael Agnew - University of Waikato, New Zealand
Azilawati Banchit - Universiti Teknologi Mara, Malaysia

Discussant: Ali Termos - American University of Beirut Lebanon,

"Stockholder Conflicts and Dividend Payout"
Janis Berzins - BI Norwegian Business School, Norway
Øyvind Bøhren - BI Norwegian Business School, Norway
Bogdan Stacescu - BI Norwegian Business School, Norway

Discussant: Sazali Abidin - University of Waikato, New Zealand

"The Value of Dividends: Evidence from Short-Sales"
Evelyn Lai - University of Sydney, Australia
Andrew Ainsworth - University of Sydney, Australia
Michael McKenzie - University of Liverpool, UK
Graham Partington - University of Sydney, Australia

Discussant: Janis Berzins - BI Norwegian Business School, Norway

"Bank Dividends and Signaling to Information-Sensitive Depositors"
Cristiano Forti - Federal University of Uberlandia, Brazil
Rafael Schiozer - Fundação Getulio Vargas, Brazil

Discussant: Evelyn Lai - University of Sydney, Australia

"Rising Inequality and Housing affordability: International Evidence"
Darius Martin - American University of Beirut, Lebanon
Ali Termos - American University of Beirut, Lebanon

Discussant: Rafael Schiozer - Fundação Getulio Vargas, Brazil

SESSION 16 **Shannon**

MONEY MARKETS
Session Chair: Guillaume Andrieu - Group Sup de Co Montpellier Business School, France

"Determinants of Retail Interest Rate Adjustments: Evidence from a Panel Data Model"
Anil Perera - Monash University, Australia
Jayasinghe Wickramanayake - Monash University, Australia

Discussant: Angelo Aspris - University of Sydney, Australia

"Covered Interest Parity and the European Sovereign Debt Crisis"
Ariful Hoque - Murdoch University, Australia
Kamrul Hassan - Murdoch University, Australia
Chandrasekhar Krishnamurti - University of Southern Queensland, Australia

Discussant: Jayasinghe Wickramanayake - Monash University, Australia

"Long-Run UIP Holds Even in the Short Run"
Fabian Ackermann - University of Zurich, Switzerland
Karl Schmedders - University of Zurich, Switzerland
Walt Pohl - University of Zurich, Switzerland

Discussant: Ariful Hoque - Murdoch University, Australia

"Forecasting Bond Excess Returns and Bond Yields"
Daniel Thornton - Federal Reserve Bank of St. Louis, USA

Discussant: Fabian Ackermann - University of Zurich, Switzerland

"Exchange Data Fees in a Rapidly Fragmented Market"
Douglas Cumming - York University, Canada
Angelo Aspris - University of Sydney, Australia
Sean Foley - University of Sydney, Australia

Discussant: Daniel Thornton - Federal Reserve Bank of St. Louis, USA

LUNCHEON

12:40 p.m. - 2:00 p.m.   Restaurant

Monday 2:00 - 3:45

SESSION 17 **Tiber**

ASSET PRICING 2
Session Chair: Robert Korajczyk - Northwestern University, USA

"An Entropy Based Analysis of the Relationship Between the DOW JONES Index and the TRNA Sentiment Series"
David Allen - University of Sydney, Australia
Michael McAleer - Erasmus University, Netherlands
Abhay Singh - Edith Cowan University, Australia

Discussant: Neophytos Lambertides - Cyprus University of Technology, Cyprus

"Learning about Rare Disasters: Implications For Consumption and Asset Prices"
Max Gillman - UMSL, USA
Michal Kejak - CERGE-EI, Czech Republic
Michal Pakos - CERGE-EI, Czech Republic

Discussant: David Allen - University of Sydney, Australia

"The Impact of Growth Options and Distress Risk on Stock Returns via Idiosyncratic Skewness"
Lenos Trigeorgis - Kings College London, UK
Neophytos Lambertides - Cyprus University of Technology, Cyprus
Luca Del Viva - ESADE Business School,

Discussant: Michal Pakos - CERGE-EI, Czech Republic

"Foreign Institutional Investors and Information Efficiency"
Jerry Cao - Singapore Management University, Singapore
Donghui Li - University of New South Wales, Australia
Karishma Shringarpure - University of New South Wales, Australia

Discussant: Ahmed Elbadry - Cairo University, Egypt

SESSION 18 **Seine**

COMMODITIES
Session Chair: Julia Henker - Bond University, Australia

"Performance Determinants of Global Renewable Energy Companies"
Sheraz Ahmed - Lappeenranta University of Technology, Finland
Kashif Saleem - Lappeenranta University of Technology, Finland
Guillermo-Lopez Lopez - Lappeenranta University of Technology, Finland

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

"How to Measure the Total Value of Hard Commodities? A Contribution to the Index Construction of Commodities"
Herbert Mayer - University of Augsburg, Germany
Andreas Rathgeber - University of Augsburg, Germany
Christina Spriegel - University of Augsburg, Germany
Florian Vogg - University of Augsburg, Germany

Discussant: Sheraz Ahmed - Lappeenranta University of Technology, Finland

"Market Entry Barriers, Term Structure Trading Strategies, and Currency Protection: Evidence from Commodity Certificates"
Christian Stepanek - University of Augsburg, Germany
Markus Wanner - University of Augsburg, Germany
Andreas Rathgeber - University of Augsburg, Germany

Discussant: Herbert Mayer - University of Augsburg, Germany

"The Impact of Government Debt on Economic Growth: An Empirical Investigation for the Greece"
Stella Spilioti - Athens University of Economics and Business, Greece
George Vamvoukas - Athens University of Economics and Business, Greece

Discussant: Markus Wanner - University of Augsburg, Germany

SESSION 19 **Rhine**

M&AS 1
Session Chair: Lin Guo - Suffolk University, USA

"Stock Price Firm-Specific Information and the Choice of Payment in Corporate Acquisitions"
Wenjing Ouyang - University of the Pacific, USA
Samuel Szewczyk - Drexel University, USA

Discussant: Gul Demirtas - Sabanci University, Turkey

"Post-Merger Integration Duration and Leverage Dynamics of Mergers: Theory and Evidence"
Jing Huang - University of South Carolina, USA
Joshua Pierce - University of South Carolina, USA
Sergey Tsyplakov - University of South Carolina, USA

Discussant: Samuel Szewczyk - Drexel University, USA

"M&A in Tough Times"
Carlo Chiarella - Universita Commerciale L. Bocconi, Italy
Stefano Gatti - Università Commerciale L. Bocconi, Italy

Discussant: Sergey Tsyplakov - University of South Carolina, USA

"Social Ties in the Making of an M&A Deal"
Gul Demirtas - Sabanci University, Turkey

Discussant: Carlo Chiarella - Universita Commerciale L. Bocconi, Italy

SESSION 20 **Rhone**

CREDIT SCORING AND MODELLING
Session Chair: Yukihiro Yasuda - Tokyo Keizai University, Japan

"Sovereign Debt Ratings and Treasury Bond Yields: The Before and After of the Financial Crisis"
Ana Monte - Escola Superior de Tecnologia e Gestão (Instituto Politécnico de Bragança), Portugal
Helena Moutinho - Escola Superior de Tecnologia e Gestão (Instituto Politécnico de Bragança), Portugal
Leinivy Tavares - Escola Superior de Tecnologia e Gestão (Instituto Politécnico de Bragança), Portugal

Discussant: Francis In - Monash University, Australia

"Rating Agencies' Monitoring Service - Evidence from the Sovereign CDS Market"
Thomas Kremser - WU Vienna, Austria
Daniela Kremslehner - WU Vienna, Austria
Margarethe Rammerstorfer - WU Vienna, Austria

Discussant: Ana Monte - Escola Superior de Tecnologia e Gestão (Instituto Politécnico de Bragança), Portugal

"Market Pricing of Credit Linked Notes: Are Daily Prices Fair?"
Matthias Walter - FIM Research Center, Germany
Björn Häckel - FIM Research Center, Germany
Tobias Gaugler - Institute of Materials Resource Management, Germany
Andreas Rathgeber - Institute of Materials Resource Management, Germany

Discussant: Daniela Kremslehner - WU Vienna, Austria

"European Banks and Sovereigns Wedding or Divorce?"
Simon Xu - Monash University, Australia
Francis In - Monash University, Australia
Catherine Forbes - Monash University, Australia
Inchang Hwang - New York University, USA

Discussant: Matthias Walter - FIM Research Center, Germany

SESSION 21 **Thames**

INTEREST RATES
Session Chair: Gordon Roberts - York University, Canada

"Discrepancies in the Underlying Zero Coupon Yield Curve"
Antonio Diaz - Universidad de Castilla-La Mancha, Spain
Eliseo Navarro - Universidad de Alcalá, Spain
Francisco Jareño - Universidad de Castilla-La Mancha, Spain

Discussant: Alain Coen - University of Quebec in Montreal, Canada

"Interest Rate Volatility and Expectations about the Business Cycle"
Isabel Martínez-Serna - University of Murcia, Spain
Eliseo Navarro - University of Alcalá, Spain

Discussant: Nashaat Al Wakeel - Helwan University, Egypt

"The Exchange Market Pressures Model:Evidence from Egypt"
Nashaat Al Wakeel - Helwan University, Egypt

Discussant: Isabel Martínez-Serna - University of Murcia, Spain

"Consumption-Based Model and the Term Structure of Subjective Time Preference Rates: Empirical Evidence"
Hubert De La Bruslerie - Université Paris Dauphine, France
Alain Coen - University of Quebec in Montreal, Canada

Discussant: Antonio Diaz - Universidad de Castilla-La Mancha, Spain

Monday 2:00 - 3:45

SESSION 22 **Severn**

MARKET EFFICIENCY 1
Session Chair: Ernest Biktimirov - Brock University, Canada

"Dimensions of Limits to Arbitrage: Evidence from Coupon Spreads and RepoSpecials in the 10-Year US Treasury Market"
Christopher G. Lamoureux - University of Arizona, USA
George Theocharides - Cyprus International Institute of Management (CIIM), Cyprus

Discussant: Davi Simon - UNISINOS, Brazil

"Tracking Stocks: A Two-Stage Equity Separation Process"
Stephani A. Mason - Rutgers University, USA

Discussant: George Theocharides - Cyprus International Institute of Management (CIIM), Cyprus

"The Influence of Market States on Security Returns"
Warren Thomson - Griffith University, Australia
Graham Bornholt - Griffith University, Australia

Discussant: Stephani A. Mason - Rutgers University, USA

"Low-beta Stocks in the Brazilian Market"
Davi Simon - UNISINOS, Brazil
João Zani - UNISINOS, Brazil
Igor Morais - UNISINOS, Brazil
Alexandre Costa - UNISINOS, Brazil

Discussant: Warren Thomson - Griffith University, Australia

SESSION 23 **Clyde**

MARKET MICROSTRUCTURE 2
Session Chair: John Broussard - Rutgers University, USA

"Motivation for Individual and Institutional Short Selling and the Effects on the Stock Returns"
Tai Ma - National Sun Yat-Sen University, Taiwan
Chih-Yuan Huang - Taishin International Bank, Taiwan
Shu-Fan Hsieh - National Kaohsiung First University of Science and Technology, Taiwan

Discussant: Roberto Pascual - University of the Balearic Islands, Spain

"Chartist Weights and Market Instability: Applications of the Heterogeneous Agent Model in International Stock Markets"
Hao Yin - National Sun Yat Sen University, Taiwan
Tai Ma - National Sun Yat Sen University, Taiwan

Discussant: Shu-Fan Hsieh - National Kaohsiung First University of Science and Technology, Taiwan

"Market Maker Incentives and Market Efficiency: Evidence from the Australian ETF Market"
Jagjeev Dosanjh - Sydney University of Technology, Australia
David Michayluk - Sydney University of Technology, Australia

Discussant: Tai Ma - National Sun Yat Sen University, Taiwan

"Trade Classification Algorithms: A Horse Race between the Bulk-based and the Tick-based Rules"
Bidisha Chakrabarty - Saint Louis University, USA
Roberto Pascual - University of the Balearic Islands, Spain
Andriy Shkilko - Wilfrid Laurier University, Canada

Discussant: Jagjeev Dosanjh - Sydney University of Technology, Australia

SESSION 24 **Shannon**

MACRO FINANCE 2
Session Chair: Edgar Ortiz - Universidad Nacional Autonoma de Mexico, Mexico

"The Causality between Financial Development and Economic Growth: The Case of Turkey"
Aysen Arac - Hacettepe University, Turkey
Suleyman Ozcan - Central Bank of the Republic of Turkey, Turkey

Discussant: Alexander Kurov - West Virginia University, USA

"Does it Make Financial Sense to Bring Manufacturing Back to Europe? A Case Study Illustration of a Strategic Investment Decision at a European SME."
Olga Kandinskaia - Cyprus International Institute of Management, Cyprus
Costas Sisamos - ENGINO.Net Ltd, Cyprus

Discussant: Aysen Arac - Hacettepe University, Turkey

"Brics and Pigs: Who Drive Who? Evidance Based on Asymmetric Causality Tests"
Abdulnasser Hatemi-J - UAE University, United Arab Emirates
Eduardo Roca - Griffith University, Australia

Discussant: Olga Kandinskaia - Cyprus International Institute of Management, Cyprus

"What Do Chinese Macro Announcements Tell Us about China's Role in the World Economy?"
Christopher Baum - Boston College, USA
Alexander Kurov - West Virginia University, USA
Marketa Halova - Washington State University, USA

Discussant: Abdulnasser Hatemi-J - UAE University, United Arab Emirates

Refreshments 3:45 p.m. - 4:00 p.m.

Foyer 3rd Floor

Monday 4:00 - 5:45

SESSION 25 **Tiber**

ASSET PRICING 3
Session Chair: George Constantinides - University of Chicago, USA

"Small-Sample Properties of Factor Mimicking Portfolio Estimates"
Zhuo Chen - Northwestern University, USA
Gregory Connor - National University of Ireland, Ireland
Robert Korajczyk - Northwestern University, USA

Discussant: Xinxin Shang - Macquarie University, Australia

"What Generates the Equity Premium Puzzle: Bad Model or Bad Data?"
Gueorgui Kolev - Middlesex University Business School, UK

Discussant: Robert Korajczyk - Northwestern University, USA

"Cost of Bank Capital: Evidence from European Banks"
Armen Arakelyan - Colegio Universitario de Estudios Financieros (CUNEF), Spain
Artashes Karapetyan - Norges Bank, Norway

Discussant: Gueorgui Kolev - Middlesex University Business School, UK

"Equity Premium Predictability Using Bayesian Regression Mixtures"
Xinxin Shang - Macquarie University, Australia
Egon Kalotay - Macquarie University, Australia

Discussant: Armen Arakelyan - Colegio Universitario de Estudios Financieros (CUNEF), Spain

SESSION 26 **Seine**

ACCOUNTING TOPICS 2
Session Chair: Ahmet Ikiz - Mugla Sitki Kocman University, Turkey

"Accrual-Based and Real Activities Based Earnings Management Behavior of Family Firms in Japan"
Tai-Yuan Chen - Hong Kong University of Science and Technology, Hong Kong
Zhaoyang Gu - Chinese University of Hong Kong, Hong Kong
Keiichi Kubota - Chuo University, Japan
Hitoshi Takehara - Waseda University, Japan

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

"Unexpected Earnings, Stock Returns and Risk under High Volatile and Concentrate Market"
Rene Pimentel - The Foundation Institute of Accounting, Brazil

Discussant: Zhaoyang Gu - Chinese University of Hong Kong, Hong Kong

"The Roles of Trust and Control in Regulating Tax Reporting Behavior"
Ester Chen - Ben-Gurion University, Israel
Ilanit Gavious - Ben-Gurion University, Israel

Discussant: Rene Pimentel - The Foundation Institute of Accounting, Brazil

SESSION 27 **Rhine**

M&AS 2
Session Chair: Jeffrey Callen - University of Toronto, Canada

"Hedge Funds in M&A Deals: Is there Exploitation of PrivateInformation?"
Rui Dai - University of Pennsylvania, USA
Nadia Massoud - Melbourne University, Australia
Debarshi K. Nandy - Brandeis University, USA
Anthony Saunders - New York University, USA

Discussant: Naaguesh Appadu - Cass Business School, UK

"Long-term and Short-term Wealth Effects of Asian Banks' M&A"
Yoko Shirasu - Aoyama Gakuin University, Japan

Discussant: Nadia Massoud - Melbourne University, Australia

"Explaining the Surge in Chinese Cross-border M&As: The Role of Home Country Macroeconomic Factors and Institutions"
Min Du - University of Nottingham, UK
Agyenim Boateng - Glasgow Caledonian University, UK
Yan Wang - University of Huddersfield, UK

Discussant: Yoko Shirasu - Aoyama Gakuin University, Japan

"The Next Step: How the Appointment of a New CEO Can Affect M&A Strategy"
Duncan Angwin - Oxford Brookes, UK
Naaguesh Appadu - Cass Business School, UK
Anna Faelten - Cass Business School, UK
Scott Moeller - Cass Business School, UK

Discussant: Yan Wang - University of Huddersfield, UK

SESSION 28 **Rhone**

EMERGING MARKETS 1
Session Chair: Nikolaos Philippas - University of Piraeus, Greece

"Equity Market Reaction to Sharp Price Changes: Evdence from Poland"
Rasoul Rezvanian - Northeastern Illinois University, USA
Zbigniew Krysiak - Warsaw School of Economics, Poland
Ewelina Klaczynska - Northeastern Illinois University, USA

Discussant: Toyli Yevjanov - Higher School of Economics, Russian Federation

"Payment Persistence of Participants to Turkish Private Pension Scheme and Gender Differences"
Ozgur Arslan-Ayaydin - University of Illinois, USA
Mehmet Karan - Hacettepe University, Turkey
Yilmaz Yildiz - Hacettepe University, Turkey

Discussant: Rasoul Rezvanian - Northeastern Illinois University, USA

"An Empirical Analysis of Growth and Consolidation in Banking: A Markovian Approach for the Case of Russia."
Henry Penikas - National Research University, Russian Federation
Anastasia Petrova - National Research University - Higher School of Economics, Russian Federation

Discussant: Mehmet Karan - Hacettepe University, Turkey

"Measuring Technical Efficiency for Banks in the Context of Russian and International Reporting Standards"
Toyli Yevjanov - Higher School of Economics, Russian Federation
Henry Penikas - National Research University Higher School of Economics, Russian Federation

Discussant: Anastasia Petrova - National Research University - Higher School of Economics, Russian Federation

SESSION 29 **Thames**

FUNDS 1
Session Chair: Ian Rakita - Concordia University, Canada

"Search-for-yield in Canadian Fixed-income Mutual Funds and Monetary Policy"
Sermin Gungor - Bank of Canada, Canada
Jesus Sierra - Bank of Canada, Canada

Discussant: Lubomir Petrasek - Federal Reserve Board, USA

"Shirking in the Funds Management Industry"
Ron Bird - University of Technology Sydney, Australia
Paolo Pellizzari - University Ca' Foscari of Venice, Italy
Danny Yeung - University of Technology Sydney, Australia
Paul Woolley - London School of Economics, UK

Discussant: Sermin Gungor - Bank of Canada, Canada

"Performance Persistence and the Mutual Fund Network"
David Gonzalez - Hanken School of Economics, Finland

Discussant: Ron Bird - University of Technology Sydney, Australia

"Hedge Fund Ownership and Stock Market Efficiency"
Charles Cao - Penn State University, USA
Bing Liang - Isenberg School of Management, USA
Andrew Lo - MIT Sloan Management, USA
Lubomir Petrasek - Federal Reserve Board, USA

Discussant: David Gonzalez - Hanken School of Economics, Finland

Monday 4:00 - 5:45

SESSION 30 **Severn**

FIRM VALUE 1
Session Chair: Mika Vaihekoski - University of Turku, Finland

"Net Working Capital and Shareholders' Valuation: Do Firms' Financial Characteristics Matter?"
Sonia Baños-Caballero - University of Murcia, Spain
Pedro Garcia-Teruel - University of Murcia, Spain
Pedro Martínez-Solano - University of Murcia, Spain

Discussant: Gary Kleinman - Montclair State University, USA

"Industry-specific determinants of shareholder value creation"
John Hall - University of Pretoria, South Africa

Discussant: Sonia Baños-Caballero - University of Murcia, Spain

"Analytical Redefinition of DOL and Managerial Investment Decision"
Yoram Kroll - Ono Academic College (OAC), Israel
David Aharon - University of Haifa, Israel

Discussant: John Hall - University of Pretoria, South Africa

"The Effect of Board Election and Corporate Governance on the Earnings Quality and Value Relevance of Earnings and Book Value"
Shuling Chiang - National Taipei College of Business, Taiwan
Gary Kleinman - Montclair State University, USA
Picheng Lee - Pace University, USA

Discussant: Yoram Kroll - Ono Academic College (OAC), Israel

SESSION 31 **Clyde**

EXECUTIVE COMPENSATION
Session Chair: Leslie Robinson - Dartmouth College, USA

"CEO Compensation in the Finance Sector: Did the Financial Crisis Have an Impact?"
Sanjiv Jaggia - California Polytechnic State University, USA
Satish Thosar - University of Redlands, USA

Discussant: Raul Susmel - University of Houston, USA

"Are Employee Stock Option Exercise Decisions Better Explained through the Prospect Theory?"
Hamza Bahaji - University of Paris Dauphine, France

Discussant: Sanjiv Jaggia - California Polytechnic State University, USA

"Future Option Grants"
Vicky Henderson - University of Warwick, UK
Jia Sun - China Credit Rating Co. Ltd, China
A Elizabeth Whalley - University of Warwick, UK

Discussant: Hamza Bahaji - University of Paris Dauphine, France

"Compensation and Length of Contract of a New Manager:The Case of Major League Baseball"
Randy Silvers - Deakin University, Australia
Raul Susmel - University of Houston, USA

Discussant: A Elizabeth Whalley - University of Warwick, UK

SESSION 32 **Shannon**

VOLATILITY 1
Session Chair: Stefan Trueck - Macquarie University, Australia

"Feedback Trading and Autocorrelation Pattern of Sub-Saharan African Equity Markets"
Saint Kuttu - Ghana Institute of Management and Public Administration, Ghana
Godfred Bokpin - University of Ghana, Ghana

Discussant: Yueh-Neng Lin - National Chung Hsing University, Taiwan

"Does VIX or Volume Improve GARCH Volatility Forecasts?"
David G McMillan - University of Stirling Management School, UK
Dimos S Kambouroudis - University of Stirling Management School, UK

Discussant: Saint Kuttu - Ghana Institute of Management and Public Administration, Ghana

"The Calm After the Storm: Implied Volatility and Future Stock Index Returns"
Thorben Lubnau - European University Viadrina, Germany
Neda Todorova - Griffith University, Australia

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

"Dynamic Volatility Hedging Capital Allocation"
Yueh-Neng Lin - National Chung Hsing University, Taiwan

Discussant: Neda Todorova - Griffith University, Australia

SESSION 33 **Tiber**

MARKET EFFICIENCY 2
Session Chair: Didier Maillard - CNAM, France

"Size and Price-to-Book Effects: Evidence from the Chinese Stock Markets"
Jitka Hilliard - Auburn University, USA
Haoran Zhang - Auburn University, USA

Discussant: Chanatip Kitwiwattanachai - University of Connecticut, USA

"Ambiguity Aversion, Information Uncertainty and Momentum around the World"
Yujing Gong - WHU-Otto Beisheim School of Management, Germany
Mei Wang - WHU-Otto Beisheim School of Management, Germany

Discussant: Jitka Hilliard - Auburn University, USA

"Does Momentum Trading Opportunities Exit? Evidence from Chinese and Indian Stock Markets"
Krishna Reddy - University of Waikato, New Zealand
Zhiyu Yang - University of Waikato, New Zealand
Abhay Singh - Edith Cowan University, New Zealand

Discussant: Yujing Gong - WHU-Otto Beisheim School of Management, Germany

"Momentum from Noise"
Chanatip Kitwiwattanachai - University of Connecticut, USA

Discussant: Krishna Reddy - University of Waikato, New Zealand

SESSION 34 **Seine**

DEBT ANNOUNCEMENTS
Session Chair: Nadia Massoud - Melbourne University, Australia

"The (Un)Informative Value of Credit Rating Announcements in Small Markets"
Zvika Afik - Ben-Gurion University, Israel
Itai Feinstein - Ben-Gurion University of the Negev, Israel
Koresh Galil - Ben-Gurion University of the Negev, Israel

Discussant: Yuriy Zabolotnyuk - Carleton University, Canada

"The Islamic Debt Announcement Impact: An Empirical Investigation of Indonesian Islamic Debt"
Fitriya Fitriya - University of Muhammadiyah Palembang, Indonesia
Muhammad Idris - University of Muhammadiyah Palembang, Indonesia
Abid Dzajuli - University of Muhammadiyah Palembang, Indonesia
Deviyansah Deviyansah - University of Muhammadiyah Palembang, Indonesia

Discussant: Zvika Afik - Ben-Gurion University, Israel

"Beta Risk and the Announcement Effects of Debt Issues: Pre- and Post-Recessionary Evidence from the London Stock Exchange"
Konstantinos Bozos - Leeds University Business School, UK
Dimitrios Koutmos - Worcester Polytechnic Institute, USA
Dionysia Dionysioy - University of Stirling, UK
Neophytos Lambertides - Cyprus University of Technology, Cyprus

Discussant: Fitriya Fitriya - University of Muhammadiyah Palembang, Indonesia

"Wealth Effects of Bond Rating Announcements"
Yuriy Zabolotnyuk - Carleton University, Canada

Discussant: Konstantinos Bozos - Leeds University Business School, UK

SESSION 35 **Rhine**

IPOS & CROSS LISTING 1
Session Chair: Samuel Szewczyk - Drexel University, USA

"Why do PE and VC Firms Retain Ownership after the Initial Public Offering?"
Meziane Lasfer - City University London, UK
Natalia Matanova - City University London, UK

Discussant: Jan Zimmermann - Justus-Liebig-University Giessen, Germany

"Conflicts of Interest in IPO Pricing"
Manuela Geranio - Università Bocconi, Italy
Camilla Mazzoli - Università Politecnica delle Marche, Italy
Fabrizio Palmucci - Università di Bologna, Italy

Discussant: Natalia Matanova - City University London, UK

"Withdrawal Versus Overpricing: The Effect on Underwriter Market Share"
Walid Busaba - University of Western Ontario, Canada
Zheng Liu - University of Western Ontario, Canada

Discussant: Manuela Geranio - Università Bocconi, Italy

"The Survival of Initial Public Offerings in Europe: The Impact of Venture Capital and Private Equity"
Wolfgang Bessler - JLU Finance, Germany
Martin Seim - JLU Finance, Germany
Jan Zimmermann - Justus-Liebig-University Giessen, Germany

Discussant: Walid Busaba - University of Western Ontario, Canada

SESSION 36 **Rhone**

BANKING 2
Session Chair: Frank Skinner - University of Surrey, UK

"The Impact of Foreign Banks on Monetary Policy Transmission during the Global Financial Crisis of 2008-9: Evidence from Korea"
Bang Nam Jeon - Drexel University, USA
Hosung Lim - The Bank of Korea, Korea
Ji Wu - Southwestern University of Finance and Economics, China

Discussant: Yian Liu - SMU Cox School of Business, USA

"Changes in Ownership Structure and Bank Efficiency in Asian Developing Countries: The role of Financial Freedom"
Kun-Li Lin - Feng Chia University, Taiwan
Anh Tuan Doan - Feng Chia University, Taiwan
Shuh-Chyi Doong - National Chung Hsing University, Taiwan

Discussant: Bang Nam Jeon - Drexel University, USA

"The Influence of Competition on the Financial Stability of Banks in the GCC Countries"
Aktham Maghyereh - UAE University, United Arab Emirates
Basel Awartani - Plymouth University, UK

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

"Universal Banking Spillovers: Evidence from Financial Crises"
Yian Liu - SMU Cox School of Business, USA

Discussant: Aktham Maghyereh - UAE University, United Arab Emirates

SESSION 37 **Thames**

DERIVATIVE PRODUCTS
Session Chair: Marc Steffen Rapp - Philipps Universität Marburg, Germany

"Options Pricing and Roll-Over Parameters"
Sol Kim - Hankuk University of Foreign Studies, Korea

Discussant: Andreas Rathgeber - University of Augsburg, Germany

"Asian Cash & Futures Markets Price Formation: Price Leadership Between Index Futures & Exchange Traded Funds"
Malick Sy - RMIT University, Australia

Discussant: Sol Kim - Hankuk University of Foreign Studies, Korea

"Rainbow Trend Options: Valuation and Applications"
Hsiao-Chuan Wang - National Taiwan University, Taiwan
Jr-Yan Wang - National Taiwan University, Taiwan

Discussant: Malick Sy - RMIT University, Australia

"Financialization of Metal Commodity Markets: Does Futures Trading Influence Metal Prices and Volatility?"
Herbert Mayer - University of Augsburg, Germany
Andreas Rathgeber - University of Augsburg, Germany
Markus Wanner - University of Augsburg, Germany

Discussant: Hsiao-Chuan Wang - National Taiwan University, Taiwan

SESSION 38 **Severn**

FINANCING 2
Session Chair: John Hall - University of Pretoria, South Africa

"The Impact of Institutional Factors on Firm Financing: Evidence from South Asian Countries"
Nirosha Hewa Wellalage - University of Waikato, New Zealand
Stuart Locke - University of Waikato, New Zealand

Discussant: Inês Lisboa - Polytechnic Institute of Leiria, Portugal

"The Role of Credit Ratings on Capital Structure and its Speed of Adjustment in Bank-Oriented and Market-Oriented Economies"
Michael Firth - Lingnan University, Hong Kong
Michal Wojewodzki - Middlesex University, UK
Winnie Poon - Lingnan University, Hong Kong

Discussant: Stuart Locke - University of Waikato, New Zealand

"Slow Ratings"
Stefano Bonini - Bocconi University, Italy
Sreedhar Bharath - Arizona State University, USA
Ombretta Pettinato - SDA Bocconi School of Management, Italy

Discussant: Michal Wojewodzki - Middlesex University, UK

"Family Impact on Capital Structure During Crisis Periods"
Inês Lisboa - Polytechnic Institute of Leiria, Portugal

Discussant: Stefano Bonini - Bocconi University, Italy

SESSION 39 **Clyde**

ENERGY & REAL OPTIONS
Session Chair: Lawrence Kryzanowski - Concordia University, Canada

"Exploration Activity, Long Run Decisions, and Roll Returns on Energy Futures"
Alexander David - University of Calgary, Canada

Discussant: Tomasz Wisniewski - University of Szczecin, Poland

"Real Options: A Model Assessing Flexibility and Uncertainty Applied Study on the Lebanese Oil Sector"
Nizar Atrissi - Universite Saint-Joseph, Lebanon

Discussant: Alexander David - University of Calgary, Canada

"Asymmetric CGARCH Dynamic Volatility Prediction: Mexican Oil Returns Assuming Two Distributions"
Raúl De Jesús Gutiérrez - Universidad Autónoma del Estado de México, Mexico
Edgar Ortiz - Universidad Nacional Autonoma de Mexico, Mexico

Discussant: Nizar Atrissi - Universite Saint-Joseph, Lebanon

"Double Monte Carlo Method for Valuation of Real Options"
Tomasz Wisniewski - University of Szczecin, Poland

Discussant: Edgar Ortiz - Universidad Nacional Autonoma de Mexico, Mexico

Tuesday 8:30 - 10:15

SESSION 40 **Shannon**

MACRO FINANCE 3
Session Chair: Louis Murray - University College Dublin, Ireland

"Quantitative Easing and the U.S. Stock Market"
Anastasios Malliaris - Loyola University Chicago, USA
Mary Malliaris - Loyola University Chicago, USA
Ramaprasad Bhar - The University of New South Wales, Australia

Discussant: Rathin Rathinasamy - Ball State University, USA

"Investment-based factors and macroeconomic conditions: Asymmetric effects of the business cycles on long and short sides"
Byoung-Kyu Min - University of Neuchatel, Switzerland
Jangkoo Kang - Korea Advanced Institute of Science and Technology, Korea
Changjun Lee - Hankuk University of Foreign Studies, Korea

Discussant: Mary Malliaris - Loyola University Chicago, USA

"Evaluating Strategies to Maximize Portfolio Performance Measures Using Rebalancing, Buy and Hold, and Monetary Policy Indicators"
Jimmy Hilliard - Auburn University, USA
Jitka Hilliard - Auburn University, USA

Discussant: Changjun Lee - Hankuk University of Foreign Studies, Korea

"The Link Between Differential Economic Fundamentals & the Observed January Effect in the Market for the U.S. Dollar"
Rathin Rathinasamy - Ball State University, USA

Discussant: Jimmy Hilliard - Auburn University, USA

Refreshments 10:15 a.m. - 10:30 a.m.

Foyer 3rd Floor

Tuesday 10:30 - 12:15

SESSION 41 **Tiber**

ASSET PRICING 4
Session Chair: Gregory (Greg) Durham - Montana State University, USA

"The Effects of Multilateral Trading Systems on Risk and Return in Equity Markets"
Imad Moosa - RMIT University, Australia
Vikash Ramiah - RMIT University, Australia
Nguyen Anh Huy Pham - RMIT University, Australia
Anthony Scundi - RMIT, Australia
Wai Han Teoh - RMIT University, Australia

Discussant: Ujjal Chatterjee - American University of Sharjah, United Arab Emirates

"Currency Returns"
Yufen Fu - Tunghai University, Taiwan
George Blazenko - Simon Fraser University, Canada
Freda Eddy-Sumeke - Kwantlen Poytechnic University, Canada

Discussant: Vikash Ramiah - RMIT University, Australia

"The Earnings Present-Value Relation: Theory and Evidence"
Wanncherng Wang - National Sun Yat-Sen University, Taiwan
Chih-Hsien Yu - University of Baltimore, USA

Discussant: George Blazenko - Simon Fraser University, Canada

"Learning about Stock Valuations from Advertising and the Cross-section of Stock Returns"
Ujjal Chatterjee - American University of Sharjah, United Arab Emirates
Sanjoy Ghose - University of Wisconsin, USA

Discussant: Chih-Hsien Yu - University of Baltimore, USA

SESSION 42 **Seine**

CREDIT RISK
Session Chair: Elyas Elyasiani - Temple University, USA

"Do Rating Agencies Act as Third-Party Monitors? Evidence from Moody's Credit Watches"
Hamdi Driss - York University, Canada
Nadia Massoud - The University of Melbourne, Australia
Gordon Roberts - York University, Canada

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

"What Explains the Credit Risk-Return Puzzle?"
Emawtee Bissoondoyal-Bheenick - Monash University, Australia
Robert Brooks - Monash University, Australia

Discussant: Gordon Roberts - York University, Canada

"Predicting Default more Accurately: To Proxy or not to Proxy for Default?"
Koresh Galil - Ben-Gurion University, Israel
Neta Sher - Ben-Gurion University, Israel

Discussant: Emawtee Bissoondoyal-Bheenick - Monash University, Australia

"Corporate Default Analysis with Adjustment of Industry Effect and Multivariate Media Measures"
Yu-Chen Wei - National Kaohsiung First University of Science and Technology, Taiwan
Yang-Cheng Lu - Ming Chuan University, Taiwan
Yu-Jen Chen - National Kaohsiung First University of Science and Technology, Taiwan

Discussant: Koresh Galil - Ben-Gurion University, Israel

SESSION 43 **Rhine**

RISK MANAGEMENT & SHIPPING
Session Chair: Rasoul Rezvanian - Northeastern Illinois University, USA

"Liquidity Risk Premia in the International Shipping Derivatives Market"
Amir Alizadeh - City University London, UK
Ilias Visvikis - World Maritime University, Sweden
Konstantina Kappou - University of Reading, UK
Dimitris Tsouknidis - Regent's University, UK

Discussant: Dimitris Dimitrakopoulos - Athens University of Economics and Business, Greece

"Efficient Ownership Structure in Cruise Terminal"
Assunta Di Vaio - University of Naples “Parthenope”, Italy
Francesca Romana Medda - University College London, UK
Lourdes Truijllo - Universidad de Las Palmas de Gran Canaria, Spain

Discussant: Konstantina Kappou - University of Reading, UK

"Measuring Market Risk for the Dry Bulk Sector of Shipping: A New Model"
Manolis Kavussanos - Athens University of Economics and Business, Greece
Dimitris Dimitrakopoulos - Athens University of Economics and Business, Greece

Discussant: Assunta Di Vaio - University of Naples “Parthenope”, Italy

SESSION 44 **Rhone**

FUNDS 2
Session Chair: Ron Bird - University of Technology Sydney, Australia

"Do Prime Brokers Induce Similarities in Hedge Funds Performance?"
Nataliya Gerasimova - University of Lausanne, Switzerland

Discussant: Ian Rakita - Concordia University, Canada

"Using DEA Hierarchical Categories for Benchmarking Superannuation Funds (Pension Plans)"
Don Galagedera - Monash University, Australia
John Watson - Monash University, Australia

Discussant: Nataliya Gerasimova - University of Lausanne, Switzerland

"It’s Hard to Beat the TSX Composite Index"
Ian Rakita - Concordia University, Canada

Discussant: John Watson - Monash University, Australia

"Relation Between Equity Home Bias and Ambiguity Aversion: An International Study"
Dennis Dlugosch - WHU-Otto Beisheim School of Management, Germany
Mei Wang - WHU-Otto Beisheim School of Management, Germany

Discussant: Jerry Cao - Singapore Management University, Singapore

SESSION 45 **Thames**

IPOS & CROSS LISTING 2
Session Chair: Ephraim Clark - Middlesex University Business School, UK

"The Initial and Long-Run Performance of Initial Public Offerings: The Case of Turkey"
Vahdettin Ertas - Capital Markets Board of Turkey, Turkey
Oya Can Mutan - Capital Markets Board of Turkey, Turkey
Ayhan Topcu - Capital Markets Board of Turkey, Turkey
Alaattin Ecer - Capital Markets Board of Turkey, Turkey

Discussant: Wissam Abdallah - Cardiff University, UK

"How Can New Ventures Command a Price Premium with Innovations in Emerging Markets?"
Xueming Luo - Temple University, USA
Haina Shi - Fudan University, China
Haoping Xu - Fudan University, China

Discussant: Oya Can Mutan - Capital Markets Board of Turkey, Turkey

"Does Experience Affect the Behavior of Institutional Investors in IPO Markets?"
Seth Armitage - University of Edinburgh Business School, UK
Youyan Fu - University of Edinburgh, UK
Ufuk Güçbilmez - University of Edinburgh Business School, UK

Discussant: Haina Shi - Fudan University, China

"Do Managers of Cross-Listed Firms Listen to the Market?"
Wissam Abdallah - Cardiff University, UK

Discussant: Youyan Fu - University of Edinburgh, UK

SESSION 46 **Severn**

FIRM VALUE 3
Session Chair: Hubert De La Bruslerie - University Paris Dauphine, France

"Investor Protection, Market Share and Corporate Cash Holdings"
Frederiek Schoubben - University of Leuven, Belgium
Cynthia Van Hulle - University of Leuven, Belgium

Discussant: Gael Imad`Eddine - Université de Lille 2, France

"Impact of Over/Underinvestment on Corporate Performance: Singapore Stock Market"
Kashif Saleem - Lappeenranta University of Technology, Finland
Sheraz Ahmed - Lappeenranta University of Technology, Finland
Sanaullah Farooq - AIESEC Saimaa, Finland

Discussant: Frederiek Schoubben - University of Leuven, Belgium

"Cash Holdings in Public Corporate Firms:A Strategic Tool to Create Value"
Guillaume Renard - University Paris Dauphine, France

Discussant: Kashif Saleem - Lappeenranta University of Technology, Finland

"Discrimination Bias and Financial Constraint of French SMEs"
Gael Imad`Eddine - Université de Lille 2, France
Ludovic Vigneron - Université de Valenciennes, France

Discussant: Guillaume Renard - University Paris Dauphine, France

SESSION 47 **Clyde**

CORPORATE FINANCE TOPICS
Session Chair: Janis Berzins - BI Norwegian Business School, Norway

"Regulation, Compensation and Risk Taking in Banks: Evidence from the Credit Crises"
Alexander Hüttenbrink - Technische Universität München, Germany
Christoph Kaserer - Technische Universität München, Germany
Marc Steffen Rapp - Philipps Universität Marburg, Germany

Discussant: Chin-Bun Tse - University of Salford, UK

"Executive Compensation and Firm Leverage"
Michael Albert - Ohio State University, USA

Discussant: Marc Steffen Rapp - Philipps Universität Marburg, Germany

"Systematic Risk and Stock Market Behavior of the Emerging B-9 (Bricks+4)"
Miriam Sosa-Castro - Universidad Nacional Autónoma de México, Mexico
Alejandra Cabello - Universidad Nacional Autónoma de México, Mexico

Discussant: Michael Albert - Ohio State University, USA

"Dividend Signalling:Desperate Times Call for Desperate Measures"
Chin-Bun Tse - University of Salford, UK

Discussant: Edgar Ortiz - Universidad Nacional Autonoma de Mexico, Mexico

SESSION 48 **Shannon**

VOLATILITY 2
Session Chair: Malick Sy - RMIT University, Australia

"Oil Price Shocks and Volatility can Predict Stock Market Regimes"
Timotheos Angelidis - University of Peloponnese, Greece
Stavros Degiannakis - Bank of Greece, Greece
George Filis - Bournemouth University, UK

Discussant: Petko Kalev - University of South Australia, Australia

"Hedging Gold and Oil Portfolios using Commodity Currencies in Different Regimes"
Stefan Trueck - Macquarie University, Australia
Ning Rong - Macquarie University, Australia

Discussant: George Filis - Bournemouth University, UK

Tuesday 10:30 - 12:15

"Retail Investors and the Idiosyncratic Volatility Puzzle"
Julia Henker - Bond University, Australia
Thomas Henker - Bond University, Australia
Deborah Tan - University of New South Wales, Australia

Discussant: Stefan Trueck - Macquarie University, Australia

"Algorithmic Trading in Volatile Markets"
Hao Zhou - University of South Australia, Australia
Petko Kalev - University of South Australia, Australia
Guanghua Andy Lian Seminar - University of South Australia, Australia

Discussant: Julia Henker - Bond University, Australia

LUNCHEON

12:15 p.m. - 1:45 p.m. Restaurant

SESSION 49 **Tiber**

ASSET PRICING 5
Session Chair: Petko Kalev - University of South Australia, Australia

"Market Reactions to Corporate Name Changes: Evidence from the TSX"
Ernest Biktimirov - Brock University, Canada
Farooq Durrani - Brock University, Canada

Discussant: Peter Jørgensen - Aarhus University, Denmark

"Firm Heterogeneity and Investor Inattention on Friday"
Roni Michaely - Cornell University, USA
Amir Rubin - Simon Fraser University, Canada
Alex Vedrashko - Simon Fraser University, Canada

Discussant: Ernest Biktimirov - Brock University, Canada

"Overpricing and Hidden Costs of Structured Bonds for Retail Investors: Evidence from the Danish Market for Principal Protected Notes"
Peter Jørgensen - Aarhus University, Denmark
Henrik Nørholm - Aarhus University, Denmark
David Skovmand - Copenhagen Business School, Denmark

Discussant: Amir Rubin - Simon Fraser University, Canada

"Traders vs. Relationship Managers: Reputational Conflicts in Full-Service Investment Banks"
Zhaohui Chen - University of Virginia, USA
Alan Morrison - Oxford University, UK
Bill Wilhelm - University of Virginia, USA

Discussant: Michael Graham - Stockholm University, Sweden

SESSION 50 **Seine**

BUYOUTS 1
Session Chair: Alexander David - University of Calgary, Canada

"Drivers of LBO Operating Performance: An Empirical Investigation in Latin America"
Alain Chevalier - ESCP Europe, France
Aurelie Sannajust - Université de Saint Etienne, France

Discussant: Zhaohui Chen - University of Virginia, USA

"Industry Specialization of Investment Banks in M&A Activities"
Michael Graham - Stockholm University, Sweden
Terry Walter - University of Technology Sydney, Australia
Alfred Yawson - University of Adelaide, Australia
Huizhong Zhang - University of Adelaide, Australia

Discussant: Nancy Huyghebaert - KU Leuven, Belgium

"Incidence and Structure of European Buyout Syndicates: Empirical Results from an Integrated Study"
Nancy Huyghebaert - KU Leuven, Belgium
Randy Priem - KU Leuven, Belgium
Linda Van De Gucht - KU Leuven, Belgium

Discussant: Usha Mittoo - University of Manitoba, Canada

"Financing Conditions and Going Private Decisions: Leveraged Buyouts (LBOs) versus Management Buyouts (MBOs)"
Usha Mittoo - University of Manitoba, Canada
Dennis Ng - University of Manitoba, Canada

Discussant: Alain Chevalier - ESCP Europe, France

SESSION 51 **Rhine**

M&AS 3
Session Chair: Minna Martikainen - Hanken School of Economics, Finland

"The International Diversification of Banks and the Value of their Cross-Border M&A Advice"
Abe De Jong - Rotterdam School of Management, Erasmus University, Netherlands
Steven Ongena - University of Zurich, Switzerland
Marieke Van Der Poel - Rotterdam School of Management, Erasmus University, Netherlands

Discussant: Nihat Aktas - WHU Otto Beisheim School of Management, Germany

"Do Acquiring Firms Listen to Media Sentiment?"
Diego Amaya - ESG UQAM, Canada
Ludivine Chalençon - IAE Lyon, France
Jean-Yves Filbien - ESG UQAM, Canada

Discussant: Marieke Van Der Poel - Rotterdam School of Management, Erasmus University, Netherlands

"Market Reactions to Control Transfer Within Block Trades in Public Companies – Empirical Evidence on the Warsaw Stock Exchange"
Katarzyna Byrka-Kita - The University of Szczecin, Poland
Mateusz Czerwinski - The University of Szczecin, Poland
Agnieszka Perepeczo - The University of Szczecin, Poland

Discussant: Ludivine Chalençon - IAE Lyon, France

"Product Market Competition and Merger Activity"
Nihat Aktas - WHU Otto Beisheim School of Management, Germany
Marion Dupire-Declerck - Skema Business School, France

Discussant: Agnieszka Perepeczo - The University of Szczecin, Poland

SESSION 52 **Rhone**

EMERGING MARKETS 2
Session Chair: Tai Ma - National Sun Yat Sen University, Taiwan

"Rationalizing the Value Premium: Evidence from Malaysia"
Muhammad Ebrahim - Bangor University, UK
Robert Hudson - University of Hull, UK
Abdullah Iqbal - University of Kent, UK
Muhammad Shah - INCEIF, Malaysia

Discussant: Ephraim Clark - Middlesex University Business School, UK

"Descriptive Analysis of the Finnish Stock Market: Part II"
Peter Nyberg - Aalto University School of Business, Finland
Mika Vaihekoski - University of Turku, Finland

Discussant: Abdullah Iqbal - University of Kent, UK

"Revisiting the Relationship Between Volatility and Expected Returns Across International Stock Markets"
Christos Savva - Cyprus University of Technology, Cyprus
Panayiotis Theodossiou - Cyprus University of Technology, Cyprus

Discussant: Mika Vaihekoski - University of Turku, Finland

"Theories of Risk-Testing Investor Behaviour on the Taiwan Stock and Stock Index Futures Markets"
Ephraim Clark - Middlesex University Business School, UK
Siu Tung Ho - Chinese University of Hong Kong, Hong Kong
Zhuo Qiao - University of Macau, Macao
Wing-Keung Wong - Hong Kong Baptist University, Hong Kong

Discussant: Tanja Steigner - Emporia State University, USA

SESSION 53 **Thames**

PORTFOLIO MANAGEMENT 2
Session Chair: Ania Zalewska - University of Bath, UK

"Does Active Ethical Investing Pay - Evidence from the UK"
Ephraim Clark - Middlesex University Business School, UK
Nitin Deshmukh - Middlesex University Business School, UK
Yacine Belghitar - Cranfield School of Management, UK

Discussant: Liping Zou - Massey University, New Zealand

"Traditional and Alternative Risk: An Application to Hedge Fund Returns"
Claudio Boido - University of Siena, Italy
Antonio Fasano - University of Salerno and Rome (LUISS), Italy

Discussant: Nitin Deshmukh - Middlesex University Business School, UK

"Are Strategies for International Diversification by Country, by Sector and by Regions Equivalent?"
Rachid Ghilal - Quebec University, Canada
Bouchra Mzali - UQAM, Canada, Canada
Pascal Lang - Laval University, Canada, Canada
Jean Jacques Lilti - Rennes 1 University, France

Discussant: Antonio Fasano - University of Salerno and Rome (LUISS), Italy

"Style Consistency, Fund Flow and Performance: A Study on U.S. Mutual Funds"
Yiling Li - Massey University, New Zealand
Russell Gregory-Allen - Massey University, New Zealand
Liping Zou - Massey University, New Zealand

Discussant: Jean Jacques Lilti - Rennes 1 University, France

SESSION 54 **Severn**

FIRM VALUE 2
Session Chair: Kashif Saleem - Lappeenranta University of Technology, Finland

"The Control and Performance of Joint Ventures"
Tomas Mantecon - University of North Texas, USA
Kyojik Song - Sungkyunkwan University, Korea

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

"Government Ownership and Firm Performance: Evidence from Singapore and Malaysia"
Nazrul Hisyam Abdul Razak - University Putra Malaysia, Malaysia
Rubi Ahmad - University of Malaya, Malaysia
S.Susela Devi - University of Malaya, Malaysia

Discussant: Kyojik Song - Sungkyunkwan University, Korea

"Corporate Risk Taking and Firm Value: Evidence from a Period of Financial Deregulation"
Conrado García-Gómez - University of Burgos, Spain
Felix López-Iturriaga - University of Valladolid, Spain
Marcos Santamaría-Mariscal - University of Burgos, Spain

Discussant: Rubi Ahmad - University of Malaya, Malaysia

"Debt, Private Benefits, and Corporate Governance: An Analysis in an Option Valuation Framework"
Hubert De La Bruslerie - University Paris Dauphine, France

Discussant: Conrado García-Gómez - University of Burgos, Spain

SESSION 55 **Clyde**

LIQUIDITY
Session Chair: George Blazenko - Simon Fraser University, Canada

"The impact of liquidity on inflation-linked bonds:A hypothetical indexed bonds approach"
Julia Auckenthaler - University of Innsbruck, Austria
Alexander Kupfer - University of Innsbruck, Austria
Rupert Sendlhofer - University of Innsbruck, Austria

Discussant: Sean Foley - University of Sydney, Australia

"How to Improve the Liquidity of CAC 40 Options Market?"
Alain François-Heude - MRM, University of Montpellier 2, France
Ouidad Yousfi - MRM, University of Montpellier 2, France

Discussant: Alexander Kupfer - University of Innsbruck, Austria

"Market Impacts of Trades for Stocks Listed on the Borsa Istanbul"
Osman Aktas - Concordia University, Canada
Lawrence Kryzanowski - Concordia University, Canada

Discussant: Ouidad Yousfi - MRM, University of Montpellier 2, France

"Should we be Afraid of the Dark? Dark Trading and Market Quality"
Sean Foley - University of Sydney, Australia
Talis Putnins - University of Technology Sydney, Australia

Discussant: Osman Aktas - Concordia University, Canada

SESSION 56 **Shannon**

PRICING & INVESTING
Session Chair: Rathin Rathinasamy - Ball State University, USA

"Price Discovery in US-Canadian Cross-listed Shares"
Bart Frijns - Auckland University of Technology, New Zealand
Aaron Gilbert - Auckland University of Technology, New Zealand
Alireza Tourani-Rad - Auckland University of Technology, New Zealand

Discussant: Guillaume Andrieu - Group Sup de Co Montpellier Business School, France

"Are Negative P/E Ratio Firms Different than Positive P/E Firms? The Case of Interlisted vs. Non-interlisted Firms in Canada"
George Athanassakos - University of Western Ontario, Canada

Discussant: Aaron Gilbert - Auckland University of Technology, New Zealand

"M&A Announcement Effects in Two Insider Trading Law Regimes in Brazil"
Sonia Balbinotti - Massey University, New Zealand
Mei Qiu - Massey University, New Zealand

Discussant: Anestis Ladas - University of Macedonia, Greece

Tuesday 1:45 - 3:30

"Active Hot Hands Investors vs. "The Crowd": Trading-off Investment Horizon, Support Quality and the Allocation of Control Rights in Entrepreneurial Finance"

Guillaume Andrieu - Group Sup de Co Montpellier Business School, France
Alexander Groh - EMLYON Business School, France

Discussant: Mei Qiu - Massey University, New Zealand

Refreshments 3:30 p.m. - 3:45 p.m.

Foyer 3rd Floor

Tuesday 3:45 - 5:30

SESSION 57 **Tiber**

ASSET PRICING 6
Session Chair: David Allen - University of Sydney, Australia

"Asset Valuation in a (Realistic) Conditional CAPM Setting"
Fabian Lutzenberger - Research Center Finance & Information Management, University of Augsburg, Germany
Mikhail Patsev - Research Center Finance & Information Management, University of Augsburg, Germany
Stefan Stöckl - University of Konstanz, Germany

Discussant: Xiao-Ming Li - Massey University, New Zealand

"Stock Market Ambiguity and the Equity Premium"
Panayiotis Andreou - Cyprus University of Technology, Cyprus
Anastasios Kagkadis - Durham University, UK
Paulo Maio - Hanken School of Economics, Finland
Dennis Philip - Durham University, UK

Discussant: Stefan Stöckl - University of Konstanz, Germany

"Exploring a Shortability-Augmented Asset Pricing Model"
Xiao-Ming Li - Massey University, New Zealand
Liping Zou - Massey University, New Zealand
Min Bai - Auckland University of Technology, New Zealand

Discussant: Panayiotis Andreou - Cyprus University of Technology, Cyprus

SESSION 58 **Seine**

ACCOUNTING TOPICS 3
Session Chair: Zhaoyang Gu - Chinese University of Hong Kong, Hong Kong

"Social Networks in Accounting Research"
Andreas Andrikopoulos - University of the Aegean, Greece
Konstantinos Kostaris - University of the Aegean, Greece

Discussant: Wim Westerman - University of Groningen, Netherlands

"Does Investment in Corporate Environmental Responsibility Matter in the Financial Services Industries?"
Hoje Jo - Santa Clara University, USA
Hakkon Kim - Korea Advanced Institute of Science and Technology (KAIST), Korea
Kwangwoo Park - Korea Advanced Institute of Science and Technology (KAIST), Korea

Discussant: Andreas Andrikopoulos - University of the Aegean, Greece

"Is Sustainable Competitive Advantage an Advantage for Stock Investors?"
Yi Liu - University of North Texas, USA

Discussant: Hoje Jo - Santa Clara University, USA

"Does Private Equity Stir Up European Industries?"
Reinder Lubbers - University of Groningen, Netherlands
Henk Von Eije - University of Groningen, Netherlands
Wim Westerman - University of Groningen, Netherlands

Discussant: Yi Liu - University of North Texas, USA

SESSION 59 **Rhine**

CONTAGION AND SPILLOVER
Session Chair: George Theocharides - Cyprus International Institute of Management (CIIM), Cyprus

"Business Cycle Spillovers in the EU15: What is the message transmitted by the periphery?"
Nikolaos Antonakakis - University of Portsmouth, UK
Ioannis Chatziantoniou - University of Portsmouth, UK
George Filis - Bournemouth University, UK

Discussant: Dinh-Vinh Vo - University of Economics and Law, Viet Nam

"Cross-Industry Product Diversification and Contagion in Risk and Return: The Case of Bank-Insurance and Insurance-Bank Takeovers"
Elyas Elyasiani - Temple University, USA
Sotiris Staikouras - Cass Business School, UK
Panagiotis Dontis Charitos - University of Westminster, UK

Discussant: Nikolaos Antonakakis - University of Portsmouth, UK

"Heat Wave and Meteor Shower: Volatility Spillover between the US and European Markets During the Global Financial Crisis"
Jahangir Sultan - Bentley College, USA
Mohammad Hasan - University of Kent, UK

Discussant: Elyas Elyasiani - Temple University, USA

"A Coexceedance Approach on Financial Contagion"
Dinh-Vinh Vo - University of Economics and Law, Viet Nam

Discussant: Mohammad Hasan - University of Kent, UK

SESSION 60 **Rhone**

BANKING 3
Session Chair: Christos Negakis - University of Macedonia, Greece

"Bank Diversification into the Insurance Business: The Effects of the Deregulation of the Bank-Sales Channel at Japanese Banks"
Masaru Konishi - Hitotsubashi University, Japan
Eiji Okuyama - Chuo University, Japan
Yukihiro Yasuda - Tokyo Keizai University, Japan

Discussant: Gozde Sungu - Ozyegin University, Turkey

"The Evaluation of Compatibility of Turkish Banking Sector with EU Banking System Under the Framework Optimum Currency Area Theory."
Ahmet Ikiz - Mugla Sitki Kocman University, Turkey

Discussant: Yukihiro Yasuda - Tokyo Keizai University, Japan

"Firm Performance and Banking Relationship: Evidence from Turkey"
Zeynep Onder - Bilkent University, Turkey
Gozde Sungu - Ozyegin University, Turkey

Discussant: Zuzana Fungacova - Bank of Finland, Finland

"Does Money Buy Credit? Firm-Level Evidence on Bribery and Bank Debt"
Zuzana Fungacova - Bank of Finland, Finland
Anna Kochanova - Max Planck Institute, Germany
Laurent Weill - University of Strasbourg, France

Discussant: Ahmet Ikiz - Mugla Sitki Kocman University, Turkey

SESSION 61 **Thames**

ANALYSTS
Session Chair: Raul Susmel - University of Houston, USA

"Determinants of analyst coverage of UK Listed Companies"
Frank Skinner - University of Surrey, UK
Omaima Hassan - Brunel University, UK

Discussant: Jose Faias - Catolica Lisbon SBE, Portugal

"Do Analysts' Preferences Affect Corporate Policies?"
Francois Degeorge - University of Lugano, Switzerland
François Derrien - HEC Paris, France
Ambrus Kecskes - Schulich School of Business at York University, Canada
Sebastien Michenaud - Rice University, USA

Discussant: Frank Skinner - University of Surrey, UK

"A Closer Look at Financial Analysts Bold Recommendations"
Dan Palmon - Rutgers University, USA
Hua Xin - Rutgers University, USA

Discussant: Ambrus Kecskes - Schulich School of Business at York University, Canada

"Influential Analyst Recommendations: Are They the Hidden Gem?"
Jose Faias - Catolica Lisbon SBE, Portugal
Pedro Mascarenhas - Catolica Lisbon SBE, Portugal

Discussant: Hua Xin - Rutgers University, USA

SESSION 62 **Severn**

CORPORATE GOVERNANCE 3
Session Chair: Satish Thosar - University of Redlands, USA

"Internal Ownership Structures of U.S. Multinational Firms"
Katharina Lewellen - Dartmouth College, USA
Leslie Robinson - Dartmouth College, USA

Discussant: Domenico Cambrea - University of Calabria, Italy

"Short Interest and Stock Price Crash Risk"
Jeffrey Callen - University of Toronto, Canada
Xiaohua Fang - Georgia State University, USA

Discussant: Leslie Robinson - Dartmouth College, USA

"Are CEOs with a Long Career Horizon or a Short Tenure Costly for Shareholders? Evidence from Stock Price Crashes"
Christodoulos Louca - Cyprus University of Technology, Cyprus
Panayiotis Andreou - Cyprus University of Technology, Cyprus
Andreas Petrou - Cyprus University of Technology, Cyprus

Discussant: Jeffrey Callen - University of Toronto, Canada

"The Relationship between Cash Holding and Firm Value. The Role of Moderating Factors"
Domenico Cambrea - University of Calabria, Italy

Discussant: Christodoulos Louca - Cyprus University of Technology, Cyprus

SESSION 63 **Clyde**

CORPORATE RISK MANAGEMENT
Session Chair: Tomasz Wisniewski - University of Szczecin, Poland

"An Investigation on Early Withdrawals from Individual Retirement Accounts: An Empirical Study on an Emerging Market"
Yilmaz Yildiz - Hacettepe University, Turkey
Mehmet Karan - Hacettepe University, Turkey
Seyma Bayrak - The Scientific and Technological Research Council of Turkey, Turkey

Discussant: Lin Guo - Suffolk University, USA

"The Role of Tax Havens in Portfolio Equity Flows: International Evidence"
David Kemme - University of Memphis, USA
Bhavik Parikh - University of Memphis, USA
Tanja Steigner - Emporia State University, USA

Discussant: Lawrence Kryzanowski - Concordia University, Canada

"Impact of Sponsor Ownership on Fixed-Income Fund Performance"
Lawrence Kryzanowski - Concordia University, Canada

Discussant: Yilmaz Yildiz - Hacettepe University, Turkey

"Market Discipline and Regulatory Oversight: Evidence on Bank Risk and Liability Choices from 1986 to 2013"
Lin Guo - Suffolk University, USA
Alexandros Prezas - Suffolk University, USA

Discussant: Dimitrios Kousenidis - Aristotle University of Thessaloniki, Greece

SESSION 64 **Shannon**

TRADING BEHAVIOR
Session Chair: Chih-Hsien Yu - University of Baltimore, USA

"An Investigation of Australian Investor Trading Behaviour for the Takeover Event and the Resultant Returns"
Anna McAdam - University of Huddersfield, UK

Discussant: Stefan Hirth - Aarhus University, Denmark

"Informed Trading Around Stock Split Announcements: Evidence from the Option Market"
Philip Gharghori - Monash University, Australia
Edwin Maberly - Monash University, Australia
Annette Nguyen - Deakin University, Australia

Discussant: Anna McAdam - University of Huddersfield, UK

"Routine Insider Sales and Managerial Opportunism"
Ashiq Ali - University of Texas at Dallas, USA
Yinghua Li - Baruch College, USA
Kelsey Wei - University of Texas at Dallas, USA
Yibin Zhou - University of Texas at Dallas, USA

Discussant: Philip Gharghori - Monash University, Australia

"Asset Liquidity and Investment - Empirical Evidence"
Stefan Hirth - Aarhus University, Denmark

Discussant: Ashiq Ali - University of Texas at Dallas, USA

KEYNOTE SPEECH

8:30 - 9:15 p.m. Suite 1 - 3rd Floor

Professor Jeffrey Callen
University of Toronto, Canada

THE TERM STRUCTURE OF IMPLIED COSTS OF EQUITY CAPITAL

GALA DINNER

9:30 p.m. - midnight Suite 1 - 3rd Floor

Conference Participants

MULTINATIONAL FINANCE JOURNAL

Quarterly Publication of the *Multinational Finance Society*, a nonprofit corporation.
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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.

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- Behavioral finance in relation to ship financing and management
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June 29 - July 1, 2014
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KEYNOTE SPEECH

8:30 -9:15 p.m. Suite 1 - 3rd Floor

Professor Roni Michaely
Cornell University, USA

TAXATION AND PAYOUT POLICY AND OWNERSHIP STRUCTURE

Theory suggests a large effect of dividend taxation on payout. However, as a whole, empirical evidence finds the effect to be much smaller than theory implies. We use a large dividend tax reform and a comprehensive proprietary data on firms' ownership structure and owners' holdings, income, and tax preference to explain this puzzling finding. We show that when there is no separation of ownership and control, dividend taxation has a first order effect on payout policy. The impact of changes in dividend taxation becomes insignificant as the number of owners increases. Differential tax preferences of owners and managers is one factor. However, even when owners and managers have the same tax preferences, disperse ownership significantly reduces the impact of dividend taxation, due to conflicting objectives of owners and managers. Our results explain why previous evidence on the impact of dividend taxation has been so elusive. Taxation has a first order impact on payout policy, but disperse ownership mutes its impact substantially.

RECEPTION

9:15 - 10:00 p.m. Suite 1 - 3rd Floor

SESSION 1 **Tiber**

BEHAVIOURAL ISSUES
Session Chair: Peter Jørgensen - Aarhus University, Denmark

"Value versus Growth Investing: Why Do Different Investors Have Different Styles?"
Henrik Cronqvist - China Europe International Business School, China
Stephan Siegel - University of Washington, USA
Frank Yu - China Europe International Business School, China

Discussant: Minh Hai Ngo - University of Trier, Germany

We find that several factors explain an investor's style, in the sense of the value versus growth orientation of the investor's stock portfolio. First, an investor's style has a biological basis -- a preference for value versus growth stocks is partially ingrained in an investor already from birth. Second, investors who a priori are expected to take more financial risk (e.g., men and wealthier individuals) have a preference for growth, not value, which may be surprising if the value premium reflects risk. Finally, an investor's style is explained by life course theory in that experiences, both earlier and later in life, are related to investment style. Investors with adverse macroeconomic experiences (e.g., growing up during the Great Depression or entering the job market during an economic downturn) and those who grew up in a lower status socioeconomic rearing environment have a stronger value orientation several decades later in their lives.

"Do Fluent Tickers Appeal to Sentimental Investors?"
Gregory (Greg) Durham - Montana State University, USA
Mukunthan Santhanakrishnan - Southern Methodist University, USA

Discussant: Henrik Cronqvist - China Europe International Business School, China

The objective of this study is to examine the roles of linguistic fluency and investor sentiment in asset valuation. Employing an innovative measure for fluency of ticker symbols, we examine whether stock returns differ across stocks with tickers of different fluencies, depending on the level of investor sentiment that characterizes the marketplace. We find that when incoming sentiment is high, stocks with most-fluent tickers have lower returns than stocks with least-fluent tickers have. This study contributes to the literature by documenting that stock prices are affected by certain characteristics of securities that have no bearing on stocks' underlying cash flows or required returns.

"Catering Convertible Design to Hedge Fund Demand"
Eric Duca - CUNEF, Spain

Discussant: Gregory (Greg) Durham - Montana State University, USA

Towards the end of the 20th century the primary convertible bond market changed from one where purchasers only held long positions in convertible bonds to one dominated by convertible bond arbitrageurs. In this paper we examine how this shift in demand has affected the motivations for firms to issue convertibles, by analyzing whether issuers adapt the design of their offerings to cater to the change in their clientele. We find that the design surprise more than doubles in the arbitrage period, as more issuers structure their offering to be more equity-like. Whereas the design surprise is positively related to underpricing, the sensitivity of the design is half as much in the period dominated by hedge funds as it is in the prior period. Convertible bond issuers in the hedge fund period can therefore quickly raise money without sacrificing much in terms of pricing of the issue. Our paper contributes to a recent stream of studies on the impact of buy-side characteristics on corporate finance transactions, and extends prior knowledge on the motivations for firms to issue convertible bonds.

"Can Myopic Loss Aversion Explain the Equity Risk Premium? Evidence from Stock Markets Worldwide"
Minh Hai Ngo - University of Trier, Germany
Marc Oliver Rieger - University of Trier, Germany

Discussant: Eric Duca - CUNEF, Spain

The equity risk premium (ERP) is still a puzzle since scholars cannot explain the excess return without assuming a high degree of risk aversion. Beyond classical theories, recent debates have proposed behavioral factors to set up convincing theoretical bases in resolving this puzzle. One of the most influential lines is myopic loss aversion (MLA) (Benartzi and Thaler (1995); Barberis and Huang (2008)). In this paper, we fill in the research gap by providing rigorous empirical evidence supporting MLA in a global context. The contributions are twofolds: Initially, by using large accounting and stock data, we are the first to reach a firm level database on equity risk premia accross countries which enable wholy investigations with additionally potential controls. Second, various tests with data of behavioral factors from an international survey (Rieger et al. (2011)) confirm the MLA's prediction power to unfold the ERPs puzzle.

SESSION 2 **Seine**

REGULATION & GOVERNMENT
Session Chair: Nashaat Al Wakeel - Helwan University, Egypt

"Benefits of International Portfolio Diversification During the Financial Crisis"
Gülin Vardar - Izmir University of Economics, Turkey
Berna Aydogan - Izmir University of Economics, Turkey
Ece Erdener Acar - Izmir University of Economics, Turkey

Discussant: Chun-Hao Chang - Florida International University, USA

This study aims to examine the existence of dynamic linkages among the major emerging stock markets, namely Brazil, Hungary, China, Taiwan, Poland and Turkey, as well as developed markets, particularly the US, the UK and Germany during the period 2004-2013. Potential dynamic long-run interdependencies are investigated by using Johansen and Juselius (1990) multivariate cointegration test and causal relationship through the Vector Error Correction Model (VECM). Moreover, to capture the impact of the recent global crisis on the cointegrating relationship among the developed and emerging markets under study, the sample period is divided into two sub-period; before crisis and after crisis. The empirical findings show that, after the crisis period, the direction of the long-run relationship varies and furthermore, the stock market interdependence increases, supporting herding behavior of investors during the stock market crash period. Therefore, the increasing dynamic co-movements in the period after the crisis provides direct implications for the international investors as the international risk diversification and achievement of greater portfolio returns by investing globally may be potentially limited.

"Do the Shadow Economy and Corruption Influence the Sovereign Debt? The Case of the Spanish Regions."
Marcos González-Fernández - University of León, Spain
Carmen González-Velasco - University of León, Spain

Discussant: Gülin Vardar - Izmir University of Economics, Turkey

The aim of this paper is to study the relationship between the shadow economy and corruption as determinants of public debt in the Spanish Autonomous Communities. In addition, we construct a Corruption Perception Index for those regions. Our data constitute panel data for the period 2000-2012. The results show that the volume of the shadow economy has a significant and positive impact on regional public debt. Corruption also shows a direct and significant relationship with public debt in the Autonomous Communities, although its impact is lower than that of the shadow economy.

"Foreign Direct Investment Inflows:Evidence from four highly distressed European economies"
Fotini Economou - Open University of Cyprus, Cyprus
Christis Hassapis - University of Cyprus, Cyprus

Discussant: Marcos González-Fernández - University of León, Spain

Foreign direct investments (FDI) have been widely considered to be a significant growth driver for the host economies. Especially during periods of economic crisis characterized by dramatic unemployment levels, FDI in productive sectors can have a crucial impact on the economic recovery. This paper investigates FDI inflows in four highly distressed European economies, namely Greece, Italy, Portugal and Spain for the period 1980-2012, using a dynamic panel data approach. A Panel-VAR analysis is employed in order to examine the orthogonalised impulse response functions as well as the variance decomposition of the basic variables. The empirical results indicate that lagged FDI inflows, market size and labor cost are significant factors that affect FDI inflows in the South European countries under examination. Finally, additional factors such as the financial depth, the European Commission's confidence indices, the corruption perceptions index and the corporate taxes are also examined.

"The Tax Exemption to Subchapter S Banks: Who Gets the Benefit?"
Chun-Hao Chang - Florida International University, USA
Ajeet Jain - Alabama A&M University, USA
Edward Lawrence - Florida International University, USA
Arun Prakash - Florida International University, USA

Discussant: Fotini Economou - Open University of Cyprus, Cyprus

In this paper we investigate the effect of tax exemptions conferred to Subchapter S banks on their stakeholders. We find that the tax exemptions: a) do not result in any benefits to the bank customers either in the form of higher deposit rates or lower loan rates, b) do not benefit the employees in the form of increased salaries and benefits, c) do not result in the growth of assets for Subchapter S banks, and d) do not lead to greater employment opportunities within the Subchapter S banks. Our results indicate that bank owners are the sole beneficiaries of the tax benefits as a bank's return on equity increases significantly after it adopts the Subchapter S status.

SESSION 3 **Rhine**

CORPORATE GOVERNANCE 1
Session Chair: Usha Mittoo - University of Manitoba, Canada

"The Relationship Between Supervisory Board and Management and the Process of Their Communication in the Practice of Polish Public Companies"
Jacek Gad - University of Lodz, Poland

Discussant: Tarek Miloud - INSEEC Alpes-Savoie Business School, France

The focal point of this study is to present the results of empirical research concerning operation of supervisory boards in practice of Polish public companies. The main subject of interest is two main research areas: a character of the relationship between as well as methods and tools employed in communication between a supervisory board and management. The research paper consists of theoretical concepts regarding the supervisory boards' tasks and the relationship between a supervisory and a management board. Moreover, another topic is related to legislative changes that, according to the author, had a great influence on functioning of supervisory boards in the practice of Polish public companies.

"Does Corporate Governance With the Shareholders in Control Make a Difference?"
Nils Hakansson - University of California, Berkeley, USA

Discussant: Jacek Gad - University of Lodz, Poland

The Swedish corporate governance model differs from most others in that it makes the owners the company's ultimate decision-making authority. The Nominating Committee is chosen by the Annual Shareholders Meeting and typically has four members representing the company's major owners and often one member representing small investors, with the chosen slate of board candidates then voted on by the shareholders. This is in sharp contrast to the situation in the United States, where the Nominating Committee is typically chosen by the current board. The ramifications of this difference are profound, in areas ranging from board and executive compensation, the extent of M&A activity, the opportunity sets available to corporate raiders and for private equity and management buyouts, to the frequency of corporate scandals. Investment in human capital is viewed as a self-evident good since it provides a dual benefit to the corporation.

"D&O Insurance, Excess Director Compensation and Firm Value: Evidence from Taiwan"
Shiou-Ying Lee - Taipei Chengshih University of Science and Technology, Taiwan
Chih-Liang Liu - National Yunlin University of Science and Technology, Taiwan

Discussant: Nils Hakansson - University of California, Berkeley, USA

Our study examines the association between D&O insurance and excess director compensation using a sample of Taiwanese listed firms covering the years 2008 to 2012. Two competing arguments exist concerning the role of D&O insurance. One view suggests that D&O insurance could play a monitoring role to be beneficial to shareholders (O'Sullivan 1997; Holderness 1990). Another view suggests that D&O insurance decreases managers and directors' litigation risk and manager and directors would make self -dealing decisions to hurt shareholders (Core 1997, 2000; Chalmers et al. 2002). Understanding the costs and benefits of D&O insurance, we expect to investigate the net benefit of D&O insurance on excess director compensation. We examine the association between D&O insurance and director compensation. In addition, we also examine the association between D&O insurance and excess director compensation. The significantly negative relationship provides that the purchase of D&O insurance would decrease excess director compensation. We also test how firm characteristic variables, governance variables, board activity and director characteristic affects the relation between D&O insurance and excess director compensation. The association is positively related when the director s are experienced. When the firms are in weakly governed, the D&O insurance would lower director compensation. We find that D&O insurance is negatively related to excess director compensation. When the firm is weakly moni

"Corporate Governance Characteristics in Public Corporations: A Study of French Initial Public Offerings"
Tarek Miloud - INSEEC Alpes-Savoie Business School, France

Discussant: Shiou-Ying Lee - Taipei Chengshih University of Science and Technology, Taiwan

The underlying premise of this paper is that when private firms go public there is separation of ownership and control, which creates an agency problem. The board of directors is a tool that mitigates agency problems and a characteristic that determines the effectiveness of the board is board size. The main consensus among finance academics is that the board of directors should be small in order to effectively manage the agency problem, and this is reflected in better financial performance. We try to determine how different factors shape the size of the board of directors in IPOs. These factors include: venture capitalist, ownership structure, firm-specific characteristics and CEO characteristics. We examine the determinants of the size and composition of corporate boards for a sample of 568 french IPOs from 1995 to 2012. The determinants of board size have been analyzed in a regression framework. Also extra tests have been conducted to consider any endogenous relation.

BANKING 1

Session Chair: Bang Nam Jeon - Drexel University, USA

"Time-Varying Systematic and Idiosyncratic Risk Exposures of US Bank Holding Companies"

Wolfgang Bessler - Justus-Liebig University Giessen, Germany
Philipp Kurmann - Justus-Liebig University Giessen, Germany
Tom Nohel - Loyola University Chicago, USA

Discussant: Ming Ying Lim - Macquarie Graduate School of Management, Australia

We analyze the risk exposures for banks in Europe and the United States (US) for the period from 1990 to 2011. The focus is on bank stock returns in a multi-factor model that includes interest rate risk and market risk as well as credit risk, real estate risk, sovereign risk, and foreign exchange risk. Our findings indicate that bank risk exposures are multi-dimensional and time-varying but well reflected in bank stock returns. Structural changes in the banking industry and the financial crisis have resulted in dynamic beta exposures and time-varying variance shares. Over our sample period, interest rate risk has declined but credit risk still represents a major risk factor. For the recent financial crisis we provide evidence of a sudden change in banks' risk exposures with a significant revaluation of real estate and sovereign risks. Fixed effects panel regressions reveal that bank characteristics such as the equity-to-assets ratio are related to factor risk exposures.

"Do Bank Loans Curb Corporate Moral Hazard?"

Joung Hwa Choi - Seoul National University, Korea
Paul Choi - Ewha School of Business, Korea

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

In this paper, we discuss optimal contract drafting between a lender with deficient monitoring capabilities and an agency-ridden borrower with insufficient budget to finance an investable project. The theoretical implications are as follows: First, the first best solution (FBS) is achievable under no hidden action. However, the borrower’s action is hardly observable in practice. Second, with unobservable managerial decisions the borrower exerts sub-optimal effort (moral hazard), and the probability of default increases. Lastly, with a penalizing discretion entitled to the bank on a long-term contract, the financial intermediary will be able to control the firm’s managerial action effectively such that the solution is equivalent to the FBS attained under no hidden action.

"How do Capital Buffers Respond to Basel? An Empirical Analysis of the Brazilian Banking System"

Richard Saito - Fundacao Getulio Vargas, Brazil
Joao Andre Pereira - Central Bank of Brazil, Brazil

Discussant: Paul Choi - Ewha School of Business, Korea

We empirically examine the main determinants of capital buffer management (capital exceeding the minimum required by regulation) for the Brazilian banking industry to test whether banks respond to the previous and new fundamentals of capital regulation. We find evidence that regulatory capital requirements may influence the behavior of banks, as those with more volatile earnings and higher adjustment costs may decide to hold higher capital buffers. We also find that banks may follow a pecking order when determining their capital levels and that larger banks present lower levels of capital ratios, which may be related to too-big-to-fail issues. Moreover, we provide evidence that (i) Brazilian Central Bank supervision exerts positive pressure on the decisions of banks; (ii) market discipline may play a minor role in driving capital ratios; and (iii) the business cycle has a negative influence on banks’ capital cushion, suggesting pro-cyclical capital management.

"Information Leakage on Analyst Recommendations: Does it Exist?"
Andrew Lepone - Macquarie Graduate School of Management, Australia
Ming Ying Lim - Macquarie Graduate School of Management, Australia
Jin Boon Wong - Macquarie Graduate School of Management, Australia

Discussant: Richard Saito - Fundacao Getulio Vargas, Brazil

Using a proprietary data set containing brokers ID, this study investigates the trading activities of recommending brokers before and after the release of their analyst reports to analyze where information leakage (i.e., 'tipping') is most prevalent. Results show that tipping occurs predominantly in mid and smaller capitalization stocks. Evidence suggests that analyst reports provide new content/disseminate valuable information to market participants in these stocks. Recommending institutions experience similar market impact costs to their peers, and anonymity in broker IDs reduce implicit costs for all brokers.

SESSION 5 **Thames**

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

"Macroeconomic Conditions and Credit Default Swap Spread Changes"
Tong Suk Kim - Korea Advanced Institute of Science and Technology, Korea
Yuen Jung Park - Hallym University, Korea
Jaewon Park - DaiShin Securities, Korea

Discussant: Jun Wang - Concordia University, Canada

We investigate whether the business cycle is an important determinant of credit default swap (CDS) spreads and estimate the expected market risk premium as a proxy for the business cycle. Through portfolio regression, we find that structural model variables, including the business cycle, explain approximately 68% of the differences in CDS spreads. Furthermore, the business cycle variable is strongly significant, and its substantial explanatory power is greater for investment-grade firms than for non–investment-grade firms. This finding is consistent with the recent theory that a structural model incorporating countercyclical risk for macroeconomic conditions can help explain the credit spread puzzle.

"The Determinants of CDS Spreads"
Koresh Galil - Ben-Gurion University, Israel
Offer Shapir - Ben-Gurion University, Israel
Dan Amiram - Columbia Business School, USA
Uri Benzion - Western Galilee College, Israel

Discussant: Yuen Jung Park - Hallym University, Korea

This study proposes models that can be used as shorthand analysis tools for CDS spreads and CDS spread changes. For this purpose we examine the determinants of CDS spreads and spread changes on a broad database of 718 US firms during the period from early 2002 to early 2013. Contrary to previous studies, we discover that market variables still have explanatory power after controlling for firm-specific variables inspired by structural models. Three explanatory variables appear to overshadow the other variables examined in this paper: Stock Return, ?Volatility (the change in stock return volatility) and ?MRI (change in the median CDS spread in the rating class). We also discover that models used in the event study literature to explain spread changes can be improved by using additional market variables. Further, we show that ratings explain cross-section variation in CDS spreads even after controlling for structural model variables.

"Estimating Systematic Counterparty Risk in the Credit Default Swap Market"
Hilke Hollander - University of Oldenburg, Germany
Stefan Trueck - Macquarie University, Australia

Discussant: Offer Shapir - Ben-Gurion University, Israel

We examine the impact of systematic counterparty default risk on the credit default swap (CDS) market. Using a comprehensive panel data set of 114 US companies from 2001 to mid-2012 we show that systematic counterparty risk is statistically and economically significant in the CDS market. We develop a Copula-based proxy for systematic counterparty risk which refers to the correlation structure between the average equity return of 14 major CDS dealers and the stock return of individual firms.We find systematic counterparty risk is mainly driven by changes in credit risk of few large CDS dealers.

"Institutional Investment Horizon, the Information Environment and Firm Credit Risk"
Lorne Switzer - Concordia University, Canada
Jun Wang - Concordia University, Canada

Discussant: Hilke Hollander - University of Oldenburg, Germany

We provide evidence that the impact of the investment horizon of institutional investors on the credit risk of U.S. industrial firms is both statistically significant and economically sizable. Specifically, we find that during the sample period of 2001-2011, higher institutional ownership is negatively related to five-year CDS spreads. This result is primarily driven by short-term institutional investors. Trading by short-term institutional investors also reduces a firm’s credit spread, implying that the firm’s creditors benefit from the improved information environment created by short-term institutions. On the other hand, long-term institutional ownership is positively related to a firm’s credit spread. Concentrated ownership of both types of institutional investors increases a firm’s risk level, consistent with conflicts of interest between shareholders and bondholders and the existence of private benefit enjoyed by blockholders at the expense of other stakeholders. However, during the financial crisis period from 2007 to 2008, higher ownership by long-term institutional investors is associated with lower credit risk of firms. Hence, long-term institutions play an important role in enhancing financial stability during the crisis period by mitigating risk. These results are robust to estimation with endogenous institutional ownership.

SESSION 6 **Severn**

FINANCING 1
Session Chair: Sheraz Ahmed - Lappeenranta University of Technology, Finland

"Financing and Bankruptcy Strategies for Firms with Supply-Chain Relationship under Uncertainty"
Po-yuan Chen - Jinwen University of Sci and Tech, Taiwan

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

This paper extends the model of Chu who proposed a framework dealing with the bankruptcy decisions in a supply chain. Compared with Chu’s focus on single firm’s decisions, this paper analytically derives optimal default thresholds for all member firms in the supply chain. Following the optimal sequential default strategy proposed by this paper, all firms would collaboratively obtain their optimized individual firm value in return. Based on bargaining power of each member firm and its marginal contribution to the combined value of the supply chain, a share of the combined value could be allocated to the member firm. By doing so could a member firm preserve its maximum firm value when the economic situation is anticipated to be continuously worsening. The optimal coupon and optimal default threshold for each member firm are also proved to be significantly affected by other member firms’ financial decisions.

"Bargaining Power and MNC Subsidiary Financing"

Robert Suban - Manchester Business School, UK
Michael Bowe - Manchester Business School, UK
Mohammad Yamin - Manchester Business School, UK

Discussant: Po-yuan Chen - Jinwen University of Sci and Tech, Taiwan

In this paper, we investigate the relationship between the bargaining power of MNC subsidiary firms and the way these firms are financed by analysing the source of finance and the maturity of financing arrangements. We argue that the financing arrangements used are one method that the MNC parent can use to constrain the MNC subsidiary management. Using data of UK and US MNC subsidiaries between 2001 and 2010, we test two hypotheses. The first one asserts that the higher the bargaining power of our subsidiary firms the higher the amount of short-term debt used. The second hypothesis asserts that the higher the bargaining power of our subsidiary firms the higher the amount of external short-term debt used. We use four different measures of bargaining power, namely age, size, foreign sales and percentage of foreign sales. Our results provide strong support for our short-term debt hypothesis while very limited support for our external debt hypothesis.

"Friends, Family and Co-Workers: How Place and Proximity Affect Financial Decision Making"

Annie Zhang - Auckland University of Technology, New Zealand

Discussant: Robert Suban - Manchester Business School, UK

This paper finds that households play the most significant role in determining asset allocation of individual investors. This is not to say that other factors such as co-worker investment choices, financial advice and personal characteristics such as age, gender and funds under management do not have a role to play, because indeed they do. This paper shows that personal factors, external factor and environmental factors are all important in the asset allocation decisions but not equally so.

"CEO Equity-Based Compensation and Impression Management in the MD&A Report"

Li Li - Groupe Sup de Co Montpellier Business School, France
Shage Zhang - School of Business Trinity University, USA
Carl Brousseau - Université Laval, Canada

Discussant: Annie Zhang - Auckland University of Technology, New Zealand

We investigate the impact of CEOs' equity-based compensation on the self-serving biases present in the language and verbal tone in firms' Management Discussion and Analysis (MD&A) reports. We predict that higher equity-based compensation leads to higher managerial incentive to manipulate the degree of optimism in performance disclosure. We test our hypotheses using a cross-sectional sample of MD&A reports in US firms' 10-K annual reports. The content analysis software Diction 6 is used to evaluate the degree of optimism in the MD&A report. We find a positive relationship between the degree of optimism and the percentage of equity-based compensation in the CEO's total compensation package, when controlling for firm fundamentals. The positive relationship is particularly strong when the firm is performing poorly. Furthermore, the presence of over-optimism in an MD&A report is positively related to the CEO's percentage of equity-based compensation.

ASSET PRICING 1

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

"Asset Pricing and the Rewards to Downside Risk in the Australian Share Market"

Lakshman Alles - Curtin University, Australia
Louis Murray - University College Dublin, Ireland

Discussant: Ghulame Rubbaniy - Zayed University, United Arab Emirates

Although downside risk has been identified a separate risk exposure to investors, that is priced in many markets, there is relatively little empirical analysis of its importance on the Australian Stock Exchange. Using individual Australian equities, we investigate the potential contribution of downside beta and co-skewness to explain asset prices. As realized returns are used as a proxy for expected returns, we separately examine conditional returns in upturn and downturn periods, in order to successfully identify risk and return relationships. We confirm that both downside risk measures are priced by investors. Size and market-to-book are previously identified as providing considerable explanatory power. We therefore include them in further control tests. Our results indicate that, when combined with other risk measures, both retain their explanatory power. Downside risk exposures may actually explain a considerable proportion of the size premium.

"Fundamental Indexation and the Fama-French Three Factor Model: Models of Risk Assimilation or Stock Mispricing?"

Mike Dempsey - RMIT University, Australia
Terry Shi - Monash University, Australia

Discussant: Louis Murray - University College Dublin, Ireland

We confirm that fundamental indexation (FI) portfolio returns can largely be explained in terms of the Fama–French three-factor model. Notwithstanding, we confirm that FI outperformance can be attributed to a manipulation of stock mispricing. We conclude that the book to market and small firm size effects in the Fama-French three-factor model can be attributed to mispricing. Thus, rather than argue that FI represents a repackaging of value and size factors, we argue that these factors are the outcome of stock mispricing.

"Investment, Profitability and Stock Returns: A Q-Theory Perspective"

Marco Seta - University of Lausanne, Switzerland

Discussant: Mike Dempsey - RMIT University, Australia

According to q-theory, the negative cross-sectional relation between investment and stock returns depends on the sensitivity of investment to the cost of capital (i.e., the expected return). This sensitivity diminishes with the expected profitability implying that the investment-return relation should be steeper for high profitability firms. I test this prediction using gross profits over the lagged value of assets as main proxy for profitability. I provide evidence that, due to the existence of growth-related expenses, gross profits can describe better than earnings the relation between investment and expected economic performance. In line with q-theory, I find that the investment-return relation is steeper for high profitability firms. I discuss the possibility that the results depend on explanations other than q-theory, like mispricing or limits to arbitrage. The evidence shows little support for these interpretations.

"Alternative Investments are Mean Variance Efficient and Inflation Hedger-Fact or Fiction?"
Muhammad Murtaza - University of Central Punjab, Pakistan
Ghulame Rubbaniy - Zayed University, United Arab Emirates
K. Shahzad - Vrije University, Netherlands

Discussant: Marco Seta - University of Lausanne, Switzerland

Using NCRIEF farmland and timberland smoothed indices over the period 1992Q1 to 2012Q3, we explore the mean-variance diversification features of farmland and timberland. Our empirical results show that diversification characteristics of both asset classes improve the portfolio choice of the investors. Our de-smoothed generated series demonstrate that during the period of market turmoil and high uncertainty, both farmland and timberland have the potential to increase the return of a diversified traditional asset portfolio at a given level of risk and vice versa. Furthermore, both asset classes are observed to possess the inflation hedging characteristics during inflationary periods.

SESSION 8 **Shannon**

MARKET MICROSTRUCTURE 1
Session Chair: Neophytos Lambertides - Cyprus University of Technology, Cyprus

"The Impact of Trading Floor Closure on Market Efficiency: Evidence from the Toronto Stock Exchange"
Dennis Chung - Simon Fraser University, Canada
Karel Hrazdil - Simon Fraser University, Canada

Discussant: Jun Chen - Auckland University of Technology, New Zealand

We evaluate the impact of the trading floor closure on the corresponding efficiency of the stock price formation process on the Toronto Stock Exchange (TSX). Utilizing short-horizon return predictability as an inverse indicator of market efficiency, we demonstrate that while the switch to all electronic trading resulted in higher volume and lower trading costs, the information asymmetry among investors increased as more informed and uninformed traders entered the market. The TSX trading floor closure resulted in a significant decrease in informational efficiency, and it took about six years for efficiency to return to its pre-all-electronic-trading level. We find that changes in information asymmetry and increased losses to liquidity demanders due to adverse selection account for the largest variations in the deterioration of the aggregate level of informational efficiency. Our results suggest that electronic trading should complement, rather than replace, the exchange trading floor.

"Intraday periodicity in trading activity"
John Broussard - Rutgers University, USA
Andrei Nikiforov - Rutgers University, USA

Discussant: Karel Hrazdil - Simon Fraser University, Canada

This paper documents a stark periodicity in intraday volume and in the number of trades. We find activity in both variables spikes by about 20% at regular intervals of 5 or 10 minutes throughout the trading day. We argue that this activity is the result of algorithmic trading influenced by human traders/programmers' behavioral bias to transact on round time marks. An alternative explanation, that algorithms choose to concentrate their trades in time to take advantage of lower costs or to protect themselves from better informed traders, is not supported.

"Stock Market Signals and Consequences of Securities Class Actions Lawsuits: A Microstructure Perspective"

Antonio Figueiredo - Florida International University, USA
Shahid Hamid - Florida International University, USA

Discussant: John Broussard - Rutgers University, USA

We perform a microstructure analysis of the trading activities leading up to and after the key dates in the process of the filing of a securities class action lawsuit. We posit that spreads are likely to widen ahead of the event as an indication of increase adverse selection due to partial anticipation of the event by some investors. We also analyze the post-litigation impact of a class action suit on the spread of the firm being sued. That serves as an indication of market quality impact and can be useful for investors who chose to trade on the stock post the disclosure of a suit.

"Short Selling and Margin Trading: Evidence from Chinese Intra-Day Data"

Jun Chen - Auckland University of Technology, New Zealand
Palani-Rajan Kadapakkam - University of Texas at San Antonio, USA
Ting Yang - Auckland University of Technology, New Zealand

Discussant: Antonio Figueiredo - Florida International University, USA

Utilizing daily data on Chinese stocks' short selling and margin trading activities and intraday tick stock trading data, we examine the relationship between the informational efficiency of stock prices and short selling or margin trading. Our main findings are as follows. First, there have been substantial short selling and margin trading activities going on since the inception of such trading in China. Second, prices become significantly more efficient when stocks are allowed to be sold short or traded on margin. Third, short selling (margin trading) activities become significantly more intense around major information events including large changes in stock price, earnings announcements, and insider trading. Fourth, regression results confirm a significant association between the information efficiency of stock price and the intensity of short selling and margin trading. In particular, higher trading volume in short selling (margin trading)contributes to more efficient stock prices around bad (good) news days. Taken together, our empirical evidence supports the conjecture that short selling and margin trading allow stock prices to absorb new information more efficiently.

Refreshments 10:15 a.m. - 10:30 a.m.

Foyer 3rd Floor

SESSION 9 **Tiber**

INVESTMENTS
Session Chair: Walid Busaba - University of Western Ontario, Canada

"A Framework for Assessing Speculative Land Value Finance in Port Infrastructure Development"
Luca Cocconcelli - QASER Lab - University College London, UK
Francesca Medda - QASER Lab - University College London, UK

Discussant: Gert Lowies - University of Pretoria, South Africa

Real Estate speculation undermines regional benefits generated by port developments. In this work we analyse the London Gateway port development (UK); the aim is to examine possible land speculation activities in port development areas, create a framework which evaluates whether or not they affect port developments and if so, to which extent. The work shows how London authorities may prevent the formation of speculative land finance by implementing a fiscal tool based on Land Value Finance. The results of the study demonstrate the negative effects of speculative bubbles in port development, and show that policy makers can implement local fiscal tools in order to reduce the effects of speculation in the real estate market.

"Thinking fast and slowly about financial decisions: Gigerenzer's critique of the Kahneman & Tversky research program."
William Forbes - Loughborough University, UK
Robert Hudson - Hull University, UK
Mona Soufian - Hull University Business School, UK

Discussant: Francesca Medda - QASER Lab - University College London, UK

The publication of Daniel Kahneman’s Thinking fast and slow (hence- forth TF&S) gives occasion for us us to evaluate the Nobel Prize-winners contribution, often in association with his late co-author Amos Tversky, to the development of of our understanding of financial decision-making and the evolution of behavioural finance as a school of thought within Finance.While such an evaluation is a massive task, we constrain our selves here a more narrow discussion of Kahneman’s vision of financial-decision making compared to a possible alternative advanced by Gerd Gigerenzer and nu- merous co-authors. Much of the teaching of Finance and financial advice is predicated on the idea is that models, incorporating styilised rational be- haviour, outperform received wisdom or professional rules of thumb.For the purpose of discussion we discuss Gigerenzer’s work as a critique of the Kahneman and Tversky’s , henceforth K&T, approach to the of psy- chology of decision making Kahneman, Slovic, and Tversky (1985), Shafir (2004), ?. We place particular emphasise on Kahneman’s own account of K&T’s contribution TF&S . While our approach is undoubtedly a caricature of the debate, in which both sides agree on many of the fundamentals, the influence of K&T’s work of the emergence of behavioural finance has been so great any doubts regarding its adequacy or applicability are worthy of close attention.

"R&D and Capital Investment Adjustment Speed: Evidence from US Firms before and during the Financial Crisis"
Beata Coldbeck - University of Bedfordshire, UK
Aydin Ozkan - University of Hull, UK

Discussant: Mona Soufian - Hull University Business School, UK

This paper investigates the impact of recent financial crisis on the speed of adjustment to the target R&D and capital investment ratio of 1,476 non-financial corporations divided according to their R&D industry average. We find that firms invest with different speed of adjustment during the crisis period in comparison

with the pre-crisis period. We also find that the speed of adjustment to the target investment ratio differs between firms with R&D investment level below the industry average and those with investment level above the industry average and they also differ across pre-crisis and crisis periods. In general, our analysis shows that during the crisis period firms invest with smaller speed of adjustment to their target investment level than during the pre crisis period. Also, during the crisis period firms with R&D investment level below the industry average change their pattern of investing in R&D and capital investment significantly in comparison with the pre crisis period, while counterpart firms remain similar pattern of investment in both periods. The results provide evidence that during the pre-crisis period, firms with R&D investment level above the industry average invest in R&D or capital investment with a greater speed of adjustment than the counterparts firms, whereas during the crisis period, the opposite can be observed but only for R&D investment. Our analysis suggests that firm heterogeneity and endogeneity are crucial in analysing the investment structure of firms.

"Anchoring and Adjustment and Herding Behaviour as Heuristic-Driven bias in Property Investment Decision-making in South Africa"

Gert Lowies - University of Pretoria, South Africa
John Hall - University of Pretoria, South Africa
Christiaan Cloete - University of Pretoria, South Africa

Discussant: Beata Coldbeck - University of Bedfordshire, UK

Anchoring and adjustment and herding behaviour as heuristic-driven bias in property investment decision-making in South AfricaAbstract:Behavioural finance involves a study of the process and influence of human aspects in decision-making and how they influence markets. The core principle of behavioural research in various disciplines is a focus on identifying the ways in which behaviour differs from a normative economic framework. One aspect of behavioural finance, heuristic-driven bias, reflects the fact that decision makers adhere to the underlying principles of a specific rule of thumb and this may lead to judgement errors. This study's objective was to determine whether anchoring and adjustment and herding behaviour as heuristic-driven bias influences listed property fund managers in South Africa's property investment decisions. Although no statistical significant results were found on anchoring and adjustment and herding behaviour, consistency with other studies do suggest that anchoring exist in decisions made. This study recommends that property fund managers should be alerted that, on the basis of the consistency with other studies, they might be prone to the anchoring and adjustment heuristic-driven bias. Such bias may lead to judgement errors and the potential of a missed gain. This study expands the body of knowledge surrounding property investment decision-making in an emerging market.

"Studying the 'Close-Open-Effect' on the Egyptian Exchange (EGX) Prices After the 25th of January Revolution"

Ahmed Elbadry - Cairo University, Egypt
Mona Komal - Cairo University, Egypt

Discussant: Dennis Dlugosch - WHU-Otto Beisheim School of Management, Germany

There is no doubt that the close of the Egyptian Exchange (EGX) during the period 28/1- 22/3/2011 in the wake of 25th of January Revolution has a consequence on the efficiency of the stock market. This paper assesses the 'close-open-effect' on the main price indices. The results indicate the absence of unit roots in the main price indices before and after the revolution. This implies the rejection of weak-form efficiency. The estimation of the (EGARCH model) reflects information asymmetry after the revolution with bad news affecting the investors' expectations more rapidly. In addition, a negative and significant 'close-open-effect' on the returns of the main price index is evident in the results.

ACCOUNTING TOPICS 1

Session Chair: Hoje Jo - Santa Clara University, USA

"Eurozone Crisis and Audit Opinion Credibility Perception"

Panayiotis Tahinakis - University of Macedonia, Greece
Michalis Samarinas - University of Macedonia, Greece

Discussant: Christos Negakis - University of Macedonia, Greece

Audit opinion credibility perception in a recessive environment constitutes the focal point of this paper. We examine the impact of recession and the effect of certain audit opinion determinants on market perception of audit opinion. We employ a market valuation model for a dataset consisted of all the EMU countries for the 2005-2012 period. Our model relates stock returns with earnings and incorporates auditor's opinion variables, recession, audit opinion determinants and their interactions with audit opinion. Growth and leverage are introduced as proxies to ensure robustness. Our findings support the argument that both unqualified and qualified opinion have a significant market effect. Recession and the analyzed audit opinion determinants differentially impact market perception of audit opinion. The findings enable us not only to examine how investors perceive each audit opinion type individually but also the conditions under which this opinion affects them in a recessive environment.

"Evaluation of the Impact of Business in the Environment Using Green Accounting Indexes and Neutral Nerworks"

Savvas Savvidis - University of Macedonia, Greece
Dimitrios Ginoglou - University of Macedonia, Greece

Discussant: Panayiotis Tahinakis - University of Macedonia, Greece

To date, accounting and financial sciences have attempted to assess companies using financial ratios and other techniques that evaluate only the front office, without considering its impact to the environment. Recently, this assessment has been expanded to include new concepts, known as corporate social responsibility and social balance. These new concepts are usually viewed and studied using a multidisciplinary perspective with an aim to update the current and future value of the company. In this evolving scientific field a considerable effort has been made to objectively record and calculate the environmental impact of a company's activities by integrating these elements into a new form of economic balance sheet. The present paper seeks to examine the presence of weighted environmental indexes and explores the process by which they can be used to evaluate a company.

"Invoking Transaction Costs to Understate Fair Value: A Case Study of Employee Stock Options"

Loic Belze - EMLYON Business School, France
Francois Larmande - EMLYON Business School, France
Lorenz Schneider - EMLYON Business School, Germany

Discussant: Dimitrios Ginoglou - University of Macedonia, Greece

It is well known that when transaction costs to trade securities are factored in, the Black Scholes framework provide not one but a range of possible prices to value options because, basically, replication is more costly. Yet, surprisingly, accounting standards (both IFRS2 and FASB123R) do not address this issue: they assume that a model, properly calibrated, would give only one price. The goal of the paper is thus to analyze the impact of transaction costs for the fair measurement of share based payments, from both a theoretical and an empirical point of view. First, we show that, even if a range of possible prices exists, only prices equal or above the standard model price should be considered for the measurement of a liability like share based payment. No discount can be justified. Second, we provide evidence that the silence of standards regarding this issue has been exploited by some companies to dramatically lower the cost of Employee Stock Options (ESO).

"Net or Not: Does It Matter"
Xu Jiang - Duke University, USA
Mingzhu Li - Chinese University of Hong Kong, Hong Kong
Woody Wu - Chinese University of Hong Kong, Hong Kong

Discussant: Loic Belze - EMLYON Business School, France

There has been extensive debate among accounting standard setters, preparers and users regarding whether the derivative positions of financial institutions should be disclosed in a gross or net basis. On one hand, recent theoretical papers demonstrate that gross disclosures are more economically relevant. On the other hand, current U.S. accounting standard only requires the gross values to be disclosed other than recognized in the financial statements, which are considered to be less reliable from previous research. This paper sheds some light on this debate by investigating the economic consequences of banks' disclosure of gross derivatives position as required under Statement of Financial Accounting Standard (SFAS) No. 161, "Disclosure about derivative instruments and hedging activities". Using a sample of U.S. banks that recognize the net value of derivatives but only need to disclose the gross value of derivatives in the footnotes after SFAS No. 161, we find that the disclosed gro

"Measuring Market Synchronicity using a Pricing Errors Approach"
Dimitrios Kousenidis - Aristotle University of Thessaloniki, Greece
Anestis Ladas - University of Macedonia, Greece
Christos Negakis - University of Macedonia, Greece

Discussant: Woody Wu - Chinese University of Hong Kong, Hong Kong

Previous literature has shown that earnings opacity seems to be related with market synchronicity (i.e. Hutton et al., 2009) or attempts to delay negative earnings surprises in order to avoid punishment from the investors (Matsumoto, 2002). However, recent evidence questions the robustness of the relation between market synchronicity and earnings opacity (Datta et al., 2013), while a formal link between the three above factors has not yet been established. The study attempts to provide an alternative methodology on measuring market synchronicity using a pricing error methodology (Gu, 2007) as an alternative to R2. The suggested methodology is then used in order to reexamine the relation between market synchronicity and earnings opacity, by controlling for the effects of negative earnings surprises.

SESSION 11 **Rhine**

CORPORATE GOVERNANCE 2
Session Chair: Nils Hakansson - University of California, Berkeley, USA

"Not the Token Woman"
Maria Strydom - Monash University, Australia
Hue Hwa Au Yong - Monash University, Australia

Discussant: Shumi Akhtar - University of Sydney, Australia

We examine gender diversity and its impact on earnings quality and firm performance and specifically whether a "token" woman benefits firms. We show firms with at least two female directors or two women in the top management team have significantly better earnings quality. No relation is documented with top management team diversity and performance but boards with two or more women have higher cash flow from operations; those with a token woman have lower cash flow from operations. Boards with higher percentages women have higher return on equity. Overall, gender diversity is associated with improved performance and earnings quality; tokenism is not.

"Women on Board: Does Boardroom Gender Diversity Really Affect Firm Risk?"
Vathunyoo Sila - University of Edinburgh, UK
Angelica Gonzalez - University of Edinburgh, UK
Jens Hagendorff - University of Edinburgh, UK

Discussant: Hue Hwa Au Yong - Monash University, Australia

This study investigates the gender diversity-risk relationship from the perspective of equity holders. A naïve analysis shows a negative relationship between boardroom gender diversity and equity risk across firms. However, more sophisticated identification strategies reveal no evidence that gender diversity influences corporate equity risk or vice versa. Although there is evidence that the director appointment process is not gender neutral, this process cannot be explained by the firm's risk. It is likely that the gender-risk relationship uncovered between firms is driven by other heterogeneous firm-specific factors that influence both gender composition of the board and the firm's risk measures.

"Ownership as the Deparminant of Chairperson ActivityA Study on Nordic Listed Companies"
Tor Brunzell - Stockholm University, Sweden
Jarkko Peltomäki - Stockholm University, Sweden

Discussant: Vathunyoo Sila - University of Edinburgh, UK

In this study, we investigate the impact of the ownership of internal governance performers and concentration of ownership on chairman activity. The study is performed as a questionnaire study on Nordic listed companies. The Nordic market is characterized by that the role of chairman and the CEO are divided. Based on previous research, we expect that an increase in these ownership characteristics of a company increases the chairperson's working time and communication with the chief executive officer (CEO). Our results suggest support our expectation suggesting that active chairmanship is driven by ownership of internal governance performers (i.e. board members, CEO, and chairperson) and concentrated ownership. In addition, the results show indicative evidence that chairperson activity and the ownership of internal governance performers affect the ability of the chairman to project future growth.

"Corporate Toxic Substances Release and Financial Performance in Australia: Short and Long Run Causality Analysis"
Noor Muhammad - University of Waikato, New Zealand
Frank Scrimgeour - University of Waikato, New Zealand
Krishna Reddy - University of Waikato, New Zealand
Sazali Abdin - University of Waikato, New Zealand

Discussant: Jarkko Peltomäki - Stockholm University, Sweden

We analysed the causal relationship between firm financial performance and environmental performance. The results show that environmental performance is cointegrated to all four of the financial performance. Our result also indicates that environmental performance and financial performance have bi-directional causality both in short run and in long run. Our findings have important implication and suggest that both environmental performance and financial performance are moving side by side i.e. improved environmental performance will enhance financial performance and good financial performing companies spend more on environmental performance.

"Dividend Payout Determinants for Australian Multinational and Domestic Corporations"
Shumi Akhtar - University of Sydney, Australia

Discussant: Noor Muhammad - University of Waikato, New Zealand

I investigate the determinants of dividend payments for Australian Multinational (MCs) and Domestic Corporations (DCs). Six measures of dividend payout ratios are investigated and five international factors are employed in addition to traditional factors. I find: MCs pay significantly less regular cash, special cash,

total and net dividends relative to DCs; the degree of foreign involvement is important in determining special cash and net dividend payments; MCs are more active than DCs in dividend increasing activities; and MCs are significantly less likely to be a dividend payer relative to DCs due to tax disadvantages coupled with unfavourable foreign risk exposures.

SESSION 12 **Rhone**

MACRO FINANCE 1
Session Chair: Abdulnasser Hatemi-J - UAE University, United Arab Emirates

"An Explanation of Spread's Ability to Predict Economic Activity: A Regime Switching Model."
Anastasios Evgenidis - University of Patras, Greece
Costas Siriopoulos - University of Patras, Greece

Discussant: Anastasios Malliaris - Loyola University Chicago, USA

For over two decades numerous studies have provided evidence on the predictive ability of the yield spread for real economic growth. While all this large literature has focused on how well the spread helps predict future growth and recession dates, none of these has answered on why the spread proves to be so powerful predictor. In this paper we examine whether the explanation of spread's predictive ability lies behind interest rate volatility supposing that the economy oscillates between high and low volatility regimes. For that reason we nest GARCH models into Markov regime switching models. Our empirical findings suggest that under regime switches, and taking into account level effects in the conditional variance, interest rate volatility appears to be the reason of spread's predictive power.

"Asset Prices Regime-Switching and the Role of Inflation Targeting Monetary Policy"
Ioannis Chatziantoniou - University of Portsmouth, UK
George Filis - Bournemouth University, UK
Christos Floros - Technological Educational Institute of Crete, Greece

Discussant: Anastasios Evgenidis - University of Patras, Greece

This paper provides the empirical framework to assess the effect of UK monetary policy decision making on the probability that UK housing and financial prices move towards a high or a low volatility regime. The Markov regime switching modelling approach is employed and two regimes are identified for each asset market. Results indicate that the current monetary policy stance provides valuable information relating to the transition of asset prices between a low and a high volatility regime. This in turn, is suggestive of the fact that the underlying model entails some degree of predictive power and could be employed in policy analysis.

"A Reconsideration of the Meese-Rogoff Puzzle: Time-Varying Parametric Estimation and Alternative Measures of Forecasting"
Kelly Burns - RMIT University, Australia

Discussant: Ioannis Chatziantoniou - University of Portsmouth, UK

In their highly cited paper, Meese and Rogoff (1983) concluded that the naive random walk model cannot be outperformed by exchange rate models in out-of-sample forecasting. This study reconsiders the predictive power of exchange rate models to forecast bilateral exchange rates by estimating the models in a time-varying parametric (TVP) framework and using alternative measures of forecasting accuracy. The results demonstrate that estimating the Frenkel-Bilson, Dornbusch-Frankel and Hooper-Morton models using a time-varying parametric framework produces forecasts as accurate as the random walk model. Despite this, the exchange rate models cannot produce a numerically smaller and statistically different RMSE to the random walk. In contrast, the forecasts of the monetary models are superior to the random walk when forecasting accuracy is assessed by measures that do not exclusively rely on the magnitude of error (such as direction accuracy and proximity to a perfect forecast).

"Budget Deficits and Political Cycles: The Case of Greece, 1970-2013"
Nikiforos Laopodis - ALBA - The American College of Greece, Greece
Anna Merika - Deree College, Greece
Annie Triantafillou - Deree College, Greece

Discussant: Kelly Burns - RMIT University, Australia

This paper studies whether the Greek budget deficit is systematically affected by the timing of elections and of changes of government. The period of study is 1970-2013, with a conservative and a socialist political party alternating in power. We employ an unrestricted VAR model to test the impact of each of the two parties upon the budget deficit as a proportion of GDP during election and non-election years. We find that the Greek budget deficit is self-reinforced, with only about one-third being of cyclical nature and two-thirds being structural and independent of business cycles. It appears that the impact of the socialist party upon the deficit increases after the third year and thereafter shows no sign of reverting to its mean. This indicates that the shock of higher government spending inflicted upon the economy by a socialist government has had an enduring effect upon the budget deficit. A similar result is being reached for the impact of the conservative party, albeit at a lower budget deficit level. Moreover, we obtain predictions for the behaviour of the budget in the course of the business cycles. The model reveals that once the economy recovers, it takes three years for the deficit to decline and an additional two years before it turns into a surplus. Finally, we construct a tax evasion variable specific to the Greek economy on the basis of Feige (1989). Preliminary results indicate that tax evasion significantly impacts the variation of the budget deficit over GD

"From Asset Price Bubbles to Liquidity Traps"
Anastasios Malliaris - Loyola University Chicago, USA

Discussant: Annie Triantafillou - Deree College, Greece

This paper argues that it is useful to divide the cyclical behavior of modern mixed capitalist economies into four phases: expansion, upper turning period, recession and lower turning period. This characterization of the business cycle is more complicated than the one currently followed by the National Bureau of Economic Research, which identifies only the peak and trough of the cycle. However, the complexity of four phases compensates with additional insights. To illustrate the usefulness of this approach, the current global financial crisis is examined by reviewing the expansion with the development of the housing bubble. Then, the beginning of the crisis is viewed as the upper turning period. The initial financial instability evolved into a full crisis during the Great Recession with its impact on unemployment. Finally, the ending of the crisis during the challenging period of the liquidity trap as the lower turning period is analyzed.

SESSION 13 **Thames**

PORTFOLIO MANAGEMENT 1
Session Chair: Alain Coen - University of Quebec in Montreal, Canada

"Manipulation-Proof Performance Measure and the Cost of Tail Risk"
Didier Maillard - CNAM, France

Discussant: Ania Zalewska - University of Bath, UK

This paper builds on the seminal Goetzmann & al. research on Manipulation-Proof Performance Measures (MPPM), with a different aim. Manipulation of usual performance measures generally goes through taking risk which is not reflected in the second moment of return distribution, variance or volatility. This is particularly relevant for the hedge fund industry.The MPPM corrects for the impact of tail risk –negative skewness and kurtosis- taken by a fund manager (not necessarily with the explicit aim to manipulate). In our paper, we try to quantify, using a Cornish Fisher technology allowing us to control for tail risk, the impact of such risk on the MPPM.We find that the MPPM effectively does impose a penalty on tail risk.

This penalty increases nearly linearly with return kurtosis and return negative skewness. The size of the penalty is rather benign when return volatility is low or the risk parameter is low. It increases substantially for high volatilities and high risk parameters.

"Portfolio infrastructure investments: an analysis of the European and UK cases"

Athina Panayiotou - UCL QASER LAB, UK
Francesca Medda - University College London, UK

Discussant: Didier Maillard - CNAM, France

Infrastructure has been receiving much attention in recent years. Investment banks and fund managers are increasingly promoting the investment characteristics of infrastructure assets and they argue that investing in infrastructure should be ideal for institutional investors such as pension funds. However, the claim lacks empirical support. We suggest that the limited research on infrastructure is mainly due to scant empirical data. The objectives of this paper are to examine the significance of economic infrastructure as an asset class by assessing the investment characteristics and performance of infrastructure indexes in Europe from 1999-2014, to analyse how an infrastructure portfolio should be constructed, and to evaluate the role of government as catalyst for resources. Specifically, we examine UK infrastructure strategies and evaluate whether UK government policies already introduced to attract private sector participation have had any effect on institutional investors.

"Jump Mis-specification and International Portfolio Selection"

Ke Chen - University of Manchester, UK
Luiz Vitiello - University of Essex, UK
Ser-Huang Poon - University of Manchester, UK

Discussant: Athina Panayiotou - UCL QASER LAB, UK

We make a distinction between systemic co-jumps and independent idiosyncratic jumps, examining the impact of their mis-specification on asset allocation. In our framework security prices have 3 distinct parts: a diffusion, a systemic co-jump, and an independent idiosyncratic jump.Jump diffusion is estimated through a Markov Chain Monte Carlo (MCMC) method for weekly MSCI index returns of 11 developed and emerging markets from 1988 to 2009. Results suggest that in developed markets, idiosyncratic jumps have little impact on portfolio selection, as they are more homogeneous and their stock returns tend to jump together. As a result, the optimised portfolio is not too dissimilar to one produced by a diffusion model with co-jump only. For emerging markets that tend to have idiosyncratic jumps, the assumption of co-jumps produced biased jump estimates. Losses in portfolio certainty equivalence due to this wrong jump dependence assumption are economically significant.

"Decision making with Conditional Value-at-Risk and Spectral Risk Measures, and the Problem of Comparative risk Aversion"

Mario Brandtner - Friedrich Schiller University of Jena, Germany
Wolfgang Kürsten - Friedrich-Schiller-University of Jena, Germany

Discussant: Luiz Vitiello - University of Essex, UK

We analyze spectral risk measures with respect to comparative risk aversion following Arrow and Pratt, and Ross, resp., and study the implications for the willingness to pay for insurance and portfolio selection. First we show that the widely-applied spectral Arrow-Pratt measure is not a consistent measure of Arrow-Pratt-risk aversion. If still being applied, a decision maker with a greater spectral Arrow-Pratt measure may only be willing to pay less for insurance or to invest more in the risky asset. Second we show that the popular subclasses of Conditional Value-at-Risk, exponential and power spectral risk measures cannot be completely ordered with respect to Ross-risk aversion. As a consequence, these subclasses also exhibit counter-intuitive comparative static results in the insurance problem and the portfolio selection problem: The willingness to pay for insurance may be decreasing, and the investment in the risky asset may be increasing with increasing risk aversion.

"Jumping Over a Low Hurdle: Personal Pension Fund Performance"
Anastasia Petraki - IMA, UK
Ania Zalewska - University of Bath, UK

Discussant: Mario Brandtner - Friedrich Schiller University of Jena, Germany

This study analyses a sample of 8,255 UK personal pension funds operated by 60 providers over a 30 years' period (1980 – 2009) in order to assess their short- and long-term performance and argues that it is inappropriate to evaluate pension funds using methods applied to evaluate mutual funds. We find strong evidence that pension funds outperform their Primary Prospectus Benchmarks (PPBs). However, we argue that this is because the PPBs are not challenging, and pension funds invest outside the PPBs, giving the funds the opportunity to better diversify risk. We also find that pension funds outperform T-bills in the long run, but not in the short run. We argue that this is a 'statistical' consequence of pension funds short-term tracking of the PPBs, which are more risky than T-bills. We discuss policy implications of our findings.

SESSION 14 **Severn**

CAPITAL AND OWNERSHIP STRUCTURE
Session Chair: Po-yuan Chen - Jinwen University of Sci and Tech, Taiwan

"Do the Financing Types from Microfinance Affect the SMEs' Firm Performance? Evidence from South Sumatera, Indonesia"
Abdul Basyith - University of Muhammadiyah Palembang, Indonesia
Fitriya Fitriya - University of Muhammadiyah Palembang, Indonesia
Muhammad Idris - University of Muhammadiyah Palembang, Indonesia
Dedy Rinaldi - University of Muhammadiyah Palembang, Indonesia

Discussant: Anastasiya Shamshur - University of East Anglia, UK

This research investigates whether types of financing from microfinance have a different impact on firm performance of small business enterprises/firms (SMEs). Using survey methods through questionnaire and interview, this study consists of 2,800 observations throughout South Sumatera; however, only 2,198 observations were used in the analysis. The sampling design involves cluster sampling and purposive sampling. The analyses employed in this research are quantile regression and probit regression. The results reveal that SMEs who have a loan, SMEs who obtained a loan from formal microfinance have a positive and significant impact on firm performance (ROA and ROE) throughout all quantiles. Unlike the type of the industry, the coefficient for firm size is negative and significant for all quantiles. In addition, having their firms registered and receiving a fostering from the financier provide a positive and significant impact on their firm performance (ROA and ROE). The probit regression result for business growth and business survival indicates that for firms (SMEs) who have a loan, it has a negative and significant impact on their business growth and business survival. Similar to the loan status, firms (SMEs) who obtained loans from formal microfinance found a negative and significant impact on their business growth and business survival. Meanwhile, non-formal microfinance provides no significant impact to the business growth and business survival.

"International Corporate Diversification and Financial Flexibility"
Yeejin Jang - Purdue University, USA

Discussant: Abdul Basyith - University of Muhammadiyah Palembang, Indonesia

If the location of a firm's operations is relevant for financing, multinationals should have easier access to different sources of funding than purely domestic firms because their operations are located in multiple countries. Consistent with this hypothesis, I find that conditional on receiving bank loans, U.S. multinationals are more likely to borrow from a foreign bank than domestic firms, particularly from a lender in a country where they have foreign subsidiaries. One implication of multinationals' ability to use multiple sources of capital is that they are less affected by capital market dislocations in their home country than domestic firms. Using the 2007-2009 financial crisis as a capital supply shock, I find that U.S. multinationals relied more on foreign funding sources in bank loans after the failure of Lehman in contrast to domestic firm. Partly as a result, multinationals reduced their investment less than did domestic firms.

"Do Cooperatives Perform Better than Capitalistic Firms? The Impact of Governance on Financial Structure, Performance and Volatility"
Sandra Challita - MRM, France
Patrick Sentis - University of Montpellier, France
Philippe Aurier - University of Montpellier, France

Discussant: Yeejin Jang - Purdue University, USA

During the last decade, most of enterprises expanded their socially responsible investments in order to meet more the interests of their stakeholders. However, these enterprises often aim exclusively at maximizing their shareholder's value, and therefore, their objectives and their stakeholder's strategies are not congruent. The cooperative enterprises' governance may be a better servant for a vision of a stakeholder's value, nevertheless these cooperatives must be efficient in order to compete and innovate. In our paper, we examine the financial performance and structure of French cooperatives in order to compare them with investor owned firms. From a panel data of 6654 French cooperative peered with traditional investor owned firms from 2004 till 2012, we find that cooperatives have lower returns and lower volatility than their comparable firms. We find also that the governance affects significantly the financial structure. These findings tend to corroborate the economic efficiency of cooperatives.

"Optimal Firm Structure under Imperfect Information"
Fei Ding - Hong Kong University of Science and Technology, Hong Kong
Peter MacKay - HKUST, Hong Kong

Discussant: Patrick Sentis - University of Montpellier, France

Firms adopt a wide variety of forms — from small, privately-owned, focused businesses to large, publicly-listed, diversified conglomerates. We show how organizational diversity arises when firms raise and allocate capital under incomplete information. In our model, headquarters (HQ) up-dates uncertain productivity priors by investigating projects and communicating its findings (posterior beliefs) to investors, thus improving capital allocation, both internally and externally. Investigation is costly because it pulls HQ closer to operations, which raises the cost of communicating with investors. HQ must also split its investigative time across competing projects. In equilibrium, HQ positions itself vertically, between projects and investors, and horizontally, between projects, so as to optimize scarce resources (HQ time and investment capital). Comparative statistics for productivity priors and project relatedness yield a full range of optimal organizational structures, where conglomerate, standalone, and entrepreneurial firms may emerge.

"Do Mergers and Acquisitions Affect the Capital Structure of the Firm?"
Jan Hanousek - Charles University and Academy of Sciences, Czech Republic
Anastasiya Shamshur - University of East Anglia, UK

Discussant: Peter MacKay - HKUST, Hong Kong

Recent research reveals the significant stability of the firm capital structure over long periods of time. This paper assesses the question of capital structure stability in the context of M&A activities. In particular, we focus on the changes in the leverage of acquiring and acquired firms associated with M&As using the difference-in-differences propensity score matching approach. The analysis is based on UK M&As from 1999 to 2007. We find that there are no changes in the leverage of target firms generated by M&As, while the leverage of acquirers increases after the acquisition. This result is expected since acquirers often have to attract additional financing sources to complete the acquisition.

SESSION 15 **Clyde**

PAYOUT POLICY
Session Chair: Chin-Bun Tse - University of Salford, UK

"Determinants of Dividend Payout Policy for UK Firms During Period of Economic Adversity"
Sazali Abidin - University of Waikato, New Zealand
Veshaal Singh - University of Waikato, New Zealand
Michael Agnew - University of Waikato, New Zealand
Azilawati Banchit - Universiti Teknologi Mara, Malaysia

Discussant: Ali Termos - American University of Beirut Lebanon,

This study examines the cash dividend pay-out policy, and its determinants, of industrial UK firms during pre, during, and post crisis periods of the 2008 global financial crisis; a period spanning seven years. The reason for this area of research stems from the lack of studies focusing on UK firm's dividend payout policy, let alone over a time of economic adversity. Furthermore, the size and exposure of the London Exchange provides an ideal reason to analyse dividend payouts of UK firms. Our findings show support for the Life Cycle theory, indicating the resilience of mature firms during times of crisis- linking with signalling. They also show convincing results of dividends becoming significantly concentrated during times of crisis with regression models validating findings.

"Stockholder Conflicts and Dividend Payout"
Janis Berzins - BI Norwegian Business School, Norway
Øyvind Bøhren - BI Norwegian Business School, Norway
Bogdan Stacescu - BI Norwegian Business School, Norway

Discussant: Sazali Abidin - University of Waikato, New Zealand

This paper examines how dividend policy is influenced by potential conflicts of interest between majority and minority stockholders in a large sample of private firms. We find that higher conflict potential is associated with higher dividends. The average payout ratio is 20% and increases by eight percentage points as the conflict potential increases from low to high. This relationship is even stronger when the minority stockholder structure is diffuse and when the minority is not on the firm's board. Such a minority-friendly payout is also associated with higher subsequent minority investment in the firm. These findings are consistent with the notion that dividend policy is used to mitigate stockholder conflicts, particularly when such a policy benefits the majority stockholder in the longer run.

"The Value of Dividends: Evidence from Short-Sales"
Evelyn Lai - University of Sydney, Australia
Andrew Ainsworth - University of Sydney, Australia
Michael McKenzie - University of Liverpool, UK
Graham Partington - University of Sydney, Australia

Discussant: Janis Berzins - BI Norwegian Business School, Norway

This paper examines the market values of dividends paid out from companies that are available to short-sell. This novel dataset provides a better estimate of dividend values as these are explicitly observable in the market through directly traded contracts whilst estimates from traditional ex-day studies are often complicated by noise. Other factors that might have an influence on the valuations are also considered. Consistent with the tax hypothesis, the tax status of market participants results in substantially different valuations when multiple prices can be transacted for the same security. These results hold under both a classical (US) and an imputation (Australia) tax system.

"Bank Dividends and Signaling to Information-Sensitive Depositors"
Cristiano Forti - Federal University of Uberlandia, Brazil
Rafael Schiozer - Fundação Getulio Vargas, Brazil

Discussant: Evelyn Lai - University of Sydney, Australia

This study investigates if the composition of debt affects the payout policy of banks. We identify that information-sensitive depositors (institutional investors) are targets of dividend signaling by banks. We use a unique database of Brazilian banks, for which we are able to identify several types of debtholders, namely institutional investors, nonfinancial firms and individuals, which are potential targets of dividend signaling. We also exploit the features of the Brazilian banking system, such as the existence of several closely held banks, owned and managed by a small group of shareholders, for which shareholder-targeted signaling is implausible, and find that banks that rely more on information-sensitive (institutional) depositors for funding pay larger dividends, controlling for other features. During the financial crisis, this behavior was even more pronounced. This relationship reinforces the role of dividends as a costly and credible signal of the quality of bank assets.

"Rising Inequality and Housing affordability: International Evidence"
Darius Martin - American University of Beirut, Lebanon
Ali Termos - American University of Beirut, Lebanon

Discussant: Rafael Schiozer - Fundação Getulio Vargas, Brazil

We introduce a simple model that explains the dynamics of housing outcomes and rising inequality. In this model, the high demand for real estate by the rich increases housing prices and renders less affordable housing for the poor. An increase in inequality due to a rise in the relative productivity of highly-skilled workers will reduce the housing consumption of poor people. We test this hypothesis on international data using the national censuses for fifteen countries covering a wide spectrum of varying inequality levels. Our model predicts that an increase in inequality due to a rise in the relative productivity of high-skilled workers reduces the housing consumption of poor people.

MONEY MARKETS

Session Chair: Guillaume Andrieu - Group Sup de Co Montpellier Business School, France

"Determinants of Retail Interest Rate Adjustments: Evidence from a Panel Data Model"

Anil Perera - Monash University, Australia
Jayasinghe Wickramanayake - Monash University, Australia

Discussant: Angelo Aspris - University of Sydney, Australia

This paper examines the determinants of retail interest rate adjustments in response to a change in central bank monetary policy rates. While providing empirical evidence for retail interest rate adjustments across countries, based on a panel data model for 122 countries for the period 1996-2010, we observe that retail interest rate adjustments are related to a host of macroeconomic, financial/banking as well as institutional/governance factors. Amongst these, the level of financial market development, banking sector market power and central bank transparency remain key factors. Our findings provide important policy implications particularly for monetary authorities, which rely on interest rate-based monetary policy instruments in attempting to enhance the efficacy of monetary policy.

"Covered Interest Parity and the European Sovereign Debt Crisis"

Ariful Hoque - Murdoch University, Australia
Kamrul Hassan - Murdoch University, Australia
Chandrasekhar Krishnamurti - University of Southern Queensland, Australia

Discussant: Jayasinghe Wickramanayake - Monash University, Australia

We investigate the empirical validity of the covered interest parity (CIP) hypothesis for the Euro against the Australian dollar (AUD), the Canadian dollar (CAD), the Japanese yen (JPY), the British pound (GBP), and the U.S. dollar (USD). The purpose of this study is to explore alternative money markets while financial markets in the euro area became increasingly segmented during the European Sovereign Debt Crisis (ESDC). Interestingly, we have three distinct findings based on the analysis of the CIP condition: (1) the return of the JPY money market is better than that of the euro money market; (2) short-term investments in AUD- and CAD-denominated assets are not as profitable as Euro-denominated assets; and (3) GBP- and USD-denominated assets are not appropriate for short-term investments in the context of the ESDC. The unique contribution of this study is that it examines which currency acts as safe-haven for European investors during the ESDC.

"Long-Run UIP Holds Even in the Short Run"

Fabian Ackermann - University of Zurich, Switzerland
Karl Schmedders - University of Zurich, Switzerland
Walt Pohl - University of Zurich, Switzerland

Discussant: Ariful Hoque - Murdoch University, Australia

The failure of uncovered interest rate parity to explain short-term interest rate movements is well-documented. We show that short-term changes in long-term interest rates do help explain short-term exchange-rate movements. The relationship gets stronger over our sample period, as the liquidity of the exchange rate market increased. We also show that controlling for time-varying exchange-rate risk also helps improve the fit of the relationship.

"Forecasting Bond Excess Returns and Bond Yields"

Daniel Thornton - Federal Reserve Bank of St. Louis, USA

Discussant: Fabian Ackermann - University of Zurich, Switzerland

Interest in predicting bond excess returns accelerated following CP found that their model explained a relatively large portion of excess returns and did considerably betterthan the model proposed by Fama and Bliss. This paper shows that the CP and FB models are not actually models of excess returns but rather are models of bond yields and changes in bond yields, respectively. Consequently, these models are not comparable in sample. Nevertheless, out-of-sample forecasts from these models are comparible because these models, as well as any model of excess returns, are forecasting future bond yields. Out-of-sample forecast from these models and the model proposed by Ludvigson and Ng (2009) generates some seemingly anomolous results.

"Exchange Data Fees in a Rapidly Fragmented Market"

Douglas Cumming - York University, Canada
Angelo Aspris - University of Sydney, Australia
Sean Foley - University of Sydney, Australia

Discussant: Daniel Thornton - Federal Reserve Bank of St. Louis, USA

We examine data fees in the Canadian market that went from a near monopoly in equities trading in 2007 to rapid fragmentation with the addition of 4 alternative trading systems. Unlike the U.S., there is no single provider of the combined best bid and offer, with little obvious fee regulation. Individual marketplaces charge independently for their data-feeds. We analyse how different metrics can be manipulated to alter the distribution of revenues, as well as the sensitivity of the estimated market share to changes in the construction of the metrics. We then compare the prices charged for data in Canada to a variety of comparable markets to come up with an internationally “fair fee” for each exchange. The data indicate some marketplaces charge in excess of the “fair” fee representing their contribution to price discovery, with the overall cost to Canadian data consumers much higher than in comparable international markets.

LUNCHEON

12:40 p.m. - 2:00 p.m. Restaurant

SESSION 17 **Tiber**

ASSET PRICING 2
Session Chair: Robert Korajczyk - Northwestern University, USA

"An Entropy Based Analysis of the Relationship Between the DOW JONES Index and the TRNA Sentiment Series"
David Allen - University of Sydney, Australia
Michael McAleer - Erasmus University, Netherlands
Abhay Singh - Edith Cowan University, Australia

Discussant: Neophytos Lambertides - Cyprus University of Technology, Cyprus

This paper features an analysis of the relationship between the DOW JONES Industrial Average Index (DJIA) and a sentiment news series using daily data obtained from the Thomson Reuters News Analytics (TRNA) provided by SIRCA (The Securities Industry Research Centre of the Asia Pacic). The recent growth in the availability of on-line financial news sources such as internet news and social media sources provides instantaneous access to financial news. Various commercial agencies have started developing their own filtered financial news feeds which are used by investors and traders to support their algorithmic trading strategies. Thomson Reuters News Analytics (TRNA) is one such data set. In this study we use the TRNA data set to construct a series of daily sentiment scores for Dow Jones Industrial Average (DJIA) stock index component companies. We use these daily DJIA market sentiment scores to study the relationship between financial news sentiment scores and the DJIA return series using entropy measures. The entropy and Mutual Information statistics permit an analysis of the amount of information within the sentiment series and its relationship to the DJIA and an indication of the realtionship changes over time.

"Learning about Rare Disasters: Implications For Consumption and Asset Prices"
Max Gillman - UMSL, USA
Michal Kejak - CERGE-EI, Czech Republic
Michal Pakos - CERGE-EI, Czech Republic

Discussant: David Allen - University of Sydney, Australia

Rietz (1988) and Barro (2006) subject consumption and dividends to rare disasters in the growth rate. We extend their framework and subject consumption and dividends to rare disasters in the growth persistence. We model growth persistence by means of two hidden types of economic slowdowns: recessions and lost decades. We estimate the model based on the post-war U.S. data using maximum likelihood and find that it can simultaneously match a wide array of dynamic pricing phenomena in the equity and bond markets. The key intuition for our results stems from the inability to discriminate between the short and the long recessions ex ante.

"The Impact of Growth Options and Distress Risk on Stock Returns via Idiosyncratic Skewness"
Lenos Trigeorgis - Kings College London, UK
Neophytos Lambertides - Cyprus University of Technology, Cyprus
Luca Del Viva - ESADE Business School,

Discussant: Michal Pakos - CERGE-EI, Czech Republic

We examine the combined impact of growth options and distress on expected idiosyncratic skewness and whether the negative return on skewness is driven by growth options and distress risk. We show that growth and reorganization options lead to more convex value and increased skewness for active levered equity returns. We find empirically that the negative relation between growth options or distress risk and stock returns can be attributed to the more skewed distribution for growth and distressed firms. Our study offers deeper rationale behind these twin “puzzling” phenomena suggesting that growth and distress justify lower, rather than higher, expected returns.

"Foreign Institutional Investors and Information Efficiency"
Jerry Cao - Singapore Management University, Singapore
Donghui Li - University of New South Wales, Australia
Karishma Shringarpure - University of New South Wales, Australia

Discussant: Ahmed Elbadry - Cairo University, Egypt

We study the role of foreign institutional ownership in the transmission of global and local market information based on a sample of 29,652 firms across 56 countries from 1999 to 2011. Foreign institutional ownership leads to enhanced informational efficiency. We find that presence of foreign investors increases stock price's adjustment to value-relevant information. It is foreign portfolio investor but not foreign blockholder that drives the improvement in informational efficiency. Foreign investors especially from more developed markets act as a substitute for institutional structures and their presence ameliorates the inefficiency associated with a poor institutional environment.

SESSION 18 **Seine**

COMMODITIES
Session Chair: Julia Henker - Bond University, Australia

"Performance Determinants of Global Renewable Energy Companies"
Sheraz Ahmed - Lappeenranta University of Technology, Finland
Kashif Saleem - Lappeenranta University of Technology, Finland
Guillermo-Lopez Lopez - Lappeenranta University of Technology, Finland

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

The purpose of this paper is to identify the Performance Determinants (PD) of global Renewable Energy (RE) companies. The test has been carried out on two sets of determinants: market level and firm level. The results showed that out of the market level determinants Consumer Price Index, Interest Rates and Oil prices are significant. Whereas out of the firm level determinants, Debt to Assets ratio, Net Investments, Cash flows from operations, Sales and Earnings before Interests and Taxes (EBIT) are significant determinants of performance. Overall the firm level determinants better explain the variations in book performance of RE companies than market level determinants. Although the market of RE firms is becoming more regulated and country's macroeconomic factors play significant role in designing the newly developed industrial sector but the major part of the financial and operational risk is still explained by idiosyncratic factors. Investors in RE sector can maximize their returns using strategies based on these findings.

"How to Measure the Total Value of Hard Commodities? A Contribution to the Index Construction of Commodities"
Herbert Mayer - University of Augsburg, Germany
Andreas Rathgeber - University of Augsburg, Germany
Christina Spriegel - University of Augsburg, Germany
Florian Vogg - University of Augsburg, Germany

Discussant: Sheraz Ahmed - Lappeenranta University of Technology, Finland

The growing financialization of commodities in the last decade led to various investment opportunities in the commodity sector. Commodity indices play a central role as a fundamental basis of passive commodity investing. However, having a closer look on raw material price indices, we observe huge differences in construction and weighting among them, and there is still a significant gap in comparison to stock market indices. The weighting of assets in stock indices according to the capital market theory is typically based on the market capitalization of an asset. In contrary commodity indices show a variety of differing approaches. None of them is based on the market-capitalization-weighted approach. Therefore, we present a cap-weighted approach to determine the total value of hard commodities. The resulting indexation differs significantly from existing ones. In current index compositions nickel and oil are undervalued, whereas gold, silver and natural gas are overvalued.

"Market Entry Barriers, Term Structure Trading Strategies, and Currency Protection: Evidence from Commodity Certificates"

Christian Stepanek - University of Augsburg, Germany
Markus Wanner - University of Augsburg, Germany
Andreas Rathgeber - University of Augsburg, Germany

Discussant: Herbert Mayer - University of Augsburg, Germany

Structured financial products allow retail investors to participate in commodity markets. Within this paper we examine the issuers' margin for the primary and secondary market and its relationship to commodity investment specific aspects like market entry barriers, convenience yield and quanto features. Based on a unique dataset of 1369 discount and bonus certificates with gold and industrial metals as underlying we show a positive relationship between the bank margin and market entry barriers. We find that retail investors exploit trading signals from the term structure of commodity futures. At the same time they avoid certificates with knock-out feature in times of high volatility. Finally, we are the first to quantify the additional margin requirement of banks for currency protection.

"The Impact of Government Debt on Economic Growth: An Empirical Investigation for the Greece"

Stella Spilioti - Athens University of Economics and Business, Greece
George Vamvoukas - Athens University of Economics and Business, Greece

Discussant: Markus Wanner - University of Augsburg, Germany

This paper investigates the relationship between the government debt and economic growth using Greek data of about 40 years starting in 1970, bearing in mind the different level of economic growth in Greece during the examined period. The empirical results suggests a positive and a statistically significant impact of debt on GDP growth. In addition, we include in the estimation of growth equation some other control variables such as: 1) fiscal policy indicators affecting economic growth, 2) variables capturing the impact of inflation, and 3) indicators of the openness of the economy and the external competitiveness in order to reinforce the empirical results.

SESSION 19 **Rhine**

M&AS 1
Session Chair: Lin Guo - Suffolk University, USA

"Stock Price Firm-Specific Information and the Choice of Payment in Corporate Acquisitions"

Wenjing Ouyang - University of the Pacific, USA
Samuel Szewczyk - Drexel University, USA

Discussant: Gul Demirtas - Sabanci University, Turkey

Recent studies find outside investors can produce private firm-specific information not possessed by the firm's managers. Through informed trading, this firm-specific information is impounded into stock prices as stock price firm-specific information. We examine whether stock price firm-specific information informs decisions on the method of payment in corporate acquisitions. Our results show acquirer and target stock price firm-specific information have different impact on the choice of equity as the exchange medium in an acquisition. Acquirer stock price firm-specific information increases the likelihood of an equity offer, especially when the acquirer has high growth opportunities and in economic expansion periods. Target stock price firm-specific information decreases the likelihood of an equity offer, especially when the target is relatively larger.

"Post-Merger Integration Duration and Leverage Dynamics of Mergers: Theory and Evidence"

Jing Huang - University of South Carolina, USA
Joshua Pierce - University of South Carolina, USA
Sergey Tsyplakov - University of South Carolina, USA

Discussant: Samuel Szewczyk - Drexel University, USA

We introduce the concept of the post-merger integration duration (PMID) which is the time delay that it takes a merged entity to fully capture synergistic gains. Using a dynamic model, we examine the e?ects of this duration on acquiring ?rms' financing behavior around mergers. When facing a longer PMID, acquiring firms optimally choose lower leverage prior to and at the time of a merger, and will gradually lever up as the integration period nears completion. A longer PMID is positively related to the fraction of equity used to finance a merger. We hand collect a unique data set on the integration duration of mergers and provide strong empirical support for the model implications.

"M&A in Tough Times"

Carlo Chiarella - Universita Commerciale L. Bocconi, Italy
Stefano Gatti - Università Commerciale L. Bocconi, Italy

Discussant: Sergey Tsyplakov - University of South Carolina, USA

How does M&A activity change in periods of high uncertainty? This paper studies the impact of uncertainty on the timing and the quality of deals: first by tracking the volume of deals in periods of uncertainty, then by asking whether transactions announced during periods of uncertainty are fundamentally different in terms of performance from those undertaken in more quiet periods and finally exploring possible explanations. Evidence is consistent with the view that if uncertainty seems to de-incentivize external growth, it also creates opportunities. Periods of high uncertainty, which are defined on the basis of the VIX index, are associated with lower M&A activity. Yet, while deals announced in uncertain times show lower announcement return, both their long-run stock performance and operating performance are superior. Acquirers in periods of higher uncertainty benefit mainly from a more disciplined planning and execution of the deal, and to a smaller extent by negotiating from a stronger bargaining position.

"Social Ties in the Making of an M&A Deal"

Gul Demirtas - Sabanci University, Turkey

Discussant: Carlo Chiarella - Universita Commerciale L. Bocconi, Italy

This paper investigates how social ties between targets and acquirers affect merger outcomes. I use merger-related SEC filings and news articles to detect if a social tie between directors or executives of merging firms is effective during the making of the deal. When there is a social tie, abnormal announcement returns accruing to the combined entity and to the acquirer firm are reduced by 2.4 and 2.8 percentage points, respectively. This adverse effect is mainly driven by deals in which the social tie is distant. Irrespective of the closeness of the tie, acquirer-target social ties significantly decrease the likelihood of receiving competing bids in the private takeover process. Moreover, connected deals, particularly those involving close ties, are associated with lower financial advisory fees and a shorter negotiation period. Interestingly, although close ties do not affect merger outcomes for shareholders; such ties help target directors by increasing their retention probability.

CREDIT SCORING AND MODELLING

Session Chair: Yukihiro Yasuda - Tokyo Keizai University, Japan

"Sovereign Debt Ratings and Treasury Bond Yields: The Before and After of the Financial Crisis"

Ana Monte - Escola Superior de Tecnologia e Gestão (Instituto Politécnico de Bragança), Portugal
Helena Moutinho - Escola Superior de Tecnologia e Gestão (Instituto Politécnico de Bragança), Portugal
Leinivy Tavares - Escola Superior de Tecnologia e Gestão (Instituto Politécnico de Bragança), Portugal

Discussant: Francis In - Monash University, Australia

The rating agencies are often among those accused of taking part in the sovereign debt instability that followed the financial crisis of 2008. This work intends to empirically analyse the influence of changes in the Portuguese sovereign debt rating, as attributed by the three main international rating agencies (Moody’s, S&P e Fitch), in the performance of mid to long-term treasury bond yields (2, 5 and 10 years) over the period between February 2003 and May 2012. Using simple and multiple linear regression models, estimated through the OLS method, and through the application of Chow’s test, the statistical evidence shows that the changes in sovereign debt rating have a negative and significant impact on the performance of treasury bond yields for all maturities studied and this influence is higher for the period after the sovereign debt crisis.

"Rating Agencies' Monitoring Service - Evidence from the Sovereign CDS Market"

Thomas Kremser - WU Vienna, Austria
Daniela Kremslehner - WU Vienna, Austria
Margarethe Rammerstorfer - WU Vienna, Austria

Discussant: Ana Monte - Escola Superior de Tecnologia e Gestão (Instituto Politécnico de Bragança), Portugal

Abstract This paper investigates the reaction of credit default swaps spreads to changes in rating class, outlook, and watchlist entries for sovereigns. We find a stronger response to negative outlook and watchlist changes than for actual rating class downgrades, which shows that negative outlook and watchlist changes reveal more information. Consistently, we are able to predict future negative outlook changes and negative watchlist entries from abnormal CDS movements. Abnormal credit default swaps spread responses are analyzed with an unrestricted market model, which allows a sound interpretation of the reaction while controlling for market movements. Additionally, we compare the reaction of high and low quality obligors to credit rating agencies' announcements with respect to timing and magnitude. We find more significant reactions for low quality sovereigns with higher magnitudes before and at the announcement day, indicating higher sensitivity to rating changes compared to high quality obligors.

"Market Pricing of Credit Linked Notes: Are Daily Prices Fair?"

Matthias Walter - FIM Research Center, Germany
Björn Häckel - FIM Research Center, Germany
Tobias Gaugler - Institute of Materials Resource Management, Germany
Andreas Rathgeber - Institute of Materials Resource Management, Germany

Discussant: Daniela Kremslehner - WU Vienna, Austria

The market for structural financial products is still very attractive for retail investors. A question often discussed within this context is whether these products are priced fair or not. One of the latest contributions in this field is the paper of Rathgeber and Wang (2011), who analyzed the pricing of Credit Linked Notes (CLN) on the primary market.In this paper, we significantly extent the work of Rathgeber and Wang (2011) and analyze the impact of the 2007-2009 financial crisis on the pricing of CLN and with that the pricing of CLN on the secondary market. We therefore analysed the pricing of 90 CLN covering 13,555 daily quoted prices. Besides the major finding that CLN on the secondary market are not only overpriced but also underpriced, we discovered that the pricing of CLN has been significantly different during the financial crisis and after it. Assuming these two regimes, we also can confirm the common hypothesis of the “product life cycle” for CLN contracts.

"European Banks and Sovereigns Wedding or Divorce?"

Simon Xu - Monash University, Australia
Francis In - Monash University, Australia
Catherine Forbes - Monash University, Australia
Inchang Hwang - New York University, USA

Discussant: Matthias Walter - FIM Research Center, Germany

This paper uses a conditional measure of systemic risk, the conditional joint probability of default, to quantify the effects of a sovereign default on the European sovereign and banking system. Our systemic risk indicator not only reflects individual default risk characteristics but also captures the underlying interdependent relationships between sovereigns and banks in a multivariate setting. Based on our measure, we document a substantial grouping effect whereby core European sovereigns maintain the highest marginal contribution to systemic default risk, while peripheral sovereigns maintain the lowest. We show that the conditional joint default risk of the European banking system reached historical highs of 29% during the midst of the sovereign debt crisis in late 2011. We attribute this heightened risk to rapid increases in the sovereign risk premium coupled with a steady rise in objective default rates.

SESSION 21 **Thames**

INTEREST RATES
Session Chair: Gordon Roberts - York University, Canada

"Discrepancies in the Underlying Zero Coupon Yield Curve"

Antonio Diaz - Universidad de Castilla-La Mancha, Spain
Eliseo Navarro - Universidad de Alcalá, Spain
Francisco Jareño - Universidad de Castilla-La Mancha, Spain

Discussant: Alain Coen - University of Quebec in Montreal, Canada

Financial literature and financial industry use often zero coupon yield curves as input for testing hypotheses, pricing assets or managing risk. They assume this provided data as accurate. We analyse implications of the methodology and of the sample selection criteria used to estimate yield curves on several financial purposes. As input we consider three popular interest rate data sets: from the Federal Reserve Board (FRB), from the US Department of the Treasury (DoT), and from Bloomberg (F082). Direct computation of the goodness of fit is not possible. To examine implications of data choice, we compute our own yield curve estimates from four alternative baskets of assets that we form from GovPX market data. We study the properties of the raw yield curves and their impact on volatilities and on the expectations hypothesis tests. We provide some recommendations in order to choose one YC data set.

"Interest Rate Volatility and Expectations about the Business Cycle"

Isabel Martínez-Serna - University of Murcia, Spain
Eliseo Navarro - University of Alcalá, Spain

Discussant: Nashaat Al Wakeel - Helwan University, Egypt

One explanation for the usefulness of financial variables as tools for economic forecasting is that they embody the expectations of economic agents about the future state of the economy. In this paper, we test whether interest rate volatility contains information on the expectations of agents which are directly measured by confidence indicators. For the sake of robustness, we use several different expectation indicators for the two countries we analyze, the US and Germany: the Conference Board Consumer Confidence Index, the Philadelphia Fed's Business Outlook Survey and the Purchase Management Index for the US and the Economic Sentiment Indicator, the IFO Business Climate and ZEW Indicator of Economic Sentiment for Germany. We propose using a forward-looking measure of volatility: the implied volatility of one year cap options. We find that implied volatility adds explanatory power to the yield spread and to changes in the short rate, which are typical predictors of the business cycle, and outperform realized volatility.

"The Exchange Market Pressures Model:Evidence from Egypt"
Nashaat Al Wakeel - Helwan University, Egypt

Discussant: Isabel Martínez-Serna - University of Murcia, Spain

This study aims to estimate the Exchange Market Pressures Model (Girton-Roper,s Model) during the period (1990-2010) for the Egyptian Economy using a nominal and Real Variables. Generally; the empirical results confirm that there is a significant relationship between Egyptian pound exchange rate and inflation rate and the change in Monetary base and foreign money supply. The estimation results show that a lot of variables have a significant relation and its theoretical expected sign.

"Consumption-Based Model and the Term Structure of Subjective Time Preference Rates: Empirical Evidence"
Hubert De La Bruslerie - Université Paris Dauphine, France
Alain Coen - University of Quebec in Montreal, Canada

Discussant: Antonio Diaz - Universidad de Castilla-La Mancha, Spain

In this article we develop a parsimonious consumption-based model of the term structure of interest rates and test its implications for US monthly data from 1970:4 to 2013:1. Our main objective is to report evidence of the decreasing term structure of subjective time preference rates. The empirical analysis exhibits two distinct trends for two sub-periods: from 1972 to 1990 and from 1991 to 2013. Our results clearly cast doubt on the assumption of a flat term structure.

SESSION 22 **Severn**

MARKET EFFICIENCY 1
Session Chair: Ernest Biktimirov - Brock University, Canada

"Dimensions of Limits to Arbitrage: Evidence from Coupon Spreads and RepoSpecials in the 10-Year US Treasury Market"
Christopher G. Lamoureux - University of Arizona, USA
George Theocharides - Cyprus International Institute of Management (CIIM), Cyprus

Discussant: Davi Simon - UNISINOS, Brazil

Spreads between notes and replicating portfolios of coupon strips across the entire 10-year Treasury complex share systematic components whose importance increases over the period 1997 through 2011. Coupon spreads and the importance of their first systematic component spike during the financial crisis. These spreads spiked downward on the Federal Reserve's announcement that it would begin a large-scale purchase of Treasury securities. Before the crisis coupon spreads reflect expected future repo specialness. However specialness is virtually zero during the crisis. Thus, constraints on institutions' access to risk capital not only explain the persistence of these high coupon spreads, they created them.

"Tracking Stocks: A Two-Stage Equity Separation Process"
Stephani A. Mason - Rutgers University, USA

Discussant: George Theocharides - Cyprus International Institute of Management (CIIM), Cyprus

Tracking stocks (a subsidiary share) split a company into two (or more) equity claims, but still allow the subsidiary to remain wholly owned by the parent while trading on the fundamentals of the business unit. They gained popularity in the 1990s but were mostly gone by 2007. Issuing firms significantly underperformed the market in the three years prior to announcing the intention to issue a tracking stock. That announcement created positive significant abnormal market returns, but the post-issuance performance had significant negative returns for the parent and tracking stock. Many firms opted to retire the structures, and this study focuses analyzes the lifespan of the structure from pre-issuance to post-retirement. On average, the announcement to retire the structure resulted in a positive, significant abnormal return to the parent and the tracking stocks followed by positive, significant abnormal returns for the parent and tracking stock on the retirement date, signaling that the market expected a subsequent event. Further, the parent had a positive, significant abnormal post-retirement return and often followed with a sale or spin-off of the subsidiary. When examining the entire picture from pre-issuance to post-retirement, it seems that the market believes – over the long-run – that tracking stocks are part of a two-stage equity separation process.

"The Influence of Market States on Security Returns"
Warren Thomson - Griffith University, Australia
Graham Bornholt - Griffith University, Australia

Discussant: Stephani A. Mason - Rutgers University, USA

This empirical study considers the impact of market states on future industry returns. We investigate whether an industry's past relative performance in the same market state as the current market state predicts the industry's future performance. This new approach sorts industries into portfolios to test whether market states can be used to construct profitable dynamic industry rotation strategies. We argue that the results provides strong evidence that market states predict future industry returns.

"Low-beta Stocks in the Brazilian Market"
Davi Simon - UNISINOS, Brazil
João Zani - UNISINOS, Brazil
Igor Morais - UNISINOS, Brazil
Alexandre Costa - UNISINOS, Brazil

Discussant: Warren Thomson - Griffith University, Australia

This paper aims to study the presence in the Brazilian stock market of the low-risk stocks anomaly, originally reported by Black, Jensen, and Scholes (1972), in which stocks with low beta coefficients present higher results than those of high-beta stocks, contrary to the CAPM predictions, under which the return is a direct and linear function of the investment's systematic risk. For this purpose, this study is based on the daily prices (adjusted for dividends) of stocks listed on BM&FBOVESPA for a period of 18 years (1995-2012), and consisted of several portfolio studies Evidence shows that low-beta stocks' portfolios have higher returns than high-beta stocks' portfolios, in about eighty percent of the cases, contrary to predictions of the CAPM. There was also a reversal of the anomalous behavior of the portfolios during the economic crises started in 1999, 2003 and 2007. Statistical significance of the results is rejected through t-tests, but accepted through Kolmogorov Smirnov tests.

MARKET MICROSTRUCTURE 2

Session Chair: John Broussard - Rutgers University, USA

"Motivation for Individual and Institutional Short Selling and the Effects on the Stock Returns"

Tai Ma - National Sun Yat-Sen University, Taiwan
Chih-Yuan Huang - Taishin International Bank, Taiwan
Shu-Fan Hsieh - National Kaohsiung First University of Science and Technology, Taiwan

Discussant: Roberto Pascual - University of the Balearic Islands, Spain

This paper investigates individual and institutional short selling and the interaction with returns using data from the Taiwan stock market. We find that individual investors sell short when they possess or observe unfavorable stock information and when stocks are overvalued. Individual short sellers can predict subsequent negative returns during the four weeks after their trading. Our results suggest that at least some individual investors are informed and contribute to market efficiency. We also find evidence that institutional investors sell short following negative returns, and their shorting is mainly for hedging purposes. We find that the regulatory changes that allow institutional short selling in Taiwan stock markets have led to the market becoming more liquid and less volatile.

"Chartist Weights and Market Instability: Applications of the Heterogeneous Agent Model in International Stock Markets"

Hao Yin - National Sun Yat Sen University, Taiwan
Tai Ma - National Sun Yat Sen University, Taiwan

Discussant: Shu-Fan Hsieh - National Kaohsiung First University of Science and Technology, Taiwan

This study is the first to apply the Heterogeneous Agent Model (HAM) to analyze the dynamic relationship between chartist weights and volatility clustering, as well as market bubbles in international stock markets. Using a sample of 50 international stock markets from 1996 to 2011, we determined that (1) HAM is significant in most markets, supporting the existence of dynamic agent weight changes. Based on the Threshold HAM, agents may adopt different trading strategies , from momentum to contratian, in terms of different return volatility. (2) Volatility clustering is significantly positively enhanced by chartist weights. (3) Market bubbles are associated with higher chartist weights.

"Market Maker Incentives and Market Efficiency: Evidence from the Australian ETF Market"

Jagjeev Dosanjh - Sydney University of Technology, Australia
David Michayluk - Sydney University of Technology, Australia

Discussant: Tai Ma - National Sun Yat Sen University, Taiwan

This paper examines the impact of market maker rebates introduced by the ASX to the ETF marketplace on 1 August 2010. Looking at pre-scheme and post-scheme periods, our results show vast improvements in liquidity characteristics, namely the bid-ask spread and depth. Extending this analysis, we are able to confirm that rather than time improvements, the payment of the rebates themselves are responsible for these enhancements. Market maker trades are also assessed to determine how market makers derive their income and whether they are suppliers of liquidity. We verify that market makers do in fact supply liquidity and with no significant differences in profitability over the two periods, the improvements in the liquidity supplied are of no cost to other investors.

"Trade Classification Algorithms: A Horse Race between the Bulk-based and the Tick-based Rules"
Bidisha Chakrabarty - Saint Louis University, USA
Roberto Pascual - University of the Balearic Islands, Spain
Andriy Shkilko - Wilfrid Laurier University, Canada

Discussant: Jagjeev Dosanjh - Sydney University of Technology, Australia

We compare the newly proposed Bulk Volume classification (BVC) to the tick rule (TR) for a recent sample of equity trades. BVC leads to substantial time savings if a researcher uses pre-compressed data such as Bloomberg but smaller time savings if using TAQ. Notably, the time savings come at a significant loss of accuracy; misclassification increases by 7.4 to 18.2 percentage points (or 46% to 379%) when switching from TR to BVC. TR is less affected by market structure changes and produces more accurate estimates of VPIN. Order imbalances derived using TR are successful in explaining contemporaneous returns and liquidity.

SESSION 24 **Shannon**

MACRO FINANCE 2
Session Chair: Edgar Ortiz - Universidad Nacional Autonoma de Mexico, Mexico

"The Causality between Financial Development and Economic Growth: The Case of Turkey"
Aysen Arac - Hacettepe University, Turkey
Suleyman Ozcan - Central Bank of the Republic of Turkey, Turkey

Discussant: Alexander Kurov - West Virginia University, USA

In this study, we investigate the causal relationship between financial development and economic growth in Turkey for the 1987:1-2012:4 period. We use eight series to indicate financial development and employ Johansen's (1991) Cointegration Approach, Pesaran's (2001) Bounds Testing and Granger Causality Tests. The test results suggest that long-run relationships exist between economic growth and all financial development indicators. Moreover, our findings support both supply leading and demand following hypotheses. The direction of the short-run and long-run causal relationship between economic growth and financial development depends on which financial development indicator is used. Particularly, improvements in financial development indicators related to the resource allocation function of the financial system lead to economic growth whereas economic growth causes financial development through increasing banks' assets in the long run.

"Does it Make Financial Sense to Bring Manufacturing Back to Europe? A Case Study Illustration of a Strategic Investment Decision at a European SME."
Olga Kandinskaia - Cyprus International Institute of Management, Cyprus
Costas Sisamos - ENGINO.Net Ltd, Cyprus

Discussant: Aysen Arac - Hacettepe University, Turkey

There has been evidence in the last two years suggesting that many U.S. companies are bringing manufacturing back to the U.S. This growing trend is expected to boost the competitiveness of the U.S. economy and help it grow out of its debt. There is not much evidence to confirm if similar trends are starting in Europe. This paper attempts to present one such case of a European SME, which in 2011 made the strategic investment decision to switch from outsourced production in China to its own factory in Cyprus. While we focus in this paper on a holistic assessment of this capital project, we also strongly emphasize the financial appraisal process. We suggest a framework for extensive scenario analysis since proper risk assessment is essential in such cases. Being able effectively identify financially viable capital projects will allow to channel government funding for supporting innovative SMEs with high growth potential, and thus will put the European economy on the path of recovery.

"Brics and Pigs: Who Drive Who? Evidance Based on Asymmetric Causality Tests"
Abdulnasser Hatemi-J - UAE University, United Arab Emirates
Eduardo Roca - Griffith University, Australia

Discussant: Olga Kandinskaia - Cyprus International Institute of Management, Cyprus

We investigate the asymmetric causal interaction between the group of presently depressed markets of Portugal, Italy, Greece and Spain (PIGS), on one hand, and the booming markets of Brazil, Russia, India and China (BRIC), on the other hand, taking into account the presence of Germany and France (Big Brothers) and the United States (Uncle Sam), based on the asymmetric causality test methodology developed by Hatemi-J (2012). We found that in both up and down market conditions, the BRICs influence the PIGS, pulling the latter up during up market conditions and dragging them down during down market times. The PIGS also affect the BRICs but only during down market situations. The former pulls down the latter during this situation. Thus, the BRICs seem to be more influential than the PIGS as the effect of the BRICs on the PIGS is asymmetric.

"What Do Chinese Macro Announcements Tell Us about China's Role in the World Economy?"
Christopher Baum - Boston College, USA
Alexander Kurov - West Virginia University, USA
Marketa Halova - Washington State University, USA

Discussant: Abdulnasser Hatemi-J - UAE University, United Arab Emirates

We examine the effect of scheduled macroeconomic announcements made by China on world financial and commodity futures markets. Positive surprises about manufacturing and industrial output boost stock markets, energy, and industrial commodities as well as commodity currencies. This impact is sizeable compared to similar U.S. and Japanese announcements and continues to grow. News about Chinese domestic consumption leaves most markets unaffected, suggesting that market participants view the Chinese announcements primarily as a signal of the state of the global economy rather than merely of China's domestic economy. The markets do not perceive good news from China as bad news for China's competitors in the rest of the world, as a zerosum view of the global economy would suggest. Instead, good economic news from China is viewed as a rising tide that lifts all economic boats.

Refreshments 3:45 p.m. - 4:00 p.m.

Foyer 3rd Floor

SESSION 25 **Tiber**

ASSET PRICING 3
Session Chair: George Constantinides - University of Chicago, USA

"Small-Sample Properties of Factor Mimicking Portfolio Estimates"
Zhuo Chen - Northwestern University, USA
Gregory Connor - National University of Ireland, Ireland
Robert Korajczyk - Northwestern University, USA

Discussant: Xinxin Shang - Macquarie University, Australia

This paper uses simulation methods to evaluate the performance of various methods for estimating factor returns in an approximate factor model when the cross sectional sample (n) is large relative to the time-series sample (T). We study the performance of the estimators under a variety of alternative specifications of the underlying factor structure. We find that 1) all of the estimators perform well, even when they do not accommodate the form of heteroskedasticity in the data; 2) for the sample sizes considered here, accommodating more general types of heteroskedasticity does not deteriorate performance much when simpler forms of hereoskedaticity are present; 3) one estimator converges to the true factors more slowly than the other estimators.

"What Generates the Equity Premium Puzzle: Bad Model or Bad Data?"
Gueorgui Kolev - Middlesex University Business School, UK

Discussant: Robert Korajczyk - Northwestern University, USA

Correlations of monthly, quarterly and annual consumption growth rates, calculated from novel weekly Gallup consumption data, with the equity premium are high---13%, 44% and 54% at monthly, quarterly and yearly frequency. The power utility consumption CAPM prices the sample average annual equity premium of 4.9%, with estimated relative risk aversion parameters of 2.41, 0.96 and 1.04 at the monthly, quarterly and annual frequency. I can reject at 95% level of confidence relative risk aversion parameter larger than 13.62, 5.18 and 5.36 at the monthly, quarterly and annual frequency. My results suggest that the equity premium puzzle is an artifact arising from bad data, not from a bad model.

"Cost of Bank Capital: Evidence from European Banks"
Armen Arakelyan - Colegio Universitario de Estudios Financieros (CUNEF), Spain
Artashes Karapetyan - Norges Bank, Norway

Discussant: Gueorgui Kolev - Middlesex University Business School, UK

Under the assumption of efficient and perfect capital markets, theory suggests that, while lower capital will be accompanied by lower cost of equity, overall cost of capital will remain unchanged. We investigate the implications of higher bank capital using data from all listed European banks. Our results suggest that bank equity is sharply increasing in leverage. We find that while less leverage reduces equity risk, there is still a role for the low risk anomaly: lower risk banks have the same or higher returns than higher risk banks.

"Equity Premium Predictability Using Bayesian Regression Mixtures"
Xinxin Shang - Macquarie University, Australia
Egon Kalotay - Macquarie University, Australia

Discussant: Armen Arakelyan - Colegio Universitario de Estudios Financieros (CUNEF), Spain

This study investigates the predictability of equity returns in a mixture modelling framework that addresses several potential shortcomings of standard regression-based tools. We find that static single-equation predictive models are strongly rejected by the data in light of 2 and 3-component mixture regression specifications. We generalize standard regression mixtures to accommodate the possibility that predictive variables can be used to forecast time-variation in mixing weights. While within-sample variation in mixing weights appear predictable, we find little benefit to forecasting such variation on an out-of-sample basis.

SESSION 26 Seine

ACCOUNTING TOPICS 2
Session Chair: Ahmet Ikiz - Mugla Sitki Kocman University, Turkey

"Accrual-Based and Real Activities Based Earnings Management Behavior of Family Firms in Japan"
Tai-Yuan Chen - Hong Kong University of Science and Technology, Hong Kong
Zhaoyang Gu - Chinese University of Hong Kong, Hong Kong
Keiichi Kubota - Chuo University, Japan
Hitoshi Takehara - Waseda University, Japan

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

We investigate the degree of accrual-based earnings management (AEM) and real activities based earnings management (REM), using data of family and non-family firms listed on the Tokyo Stock Exchange between 2004 and 2011. Family firms are expected to have lower agency cost. A founding family will also pay attention to the reputation of their firm and family to sustain socio-emotional wealth. The level of accruals and cost may vary among family firms; i.e., whether or not shareholdings are large and if the CEO is from the founding family. With univariate analysis we find the level of AEM is higher for family than non-family firms, while REM measures are lower. In cross-sectional regressions we find shares owned by a founding family increase the level of AEM, while the CEO dummy variable decreases it. When we introduce economic measures related to costs of earnings management, we find that family firms utilize AEM more often than REM.

"Unexpected Earnings, Stock Returns and Risk under High Volatile and Concentrate Market"
Rene Pimentel - The Foundation Institute of Accounting, Brazil

Discussant: Zhaoyang Gu - Chinese University of Hong Kong, Hong Kong

This paper analyses the role of risk in the price reactions to earnings in the Brazilian market, which is characterized by high interest rates and stock market concentration. The analysis is based on 159 Brazilian listed firms from 1995 to 2012. The results suggest that under a stressed or distorted environment, the use of the market model beta may lead to a measurement error in risk. Therefore, the segregation of risk in systematic risk and total risk seems to yield more efficient and consistent estimators of the earnings-return association. Despite the significant and negative coefficient of total risk, empirical results are only partially consistent with previous studies, since the market model beta did not show any direct relation with the earnings response coefficients. Additionally, the evidence regarding the role of earnings persistence suggests a positive, but not robust, relationship with earnings-return relation. The results also show that neither firm-size nor IFRS adoption is a significant determinant of earnings response coefficient. Finally, results show that earnings response coefficients are negative related with volatility of interest rates, stock index and exchange rates and, intriguingly, negative related with stock liquidity. Overall, the results suggest that the consideration of macroeconomic risks is capable of reducing estimation bias especially in a high volatile and concentrate market such as the Brazilian one.

"The Roles of Trust and Control in Regulating Tax Reporting Behavior"
Ester Chen - Ben-Gurion University, Israel
Ilanit Gavious - Ben-Gurion University, Israel

Discussant: Rene Pimentel - The Foundation Institute of Accounting, Brazil

Recent literature documents that lower levels of book-tax conformity (BTC) are associated with less book reporting aggressiveness but greater tax reporting aggressiveness. This study investigates whether increasing the level of tax enforcement can potentially offset the primary cost of reducing BTC—increased tax reporting aggressiveness. The Israeli case provides an ideal opportunity for an examination of this issue, given that after the adoption of IFRS, Israel underwent a transition from a moderate level of BTC to an extreme nonconformity position. Furthermore, in concomitance with the change in BTC, the level of tax enforcement in Israel increased. We find that after the decrease in BTC and the concomitant increase in tax enforcement, tax avoidance declined significantly. In addition, the evidence shows that book and tax reporting aggressiveness were not related either under a moderate level or under a high level of BTC. Our results suggest that one of the primary alleged costs of reducing BTC—more aggressive tax reporting—may be avoided. Moreover, the results suggest that the two types of manipulations need to be addressed separately. Rather than one strict regulatory approach (such as book-tax alignment) to deal with two different types of reporting manipulations, a combination of trust and control is shown to be effective.

SESSION 27 **Rhine**

M&AS 2
Session Chair: Jeffrey Callen - University of Toronto, Canada

"Hedge Funds in M&A Deals: Is there Exploitation of PrivateInformation?"
Rui Dai - University of Pennsylvania, USA
Nadia Massoud - Melbourne University, Australia
Debarshi K. Nandy - Brandeis University, USA
Anthony Saunders - New York University, USA

Discussant: Naaguesh Appadu - Cass Business School, UK

This paper investigates recent allegations regarding the misuse of private insider information by hedge funds prior to the public announcement of M&A deals. We analyze this issue by using a unique and comprehensive dataset which allows us to analyze the trading pattern of hedge funds around corporate mergers and acquisitions in both the equity and derivatives markets. In general, our results are consistent with hedge funds, with short-term investment horizons (henceforth, short-term hedge funds) taking advantage of private information and engaging in trading based on such information. We show that short-term hedge funds holdings of a target's shares in the quarter prior to the M&A announcement date are positively related to the profitability of the deal as measured by the target premium. In addition, we also find that the target price run-up before the deal announcement date is significantly greater for deal with greater short term hedge fund holdings.

"Long-term and Short-term Wealth Effects of Asian Banks' M&A"

Yoko Shirasu - Aoyama Gakuin University, Japan

Discussant: Nadia Massoud - Melbourne University, Australia

This paper covers Asian stock exchanges to empirically examine market responses to M&A announcements, and changes in management strategy. We get difference results between short term and long term analysis. The long term results suggest that banks wealth effects from acquisitions need long terms, at least three years. The promotion or demotion of every strategy is widely difference among legal systems and regulation system and each combination. The courtiers whom adapted English origin legal system and high rating and private monitoring refutation systems tented to solute credit risk problems, tend to become being sound banks. The short term results suggest that a cross-border diversification strategy anticipates value creation and that investors are not interested in industry diversification. Investors evaluate banks with a purpose of future expanding loan business through a mutually complementary acquisition. And we can explain cross-border effect through national characteristics: it is strongly related to national credit ratings. Investors welcome IMF relief programs. The effect is also strongly positively related to the degree of a country's economic freedom and has relationships with cross-sectional coefficient values and Asia's legal and market systems. Furthermore, in case of alliance acquirers, loosen sting circumstance of barrier foreign-bank entry, loosen bank action restrictions and large private monitoring promote better banking sector outcomes.

"Explaining the Surge in Chinese Cross-border M&As: The Role of Home Country Macroeconomic Factors and Institutions"

Min Du - University of Nottingham, UK
Agyenim Boateng - Glasgow Caledonian University, UK
Yan Wang - University of Huddersfield, UK

Discussant: Yoko Shirasu - Aoyama Gakuin University, Japan

This paper examines the trends, patterns, and the impact of institutional and home country macroeconomic influences on Chinese cross-border mergers and acquisitions (CBM&A) over the 1998-2011 period. Using a multi-method approach involving OLS, Fixed effect and Random effect models, our results indicate that a number of home country macroeconomic and institutional variables, including GDP, money supply, interest rates, inflation, acquisitions in resource seeking sectors and cultural distance play an important role in explaining the trends of CBM&A outflows by the Chinese firms. The findings support the notion that home country macroeconomic and institutional factors play a role in explaining the trends of Chinese CBM&A activities thereby supporting location and institutional theories.

"The Next Step: How the Appointment of a New CEO Can Affect M&A Strategy"

Duncan Angwin - Oxford Brookes, UK
Naaguesh Appadu - Cass Business School, UK
Anna Faelten - Cass Business School, UK
Scott Moeller - Cass Business School, UK

Discussant: Yan Wang - University of Huddersfield, UK

This paper examines the M&A strategy of firms during the first year in office following the appointment of a new CEO and its effect on longer-term firm performance. Using a unique sample of large European listed companies, the results show that CEOs of UK firms execute more deals than their counterparts in

France, Germany and Spain, which could be a reflection of both a more aggressive attitude to deal-making and differences in the legal environment in continental Europe. Furthermore, following poor financial performance in companies prior to their appointment, CEOs hired with a ‘mandate to change’, use deal-making as their strategic tool to restructure the firm, favouring divestiture. Firms with strong board power are also more likely to perform deals and favour divestitures over acquisitions in the first year of a new CEO’s tenure. Firms which mainly carry out divestitures as their deal-making strategy have a positive impact on their short- and medium-term performance during the first two years in office of a newly appointed CEO. As to the manner of the new appointment, forced and external succession is associated with performance improvement, as well as the strength of the board (using the level of institutional ownership as a proxy).

SESSION 28 **Rhone**

EMERGING MARKETS 1
Session Chair: Nikolaos Philippas - University of Piraeus, Greece

"Equity Market Reaction to Sharp Price Changes: Evdence from Poland"
Rasoul Rezvanian - Northeastern Illinois University, USA
Zbigniew Krysiak - Warsaw School of Economics, Poland
Ewelina Klaczynska - Northeastern Illinois University, USA

Discussant: Toyli Yevjanov - Higher School of Economics, Russian Federation

We examine investors’ reaction to sharp price changes using two equity market indices in Poland: WIG and WIG20. Using daily market returns for the two indices from April 1991 and April 1994 to November 2012, we identify the event days as the days where market indices exhibited positive or negative daily price changes of 3 percent or more as well as two and three standard deviations from the mean of the market returns. By following the market behavior through price trend for 30 days after the event days, two conclusions can be reached: (a) The arrival of unexpected news that cause sharp price changes impacts volatility of market indices, and (b) the subsequent price adjustments after the initial sharp price changes take an upward corrective pattern only after the initial negative price changes, but not after positive price changes.

"Payment Persistence of Participants to Turkish Private Pension Scheme and Gender Differences"
Ozgur Arslan-Ayaydin - University of Illinois, USA
Mehmet Karan - Hacettepe University, Turkey
Yilmaz Yildiz - Hacettepe University, Turkey

Discussant: Rasoul Rezvanian - Northeastern Illinois University, USA

By considering the gender differences, this paper investigates the impact of socioeconomic and demographic attributes on the persistence of participant’s payments to their own private pension schemes. With an even separation between the genders, we study totally 6,025 participants between 01/31/2004 and 09/30/2012. For men, it is found that amount of payment, age, marital status, education, being located in the industrial and financial center of Turkey, higher risk tolerance and total period being remained in the system is positively associated with the likelihood of being a persistent payer. For women, the findings for all the attributes align to those for men except for the marital status and being located in the industrial and financial center of Turkey, which are found to be statistically insignificant. Overall, our results are plausible for financial institutions and policy makers that are typically sensitive to the payment persistence of the participants.

"An Empirical Analysis of Growth and Consolidation in Banking: A Markovian Approach for the Case of Russia."
Henry Penikas - National Research University, Russian Federation
Anastasia Petrova - National Research University - Higher School of Economics, Russian Federation

Discussant: Mehmet Karan - Hacettepe University, Turkey

This paper represents an empirical research of the growth process in the Russian banking sector during 2004-2010 years. The growth process is modelled by Markov chains. Nine states were used to describe the growth process. Markov chain stationarity check revealed three homogeneous periods. The forecast, based on adequate robustness proof, has been provided for 1, 3, and 10 years ahead. It was revealed that the number of banks is expected to decrease almost two times, whereas total assets are envisaged to grow more than 2.5 times and the return on assets is unlikely to increase more than by 12% in 10 years by 2020.

"Measuring Technical Efficiency for Banks in the Context of Russian and International Reporting Standards"
Toyli Yevjanov - Higher School of Economics, Russian Federation
Henry Penikas - National Research University Higher School of Economics, Russian Federation

Discussant: Anastasia Petrova - National Research University - Higher School of Economics, Russian Federation

In this paper twenty two Russian banks' technical efficiency were estimated. In 2003 Russian Central Bank started transition of reporting standards from RAS to IFRS. The purpose of this paper is to find out whether estimates of technical efficiency under RAS differ from estimates under IFRS. To do so model was specified and panel data constructed. Using SFA estimates were obtained. It became clear that estimates under RAS are in average greater than estimates under IFRS. Weak correlation between bank's size and difference in estimates was found. Also, state-owned banks in Russia turned out to be the most efficient.

SESSION 29 **Thames**

FUNDS 1
Session Chair: Ian Rakita - Concordia University, Canada

"Search-for-yield in Canadian Fixed-income Mutual Funds and Monetary Policy"
Sermin Gungor - Bank of Canada, Canada
Jesus Sierra - Bank of Canada, Canada

Discussant: Lubomir Petrasek - Federal Reserve Board, USA

This paper investigates the effects of monetary policy on the risk-taking behavior of fixed-income mutual funds in Canada. We consider different instruments to measure the stance of monetary policy and investigate only the active (intentional) variation in mutual funds' risk exposure in response to monetary policy. We find evidence in support of a systematic link between monetary conditions and inter-temporal variation in the risk-taking behavior of mutual funds. Specifically, following an expansionary monetary policy shift, interest rates decline and funds actively increase risk exposure, i.e. search-for-yield. For an average fund, the relation between risk exposure and monetary conditions is evident especially in the post-crisis period, when the interest rates have been kept low for an extended period of time, and spurred investors to search-for-yield. Overall, our evidence supports the claim that the risk exposure of financial intermediaries is dependent on monetary conditions.

"Shirking in the Funds Management Industry"
Ron Bird - University of Technology Sydney, Australia
Paolo Pellizzari - University Ca' Foscari of Venice, Italy
Danny Yeung - University of Technology Sydney, Australia
Paul Woolley - London School of Economics, UK

Discussant: Sermin Gungor - Bank of Canada, Canada

The ability of its managers (and process), the risks that it takes and luck are all well-accepted determinants of the returns realized by a fund. In this paper we concentrate on a fourth determinant: the extent to which a fund shirks by not using its ability to the fullest extent to the betterment of its clients. We demonstrate that the funds that will shirk least will be embryonic funds that have the greatest potential to add value, while it will be optimum for all funds to become more index-like as they grow their assets under management. Our findings have extensive implications ranging from the choice of investment managers to the functioning of capital markets.

"Performance Persistence and the Mutual Fund Network"
David Gonzalez - Hanken School of Economics, Finland

Discussant: Ron Bird - University of Technology Sydney, Australia

We study how centrality and survival ratio in the mutual fund network affect performance persistence. We estimate persistence using contingency tables, rebalanced portfolios and returns regressed on lagged values. In the estimations we include measures of fund centrality and survival ratios in order to determine the effect of network characteristics in performance persistence. We use daily data from CRSP database for 13 years ending in 2012. We estimate the network of mutual funds for every year using cross correlations in returns. The study shows that there are persistence in underperforming funds and that funds with low centrality are more likely to outperform in the next period. However, survival ratios are not found to be significant when estimating persistence.

"Hedge Fund Ownership and Stock Market Efficiency"
Charles Cao - Penn State University, USA
Bing Liang - Isenberg School of Management, USA
Andrew Lo - MIT Sloan Management, USA
Lubomir Petrasek - Federal Reserve Board, USA

Discussant: David Gonzalez - Hanken School of Economics, Finland

We examine the relation between changes in hedge fund stock holdings and the informational efficiency of equity prices, and find that, on average, increased hedge fund ownership leads to significant improvements in the informational efficiency of equity prices. The contribution of hedge funds to price efficiency is greater than the contributions of other types of institutional investors, such as mutual funds or banks. However, stocks held by hedge funds experienced extreme declines in price efficiency in the last quarter of 2008, and the declines were most severe in stocks held by hedge funds connected to Lehman Brothers.

SESSION 30 **Severn**

FIRM VALUE 1
Session Chair: Mika Vaihekoski - University of Turku, Finland

"Net Working Capital and Shareholders' Valuation: Do Firms' Financial Characteristics Matter?"
Sonia Baños-Caballero - University of Murcia, Spain
Pedro Garcia-Teruel - University of Murcia, Spain
Pedro Martínez-Solano - University of Murcia, Spain

Discussant: Gary Kleinman - Montclair State University, USA

We study how a firm's value is related to the way in which it finances its current assets. To our knowledge, this is the first empirical study of the relation between financing of current assets and value. Using different specifications of the Fama and French (1998) valuation model, we find a higher valuation for those firms that finance a greater proportion of current assets with short-term sources of finance. Our results also indicate that this valuation depends on firm financial position.

"Industry-specific determinants of shareholder value creation"
John Hall - University of Pretoria, South Africa

Discussant: Sonia Baños-Caballero - University of Murcia, Spain

Prior studies on determinants of shareholder value creation have reported conflicting and sometimes confusing results. In this study, in order to obtain more refined and industry-specific results regarding variables determining shareholder value creation, an analysis was performed focusing on different categories of firms or industries. Two dependent and 11 independent variables were applied to five different industries to obtain the best set of significant value drivers of shareholder value creation for a particular industry. The results of this study suggest that accounting-based variables are superior to economic-based variables in explaining shareholder value creation, but results differ depending on the dependent variable chosen as the shareholder value creation measure. It was further found that for each industry, there is a unique set of variables that determine shareholder value creation. These findings imply that management, analysts and shareholders should look at more specific sets of variables when making their financial decisions.

"Analytical Redefinition of DOL and Managerial Investment Decision"
Yoram Kroll - Ono Academic College (OAC), Israel
David Aharon - University of Haifa, Israel

Discussant: John Hall - University of Pretoria, South Africa

This paper is aimed at developing alternative analytical measures for the textbooks' Degree of Operating leverage (DOL) that reflects the impact of uncertain shocks in the product's market on optimal production levels, sales and profits. The new measure of The proposed analytical DOL measures are expressed either by marginal elasticity terms that reflect small shocks or by large elasticity terms that reflect the impact of large shocks. The traditional DOL is equal to our proposed large elasticity of operating profits with respect to production level only when large-scale negative demand prompts the firm to abandon production of the product. According to our model, the marginal elasticity of operating profits with respect to production level is at least twice the traditional analytical DOL. Furthermore, its level depends on the structure of the assumed shock, the parameters of the production function and the elasticity of the demand. This paper demonstrates that the elasticity of operating profits with respect to sales is a more reasonable risk measure than with respect to either price or production level. In addition, the sensitivity of operating profits to sales can be observed empirically, whereas the sensitivity of operating profits to prices and output cannot be easily observed. Managers who are well informed about the fixed and variable costs of their firm will find our suggested DOL risk measures useful in decision making.

"The Effect of Board Election and Corporate Governance on the Earnings Quality and Value Relevance of Earnings and Book Value"
Shuling Chiang - National Taipei College of Business, Taiwan
Gary Kleinman - Montclair State University, USA
Picheng Lee - Pace University, USA

Discussant: Yoram Kroll - Ono Academic College (OAC), Israel

This study examines the moderating impact of board of director elections and corporate governance on (a) the relationship between discretionary accruals and earnings quality, and (b) the relative value relevance of earnings per share (EPS) and book value (BV) on stock valuation. The importance of effective mechanisms monitoring management is well-known, with monitoring mechanisms including the board of directors and other aspects of corporate governance. We used a sample of Taiwanese firms whose board was elected every three years from 2003 to 2013. While elections led to lower earnings quality, having better corporate governance led to greater earnings quality. Board elections reduced the relationship between EPS and prices and changed the relative value relevance of EPS and BV with BV having greater value relevance than EPS. Finally, given board elections, the relative value relevance of EPS and BV on stock price was not moderated by strong corporate governance.

SESSION 31 **Clyde**

EXECUTIVE COMPENSATION
Session Chair: Leslie Robinson - Dartmouth College, USA

"CEO Compensation in the Finance Sector: Did the Financial Crisis Have an Impact?"
Sanjiv Jaggia - California Polytechnic State University, USA
Satish Thosar - University of Redlands, USA

Discussant: Raul Susmel - University of Houston, USA

Economic commentators conjectured that compensation structures for top management in the finance sector may have induced excessive risk-taking behavior that contributed to the financial crisis. Banking researchers have been aware of the risk-shifting incentives in finance and hypothesized that regulation should dampen pay-for-performance sensitivity in highly regulated banks. Empirical work conducted prior to the crisis documented that pay-for-performance sensitivity in banks is lower than in manufacturing firms. We decided to revisit this issue in light of the post-crisis commentary. We find that average CEO compensation in the finance sector declined during the crisis period (2007-09), rebounded post-crisis (2010-12), but remains below pre-crisis levels (2004-06). However, we also find that pay-for-performance sensitivity in the finance sector is higher than in the technology and other sectors in all three periods. This implies that compensation incentive structures in the finance sector remain a concern from a public policy perspective.

"Are Employee Stock Option Exercise Decisions Better Explained through the Prospect Theory?"
Hamza Bahaji - University of Paris Dauphine, France

Discussant: Sanjiv Jaggia - California Polytechnic State University, USA

It is well documented in the empirical literature that employee stock options exercise behavior is driven by economic/rational factors as well as by psychological/behavioral factors. The latter include a set of behavioral biases affecting attitudes towards risk. Perhaps the most comprehensive theory that captures these patterns is the Cumulative Prospect Theory (CPT). The central question examined in this paper is whether or not the CPT leads to better predictions of exercise decisions. Using a distorted lattice approach I show that the CPT broadly outperforms in explaining empirical exercise behavior. Interestingly, my empirical estimates of probability weighting are consistent with those from the experimental literature. I argue that this analysis provides a unifying stream for thinking about issues related to stock options exercise and valuation.

"Future Option Grants"
Vicky Henderson - University of Warwick, UK
Jia Sun - China Credit Rating Co. Ltd, China
A Elizabeth Whalley - University of Warwick, UK

Discussant: Hamza Bahaji - University of Paris Dauphine, France

Many executives receive annual grants of options. At the beginning of their tenure at a firm, such an executive with a portfolio of exercisable options will anticipate also receiving multiple future option grants. We model this in a utility-based framework and show that the increased unhedgeable risk from the future option grants induces earlier exercise and lowers shareholder costs of an executive's exercisable options. The impact of future option grants is greater, the more future grants and the larger each grant. Ignoring future options can bias estimates of executive characteristics such as optimism inferred from exercise thresholds and overstate costs of existing options.

"Compensation and Length of Contract of a New Manager:The Case of Major League Baseball"
Randy Silvers - Deakin University, Australia
Raul Susmel - University of Houston, USA

Discussant: A Elizabeth Whalley - University of Warwick, UK

We follow Gibbons and Murphy (1992) to lay out a simple model that predicts the value of a newly hired manager, which depends upon three components: natural ability, effort, and a stochastic, idiosyncratic element. Then, we estimate the compensation and contract length of newly hired managers and compare it to the contract structure for all managers. As expected, previous managing experience has a statistically significant and positive effect on annual compensation and the length of the initial contract. Only two quality indicators of the type of the manager have a significant impact on the average annual salary, but no impact on the duration of the contract. Previous minor league experience and network (connections) do not have an impact on the annual compensation. Interestingly, the main determinants of the duration of the initial contract for a newly hired manager, besides previous MLB coaching experience, are age and being designated an interim coach.

SESSION 32 **Shannon**

VOLATILITY 1
Session Chair: Stefan Trueck - Macquarie University, Australia

"Feedback Trading and Autocorrelation Pattern of Sub-Saharan African Equity Markets"
Saint Kuttu - Ghana Institute of Management and Public Administration, Ghana
Godfred Bokpin - University of Ghana, Ghana

Discussant: Yueh-Neng Lin - National Chung Hsing University, Taiwan

This paper examines feedback trading and the pattern of autocorrelation of stock returns in the equity markets of Ghana, Kenya, Nigeria and South Africa. We assume that some investors follow a positive feedback trading strategy. We find that there is strong evidence that positive feedback trading induces negative autocorrelation in the stock returns of Nigeria and South Africa. This sign reversal occurs during periods of rising volatility. These findings are in agreement with studies for the U.S. stock market. For Ghana and Kenya, we find that non-synchronous trading or time variation in ex-ante returns produced negative feedback trading.

"Does VIX or Volume Improve GARCH Volatility Forecasts?"
David G McMillan - University of Stirling Management School, UK
Dimos S Kambouroudis - University of Stirling Management School, UK

Discussant: Saint Kuttu - Ghana Institute of Management and Public Administration, Ghana

This paper considers whether the inclusion of two additional variables can improve volatility forecasts over a GARCH-type model. We consider three alternative ways of incorporating the Volatility Index (VIX) and Trading Volume as exogenous variables within the setting of a selection of GARCH models. We are particularly interested in whether these variables have additional incremental forecast power over and above the baseline GARCH specification. Our results suggest that both the VIX and Volume do provide some additional forecast power and this is generally improved when considering both of these series jointly in the model specification. However, while the results may be statistically significant the gain is marginal and the coefficient values small. Moreover, in a horse-race exercise VIX does not outperform the GARCH approach. In answering the question of whether VIX produces better forecasts than the GARCH type models, then the answer is no but the informational content of VIX cannot be ignored and should be incorporated into forecast regressions.

"The Calm After the Storm: Implied Volatility and Future Stock Index Returns"
Thorben Lubnau - European University Viadrina, Germany
Neda Todorova - Griffith University, Australia

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

This article explores the predictive power of five implied volatility indices for subsequent returns on the corresponding underlying stock indices from January 2000 through October 2013. Contrary to previous research, very low volatility levels appear to be followed by significantly positive average returns over the next 20, 40 or 60 trading days. Rolling trading simulations show that positive adjusted excess returns can be achieved when long positions in the stock indices are taken on days of very low implied volatility. This may be a hint that market inefficiencies exist in some markets, especially outside the US. The excess returns measured against a buy and hold benchmark are significant for the German and Japanese market when tested with a bootstrap methodology. The results are robust against a broad spectrum of specifications.

"Dynamic Volatility Hedging Capital Allocation"
Yueh-Neng Lin - National Chung Hsing University, Taiwan

Discussant: Neda Todorova - Griffith University, Australia

The challenge in “long volatility” strategies is to minimize the cost of carrying such insurance, as implied volatility continues to trade above realized levels. This study proposes a cost-efficient strategy for CBOE volatility contracts that is subject to substantial protection against market crashes, while still participating upside preservation. The results show (i) timely hedging strategy removes the extreme negative tail risk and reduces the negative skewness in exchange for slightly fewer instances of large positive returns; (ii) dynamic volatility hedging capital allocation effectively mitigates the negative cost-of-carry problem; (iii) using volatility contracts as extreme downside hedges can be a variable alternative to buying out-of-the-money S&P 500 index puts; and (iv) the significant volatility-hedged return is a form of compensation for investable higher-moment equity risk factors.

SESSION 33 **Tiber**

MARKET EFFICIENCY 2
Session Chair: Didier Maillard - CNAM, France

"Size and Price-to-Book Effects: Evidence from the Chinese Stock Markets"
Jitka Hilliard - Auburn University, USA
Haoran Zhang - Auburn University, USA

Discussant: Chanatip Kitwiwattanachai - University of Connecticut, USA

We examine the size and price-to-book effects in Chinese markets. We find strong evidence for the size effect and weaker evidence for the price-to-book effect. We further examine these effects in the context of the monetary policy of Peoples Bank of China. We find that the size effect is stronger during the time of restrictive monetary policy. We attribute these results to specific characteristics of Chinese markets, such as potentially lower bankruptcy costs of partially state-owned enterprises. We also examine the herding behavior of investors. Herding behavior increasescorrelations among stock returns and may mitigate, to some extent, the size and price-to-book effects. We find evidence of herding behavior in Chinese markets between 2002 and 2012. The herding behavior, however, decreases after the year of 2006. It suggests that the informational asymmetries in Chinese markets are decreasing as the markets mature.

"Ambiguity Aversion, Information Uncertainty and Momentum around the World"
Yujing Gong - WHU-Otto Beisheim School of Management, Germany
Mei Wang - WHU-Otto Beisheim School of Management, Germany

Discussant: Jitka Hilliard - Auburn University, USA

This paper examine to what extent ambiguity aversion influence the momentum profits across countries. Ambiguity aversion is measured from the INTRA (International Test of Risk Attitude) survey by Rieger, Wang, and Hens(2012). We find that even after controlling other possible determinants, higher degree of ambiguity aversion tent to correspond with lower momentum profits at country level. We also find an interaction effect between ambiguity aversion and information uncertainty on momentum profits across country, namely in those countries with higher ambiguity aversion index, we observe stronger correlation between information uncertainty and momentum profits. One possible explanation for our findings is that people who are more averse with uncertainty tend to have lower degree of overconfidence and self-attribution biases, which will further affect the momentum profits according to Daniel, Hirshleifer, and Subrahmanyam(1998).

"Does Momentum Trading Opportunities Exit? Evidence from Chinese and Indian Stock Markets"
Krishna Reddy - University of Waikato, New Zealand
Zhiyu Yang - University of Waikato, New Zealand
Abhay Singh - Edith Cowan University, New Zealand

Discussant: Yujing Gong - WHU-Otto Beisheim School of Management, Germany

This paper examines whether investors can use technical analysis (such as momentum trading) to generate abnormal returns. Testing momentum strategy in Chinese and Indian stock market with transaction cost provides a unique opportunity to determine whether the stock transaction tax have any significant impact on abnormal returns in these two markets. The main research method used is the standard momentum trading strategy, while contrarian strategy is also considered as an innovation. Prior evidence relating to pre-2005 period suggests that the abnormal returns will remain for the Chinese market. However, the cumulative abnormal return for post-2006 period is expected to decline, thus reaching -0.8% in 2012. These findings have implications for the two hotly contested issues, that is: (1) market efficiency

(weak-form EMH), and (2) the profitability power of real world momentum trading strategy. After controlling for the impact of different market frictions, bootstrapping of data, and Chow breakpoint tests, we report findings that are more robust.

"Momentum from Noise"
Chanatip Kitwiwattanachai - University of Connecticut, USA

Discussant: Krishna Reddy - University of Waikato, New Zealand

Momentum is a classic anomaly against the efficient market hypothesis. In this paper I show that momentum can be generated from an efficient market where investors try to extract the true underlying value. Price is obtained as the best estimate of the intrinsic value using observable, but noisy, information such as earnings. Prices exhibit momentum effect even though the underlying value is a martingale. The market is efficient in a sense that investors incorporate the information in their estimate of the underlying value. Momentum arises when the belief about the variance of the noise is different from the true variance. Momentum is the norm, not an exception. Momentum is a manifestation of noise.

SESSION 34 — Seine

DEBT ANNOUNCEMENTS
Session Chair: Nadia Massoud - Melbourne University, Australia

"The (Un)Informative Value of Credit Rating Announcements in Small Markets"
Zvika Afik - Ben-Gurion University, Israel
Itai Feinstein - Ben-Gurion University of the Negev, Israel
Koresh Galil - Ben-Gurion University of the Negev, Israel

Discussant: Yuriy Zabolotnyuk - Carleton University, Canada

This work examines the rating information value in the Israeli market. This matter is also important to other small markets, in which a debt issuer may take advantage of a "rating shopping" process or choose to avoid a rating procedure altogether because the agencies do not carry out unsolicited rating. We analyze the bond and equity markets response to various rating announcements at different time periods. We find that except for a marginal effect of downgrades the rating announcements have no information value. It seems that generally the market internalizes most of the information prior to the rating announcements.

"The Islamic Debt Announcement Impact: An Empirical Investigation of Indonesian Islamic Debt"
Fitriya Fitriya - University of Muhammadiyah Palembang, Indonesia
Muhammad Idris - University of Muhammadiyah Palembang, Indonesia
Abid Dzajuli - University of Muhammadiyah Palembang, Indonesia
Deviyansah Deviyansah - University of Muhammadiyah Palembang, Indonesia

Discussant: Zvika Afik - Ben-Gurion University, Israel

This study empirically investigates whether the market reacts favourably to a firm announcing an issue of Islamic debt the Islamic debt announcement in Indonesian-listed firms. The study period is a range from 2000 to 2009. Three abnormal return benchmarks are employed in this study to calculate abnormal return which are mean adjusted return, market adjusted return and market model return. The results reveal that the impact of Islamic debt announcement using three benchmarks is a positive and significant for both AAR and CAAR. This positive finding supports the positive impact hypothesis. In addition, the unit root test result indicates that the market is inefficient in the context of weak form efficiency, which suggests that the price movements are predictable. Furthermore, the findings of this study are restricted to the limitation of the data. If there are any problems relating to data limitation, then that would limit the validity of the findings.

"Beta Risk and the Announcement Effects of Debt Issues: Pre- and Post-Recessionary Evidence from the London Stock Exchange"

Konstantinos Bozos - Leeds University Business School, UK
Dimitrios Koutmos - Worcester Polytechnic Institute, USA
Dionysia Dionysioy - University of Stirling, UK
Neophytos Lambertides - Cyprus University of Technology, Cyprus

Discussant: Fitriya Fitriya - University of Muhammadiyah Palembang, Indonesia

This article examines the behavior of common stock prices of firms listed in the London Stock Exchange following the announcement of debt issues. Using a bivariate EGARCH model with time-varying betas, variances and covariances we find that following such announcements the sampled firms' betas tend to rise coupled with negative abnormal returns – an observation that is amplified during periods when economic sentiment is particularly lower. The asset pricing implication here is that a 'leverage effect' is present whereby investors' required rate of return rises following the announcement of debt and they discount at higher rate future expected cash flows, thus exerting downward pressure on stock prices.

"Wealth Effects of Bond Rating Announcements"

Yuriy Zabolotnyuk - Carleton University, Canada

Discussant: Konstantinos Bozos - Leeds University Business School, UK

This paper employs replication study methodology to study the effects of bond ratings announcements on stock prices of the issuing firms. The meta-analysis of 38 studies and 254 sub-samples of data covering 47,753 bond rating announcements reveals an abnormal stock return of -2.17% associated with negative rating announcements and an abnormal stock return of 0.32% associated with the positive rating announcement. Factors, such as degree of rating change, initial bond rating, credit watch placement, issuer domicile, rating announcement period, and reason for rating change have significant effects on the size of the stock abnormal returns.

SESSION 35 **Rhine**

IPOS & CROSS LISTING 1
Session Chair: Samuel Szewczyk - Drexel University, USA

"Why do PE and VC Firms Retain Ownership after the Initial Public Offering?"

Meziane Lasfer - City University London, UK
Natalia Matanova - City University London, UK

Discussant: Jan Zimmermann - Justus-Liebig-University Giessen, Germany

We assess the determinants of compulsory and voluntary PE/VC investors' ownership in the post-IPO period. We find support that these investors retain shares to mitigate potential managerial expropriation of outside shareholders. We show that retained and fully exited (by financial sponsors) IPOs significantly differ with respect to the following characteristics: IPO, PE/VC house and fund characteristics, investment and divestment intensity of different pre-IPO shareholders. Our analysis of the aftermarket performance suggests that backed IPOs underperform in the long-run, which is heavily driven by the VC sub-sample. Using calendar time approach, we report negative average monthly abnormal returns for portfolios of backed IPOs over various holding periods (irrespective of PE and VC investors' decision to continue holding ownership post-flotation). Moreover, in contrast to non-financially backed IPOs, momentum does not explain backed IPOs' excess returns.

"Conflicts of Interest in IPO Pricing"

Manuela Geranio - Università Bocconi, Italy
Camilla Mazzoli - Università Politecnica delle Marche, Italy
Fabrizio Palmucci - Università di Bologna, Italy

Discussant: Natalia Matanova - City University London, UK

We study how IPO pricing is affected by the conflicts of interest arising from the affiliations between underwriters, venture capitalists, and institutional investors. Using a sample of 2,026 IPOs from the US market between 1997 and 2010, we find that all types of conflicts of interest strongly and positively affect the primary market price, suggesting the engagement of dumping ground behavior. However, by introducing a new method for disentangling the effects of these conflicts on secondary market from those on primary market, we find additional results: when an institutional investor is affiliated with a lead manager or with a venture capitalist, we observe a lower underpricing in cold IPOs but a higher underpricing in hot IPOs. These results confirm the dumping ground behavior in cold IPOs, whereas they suggest the occurrence of nepotistic behavior in hot IPOs in the setting of the offer price.

"Withdrawal Versus Overpricing: The Effect on Underwriter Market Share"

Walid Busaba - University of Western Ontario, Canada
Zheng Liu - University of Western Ontario, Canada

Discussant: Manuela Geranio - Università Bocconi, Italy

This paper examines the effect of IPO overpricing on the long-term prospects of the underwriters. It empirically demonstrates that overpricing offerings to avert withdrawal not only increases the payoff to the underwriter from the respective deals but also enhances the underwriter's share of future IPO business. In particular, it finds that banks which engage issuers with a higher ex ante propensity to withdraw, and then aggressively price the offerings to actually avert withdrawal, experience a pronounced increase in their future IPO market share. Such reward is not experienced by underwriters which at the outset avoid engaging issuers with high likelihood of withdrawal. The paper also finds that withdrawals have more of an adverse effect on future market share than does mere overpricing. Furthermore, when overpricing is accompanied by even modest price support during first-day of public trading, the effect on the bank's future market share is significantly less adverse than that associated with otherwise letting the offer be withdrawn.

"The Survival of Initial Public Offerings in Europe: The Impact of Venture Capital and Private Equity"

Wolfgang Bessler - JLU Finance, Germany
Martin Seim - JLU Finance, Germany
Jan Zimmermann - Justus-Liebig-University Giessen, Germany

Discussant: Walid Busaba - University of Western Ontario, Canada

We investigate the effects of venture capital (VC) and private equity (PE) on the success and failure of Initial Public Offerings (IPOs) in Europe during the period from 1996 to 2010. Our analysis of survival probabilities spans two full IPO cycles, including the "new economy" period. Based on logit analyses and accelerated failure time models, we first document that profitability and first-day underpricing increase the survival probability of IPOs whereas leverage and the standard deviation of aftermarket returns (a measure of risk) are negatively related to survival rates. Further, for the full period our results suggest a significantly positive effect of VC/PE involvement on the likelihood of survival and on the survival duration of IPOs, with the effect being more pronounced for venture capital than for private equity. How-ever, when comparing the two IPO cycles, we find no positive effect of VC/PE on IPO survival for the "new economy" period.

BANKING 2

Session Chair: Frank Skinner - University of Surrey, UK

"The Impact of Foreign Banks on Monetary Policy Transmission during the Global Financial Crisis of 2008-9: Evidence from Korea"

Bang Nam Jeon - Drexel University, USA
Hosung Lim - The Bank of Korea, Korea
Ji Wu - Southwestern University of Finance and Economics, China

Discussant: Yian Liu - SMU Cox School of Business, USA

This paper examines the impact of foreign banks on the monetary policy transmission mechanism in the Korean economy during the period from 2000 to 2012, with a specific focus on the lending behavior by banks with different types of ownership. Using the bank-level panel data of the banking system in Korea, we present consistent evidence on the buffering and hampering impact of foreign banks, especially foreign bank branches, on the effectiveness of the monetary policy transmission mechanism in Korea from the bank-lending channel perspective during the period of the global financial crisis of 2008-9.

"Changes in Ownership Structure and Bank Efficiency in Asian Developing Countries: The role of Financial Freedom"

Kun-Li Lin - Feng Chia University, Taiwan
Anh Tuan Doan - Feng Chia University, Taiwan
Shuh-Chyi Doong - National Chung Hsing University, Taiwan

Discussant: Bang Nam Jeon - Drexel University, USA

This paper investigates the effect of the changes in bank ownership on cost efficiency across twelve Asian developing economies. We also evaluate how financial freedom shapes the effect of the changes in bank ownership on cost efficiency. Using stochastic frontier approach to estimate bank efficiency scores during the period 2003-2012, we find that foreign presence improves bank efficiency, primarily in countries with high financial freedom. In addition, our results also show that increased government (domestic) ownership of bank appears to improve (impede) bank efficiency in countries with more financial freedom after financial crisis.

"The Influence of Competition on the Financial Stability of Banks in the GCC Countries"

Aktham Maghyereh - UAE University, United Arab Emirates
Basel Awartani - Plymouth University, UK

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

This paper tests the average relationship between competition and bank stability for 70 banks operating in the Gulf Cooperation Council (GCC) countries during the period 2001-2011. Our results show that an increase in competition contributes to bank fragility and that its contribution depends on the strength of regulations. In particular, the negative impact on bank soundness will be stronger the lower the capital requirements, the weaker the supervisory power, the looser regulations imposed on bank activities, and the less the transparency and the market discipline. These findings carry important policy implications for banks' stability in the GCC countries.

"Universal Banking Spillovers: Evidence from Financial Crises"
Yian Liu - SMU Cox School of Business, USA

Discussant: Aktham Maghyereh - UAE University, United Arab Emirates

This paper shows that foreign investment bank exposure, originating from investment, asset management, and even private equity divisions, has the potential to transmit shocks across markets and disrupt domestic lending. I model and then test this novel universal banking mechanism using a new measure for bilateral bank holdings consisting of over one million firm level linkages. The analysis considers capital and funding shocks originating from 34 financial crises and analyzes the resulting lending dynamics at affiliate branches in non-crisis countries. The empirical evidence suggests that crisis country investment bank holdings transmit capital shocks to the bank holding company. Commercial bank crisis exposure however generates greater liquidity constraints as these institutions face funding as well as capital shocks. A one standard deviation increase in investment bank exposure results in a 0.43% lending decline whereas an analogous increase in commercial bank exposure leads to a 0.73% contraction. Then exploiting variation in shock dynamics resulting from different exposures, I employ a triple differences identification strategy to show that that credit contractions follow the geography of banking. This identifies a new channel through which international credit supply spillovers can arise from investment bank linkages.

SESSION 37 **Thames**

DERIVATIVE PRODUCTS
Session Chair: Marc Steffen Rapp - Philipps Universität Marburg, Germany

"Options Pricing and Roll-Over Parameters"
Sol Kim - Hankuk University of Foreign Studies, Korea

Discussant: Andreas Rathgeber - University of Augsburg, Germany

For S&P 500 options, we examine the pricing and hedging performance of several options pricing models with respect to the roll-over strategies of parameters. The traditional roll-over strategy of the parameters, the nearest-to-next approach, and those using the new roll-over strategy, the next-to-next approach are compared. It is found that the next-to-next roll-over strategy can decrease pricing and hedging errors of all options pricing models and mitigate the over-fitting problems. The “absolute smile” traders’ rule has the advantage of simplicity and is the best model for pricing and hedging options.

"Asian Cash & Futures Markets Price Formation: Price Leadership Between Index Futures & Exchange Traded Funds"
Malick Sy - RMIT University, Australia

Discussant: Sol Kim - Hankuk University of Foreign Studies, Korea

In this research, two financial products, Exchange Traded Funds (ETFs) and Index Futures from six Asian countries (Japan, Korea, China, Singapore, Hong Kong and Taiwan) are used to analyse the process of price discovery in Asian spot and futures markets. From the high frequency observations for both the ETFs and Futures, a linear vector error correction model is applied for our estimation and the quantification of each market contribution to the process of price discovery is obtained through the common factor weights methodology first introduced by Schwarz and Szakmary (1994). We found that index futures still dominate in the process of price leadership in Asian markets. Moreover, volatility is identified as being the driving force behind the futures markets price leadership.

"Rainbow Trend Options: Valuation and Applications"
Hsiao-Chuan Wang - National Taiwan University, Taiwan
Jr-Yan Wang - National Taiwan University, Taiwan

Discussant: Malick Sy - RMIT University, Australia

The asset selection and timing decisions are two major concerns for investors when trading securities. To solve these two issues simultaneously, we propose a new class of rainbow trend options. The diversification effect of rainbow options can reduce the importance of the asset selection decision, and trend options, which focus on the trend of the realized asset prices rather than the asset price at a specific time point, can mitigate the unfavorable effect on decisions for when to enter and exit the market. This paper is the first to derive the analytic pricing formulae for three types of rainbow trend options using the martingale pricing method. The properties of option prices and the Greeks of these rainbow trend options are also investigated. In addition, several practical applications of the rainbow trend options are discussed in this paper, for instance, to hedge the risk of trend prices of multiple substitutions or to design more effective executive compensation plans.

"Financialization of Metal Commodity Markets: Does Futures Trading Influence Metal Prices and Volatility?"
Herbert Mayer - University of Augsburg, Germany
Andreas Rathgeber - University of Augsburg, Germany
Markus Wanner - University of Augsburg, Germany

Discussant: Hsiao-Chuan Wang - National Taiwan University, Taiwan

The emerging financialization of commodity markets through the last decades raises the question of the efficiency of commodity markets and lead to a discussion about commodity investing and its implica-tions. Within this study, we examine potential effects for the less regarded metals markets, by analyzing the Commitment of Traders (COT) reports from the U.S. Commodity Futures Trading Commission (CFTC) for copper, gold, platinum and silver. Using the methodological framework of the Granger-causality over the long period from March 1995 to July 2013, we test if commercial and non-commercial traders and their respective positions cause changes in prices and volatility and vice versa. We find less evidence for these effects. However, the tests on reverse causality show strong significance, and thus, may be interpreted as indication that the market efficiency holds for metals markets.

SESSION 38 **Severn**

FINANCING 2
Session Chair: John Hall - University of Pretoria, South Africa

"The Impact of Institutional Factors on Firm Financing: Evidence from South Asian Countries"
Nirosha Hewa Wellalage - University of Waikato, New Zealand
Stuart Locke - University of Waikato, New Zealand

Discussant: Inês Lisboa - Polytechnic Institute of Leiria, Portugal

The study compares the impact of the commercial environment on external financing of female owned small medium enterprises (SMEs) compared to those that are male owned in seven South Asian countries. The region exhibits weak institutional and regulatory regimes which result in expropriation of profits from SMEs. It is likely that such commercial environments add to the risk of lending to SMEs and this may further manifest in a gender bias toward males. This study uses a unique dataset of over 5000 firms from World Bank Enterprise Surveys and combines this with additional information drawn from World Bank macro-economic data. The data is then to be studied using interval regression and logit regressions. Similar to other studies low access to formal external financing is identified as a constraint to female SME owners compared to male counterparts in the South Asia region as well. However, contradictory to other studies this research indicates that once females have access to formal financing they use a high proportion of formal financing in their firm capital structure than their male-counterparts. A gap in accessing external

finance for women owned SMEs presents both a waste of human resource and a lost potential to lift standards of living, presenting an opportunity for reform. To the extent that institutional factors are particularly burdensome for the female run business, or have a direct gender angle, addressing these issues will be particularly beneficial for women entr

"The Role of Credit Ratings on Capital Structure and its Speed of Adjustment in Bank-Oriented and Market-Oriented Economies"
Michael Firth - Lingnan University, Hong Kong
Michal Wojewodzki - Middlesex University, UK
Winnie Poon - Lingnan University, Hong Kong

Discussant: Stuart Locke - University of Waikato, New Zealand

We examine the role of external corporate credit ratings in explaining leverage and the speed of adjustment (SOA) using an international dataset. We find that the impact of credit ratings (CRs) on firms' capital structures is more significant and negative in countries with more market-based (MB) oriented financial systems when quantified by a Financial Architecture variable, but not when measured by the traditional division into MB and bank-based (BB) oriented countries. Furthermore, the relation between the CRs and firms' leverage ratios is significantly stronger for companies operating in advanced countries than for companies operating in developing economies. Our analysis shows that CRs play a more significant role in explaining leverage in the U.S. than in the other 18 countries we analyze. We find that companies with poorer CRs display a faster SOA towards a desired level of leverage. This happens regardless of the financial orientation or economic development of a country.

"Slow Ratings"
Stefano Bonini - Bocconi University, Italy
Sreedhar Bharath - Arizona State University, USA
Ombretta Pettinato - SDA Bocconi School of Management, Italy

Discussant: Michal Wojewodzki - Middlesex University, UK

Rating agencies came under heavy scrutiny following the ?nancial crisis for being slow in updating the oustanding ratings making information in ratings stale. In this paper, we show that rating agencies were fully informed about the changes in the credit quality of the issuers yet chose to delay the update of outstanding ratings. First we show that equity analysts anticipate changes in ratings up to 6 months before the actual rating action. Secondly, we show that the same anticipation is found in ratings privately distributed at a cost by Moody's to private investors (Moody's Implied Ratings). These results show that ratings do not convey fundamental information while still serving as credit quality certification devices that drive the asset allocation of regulation-constrained investors. In order to minimize shocks in constrained investors portfolios, rating agencies delay the release of updates to allow reallocations before actual revisions. The role of rating agencies is therefore revised from information providers to coordination mechanisms.

"Family Impact on Capital Structure During Crisis Periods"
Inês Lisboa - Polytechnic Institute of Leiria, Portugal

Discussant: Stefano Bonini - Bocconi University, Italy

The aim of this study is to analyse whether family control impacts the firm capital structure and if results are influence by financial turbulences. I analyse the Portuguese stock market, from January of 1999 till December of 2012. Findings show that family and non-family firms present similar debt levels but their aim to look for debt is unique. Moreover, higher concentration of family ownership leads to reduction in the firm's leverage. These results are especially relevant for investors, academics, and the professional managers of these companies.

ENERGY & REAL OPTIONS
Session Chair: Lawrence Kryzanowski - Concordia University, Canada

"Exploration Activity, Long Run Decisions, and Roll Returns on Energy Futures"
Alexander David - University of Calgary, Canada

Discussant: Tomasz Wisniewski - University of Szczecin, Poland

We present some evidence that firms' inventories as well as their long term expenditures on exploration and development (E&D) each help to predict the slope of the oil futures curve one year ahead. In addition we show that roll strategies in futures contracts conditioned on E&D expenditures rather than inventories have a stronger performance over the past 25 years. Historical data displays significant components of very low (less than once in six years) and very high (more than once every two months) frequency variation in prices, which supports the presence of both long and short term risk. Building on the work of Litzenberger and Rabinowitz (1995), we develop a theoretical model where firms change E&D expenses over the business cycle to manage the value of their extraction options. Firms optimally invest in short bursts when aggregate resource demand shifts from a stable to a volatile regime, and when their capital stock is far from the new optimum level. Such adjustments happen infrequently only when the stable regime has persisted for a fairly long period. The model is able to shed light on the stylized facts. It thus provides a theoretical rationale for the strong link between the slope and risk premium on energy futures.

"Real Options: A Model Assessing Flexibility and Uncertainty Applied Study on the Lebanese Oil Sector"
Nizar Atrissi - Universite Saint-Joseph, Lebanon

Discussant: Alexander David - University of Calgary, Canada

The purpose of this article is to elucidate the importance of real options in strategic investment decisions with as a case study the potential Lebanese oil sector. To show the superiority of real options over the traditional analysis, we study the project of the Lebanese seabed mining using binomial trees as a valuation model. It appears that real options attribute greater value to the project. This value is attributed to reducing uncertainty and to increased managerial flexibility granted to decision makers.

"Asymmetric CGARCH Dynamic Volatility Prediction: Mexican Oil Returns Assuming Two Distributions"
Raúl De Jesús Gutiérrez - Universidad Autónoma del Estado de México, Mexico
Edgar Ortiz - Universidad Nacional Autonoma de Mexico, Mexico

Discussant: Nizar Atrissi - Universite Saint-Joseph, Lebanon

This paper extends the CGARCH model to capture temporal and permanent asymmetrical effects to predict the conditional volatility of Mexican Maya and Itsmo oil price returns for the period January 2 1989 to December 31, 2012. It employs two distribution assumptions, normal and Laplace, for conditional price innovations. Evidence from the Diebold-Mariano statistic (1995) identifies empirically the validity of the CGARCH asymmetrical model in 78 percent of the cases as the best out of sample model in terms of predictive power under three loss functions in clear contrast to other GARCH models: GARCH standard, EGARCH, GJR, APARCH, and CGARCH. Findings have important implications for investors in energy markets, as well as for the Mexican government.

"Double Monte Carlo Method for Valuation of Real Options"
Tomasz Wisniewski - University of Szczecin, Poland

Discussant: Edgar Ortiz - Universidad Nacional Autonoma de Mexico, Mexico

The paper presents and analyses practical method of real options (RO) valuation based on marketed asset disclaimer approach (MAD). Concept of MAD is extended in order to complete valuation of RO and not only calculation of the project volatility alone. The difference in mean values of two simulations approximates the value of RO. Execution of RO is triggered by the proxy variable and not project value itself as in the traditional approach to valuation of RO. A number of interesting effects of such valuation approach could be observed. One of the most interesting one is increase of RO value with the decrease of triggering value of the proxy variable and increases the probability that the option is wrongly executed – this is different from standard methods in which options execution is always correct. Paper includes comparison of double Monte Carlo method to standard approaches. This shows smaller value of RO than the value obtained with standard valuation methods.

SESSION 40 **Shannon**

MACRO FINANCE 3
Session Chair: Louis Murray - University College Dublin, Ireland

"Quantitative Easing and the U.S. Stock Market"
Anastasios Malliaris - Loyola University Chicago, USA
Mary Malliaris - Loyola University Chicago, USA
Ramaprasad Bhar - The University of New South Wales, Australia

Discussant: Rathin Rathinasamy - Ball State University, USA

The Financial Crisis of 2007-09 caused the U.S. economy to experience a relatively long recession from December 2007 to June 2008. Both the U.S. government and the Federal Reserve undertook expansive fiscal and monetary policies to minimize both the severity and length of the recession. Most notably, the Federal Reserve initiated three rounds of unconventional monetary policies known as Quantitative Easing. These policies were intended to reduce long-term interest rates when the short term federal funds rates had reached the zero lower bound and could not become negative. It was argued that the lowering of longer-term interest rates would help the stock market and thus the wealth of consumers. This paper carefully investigates this hypothesis and concludes that quantitative easing has contributed to the observe increases in the stock market's significant recovery since its crash due to the financial crisis.

"Investment-based factors and macroeconomic conditions: Asymmetric effects of the business cycles on long and short sides"
Byoung-Kyu Min - University of Neuchatel, Switzerland
Jangkoo Kang - Korea Advanced Institute of Science and Technology, Korea
Changjun Lee - Hankuk University of Foreign Studies, Korea

Discussant: Mary Malliaris - Loyola University Chicago, USA

We examine whether investment-based factors—the investment factor (INV) and the return-on-equity factor (ROE)—are related to the macroeconomy. We find reliable evidence that returns on INV are positively related to future economic growth. When conditioning on good and bad states of the business cycle, we show that returns on INV are significantly higher during good states than bad states. We also find that the conditioning effect of economic conditions on INV is asymmetric between long and short sides of INV. However, we find little evidence of these relations between ROE and the macroeconomy. The relations remain robust even in the presence of business cycle variables and after controlling for the book-to-market effect. Overall, the results lend support to the view that INV can be interpreted as a state variable in Merton's (1973) ICAPM.

"Evaluating Strategies to Maximize Portfolio Performance Measures Using Rebalancing, Buy and Hold, and Monetary Policy Indicators"

Jimmy Hilliard - Auburn University, USA
Jitka Hilliard - Auburn University, USA

Discussant: Changjun Lee - Hankuk University of Foreign Studies, Korea

We examine buy and hold and a number of rebalancing strategies on a portfolio of indices that are tracked by ETFs. The indices include Barkley's treasuries and MSCI indices on emerging markets, Pacific and European markets, value funds, and growth funds. Portfolios are rebalanced using threshold schemes and compared with portfolios rebalanced using weights from different points on the e¢ cient frontier. We also examine portfolios that are rebalanced across monetary policy regimes. We find that portfolios rebalanced using efficient frontier weights and allowing for shifts in monetary policy regimes easily outperform both threshold rebalancing and buy and hold strategies.

"The Link Between Differential Economic Fundamentals & the Observed January Effect in the Market for the U.S. Dollar"

Rathin Rathinasamy - Ball State University, USA

Discussant: Jimmy Hilliard - Auburn University, USA

Using daily and monthly U. S. Dollar and G-10 Dollar Indices for a 32-year period from 1975-2006, this study documents the January effect in the market for the U. S. dollar. Further, the causes of January effect of the U. S. dollar is explored in a multiple regression frame-work with aggregated January return as dependent variable, and with standard deviation of daily returns and macro fundamental variables namely a real GDP growth rates, first differences of U. S. short-term and long-term capital investment flows, current account balance, net foreign assets in the U. S. foreign purchases of U. S. securities, quarterly inflation rate and real 90-day T-bill Rate as independent variables. The results show the existence of the significant January effect in the U. S. dollar markets. Statistically significant January standard deviation of the U. S. dollar offers partial explanation for the observed January effect. Further, the results show significant positive relation between the January return and the U. S. 90-day real T-bill rate and the percent change of the foreign purchase of the U. S. securities. A somewhat significant negative relation is found between January return and the percent change in other Direct Foreign Investments.

Refreshments 10:15 a.m. - 10:30 a.m.

Foyer 3rd Floor

SESSION 41 **Tiber**

ASSET PRICING 4
Session Chair: Gregory (Greg) Durham - Montana State University, USA

"The Effects of Multilateral Trading Systems on Risk and Return in Equity Markets"
Imad Moosa - RMIT University, Australia
Vikash Ramiah - RMIT University, Australia
Nguyen Anh Huy Pham - RMIT University, Australia
Anthony Scundi - RMIT, Australia
Wai Han Teoh - RMIT University, Australia

Discussant: Ujjal Chatterjee - American University of Sharjah, United Arab Emirates

The event study methodology of Brown and Warner (1985) is used to evaluate the effect of the launch of multilateral trading systems on risk and return in equity markets. The methodology is supplemented with various techniques, such as the non-parametric ranking test and kernel regression, to find out if announcements about the introduction of Chi-X Australia generated abnormal returns. Asset pricing models are fitted with interaction variables while GARCH, TARCH, EGARCH and PARCH are used to determine changes in systematic risk. We find evidence in favour of Fisher's separation theorem and detect a new market anomaly, which we call the "Fisher market anomaly". Our results show that Chi-X system testings affect abnormal returns. Consistent with the adaptive expectations theory, we confirm that the first announcement about the launch of Chi-X affected systematic risk the most. In addition we identify industry and firm effects in risk analysis.

"Currency Returns"
Yufen Fu - Tunghai University, Taiwan
George Blazenko - Simon Fraser University, Canada
Freda Eddy-Sumeke - Kwantlen Poytechnic University, Canada

Discussant: Vikash Ramiah - RMIT University, Australia

In this paper, we report evidence that currency returns are positive for both a domestic investor in a foreign currency and a foreign investor in a domestic currency. A currency gain shared by these investors creates a positive volatility-factor for both. Volatility dominates other return-determinants that have opposite impacts on an exchange-rate and its inverse to produce positive average returns that we find to be roughly ½ a per-cent per-annum. We argue that even a small positive return impacts the global asset-allocation of investors.

"The Earnings Present-Value Relation: Theory and Evidence"
Wanncherng Wang - National Sun Yat-Sen University, Taiwan
Chih-Hsien Yu - University of Baltimore, USA

Discussant: George Blazenko - Simon Fraser University, Canada

This paper examines several valuation properties of the now popular earnings present value relation. The primary feature of the valuation model in this study is the finite earning prediction horizon. Empirical investigations based on the analytical analysis create the following results. First, the aggregate earnings prediction horizon is about 3.5 years on average and is associated with firm characteristics. Second, the variance bound test is unable to support the hypothesis that the market sets the stock prices according to the rational expectations formula. The result is also consistent with the prior results that stock price contains information other than earnings and dividends. Third, the price-earnings regression finds that the estimated coefficient of the earnings component in the valuation model is consistent with the theory in magnitude whereas the estimated coefficient of the dividends component is more than twice the theoretical value.

"Learning about Stock Valuations from Advertising and the Cross-section of Stock Returns"
Ujjal Chatterjee - American University of Sharjah, United Arab Emirates
Sanjoy Ghose - University of Wisconsin, USA

Discussant: Chih-Hsien Yu - University of Baltimore, USA

We investigate whether advertising is important in evaluating stock valuations and expected returns. We provide a parsimonious partial-equilibrium model, where information is less than perfect, that shows how advertising facilitates the price formation process of firms' traded assets, such as stocks. We show that subsequent to the stock price formation process, the marginal impact of advertising on stock values and returns are insignificant. Using data from a large cross-section of publicly traded U.S. firms from 1975 through 2010, we find empirical supports for the model predictions that advertising expenditures impact stock values and returns of younger firms. As for older firms, however, we do not find any evidence that the marginal impact of advertising on stock valuation and returns exists. Our analytical and empirical results show that advertising and leverage have a significantly negative interactive effect on stock returns.

SESSION 42 **Seine**

CREDIT RISK
Session Chair: Elyas Elyasiani - Temple University, USA

"Do Rating Agencies Act as Third-Party Monitors? Evidence from Moody's Credit Watches"
Hamdi Driss - York University, Canada
Nadia Massoud - The University of Melbourne, Australia
Gordon Roberts - York University, Canada

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

Based on Moody's issuer-level credit watch actions on U.S. nonfinancial public borrowers between 1992 and 2011, we study the relations between credit watch resolution outcomes and the dynamics of corporate fundamentals. Using firms with watch-preceded rating downgrades (control firms) as a benchmark, we document that firms with watch-preceded rating confirmations (treatment firms) experience an increase in long-term financing, investment, and profitability immediately following the credit watch period. These patterns are stronger for treatment firms of lower credit quality, for which external monitoring is more valuable. We further show that financially constrained treatment firms substantially increase their long-term financing immediately following the watch period, indicating that agency's monitoring can help alleviate capital constraints resulting from information asymmetry. Additional tests show that treatment firms are more profitable regardless of corporate governance, implying that agency's monitoring is independent of corporate governance. These findings suggest that credit agencies have real effects on corporate behavior, and that a credit watch with direction downgrade acts as an effective monitoring mechanism.

"What Explains the Credit Risk-Return Puzzle?"
Emawtee Bissoondoyal-Bheenick - Monash University, Australia
Robert Brooks - Monash University, Australia

Discussant: Gordon Roberts - York University, Canada

Traditional asset pricing models postulate that high risk investments are usually associated with higher return. However, this does not hold in the relationship between credit risk and return. There is a known credit risk puzzle, which highlights a negative relationship between credit risk and stock market returns. The objective of this study is to assess the puzzling credit risk-return relationship of stocks; in particular, comparing the stock returns of high versus low credit risk firms, as measured by credit ratings from Standard and Poor's, using a sample of the most developed nations in Asia Pacific for a period from January 1990 to June 2012. Our results indicate that the credit risk- return puzzle exists in both Japan and Australia. However, it seems that the credit risk return anomaly is explained by the downgrade announcements in the market and hence we conclude that downgrade announcements of firm have a significant impact on the cross section of returns.

"Predicting Default more Accurately: To Proxy or not to Proxy for Default?"
Koresh Galil - Ben-Gurion University, Israel
Neta Sher - Ben-Gurion University, Israel

Discussant: Emawtee Bissoondoyal-Bheenick - Monash University, Australia

Previous studies targeting accuracy improvement of default models mainly focused on the choice of the explanatory variables and the statistical approach. We alter the focus to the choice of the dependent variable. We particularly explore whether the common practice (in literature) of using proxies for default events (bankruptcy or delisting) to increase sample size indeed improves accuracy. We examine four definitions of financial distress and show that each definition carries considerably different characteristics. We discover that rating agencies effort to measure correctly the timing of default is valuable. In predicting default and in explaining CDS spreads, a default model significantly outperforms any other type of financial-distress model, despite being estimated on a substantially smaller sample (72 defaults compared to 409 bankruptcies and 923 delistings).

"Corporate Default Analysis with Adjustment of Industry Effect and Multivariate Media Measures"
Yu-Chen Wei - National Kaohsiung First University of Science and Technology, Taiwan
Yang-Cheng Lu - Ming Chuan University, Taiwan
Yu-Jen Chen - National Kaohsiung First University of Science and Technology, Taiwan

Discussant: Koresh Galil - Ben-Gurion University, Israel

This study examines whether the adjustment of industry effect and the alternative media measures effectively predict corporate default probability in the Taiwan stock market. The differences between this paper and prior studies are that different methodologies of term frequency (SRTF) and semantic orientation (SRSO) are applied to construct the news sentiment. The empirical results show that the corporate prediction model with industry-relative financial ratio is superior to the model with original financial data. Prediction model with the incorporation of default intensity of distress corpus(DIDC) from Infotimes and SRSO from United Daily News measured by using semantic orientation is superior to the model without the media press. The idea of industry adjusted effect, DIDC and SRSO inherent in news should be included in the further default model construction.

SESSION 43 **Rhine**

RISK MANAGEMENT & SHIPPING
Session Chair: Rasoul Rezvanian - Northeastern Illinois University, USA

"Liquidity Risk Premia in the International Shipping Derivatives Market"
Amir Alizadeh - City University London, UK
Ilias Visvikis - World Maritime University, Sweden
Konstantina Kappou - University of Reading, UK
Dimitris Tsouknidis - Regent's University, UK

Discussant: Dimitris Dimitrakopoulos - Athens University of Economics and Business, Greece

The study examines the existence of liquidity risk premia on shipping freight derivatives returns during the period 2008-2012. In particular, we utilize two widely used liquidity measures – the trading volume and the bid-ask spread – to assess the existence of liquidity premia in dry bulk Forward Freight Agreements (FFA) returns. Other shipping industry specific and macroeconomic specific variables are also used to control for market risk. These risk factors are used in sector specific and panel regression frameworks to estimate the component of FFA returns, which can be attributed to liquidity risk. The results confirm the existence of statistically significant liquidity risk premia in the FFA market, highlighting an inverse relationship between bid-ask spreads and FFA returns, and providing new evidence about the uniqueness of the freight derivatives market. These findings have important implications for the modeling and forecasting of FFA returns, and consequently, for trading and risk management purposes.

"Efficient Ownership Structure in Cruise Terminal"
Assunta Di Vaio - University of Naples “Parthenope”, Italy
Francesca Romana Medda - University College London, UK
Lourdes Truijllo - Universidad de Las Palmas de Gran Canaria, Spain

Discussant: Konstantina Kappou - University of Reading, UK

In the cruise industry, the introduction of new services and innovative approaches has in recent years affected the structure of terminal ownership. The rapid expansion and success of this segment of the maritime industry has forced cruise companies due to the strong competitive dynamics to dedicate their investments to efficient performance in their operations. Different ownership structures have been implemented, but the literature lacks a systematic and analytical assessment of this process. The study reaches interesting conclusions in relation to the organizational and governance behaviour of cruise shipping lines, and thus their future expansion from the point of view of the efficient provision of the cruise service. Moreover, it provides some insights into how the structural organization of cruise terminals can be regulated by public authorities in order to foster continuous growth.

"Measuring Market Risk for the Dry Bulk Sector of Shipping: A New Model"
Manolis Kavussanos - Athens University of Economics and Business, Greece
Dimitris Dimitrakopoulos - Athens University of Economics and Business, Greece

Discussant: Assunta Di Vaio - University of Naples “Parthenope”, Italy

This paper investigates market risk measurement for freight rate exposures emerging from portfolio and single vessel ownership in the dry bulk sector of seaborne shipping. A new Value at Risk (VaR) model is introduced for the estimation of freight market risk. The new model combines exponential GARCH modeling for the volatility with Markov switching and extreme value filtering for the specification of a skewed fat-tailed unconditional distribution. It therefore accounts for many of the empirical regularities characterizing freight rate returns such as cyclicality, high volatility and asymmetry. Findings indicate that the proposed model yields consistently statistically sufficient market risk forecasts and provides the most robust performance compared to conventional VaR models including extreme value, GARCH and semi-parametric models. For quantifying market risk for single vessel freight exposures the paper suggests the use of unfiltered VaR models which account for asymmetry.

SESSION 44 **Rhone**

FUNDS 2
Session Chair: Ron Bird - University of Technology Sydney, Australia

"Do Prime Brokers Induce Similarities in Hedge Funds Performance?"
Nataliya Gerasimova - University of Lausanne, Switzerland

Discussant: Ian Rakita - Concordia University, Canada

This paper investigates hedge fund idiosyncratic returns from January 2000 to December 2010. Even after filtering for the exposure to standard risk factors, idiosyncratic returns are still correlated across hedge funds. This raises the question about the potential channels of the similarities in the filtered returns. I conjecture that the presence of the same prime broker, the same domicile or the same style may induce these similarities. Exploiting these hypotheses, I find that dealing with the same prime broker is significantly related to the similarity of idiosyncratic returns. These results are robust to the use of alternative risk factors, subsamples, as well as to alternative similarity measures.

"Using DEA Hierarchical Categories for Benchmarking Superannuation Funds (Pension Plans)"

Don Galagedera - Monash University, Australia
John Watson - Monash University, Australia

Discussant: Nataliya Gerasimova - University of Lausanne, Switzerland

In this paper, we assess relative performance of 137 Australian superannuation funds in a multi-dimensional framework using data envelopment analysis (DEA). For each inefficient fund, DEA provides a set of role model funds whose best practises may be emulated for performance improvement. We find that the role models of most inefficient funds comprise entirely of funds different from their own type. To overcome this situation we adopt a multi-step DEA analysis. The procedure starts by categorising the funds on a hierarchical basis. We establish the hierarchy based on the frequency of efficient funds that belongs to each fund type. Thereafter, a set of role model funds for each inefficient fund are found by pooling the funds of its own category and the funds that belongs to the categories at the lower levels in the hierarchy and applying DEA. This procedure is repeated by augmenting the pool with the funds at the next higher level and so on until all sampled funds are included. At each step, a set of role models are identified. This way an inefficient fund may reach the efficienerarchical t frontier progressively. We extend the analysis to investigate the effect of fund characteristics not considered in the DEA analysis may have on fund performance. Statistical evidence suggests that membership and proportion of risky assets may have a negative association while asset base and retail/corporate funds may have a positive association with performance.

"It's Hard to Beat the TSX Composite Index"

Ian Rakita - Concordia University, Canada

Discussant: John Watson - Monash University, Australia

A portfolio of twenty-three stocks was selected on the basis of an index comprised of the P/E ratio, an increase in the number of transactions and an increase in trading volume. While the portfolio performed reasonably well on an individual basis and had average abnormal holding-period returns that were positive in six of the seven years of the study, the null hypothesis that these average abnormal holding-period returns were equal to zero could not be rejected. This adds to the growing literature that states that a broad-based index is difficult to beat.

"Relation Between Equity Home Bias and Ambiguity Aversion: An International Study"

Dennis Dlugosch - WHU-Otto Beisheim School of Management, Germany
Mei Wang - WHU-Otto Beisheim School of Management, Germany

Discussant: Jerry Cao - Singapore Management University, Singapore

We show empirically that perceived uncertainty explains a major fraction of home and foreign bias in equities. Contrary to the previous literature, we can clearly identify, that we are measuring perceived uncertainty and not information asymmetries or familiarity, because we use an index of ambiguity aversion instead of proxying for uncertainty. Our index of ambiguity aversion comes from a worldwide survey, conducted in 54 both developed and emerging countries. It is ellicited using an Ellsberg-typ urn question and hence closely related to the theoretic concept of Knightian uncertainty. In our panel regressions using both aggregated and country pair data, the index of ambiguity aversion is a signficant factor, although we control for a wide range of control variables established in the literature. Furthermore, the index of ambiguity aversion is not only statistically significant, but also economically: The index explains between 18.64% and 45.88% of home bias and average foreign asset holdings increase by the factor 4.52 when ambiguity aversion drops by 10%.

IPOS & CROSS LISTING 2

Session Chair: Ephraim Clark - Middlesex University Business School, UK

"The Initial and Long-Run Performance of Initial Public Offerings: The Case of Turkey"

Vahdettin Ertas - Capital Markets Board of Turkey, Turkey
Oya Can Mutan - Capital Markets Board of Turkey, Turkey
Ayhan Topcu - Capital Markets Board of Turkey, Turkey
Alaattin Ecer - Capital Markets Board of Turkey, Turkey

Discussant: Wissam Abdallah - Cardiff University, UK

In this study both the initial and the long-term performance of initial public offerings (IPO) in Turkey are investigated via the methods commonly used in the literature. Data used in the analyses are obtained from Borsa Istanbul (BIST) which is one of the top emerging market exchanges. As one of the largest emerging markets which is under the spotlight of foreign investors, the examination of IPO performance in BIST is of key importance and speaks to the concerns of both regulators and investors. The time frame of the study covers the period which starts with the opening of the stock exchange till present. Also, the factors affecting this long-term performance are intended to be determined empirically.

"How Can New Ventures Command a Price Premium with Innovations in Emerging Markets?"

Xueming Luo - Temple University, USA
Haina Shi - Fudan University, China
Haoping Xu - Fudan University, China

Discussant: Oya Can Mutan - Capital Markets Board of Turkey, Turkey

It is documented that innovation is a critical strategy for new ventures, which represent an important part of emerging economy.Disclosure on innovation can be a risky strategy as there is high information asymmetry between the firm and investors.In this study, we suggest two mechanisms by which innovations affect investors' Willingness-to-pay(WTP). More specifically, both internal corporate ownership and external underwriter endorsement are key mechanisms that reduce information uncertainty of innovation in new ventures and help certify the quality of firm innovations to investors. In line with these arguments, we find that while innovation alone is either unrelated to or even decreases investors' WTP, the interplay between innovation and firm ownership as well as underwriter endorsement is positively related to investors' WTP for new ventures.

"Does Experience Affect the Behavior of Institutional Investors in IPO Markets?"

Seth Armitage - University of Edinburgh Business School, UK
Youyan Fu - University of Edinburgh, UK
Ufuk Güçbilmez - University of Edinburgh Business School, UK

Discussant: Haina Shi - Fudan University, China

We use a unique set of bookbuilding data to examine the impact of personal experience on the behavior of institutional investors in an IPO market. We find that, when deciding to participate in future IPOs, institutions take into account initial returns of the IPOs they participated more than those they just observed; and initial return of IPOs in which their bids were qualified for share allocation more than unqualified ones. This behavior is consistent with reinforcement learning. We also find institution equally evaluate the returns that are derived from random events rather than their own investment decisions. In addition, institutions become more aggressive bidders when they experience excess returns in their last IPO, conditional on being qualified for allocation in that IPO.

"Do Managers of Cross-Listed Firms Listen to the Market?"
Wissam Abdallah - Cardiff University, UK

Discussant: Youyan Fu - University of Edinburgh, UK

The paper examines the propensity of managers of cross-listed firms to listen to the market. Learning from stock prices implies that information transfer from the market to firms assist managers to allocate capital to the right projects. Using 3618 M&A completed and cancelled deals conducted by 755 cross-listed firms the analysis reveals the cross-listed firms experience an increase in M&A deals post cross-listing. The results show that managers of cross-listed firms from countries with better investor protection are more likely to listen to the market. Moreover, the analysis indicates that managers are more likely to listen to the markets if the prices contain information not known to the managers. The managerial behaviour to follow market signals does not impact ex post performance of completed deals, whereas firms whose managers listen to the market and cancelled the deal experience a higher performance 5 years after deal announcement.

SESSION 46 **Severn**

FIRM VALUE 3
Session Chair: Hubert De La Bruslerie - University Paris Dauphine, France

"Investor Protection, Market Share and Corporate Cash Holdings"
Frederiek Schoubben - University of Leuven, Belgium
Cynthia Van Hulle - University of Leuven, Belgium

Discussant: Gael Imad`Eddine - Université de Lille 2, France

This paper evaluates the influence of market share on the level of cash holdings. Using a large sample of listed European firms, we find a negative relation between market share and cash holdings. This negative relation intensifies in countries with strong investor protection but the effect disappears when investor protection is weak. These results are consistent with the notion that for high market share firms the need for precautionary cash holdings is lower which enables them to reduce their cash buffer. However, cash buffers are only reduced when investor protection mitigates the agency problems associated with increasing market share.

"Impact of Over/Underinvestment on Corporate Performance: Evidence from Singapore Stock Market"
Kashif Saleem - Lappeenranta University of Technology, Finland
Sheraz Ahmed - Lappeenranta University of Technology, Finland
Sanaullah Farooq - AIESEC Saimaa, Finland

Discussant: Frederiek Schoubben - University of Leuven, Belgium

This paper studies the overinvestment and underinvestment problem in the non-financial companies listed in Singapore Stock Exchange. In addition we investigate the role of insider and institutional ownership on the magnitude of overinvestment and underinvestment. Finally, theeffect of overinvestment and underinvestment on firm performance is tested. Our results show that that 52% firm in our sample are engaged in proper investment projects, 29% firm are overinvesting while 19% firms are under investing. Both overinvestment and underinvestment shows severe negative impact on the firm performance. However, proper investment has positive impact on firm performance inSingapore Stock Exchange. The results highlight the importance of investment activities of Singaporean companies for the international investors and portfolio managers.

"Cash Holdings in Public Corporate Firms:A Strategic Tool to Create Value"
Guillaume Renard - University Paris Dauphine, France

Discussant: Kashif Saleem - Lappeenranta University of Technology, Finland

U.S. industrial firms increasingly accumulate cash holdings with an average cash-to-assets ratio that has doubled over the past 30 years (Bates, Kahle, Stulz, 2009). For a long time, excessive cash balances were considered negative and suspected of providing managers with too much latitude, to the detriment of shareholders (Agency and Free Cash Flow: Jensen 1986). However, according to Fresard (2010), rather than being a risk, the U.S. cash reserves influence positively the product market outcomes.This research is an empirical study on cash holdings both worldwide territory and by region. The study is conducted in 65 countries and shows that the cash reserves are a strategic tool to create value in a highly competitive environment; they reduce transaction costs (Trade-off Theory), gain market share, obtain a favorable effect on the market value, and allow financial constraints like the financial crisis to be resisted. The marginal value of one euro of cash is also estimated by region.

"Discrimination Bias and Financial Constraint of French SMEs"
Gael Imad`Eddine - Université de Lille 2, France
Ludovic Vigneron - Université de Valenciennes, France

Discussant: Guillaume Renard - University Paris Dauphine, France

The paper investigates the financial constraint of French SMEs run by potentially discriminated CEOs. We use three characteristics to identify potential discrimination: age, gender and ethnicity. Our results suggest that firms run by older CEOs have less cash holdings to cash flows sensitivity. Gender doesn't seem to matter, but COEs with foreign first name, more specifically Arabic first names, are more financially constraint. When we cross the results with the type of the main bank (relational versus arm's length), this effect is even stronger when the main bank is a "relational bank". This suggests that inter-personal relations increase the bias.

SESSION 47 **Clyde**

CORPORATE FINANCE TOPICS
Session Chair: Janis Berzins - BI Norwegian Business School, Norway

"Regulation, Compensation and Risk Taking in Banks: Evidence from the Credit Crises"
Alexander Hüttenbrink - Technische Universität München, Germany
Christoph Kaserer - Technische Universität München, Germany
Marc Steffen Rapp - Philipps Universität Marburg, Germany

Discussant: Chin-Bun Tse - University of Salford, UK

We study regulation, executive incentives and risk taking in banks during the recent credit crises. Using a hand-collected dataset covering 352 banks from 15 countries we find that regulation effectively reduces bank risk as measured by commonly used measures of bank-risk. However, bank performance during the recent credit crises is negatively correlated with the level of bank regulation. A more detailed analysis reveals, that incentives of bank executives are more pronounced in countries with stricter bank regulation. This is consistent with the view that shareholders aim to jeopardize the effect of regulation by providing stronger incentives. Also consistent with that view, the level of incentives positively affects the level of bank risk and examining bank performance during the recent credit crises this effect becomes stronger as bank regulation becomes stricter. Overall, the findings suggest that regulatory initiatives should carefully consider their (unintended) consequences for incentive structures within banks.

"Executive Compensation and Firm Leverage"
Michael Albert - Ohio State University, USA

Discussant: Marc Steffen Rapp - Philipps Universität Marburg, Germany

This work explores the role of executive compensation in determining the capital structure decisions of a firm. CEOs experience a large personal cost of default that interacts through the risk adjusted probability of default with their compensation contract. Since default happens in a particularly costly state of the world for a CEO whose compensation contract consists primarily of pay for performance elements, i.e. a CEO who has a large personal equity stake in the firm, a large pay performance sensitivity is negatively and significantly associated with firm leverage choice. I document this effect in detail for the first time, and I show that it is both statistically robust and significant in magnitude, approximately 1% of firm value. I show that this effect is driven by the stock holdings of the CEO, not the option holdings. I provide a simple principal agent model that explains the observed negative relationship and makes additional predictions on the relationship of other firm characteristics to pay performance sensitivity and leverage. I then test and confirm these predictions empirically using a standard OLS framework and an instrumental variable approach to control for endogeneity in the compensation contract. I also look at leverage adjustment speeds and show that CEOs with higher pay performance sensitivity adjust leverage upwards towards target values more slowly and downwards more quickly than their peers, and I interpret this as direct evidence that CEOs are activ

"Systematic Risk and Stock Market Behavior of the Emerging B-9 (Bricks+4)"
Miriam Sosa-Castro - Universidad Nacional Autónoma de México, Mexico
Alejandra Cabello - Universidad Nacional Autónoma de México, Mexico

Discussant: Michael Albert - Ohio State University, USA

This paper deals with the relationship of some macroeconomic variables with the stock markets from the BRICS group (Brasil, Russia, India, China and South Africa) adding to this sample the stock markets from México, Turkey, Indonesia and South Korea, countries with a great potential and interest to join the BRICS. Due to their ascending importance we identify them as an Emerging G-9 group; their stock markets could become a key platform for a financial integration process. In this respect, this paper aims to determine systematic risk from these markets taking into consideration for each country changes in four macroeconomic variables: consumer´s price index, industrial production, volume of exports, and international reserves. Monthly series include the period 2003:05 to 2013:05. Econometric analyses include a multifactor asset valuation model, Vector Autoregressive Regression, impulse-response functions, and variance decomposition. The evidence identifies a heterogeneous behavior among these markets implying segmentation and weak basis for short run integration.

"Dividend Signalling:Desperate Times Call for Desperate Measures"
Chin-Bun Tse - University of Salford, UK

Discussant: Edgar Ortiz - Universidad Nacional Autonoma de Mexico, Mexico

I argue that dividend signalling theories are more applicable to negative earnings shock cases but are less applicable to positive earnings shocks. In the former cases, the dividend signalling process is particularly costly, and hence, particularly credible and effective. Also the situation is particularly sensitive in bad times and demands some positive actions. Based on 1,745 events, I observed three years' standardised earnings behaviour after the event year. Using parametric, non-parametric statistical tests and logistic analysis, I found strong evidence to support my hypothesis. These findings provide rich implications to company leaders when they make dividend policies. In addition, in view of my findings, I suggest that the existence of asymmetric signalling roles for dividends may provide a possible route to reconcile the conflicting empirical results frequently reported in finance literature.

VOLATILITY 2
Session Chair: Malick Sy - RMIT University, Australia

"Oil Price Shocks and Volatility can Predict Stock Market Regimes"
Timotheos Angelidis - University of Peloponnese, Greece
Stavros Degiannakis - Bank of Greece, Greece
George Filis - Bournemouth University, UK

Discussant: Petko Kalev - University of South Australia, Australia

The paper investigates whether oil price shocks and oil price volatility provide predictive information for the state of the US stock market returns and volatility. The disaggregation of oil price shocks according to their origin allows us to assess whether they contain incremental forecasting power on the state of the stock market returns and volatility, a case that does not hold for the oil price returns. Overall, the results suggest that oil price returns and volatility possess the power to forecast the state of stock market returns and volatility. The full effects of oil price returns, though, can only be revealed when the oil price shocks are disentangled and as such we claim that the oil price shocks have an incremental power in forecasting the state of the stock market. The findings are important for stock market forecasters and investors dealing with stock and derivatives markets.

"Hedging Gold and Oil Portfolios using Commodity Currencies in Different Regimes"
Stefan Trueck - Macquarie University, Australia
Ning Rong - Macquarie University, Australia

Discussant: George Filis - Bournemouth University, UK

We investigate the dynamic correlation between oil, gold and commodity currencies and suggest optimal hedging strategies for market participants. Over the past few years, commodity prices have fluctuated significantly and exhibited high volatility, with the value of the US dollar being a key factor for fluctuations in oil and gold prices . We propose an extended version of the Dynamic Conditional Correlation model allowing for regime shifts and the incorporation of exogenous variables in the evolution of conditional correlations. We find that the proposed model provides a good fit to the observed correlation structure between these assets. We apply the model to create a minimum variance hedge portfolio consisting of investments in oil, gold and commodity currencies. We test our approach against a number of benchmark models by comparing the sample volatilities of portfolio returns and find that the proposed model provides the best results with respect to the considered criteria.

"Retail Investors and the Idiosyncratic Volatility Puzzle"
Julia Henker - Bond University, Australia
Thomas Henker - Bond University, Australia
Deborah Tan - University of New South Wales, Australia

Discussant: Stefan Trueck - Macquarie University, Australia

We explain the negative relation between idiosyncratic volatility and future stock returns observed by previous researchers. We argue that, based on the observation described in prospect theory, retail investors prefer stocks with a high level of idiosyncratic volatility and are consequently willing to overpay for those stocks. In support of our argument, we find that the negative idiosyncratic-volatility return relation is present in the Australian market, and that this relation is affected by the magnitude of retail trading. The relation is particularly strong when returns and realized volatility are measured at a daily frequency.

"Algorithmic Trading in Volatile Markets"

Hao Zhou - University of South Australia, Australia
Petko Kalev - University of South Australia, Australia
Guanghua Andy Lian Seminar - University of South Australia, Australia

Discussant: Julia Henker - Bond University, Australia

Algorithmic trading (AT) is widely adopted by equity investors. In the current paper we investigate whether AT increases stock price volatility in turbulent periods. By exclusively focusing on the volatile days on the Australian Securities Exchange during the period of 27 October 2008 till 23 October 2009, we find a significant negative association between the level of AT activities in a particular (individual) share and the price swing of that stock. We also provide evidence that the AT's order imbalances have smaller impact on the abnormal returns of individual stocks compared to order imbalances based on non-algorithmic trading. Overall, our findings indicate that, in turbulent market conditions, the AT improves market quality by reducing volatility and minimizing price pressure.

LUNCHEON

12:15 p.m. - 1:45 p.m. Restaurant

SESSION 49 **Tiber**

ASSET PRICING 5
Session Chair: Petko Kalev - University of South Australia, Australia

"Market Reactions to Corporate Name Changes: Evidence from the TSX"
Ernest Biktimirov - Brock University, Canada
Farooq Durrani - Brock University, Canada

Discussant: Peter Jørgensen - Aarhus University, Denmark

This study uses the event study methodology to examine stock price and trading volume reactions to name changes of the Toronto Stock Exchange listed companies around the announcement, approval, and effective dates. It also contrasts reactions between major and minor name changes, signaling focus and diversified strategies, accompanied with a ticker symbol change and without a ticker change. Companies tend to experience a significant run-up in stock price in the period preceding the announcement of a name change. The stocks also show a significant positive abnormal return around the effective date. Most importantly, different types of name changes result in abnormal returns of different magnitudes. Corporate name changes are also associated with significant increases in trading volume for several days starting from the approval date and one day prior to the effective date. This study appears to be the first to examine market reactions to name changes of Canadian companies.

"Firm Heterogeneity and Investor Inattention on Friday"
Roni Michaely - Cornell University, USA
Amir Rubin - Simon Fraser University, Canada
Alex Vedrashko - Simon Fraser University, Canada

Discussant: Ernest Biktimirov - Brock University, Canada

Recent studies document reduced reaction to earnings and merger announcements on Friday and attribute it to investors' inattention on Friday relative to other days of the week. We find that Friday underreaction is also present for Friday announcements of dividend changes, seasoned equity offerings, and repurchases. However, we show that what appears to be Friday inattention is actually an outcome of firm heterogeneity. Firms that made the Friday announcements induce a reduced reaction not only on Friday but also on Monday through Thursday. This means that Friday announcing firms are dissimilar from other firms in terms of characteristics that determine market reaction to corporate news. Further, within the relatively homogeneous population of the Friday announcing firms, market reaction on Friday is not different than that on other weekdays. To identify characteristics that distinguish Friday announcers from other firms, we focus on earnings announcements and hand-collect a large data set of announcement timestamps from the newswires. We find that the Friday underreaction is produced by the few earnings announcements made after trading hours on Friday. The Friday evening announcing firms differ from other firms in terms of their institutional holdings, market capitalization, and analyst following. Controlling for these characteristics eliminates the Friday effect. We conclude that while inattention may explain certain patterns in the behavior of investors and prices in financ

"Overpricing and Hidden Costs of Structured Bonds for Retail Investors: Evidence from the Danish Market for Principal Protected Notes"

Peter Jørgensen - Aarhus University, Denmark
Henrik Nørholm - Aarhus University, Denmark
David Skovmand - Copenhagen Business School, Denmark

Discussant: Amir Rubin - Simon Fraser University, Canada

This paper studies the cost structure and pricing efficiency of principal protected notes (PPNs) from the Danish retail market. Our data set consists of detailed information on almost 400 issues of PPNs between 1998 and 2009. Comparing offer prices with fair values we find that on average PPNs are overpriced by about 6%. Overpricing of PPNs is well-documented in the literature, but our paper is the first to compare the level of overpricing with the product costs disclosed by sellers at issuance. We find that on average only about half of the overpricing can be explained by disclosed product costs. The finding of a significant hidden cost component in structured retail products is new to the literature. At the instrument level we find time to maturity and product complexity to be determinants of costs and of the degree of overpricing, but other factors such as arranger and issuer size play a part as well. The degree of overpricing has declined over time, but hidden costs have not.

"Traders vs. Relationship Managers: Reputational Conflicts in Full-Service Investment Banks"

Zhaohui Chen - University of Virginia, USA
Alan Morrison - Oxford University, UK
Bill Wilhelm - University of Virginia, USA

Discussant: Michael Graham - Stockholm University, Sweden

We present a model that explains why investment bankers have struggled in recent years to manage conflicts of interest. The model captures two conflicting dimensions of reputation. On the one hand, banks can build a type reputation for technical competence by performing complex deals that may not serve their clients' interest; on the other hand, bankers can sustain a behavior reputation by refraining fromdoing so. Unproven banks favor type reputation over behavioral reputation; being ethical in our model is a luxury reserved for banks that have proven their abilities.The model also sheds light on conflicts between the trading and advisory divisions of investment banks, as well as the consequences of technological change for time variation in the relative strength of behavior- and type- reputational concerns.

SESSION 50 **Seine**

BUYOUTS 1

Session Chair: Alexander David - University of Calgary, Canada

"Drivers of LBO Operating Performance: An Empirical Investigation in Latin America"

Alain Chevalier - ESCP Europe, France
Aurelie Sannajust - Université de Saint Etienne, France

Discussant: Zhaohui Chen - University of Virginia, USA

We extend the research on private equity by studying the drivers of LBO operating performance in Latin America. We consider a large set of candidate drivers (financial, governance, macroeconomic and industry variables) and study their effects on performance over the short- and long-term. To conduct our study, we use Capital IQ as database as well as a hand-collected dataset covering LBO in Latin America from 2000 to 2008. Our empirical results show that macroeconomic variables have an important impact on LBO value creation. Governance variables show also that LBO transactions reduce information asymmetries between existing and new management teams. Consequently a concentrated shareholder structure has a better impact on performance than diluted stockholders. Financial variables present significant effects after the delisting.

"Industry Specialization of Investment Banks in M&A Activities"

Michael Graham - Stockholm University, Sweden
Terry Walter - University of Technology Sydney, Australia
Alfred Yawson - University of Adelaide, Australia
Huizhong Zhang - University of Adelaide, Australia

Discussant: Nancy Huyghebaert - KU Leuven, Belgium

This paper examines the value added role of industry-specialized advisors in M&A transactions using the Additive Revealed Comparative Advantage index to proxy advisors' relative level of specialization in the acquirer and the target industry prior to deal announcement. After controlling for endogeneity in the use of a specialist advisor, we find that industry specialist advisors are able to generate higher returns for their acquirer clients and they charge lower fees, suggesting that specialized advisors are able to pass some cost efficiencies onto their bidder clients, enabling them to compete for market share. Additionally, industry specialist advisors are also better able to complete deals. Relative industry specialization facilitates faster deal completion in tender offers but not mergers. Our findings are consistent with the traditional perception of the superiority of industry specialists and show that specialization is beneficial to the M&A advisory market.

"Incidence and Structure of European Buyout Syndicates: Empirical Results from an Integrated Study"

Nancy Huyghebaert - KU Leuven, Belgium
Randy Priem - KU Leuven, Belgium
Linda Van De Gucht - KU Leuven, Belgium

Discussant: Usha Mittoo - University of Manitoba, Canada

Using a unique dataset of 859 European buyouts in 1999-2009, we find evidence that buyout financiers syndicate so as to enjoy the various benefits of syndication. They subsequently decide on the fraction of the deal to retain and on the number of co-investors to minimize syndication costs while further maximizing syndication benefits. Interestingly, and after accounting for the endogeneity of syndication decisions, we find that the post-buyout profitability and growth of target firms are superior when buyouts are syndicated and when these syndicates are structured to limit conflicts of interest while further maximizing syndication benefits.

"Financing Conditions and Going Private Decisions: Leveraged Buyouts (LBOs) versus Management Buyouts (MBOs)"

Usha Mittoo - University of Manitoba, Canada
Dennis Ng - University of Manitoba, Canada

Discussant: Alain Chevalier - ESCP Europe, France

This paper examines the effects of financing conditions and firm characteristics in a sample of U.S. firms that went private through LBOs, MBOs, and non-LBO/MBO transactions from 2000 to 2011 relative to the firms that went public during this period. We find significant differences between the LBO and MBO samples. Debt financing conditions and financial visibility are the major factors affecting LBOs but do not matter for MBOs. In addition, while liquidity and growth opportunities are negatively correlated with the probability of going private for both LBOs and MBOs, the latter plays a stronger role for MBOs. Our results are robust to different estimation models, including multinomial logit, the Cox proportional hazard model, and competing risks regression models. We also examine the probability of going private for firms going public via an initial public offering (IPO) and through a non-IPO (in which firms typically trade over-the-counter before migrating to a larger exchange). We find that firms going public via a non-IPO mechanism have a higher (lower) probability of exiting through an LBO (MBO). Our paper extends the going private literature by comparing the determinants of going private decisions for LBOs, MBOs, and non-LBOs/MBOs. To the best of our knowledge, this is the first study that documents that the firm's going public (IPO or non-IPO) mechanism also affects the probability of going private.

M&AS 3
Session Chair: Minna Martikainen - Hanken School of Economics, Finland

"The International Diversification of Banks and the Value of their Cross-Border M&A Advice"
Abe De Jong - Rotterdam School of Management, Erasmus University, Netherlands
Steven Ongena - University of Zurich, Switzerland
Marieke Van Der Poel - Rotterdam School of Management, Erasmus University, Netherlands

Discussant: Nihat Aktas - WHU Otto Beisheim School of Management, Germany

We examine the impact of the international diversification by banks on the value of their advice provided in cross-border merger and acquisition transactions by studying bidder returns and deal performance following 1,708 cross-border M&A deals. We find that bidders engaging a more internationally diversified financial advisor face lower stock price and synergy returns, worse deal operating performance, and slower deal completion. We show that these negative effects of diversification can be mitigated by involvement in financing or country-specific available capacity of the advisor.

"Do Acquiring Firms Listen to Media Sentiment?"
Diego Amaya - ESG UQAM, Canada
Ludivine Chalençon - IAE Lyon, France
Jean-Yves Filbien - ESG UQAM, Canada

Discussant: Marieke Van Der Poel - Rotterdam School of Management, Erasmus University, Netherlands

This paper examines the effects of media sentiment on firms' strategic decisions in the context of Mergers and Acquisitions (M&A) announcement. We predict media sentiment using a textual analysis based on the financial dictionary of Loughran and McDonald (2011). We identify the number of positive and negative words in the news from the Wall Street Journal which analyze M&A announced from January 1, 2000 to December 31, 2010. Our main contribution is to demonstrate that media sentiment predicts the probability of deal completion. We find that the probability of deal completion decreases significantly when the media sentiment is pessimist and the market reaction is negative.

"Market Reactions to Control Transfer Within Block Trades in Public Companies – Empirical Evidence on the Warsaw Stock Exchange"
Katarzyna Byrka-Kita - The University of Szczecin, Poland
Mateusz Czerwinski - The University of Szczecin, Poland
Agnieszka Perepeczo - The University of Szczecin, Poland

Discussant: Ludivine Chalençon - IAE Lyon, France

The effect of corporate decisions on shareholders’ reaction and market value of a company had been addressed by numerous empirical studies. The main objective of the paper was to present an event study analysis and abnormal returns of block trades on the Warsaw Stock Exchange. At the beginning of the article, a review of similar studies was carried out. Next, the sample selection and methodology were discussed. The values of abnormal returns achieved for the whole sample were positive at the level of approximately 12% in the event window (-60,+60) but not homogeneous. In the case of over 40% of block trades the reaction was negative. Moreover, the authors indicate that other factors such as a transfer control, a discount or premium price may also influence abnormal returns earned by shareholders on the Polish capital market.

"Product Market Competition and Merger Activity"
Nihat Aktas - WHU Otto Beisheim School of Management, Germany
Marion Dupire-Declerck - Skema Business School, France

Discussant: Agnieszka Perepeczo - The University of Szczecin, Poland

This paper examines whether and how product market competition drives industry merger activity. We use the reduction in import tariffs as a natural experiment of exogenous increase in competitive intensity and study its effect on merger and acquisition (M&A) decisions. Our results indicate that competition drives M&As towards more efficient resource allocation. We first document that increases in competition intensify takeover activity, consistent with the argument that M&As are an efficient reaction to economic shocks. We also find that, after import tariff reductions, the selection of targets outside the industry becomes more efficient and industry rivals react more positively to those deals, suggesting that efficient non-horizontal deals signal the existence of investment opportunities outside the industry for industry firms.

SESSION 52 **Rhone**

EMERGING MARKETS 2
Session Chair: Tai Ma - National Sun Yat Sen University, Taiwan

"Rationalizing the Value Premium: Evidence from Malaysia"
Muhammad Ebrahim - Bangor University, UK
Robert Hudson - University of Hull, UK
Abdullah Iqbal - University of Kent, UK
Muhammad Shah - INCEIF, Malaysia

Discussant: Ephraim Clark - Middlesex University Business School, UK

This paper studies the value anomaly in the context of Malaysia, an emerging economy with a top heavy, closely held, and state-owned institutional setting. We attribute the anomaly to the investment pattern of growth firms. Our empirical analysis illustrates that growth firms have a tendency to hoard cash, delaying the undertaking of their growth options, especially in poor economic environments. This mitigates their business risk, but lowers their market valuation, driving down their returns. Our hypothesis has the advantage of reconciling the diverging views on the causes of the value premium stemming from the neoclassical and behavioural perspectives.

"Descriptive Analysis of the Finnish Stock Market: Part II"
Peter Nyberg - Aalto University School of Business, Finland
Mika Vaihekoski - University of Turku, Finland

Discussant: Abdullah Iqbal - University of Kent, UK

This paper continues the data collection procedure and analysis set forth in Nyberg and Vaihekoski (2009). A number of new time series that are commonly used in finance literature are collected and created, as well as analyzed for the first time. These series include, among others, monthly dividend yields and market capitalization values. The series are also compared against the GDP to evaluate the overall role of the stock market in the Finnish economy. The value-weighted average dividend yield from 1912 to 1988 is 4.98 percent. The average stock market capitalization to GDP ratio is found to be 15.14 percent.

"Revisiting the Relationship Between Volatility and Expected Returns Across International Stock Markets"

Christos Savva - Cyprus University of Technology, Cyprus
Panayiotis Theodossiou - Cyprus University of Technology, Cyprus

Discussant: Mika Vaihekoski - University of Turku, Finland

In this study we provide further evidence of the effects of the conditional skewness on the relationship between the excess returns and conditional volatility with our model being able to endogenously measure the impact of the skewness. More specifically we adopt a model that utilizes the non-centered skewed generalized t (SGT) distribution with heteroskedastic error term. Once we accojnt for the effects of skewness the relationship between risk and return becomes positive and significant.

"Theories of Risk-Testing Investor Behaviour on the Taiwan Stock and Stock Index Futures Markets"

Ephraim Clark - Middlesex University Business School, UK
Siu Tung Ho - Chinese University of Hong Kong, Hong Kong
Zhuo Qiao - University of Macau, Macao
Wing-Keung Wong - Hong Kong Baptist University, Hong Kong

Discussant: Tanja Steigner - Emporia State University, USA

We use the mean-variance criterion and stochastic dominance procedures to examine the preferences for four of the most widely studied investor types in the literature: risk averters (concave utility function), risk seekers (convex utility function), risk seekers in loss and averters in gains (S-shaped utility function), and finally, risk averters in loss and seekers in gains (reverse S-shaped utility function). We find that risk averters prefer to invest in spot markets rather than futures markets, whereas risk seekers prefer futures to spot. Our findings also show that investors with S-shaped utility functions prefer spot to futures, which is evidence in support of prospect theory. Finally, we observe that investors with reverse S-shaped utility functions prefer futures to spot, which is evidence contradicting prospect theory and implies that investors are risk seeking over gains and risk averse over losses. These results are robust with respect to sub-periods and diversification.

SESSION 53 **Thames**

PORTFOLIO MANAGEMENT 2

Session Chair: Ania Zalewska - University of Bath, UK

"Does Active Ethical Investing Pay - Evidence from the UK"

Ephraim Clark - Middlesex University Business School, UK
Nitin Deshmukh - Middlesex University Business School, UK
Yacine Belghitar - Cranfield School of Management, UK

Discussant: Liping Zou - Massey University, New Zealand

This is the first study to use Marginal Conditional Stochastic Dominance to compare the performance of UK based ethical funds with similar conventional funds using a matched pair analysis. We match them by size, age, investment universe and fund management company. We do not find any significant differences in the performance of the two types of funds, this finding is in line with previous studies. However, in contrast with previous studies, we find strong evidence that both ethical and conventional funds out perform their benchmark market portfolios. Additionally, this dominance is resilient to the effect of fees. The second crucial finding of this study is that ethical fund managers have superior stock picking abilities. Given that ethical fund managers have a smaller investment universe to choose from, ethical funds not only match the performance of similar conventional funds but also beat the market in almost 50 percent of the cases.

"Traditional and Alternative Risk: An Application to Hedge Fund Returns"

Claudio Boido - University of Siena, Italy
Antonio Fasano - University of Salerno and Rome (LUISS), Italy

Discussant: Nitin Deshmukh - Middlesex University Business School, UK

The impact of investment policies, styles and strategies, on hedge fund performances spanning the period from January 2006 to December 2012 are analysed.The performance analysis is not carried out at the level of a single fund but on equal-weighted reference portfolios, built from ``peer funds", intended here as those following the same style or strategy. To this end we establish rules to segregate hedge funds into a range of investment styles. After classifying and aggregating HF returns, we investigate how and if the grouping is consistent in term of return dynamic and if it can explain the risk premium of this asset class. To enforce the analysis we take into account the risk factor by developing and testing performance measure the alternative investment excess return, weighted with downside risks. All the metrics proposed are tested thoroughly with comparative statistics and inference tests , and under different stress conditions.

"Are Strategies for International Diversification by Country, by Sector and by Regions Equivalent?"

Rachid Ghilal - Quebec University, Canada
Bouchra Mzali - UQAM, Canada, Canada
Pascal Lang - Laval University, Canada, Canada
Jean Jacques Lilti - Rennes 1 University, France

Discussant: Antonio Fasano - University of Salerno and Rome (LUISS), Italy

In this study, our main objective is to compare three strategies of international diversification : by country, industry sector and geographic regions, using two different methodological approaches, namely the "mean variance spanning" and multivariate cointegration test proposed by Johansen (1988) and developed by Johansen and Juselius (1990). Our study uses the monthly data of the market indices MSCI and S&P for the period 1994-2008. For all the studied period, our results suggest that the three strategies of international diversification by country, sector and region are independent and effective strategies. However, if we divide the studied period into two sub-periods :1994-2000 and 2000-2008, our results indicate that for the period from 2000 to 2008, the strategy based on the regions proved to be a new, competing strategy compared to the other two traditional strategies, the country and sectorial strategies, that have lost their effectiveness in international diversification.

"Style Consistency, Fund Flow and Performance: A Study on U.S. Mutual Funds"

Yiling Li - Massey University, New Zealand
Russell Gregory-Allen - Massey University, New Zealand
Liping Zou - Massey University, New Zealand

Discussant: Jean Jacques Lilti - Rennes 1 University, France

This research investigates the relationship between fund investment style consistency, the future fund performance, and the fund net flow. Using a large sample of actively-managed U.S. equity mutual funds from Morningstar database, for the period from January 2002 to December 2011, 5555 mutual funds are classified into nine style categories. Our results support the findings from existing literatures that style consistency is of vital importance to fund performance. Taking a different approach we find that more style consistent funds tend to have better long term future performance. However, results suggest that style consistency is not related to future funds net flows, indicating that investors do not pay more attention to style consistency when making their future investment decisions.

FIRM VALUE 2

Session Chair: Kashif Saleem - Lappeenranta University of Technology, Finland

"The Control and Performance of Joint Ventures"

Tomas Mantecon - University of North Texas, USA
Kyojik Song - Sungkyunkwan University, Korea

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

We analyze the control and performance of assets operating inside joint ventures (JVs). Control in JVs is multi-dimensional and is determined by the allocation of voting rights, contractual clauses and equity investments among partners. These mechanisms of control, aimed to ameliorate the potential for ex-post opportunism, are important to understand why managers relinquish control of the assets in JVs and consequently the prevalence of JVs in our economy. Assets operating under joint control in JVs are associated with better performance than assets operating inside firms. Further, JVs perform better when the partners share control of the board. Taken together, our results suggest that the structure of control in JVs reduce ex-post opportunism and induce ex-ante contribution of assets to the collaboration.

"Government Ownership and Firm Performance: Evidence from Singapore and Malaysia"

Nazrul Hisyam Abdul Razak - University Putra Malaysia, Malaysia
Rubi Ahmad - University of Malaya, Malaysia
S.Susela Devi - University of Malaya, Malaysia

Discussant: Kyojik Song - Sungkyunkwan University, Korea

Results drawn from a longitudinal (1995-2005) matched pair sample of twenty-five Malaysian and twenty-five Singaporean firms with government ownership suggest that overall Malaysian firms performed better than Singaporean firms in terms of accounting measurement of performance,(ROA) whilst Singaporean firms are better performers in terms of market measure of performance (Tobin's Q). Interestingly, the Singaporean firms underperformed before the 1997 Asian crisis and outperformed the Malaysian firms post 1997 crisis.

"Corporate Risk Taking and Firm Value: Evidence from a Period of Financial Deregulation"

Conrado García-Gómez - University of Burgos, Spain
Felix López-Iturriaga - University of Valladolid, Spain
Marcos Santamaría-Mariscal - University of Burgos, Spain

Discussant: Rubi Ahmad - University of Malaya, Malaysia

Corporate risk taking has become more important due to 2007 financial crisis. In a period of financial deregulation, companies undertook riskier decisions that, in some cases, were value-enhancing, but in others led to bankruptcy or bailout by governments. Thus, we study the influence of shareholders risk taking attitude in the firm value for a sample of companies from 21 OECD countries for the period 2000-2012. Our results suggest that ownership concentration promotes value-enhancing risky investments when creditor rights are well protected. When considering the type of shareholder, we find that the lack of effective control mechanisms has permitted that both investment funds and commercial banks clearly assume an active attitude in companies, leading to an overinvestment in risky projects with different impact in company performance. Lastly, family or individual shareholders have a tendency to undertake less risky decision but value-enhancing.

"Debt, Private Benefits, and Corporate Governance: An Analysis in an Option Valuation Framework"
Hubert De La Bruslerie - University Paris Dauphine, France

Discussant: Conrado García-Gómez - University of Burgos, Spain

Debt is not frequently analyzed in relation to the conflict between controlling and outside shareholders. At the same time, debt helps to manage the type II corporate agency conflicts because it is easier for controlling shareholders to modify the leverage ratio than to modify their share of capital. A simple model is used to show that debt appears to be a key governance variable because it can moderate private benefits or, conversely, may aid diversion. It is argued in this paper that a self-regulation mechanism may develop even in the situation of control by a dominant shareholder. The joint questions of ownership, private benefits, and debt levels are linked. At low levels of debt, debt is relatively less disciplinary compared with a no private benefit case. When debt exceeds a certain threshold point, it becomes strongly disciplinary. Thus, a self-regulation mechanism develops where the controlling shareholder is incentivized to hold a larger equity stake when he/she wants to increase his/her private appropriation rate.

SESSION 55 **Clyde**

LIQUIDITY
Session Chair: George Blazenko - Simon Fraser University, Canada

"The impact of liquidity on inflation-linked bonds:A hypothetical indexed bonds approach"
Julia Auckenthaler - University of Innsbruck, Austria
Alexander Kupfer - University of Innsbruck, Austria
Rupert Sendlhofer - University of Innsbruck, Austria

Discussant: Sean Foley - University of Sydney, Australia

The sovereign's intention to issue inflation-linked bonds (ILB) is to save money. More than 15 years' experience with this financial instrument in the United States and in several other countries has led to the conclusion that these bonds are costly and basically characterized by low liquidity issues. Recently, various papers have started to analyze the impact of liquidity on ILB yields. This paper summarizes studies concerning ILB liquidity at a glance and adds a new estimation strategy of the liquidity premium based on Campbell & Shiller's (1996) hypothetical ILB yields. We calculate the difference between observed and hypothetical ILB yields, regress this time series on a set of ILB-specific liquidity as well as general market uncertainty measures and find statistically and economically significant effects of the liquidity measures for the United States, the United Kingdom and Canada.

"How to Improve the Liquidity of CAC 40 Options Market?"
Alain François-Heude - MRM, University of Montpellier 2, France
Ouidad Yousfi - MRM, University of Montpellier 2, France

Discussant: Alexander Kupfer - University of Innsbruck, Austria

The current paper discusses the features of contracts on CAC 40 index options, namely PXA contracts and focuses particularly on their liquidity. Our results are drawn on all the daily data available between May 2005 and August 2012. At first sight, the market looks very liquid but when specific liquidity measures are taken into account, like for example the distribution of PXA option maturities, strike price series and moneyness. Our analysis provides evidence that the market displays some illiquidity problems, particularly long term maturity options that are deep out or in the money. To enhance liquidity, we propose the Parity Reverting (PR) options. The idea is to transform all options into At-the-Money (ATM) ones through the reset of the strike price X to the asset price at pre-specified date t, before maturity time T. Strike price is locked in at the then underlying asset price St regardless whether it is above or below St. The reset condition is in exchange for deposit in the Clearing House.

"Market Impacts of Trades for Stocks Listed on the Borsa Istanbul"
Osman Aktas - Concordia University, Canada
Lawrence Kryzanowski - Concordia University, Canada

Discussant: Ouidad Yousfi - MRM, University of Montpellier 2, France

The price effects and their determinants associated with trades for firms in the BIST-30 index of the Borsa Istanbul are examined during the period of April 2008 through March 2009. All mean price effects are less than 30 basis points, but differ significantly on their measurement (especially the choice of the post-trade price), trader aggressiveness (buyer- or seller-initiated), trade size (smaller or larger), trade type (long or short), share liquidity, execution time (e.g., near the close), client-broker relationship (agency, principal or mixed), and market volatility (e.g., around the Lehman announcement). We document that the mean permanent price effects are highly significant and positive for all samples of short trades, are substantially greater in magnitude for seller- versus buyer-initiated short trade seconds, and are significantly more positive than their corresponding samples of long trade seconds. We find some (weak) evidence that is consistent with the conjecture that manipulators have incentives to use buyer-initiated trades to realize higher prices at the close as opposed to earlier in a trading session.

"Should we be Afraid of the Dark? Dark Trading and Market Quality"
Sean Foley - University of Sydney, Australia
Talis Putnins - University of Technology Sydney, Australia

Discussant: Osman Aktas - Concordia University, Canada

Growth in trading without pre-trade transparency, ‘dark trading’, has caused considerable concern among regulators and exchanges worldwide about its impact on market quality. These concerns recently prompted Canadian regulators to implement novel restrictions on dark trading. We exploit this natural experiment, which reduced the level of dark trading by more than one third literally overnight, together with proprietary trade-level data from dark trading venues to examine the impact of dark trading on liquidity and informational efficiency. We find that low levels of dark trading, as exist in Canada, are largely beneficial, reducing quoted, effective and realized spreads and increasing informational efficiency. Our results are consistent with the notion that, to a point, dark trading increases competition among informed traders who seek to capture rents from liquidity provision while minimizing leakage of their information. We do not find any evidence that the Canadian restrictions caused migration of dark trading to the US in cross-listed stocks.

SESSION 56 **Shannon**

PRICING & INVESTING
Session Chair: Rathin Rathinasamy - Ball State University, USA

"Price Discovery in US-Canadian Cross-listed Shares"
Bart Frijns - Auckland University of Technology, New Zealand
Aaron Gilbert - Auckland University of Technology, New Zealand
Alireza Tourani-Rad - Auckland University of Technology, New Zealand

Discussant: Guillaume Andrieu - Group Sup de Co Montpellier Business School, France

While considerable attention has been paid to the location of price discovery, few studies have considered what drives price discovery between exchanges. In addition, endogenity issues have been overlooked in previous studies looking at determinants. In this paper we investigate the determinants of price discovery for Canadian firms cross-listed onto major US exchanges for the period 1996-2012. We compute annual Gonzalo and Granger component shares and employ dynamic GMM panel regressions to control for persistence in price discovery and endogeneity between the component shares and the market quality determinants we consider. We find evidence that price discovery is strongly persistent, meaning that once an exchange gains price discovery from another exchange, it will be slow to lose it. We also find strong evidence of simultaneity between price discovery and the market quality measures we employ. After controlling for endogeneity, we conclude that lower relative transaction costs and higher relative trading activity increase an exchanges contribution to price discovery. Unlike previous studies, we also find evidence that it is small trades that drive price discovery.

"Are Negative P/E Ratio Firms Different than Positive P/E Firms? The Case of Interlisted vs. Non-interlisted Firms in Canada"

George Athanassakos - University of Western Ontario, Canada

Discussant: Aaron Gilbert - Auckland University of Technology, New Zealand

Using separately interlisted and non-interlisted Canadian stock market data for the period 1985-2010, the main purpose of this paper is to examine whether negative P/E stocks are really different than positive P/E firms, and whether negative P/E stocks outperform, on average, the universe of positive P/E stocks. The paper also purports to examine (a) whether interlisted and non-interlisted firms behave similarly or there are distinct differences between them and (b) whether there are differences in relation to this paper's key questions only in one group of stocks or differences are equally driven by both. We find that firms with negative multiples are indeed different than firms with positive multiples in that (a) a relatively small number of firms with negative multiples experience high forward stock returns even though the majority of them does not resulting in a large difference between mean and median returns and (b) the value, size, liquidity and business risk premiums behave differently for negative vs. positive P/E firms. This indicates that prior academic research was right in excluding negative multiple firms from their analysis. Moreover, the paper also shows that there are key differences between interlisted and non-interlisted firms both in the positive and negative P/E space. As a result, not only must negative P/E firms be segregated from positive multiple firms, but also interlisted firms ought to be segregated from non-interlisted firms in related research as

"M&A Announcement Effects in Two Insider Trading Law Regimes in Brazil"

Sonia Balbinotti - Massey University, New Zealand
Mei Qiu - Massey University, New Zealand

Discussant: Anestis Ladas - University of Macedonia, Greece

We investigate the patterns of abnormal returns to acquiring and target firm stocks surround the announcements of merger acquisition deals, before and after harsher punishments for insider trading law were made possible in Brazil in October 2001. Based on a sample of 30 target and 125 acquiring firms involved in M&A deals announced in 1995 to 2009, we find positive and significant abnormal returns to both acquiring and target firm stocks on, and before, the announcement day. Considerable price reversals are observed for the target firm stocks in post-event windows. Furthermore, we find that pre-announcement effects become weaker, but post-announcement price reversals of target firms become stronger, in the more strict law regime. These findings provide some support for the view that harsher laws and more stringent penalties for insider dealing help to improve market efficiency.

"Active Hot Hands Investors vs. "The Crowd": Trading-off Investment Horizon, Support Quality and the Allocation of Control Rights in Entrepreneurial Finance"

Guillaume Andrieu - Group Sup de Co Montpellier Business School, France
Alexander Groh - EMLYON Business School, France

Discussant: Mei Qiu - Massey University, New Zealand

We focus on the entrepreneur's trade-off between active hot hands and rather passive investors - such as "the crowd" - with a two-staged model in which an innovative venture requires external equity for start-up and expansion financing. We assume that active investors provide better support but have a shorter investment horizon than the crowd. They do not want to or cannot provide the expansion capital and prefer exiting at the interim state. We search the NPV maximizing contract for the entrepreneur, taking into account the active investors' potential moral hazard. They might try selling their claim in an unsuccessful venture to an uninformed outside investor even if the project should be abandoned. The likelihood of

success depends on the entrepreneur's effort which is boosted by the support of the investor, while the decision to abandon can be taken either by the financier or the entrepreneur, contingent on who controls the company. There exist several equilibria in this game and we show that entrepreneurs can trade-off several parameters when seeking external financing. Contingent on the allocation of the control rights, on the investor's support quality and investment horizon, on the success by chance, and on the venture's expected liquidation value either type of investor is preferable.

Refreshments 3:30 p.m. - 3:45 p.m.

Foyer 3rd Floor

Tuesday 3:45 - 5:30

SESSION 57 **Tiber**

ASSET PRICING 6
Session Chair: David Allen - University of Sydney, Australia

"Asset Valuation in a (Realistic) Conditional CAPM Setting"
Fabian Lutzenberger - Research Center Finance & Information Management, University of Augsburg, Germany
Mikhail Patsev - Research Center Finance & Information Management, University of Augsburg, Germany
Stefan Stöckl - University of Konstanz, Germany

Discussant: Xiao-Ming Li - Massey University, New Zealand

Ang and Liu (2004) propose a valuation framework that supports the assumptions of a time-varying equity premium, beta and risk-free rate. We conduct an exhaustive empirical analysis of different specifications of this model and test its ability to explain the price-dividend ratios of US equity portfolios out-of-sample. Our results suggest that the model of Ang and Liu (2004) performs well on a portfolio of stocks with book-to-market ratios close to the market median value. Some model specifications are even capable of explaining over 40% of variation in price-dividend ratios out-of-sample. However, both for stocks with very high and very low book-to-market ratios the valuation technique is extremely unstable.

"Stock Market Ambiguity and the Equity Premium"
Panayiotis Andreou - Cyprus University of Technology, Cyprus
Anastasios Kagkadis - Durham University, UK
Paulo Maio - Hanken School of Economics, Finland
Dennis Philip - Durham University, UK

Discussant: Stefan Stöckl - University of Konstanz, Germany

We create a measure of stock market ambiguity based on investors trading activity in the S&P 500 index options market. We show that, for the 1996:01-2012:12 period, ambiguity consistently forecasts negative market excess returns for horizons up to two years ahead, exhibiting a predictive ability comparable to that of the variance risk premium (VRP) and outperforming all other variables examined. Furthermore, its forecasting power remains intact at all horizons when alternative predictors are added into the predictive model. An out-of-sample predictability analysis shows that only ambiguity and VRP outperform the simple historical average. This result is economically significant as revealed by the performance of a trading strategy based on the out-of-sample predictability. The information embedded in stock market ambiguity cannot be subsumed by other option-implied variables that proxy for variance and jump risk or reflect investors' hedging demand. Our results are in line with equilibrium models that incorporate Bayesian learning and an elasticity of intertemporal substitution lower than one.

"Exploring a Shortability-Augmented Asset Pricing Model"
Xiao-Ming Li - Massey University, New Zealand
Liping Zou - Massey University, New Zealand
Min Bai - Auckland University of Technology, New Zealand

Discussant: Panayiotis Andreou - Cyprus University of Technology, Cyprus

One assumption underlying the CAPM and the Fama-French three-factor model is the absence of short-sale restrictions, but has been disregarded in empirical tests of the models for assets/markets that are subject to short-sale constraints. Using data from the Hong Kong market which has strict regulations on short-selling practices, we conduct both time-series and cross-sectional regression analyses to evaluate the performances of the two models under the short-sale-constraint and the no-short-sale-constraint market

environment. The two models perform much worse in the former environment than in the latter, indicating a serious consequence of ignoring the assumption. We then augment the two models with a shortability-mimicking factor. Our results demonstrate that the factor has a significant power in explaining both time-series and cross-sectionalvariations in the size-B/M portfolio returns. The addition of the factor to the two models considerably increases their overall performances.

SESSION 58 **Seine**

ACCOUNTING TOPICS 3

Session Chair: Zhaoyang Gu - Chinese University of Hong Kong, Hong Kong

"Social Networks in Accounting Research"

Andreas Andrikopoulos - University of the Aegean, Greece
Konstantinos Kostaris - University of the Aegean, Greece

Discussant: Wim Westerman - University of Groningen, Netherlands

Abstract This study explores collaborative research that is published in four accounting journals: the Accounting Review, the Journal of Accounting Research, the Journal of Accounting and Economics and Accounting, Organizations and Society. We present the most prolific authors, institutions and countries over the 1980-2011 period. The evidence reaffirms the findings of prior research on the dominance of USA-based institutions in published accounting research. We employ social network analysis in order to discover the relational structure of coauthorship in accounting research. We find that that the network of authoring accounting academics has become increasingly integrated over time. The coauthorship network exhibits ”small-world” properties: a giant component that covers the biggest part of the network of collaborating authors and collaborating institutions, small average distance within the giant component and a high clustering coefficient.

"Does Investment in Corporate Environmental Responsibility Matter in the Financial Services Industries?"

Hoje Jo - Santa Clara University, USA
Hakkon Kim - Korea Advanced Institute of Science and Technology (KAIST), Korea
Kwangwoo Park - Korea Advanced Institute of Science and Technology (KAIST), Korea

Discussant: Andreas Andrikopoulos - University of the Aegean, Greece

In this study, we examine whether corporate environmental responsibility (CER) plays a role in enhancing operating performance in the financial services sector. Because achieving success with CER investing is often a long-term process, we maintain that by effectively investing in CER, executives can decrease their firms’ environmental costs, thereby enhancing operating performance. By employing a unique environmental data set covering 29 countries, we find that the lowering of environmental costs takes at least one or two years before enhancing return on assets (ROA). We also find that lowering environmental costs has a more immediate and substantial effect on financial services firm performance in well-developed financial markets than in less-developed financial markets. These results are economically and statistically significant and robust even after controlling for endogeneity and using an additional performance measure. We interpret our empirical results as supporting the social impact and reputation-building hypothesis. Our findings also suggest that policy makers dealing with corporate sustainability management should pursue an environment-centered industry policy not only at the manufacturing sector but also at the financial services sector, as firms in both sectors with lower environmental costs perform better.

"Is Sustainable Competitive Advantage an Advantage for Stock Investors?"
Yi Liu - University of North Texas, USA

Discussant: Hoje Jo - Santa Clara University, USA

Investing in stocks of companies with sustainable competitive advantage, the moat, does not earn higher raw returns. These companies tend to be larger, financially stronger, and have lower book-to-market ratios. After controlling for size, book-to-market ratio and other risk factors, stocks with sustainable competitive advantages do not earn significantly higher abnormal returns. However, these firms seem to be shielded from mean reversion of higher profitability.

"Does Private Equity Stir Up European Industries?"
Reinder Lubbers - University of Groningen, Netherlands
Henk Von Eije - University of Groningen, Netherlands
Wim Westerman - University of Groningen, Netherlands

Discussant: Yi Liu - University of North Texas, USA

Private equity is subject to public debate regarding its impact on economies. While several papers have documented the effects of private equity on a firm level, the effects of private equity on an industry level is hardly addressed. This paper analyzes the influence of private equity on industry performance across twelve European countries. We find that the relative investment level of private equity positively influences the industries' productivity, operating income, number of employees and average wage level. Causality tests show that the relative level of private equity investments causes the changes in the industries and not vice-versa.

SESSION 59 **Rhine**

CONTAGION AND SPILLOVER
Session Chair: George Theocharides - Cyprus International Institute of Management (CIIM), Cyprus

"Business Cycle Spillovers in the EU15: What is the message transmitted by the periphery?"
Nikolaos Antonakakis - University of Portsmouth, UK
Ioannis Chatziantoniou - University of Portsmouth, UK
George Filis - Bournemouth University, UK

Discussant: Dinh-Vinh Vo - University of Economics and Law, Viet Nam

We examine business cycle spillovers in the EU15 countries by employing the spillover index approach of Diebold and Yilmaz (2009,2012) over the period 1977-2012. The propagation mechanisms of business cycle shocks among EU15 is becoming a major interest due to unprecedented recent economic turbulence. The results of our analysis reveal the following empirical regularities: (i) the total spillover index suggests that 53.55% of the forecast error variance in all EU15 countries' business cycles can be attributed to spillovers. (ii) The index is very responsive to extreme economic events. (iii) The direction of spillovers between the Eurozone core and the Eurozone periphery is changing over time. (iv) In terms of country specific results, we find that Spain followed by Portugal and Greece, are the dominant transmitters of business cycle shocks among the EU15 countries. (v) Finally, the widening of the European debt crisis can be explained by business cycle shocks in the whole Eurozone periphery. Thus, appropriate policy measures aiming to steer peripheral economies towards growth, away from turbulence and close to recovery, should be formulated.

"Cross-Industry Product Diversification and Contagion in Risk and Return: The Case of Bank-Insurance and Insurance-Bank Takeovers"

Elyas Elyasiani - Temple University, USA
Sotiris Staikouras - Cass Business School, UK
Panagiotis Dontis Charitos - University of Westminster, UK

Discussant: Nikolaos Antonakakis - University of Portsmouth, UK

We investigate the impact of domestic/international bank-insurance and insurance-bank deals on the risk-return profiles of announcing and non-announcing banks and insurers within a GARCH model. In bank-insurance deals, we find intra- and inter-industry contagion in both risk and return, with larger deals producing greater contagion. Bidder banks and peers experience positive abnormal returns, with the effects on insurer peers being larger and more gradual than those on bank peers. On the contrary, in insurance-bank deals, bidder and peer insurers experience insignificant excess returns, while bank peers exhibit positive valuations. Moreover, following the deal, the bank bidders' idiosyncratic (systematic) risk falls (increases) while insurance bidders exhibit a decline in their systematic risks and no change in their idiosyncratic risk. Bidders' abnormal returns vary with their leverage, growth opportunities, revenue diversity, profitability, geographical origin and deal size. Overall, we provide evidence that the financial crisis has altered investor expectations regarding cross-product diversification. Our findings support the bank-insurance interface but warn against its consequences on systemic risk.

"Heat Wave and Meteor Shower: Volatility Spillover between the US and European Markets During the Global Financial Crisis"

Jahangir Sultan - Bentley College, USA
Mohammad Hasan - University of Kent, UK

Discussant: Elyas Elyasiani - Temple University, USA

Much has been written on aggregate volatility spillover from the US during the recent financial crisis. However, despite anecdotal evidence, very little has been done to identify the sectoral origins of such spillover. The use of aggregate equity market index such as the S&P500 for studying spillover is flawed because all sectors of the US economy may not have contributed to the volatility spillover. We use the VIX index and the VIX futures as measures of aggregate equity market volatility to identify the major equity market indices that contribute to the volatility, implied volatility, implied volatility skew, and volatility of the volatility. Once the major US equity indices are identified, they are matched with similar equity market indices for several developed and developing countries affected by the spillover.

"A Coexceedance Approach on Financial Contagion"

Dinh-Vinh Vo - University of Economics and Law, Viet Nam

Discussant: Mohammad Hasan - University of Kent, UK

The paper sheds light on financial contagion within the Euro Area and Asia, and contagion from the Euro Area to Asia during two recent crises: the global financial crisis and European sovereign debt crisis. Applying the multinomial logit regression model, the paper investigates how the macro-finance variables affect the coincidence of extreme negative returns (coexceedances). In addition, I apply both original constant threshold i.e. 5% percentile of unconditional distribution of daily stock returns and Value-at-Risk to estimate extreme negative returns. These approaches offer a similar pattern. The empirical findings reveal that, in the Euro Area and Asia, the probability of the occurrence of coexceedances is strongly explained by the idiosyncratic risks: the changes in exchange rates, the regional stock market volatility, and global shocks: the changes in the U.S. long-term interest rates, the TED spread. The global volatility index is only significant to explain the likelihood of coexceedances in the Euro Area, not in Asia. However, the changes in exchange rates affect the probability of observing coexceedances in opposite directions. These analyses lead to the conclusion that contagion in Asia is more important than in the Euro Area. Another important finding indicates the existence of contagion from the Euro Area to Asia.

BANKING 3

Session Chair: Christos Negakis - University of Macedonia, Greece

"Bank Diversification into the Insurance Business: The Effects of the Deregulation of the Bank-Sales Channel at Japanese Banks"

Masaru Konishi - Hitotsubashi University, Japan
Eiji Okuyama - Chuo University, Japan
Yukihiro Yasuda - Tokyo Keizai University, Japan

Discussant: Gozde Sungu - Ozyegin University, Turkey

In this paper we empirically examine the diversification effects of the deregulation of bank-sales channel into the insurance business by Japanese banks. Using the Japanese unique data set on fee-based revenues, we identify separate fee-based revenues, such as insurance and/or mutual fund sales. We find that banks with a higher BIS ratio, more branches, more monopolistic power in loan market, and higher loan-to-deposit ratios tend to have shifted towards an insurance fee-based business. This indicates that bank health and branch expansion can affect the fee business strategy at each bank. We also find that banks with lower mutual fund fee revenues tend to earn more insurance fee revenues, implying that a substitute relationship has developed between them after the Global Financial Crisis of 2007. We find that banks with higher insurance revenues are positively associated with return volatilities (such as ROA and/or ROE) but are not related with total risk or Z score.

"The Evaluation of Compatibility of Turkish Banking Sector with EU Banking System Under the Framework Optimum Currency Area Theory."

Ahmet Ikiz - Mugla Sitki Kocman University, Turkey

Discussant: Yukihiro Yasuda - Tokyo Keizai University, Japan

The optimum currency area theory focuses on the convergence of member countries monetary systems under common currency in economic integration. Ie. Theory evaluates the robustness of unique currency for further economic integration among member countries. Convergence of financial systems especially banking sector is very important to achieve optimum currency area in economic and financial integration. European Union is very best sample of optimum currency areas that Euro zone have common monetary unit. Turkey with strong economic performance is in the process of European Union membership accession negotiations process. The strategy and accession process will end with membership in near future. Turkish banking sector after severe economic crisis in 2001 managed to grow with solid performance. In this paper we will compare Turkish banking sector with European counterparts in order to observe the potential strengths, weakness, opportunities and threats in European membership process of Turkey.

"Firm Performance and Banking Relationship: Evidence from Turkey"

Zeynep Onder - Bilkent University, Turkey
Gozde Sungu - Ozyegin University, Turkey

Discussant: Zuzana Fungacova - Bank of Finland, Finland

This paper examines the relationship between firm performance and the number of banks that the firm has a credit relationship for the Turkish firms in the period 2003-2011. In the analysis, banks are classified according to their nationalities, ownership structures and orientations; firms are classified based on their size as small and large, and sample period is divided into two as crisis and non-crisis years, considering the effect of the 2008 global crisis. Our findings indicate that there is negative association between firm performance and the number of banking relationship. Firms that have low performance measures are found to be associated with more number of banks. This negative relationship is observed for small-sized firms and during the non-crisis period. Moreover, the firm performance is negatively associated not only with total number of banking relationship but also with the number of foreign and private banks.

"Does Money Buy Credit? Firm-Level Evidence on Bribery and Bank Debt"
Zuzana Fungacova - Bank of Finland, Finland
Anna Kochanova - Max Planck Institute, Germany
Laurent Weill - University of Strasbourg, France

Discussant: Ahmet Ikiz - Mugla Sitki Kocman University, Turkey

This study examines how bribery influences bank debt ratios for a large sample of firms from 14 transition countries. We combine information on bribery practices from the BEEPS survey with firm-level accounting data from the Amadeus database. Bribery is measured by the frequency of making extra unofficial payments to officials to get "things done". We find that bribery is positively related to firms' bank debt ratios. We interpret this finding so that bribery encourages firms' bank lending through bribes given to bank officials. This impact differs with the maturity of bank debt, as bribery contributes to higher short-term bank debt ratio but hampers long-term bank ratio. Finally, we find that the institutional factors of the banking industry influence the relation between bribery and firms' bank debt ratio. Greater financial development reduces the positive effect of bribery, while higher market share of state-owned banks has the opposite effect.

SESSION 61 — Thames

ANALYSTS
Session Chair: Raul Susmel - University of Houston, USA

"Determinants of analyst coverage of UK Listed Companies"
Frank Skinner - University of Surrey, UK
Omaima Hassan - Brunel University, UK

Discussant: Jose Faias - Catolica Lisbon SBE, Portugal

This is the first study to empirically examine determinants of analyst coverage of UK companies listed on both the main market (FTSE350) and the alternative investment market (AIM). We introduce three new variables that to the best of our knowledge have not been examined before for the UK listed companies. The results show that: firm size, the number of lines of business, systematic risk, the credibility of financial reporting, the size of the firm's investor base and industry-effect are the main factors that drive the number of analysts following a UK listed company. Interestingly, listing on the main board as opposed to the junior market is significantly and positively related to the number of analysts following the company's shares. This suggests that one benefit from moving from the junior to the main market is that more analysts will follow the share and this will potentially reduce asymmetric information and improve the market for the firm's shares.

"Do Analysts' Preferences Affect Corporate Policies?"
Francois Degeorge - University of Lugano, Switzerland
François Derrien - HEC Paris, France
Ambrus Kecskes - Schulich School of Business at York University, Canada
Sebastien Michenaud - Rice University, USA

Discussant: Frank Skinner - University of Surrey, UK

Equity research analysts tend to cover firms about which they have favorable views. We exploit this tendency to infer analysts' preferences for corporate policies from their coverage decisions. We then use exogenous analyst disappearances to examine the effect of these preferences on corporate policies. After an analyst disappears, firms change their policies in the direction opposite to the analyst's preferences. The influence of analyst preferences on policies is stronger for firms for which analyst coverage is likely to matter more: young firms, and firms with higher market valuations. Our results suggest that firms choose their corporate policies, in part, to be consistent with the preferences of their analysts.

"A Closer Look at Financial Analysts Bold Recommendations"
Dan Palmon - Rutgers University, USA
Hua Xin - Rutgers University, USA

Discussant: Ambrus Kecskes - Schulich School of Business at York University, Canada

Sometimes financial analysts' recommendations differ. This paper provide a new way to understand analysts' bold recommendations by dividing bold recommendations into two categories: (a) Contra bold recommendations (bold without followers) (b) leading bold recommendations (bold with followers). A comparison of market performance indicates that leading bold recommendations create higher market returns than contra bold or non-bold recommendations, but that contra bold recommendations create higher market returns than non-bold recommendations. These findings suggest that analysts' leading bold recommendations incorporate financial analysts' private information and expertise more completely than other recommendations do. Further analysis suggests that if the market follows leading bold recommendations, it creates higher market returns both in the short run and in the long run.

"Influential Analyst Recommendations: Are They the Hidden Gem?"
Jose Faias - Catolica Lisbon SBE, Portugal
Pedro Mascarenhas - Catolica Lisbon SBE, Portugal

Discussant: Hua Xin - Rutgers University, USA

Informational signals play an important role in Finance. From an ex post exercise, there are 20% influential analyst recommendations in terms of impact on the price. We perform a predicting exercise to forecast influential recommendations changes. We find that ex ante these depend on the magnitude of the recommendation change, concurrent earnings forecasts issued around the recommendation change, and firm institutional ownership. From this knowledge, we construct an out of sample long-short portfolio that buys positive and sells negative influential recommendation changes' stocks. This strategy yields a net annualized abnormal return of 26%, an annualized Sharpe ratio of 1.23, and an annualized certainty-equivalent of 27% between 1999 and 2012, which compares well to an annualized Sharpe Ratio of 0.40 and an annualized certainty-equivalent of 6% of the CRSP equally-weighted index.

SESSION 62 **Severn**

CORPORATE GOVERNANCE 3
Session Chair: Satish Thosar - University of Redlands, USA

"Internal Ownership Structures of U.S. Multinational Firms"
Katharina Lewellen - Dartmouth College, USA
Leslie Robinson - Dartmouth College, USA

Discussant: Domenico Cambrea - University of Calabria, Italy

This paper is a comprehensive analysis of the foreign ownership structures of U.S. multinational firms. Though the vast majority of foreign subsidiaries are ultimately wholly-owned by their U.S. parents, the way these entities are arranged within the firms' ownership structures varies considerably from simple to highly complex. The structures receive public attention because of their role in tax planning, but no academic study to date investigates the trade-offs involved in designing them jointly, or documents what the structures look like for typical firms. This paper begins to fill this gap. After establishing a basic taxonomy and a set of key facts about the structures, we look inside the black box of complex firms to investigate what forces drive internal ownership choices. We find evidence of several distinct tax motives, but also uncover a number of non-tax factors, including internal financing costs and expropriation risks.

"Short Interest and Stock Price Crash Risk"

Jeffrey Callen - University of Toronto, Canada
Xiaohua Fang - Georgia State University, USA

Discussant: Leslie Robinson - Dartmouth College, USA

Using a large sample of U.S. public firms, we find robust evidence that short interest is positively related to one-year ahead stock price crash risk. The evidence is consistent with the view that short sellers are able to ferret out bad news hoarding activities by managers. Additional findings show that the positive relation between short interest and future stock price crash is more salient for firms with weak governance monitoring mechanisms, excessive risk taking behavior, and high information asymmetry between managers and shareholders. Empirical support is provided showing that the relation between short sale interest and stock price crash risk is indeed driven by bad news hoarding.

"Are CEOs with a Long Career Horizon or a Short Tenure Costly for Shareholders? Evidence from Stock Price Crashes"

Christodoulos Louca - Cyprus University of Technology, Cyprus
Panayiotis Andreou - Cyprus University of Technology, Cyprus
Andreas Petrou - Cyprus University of Technology, Cyprus

Discussant: Jeffrey Callen - University of Toronto, Canada

We argue that CEOs with a longer career horizon have greater future personal wealth concerns and CEOs with a shorter tenure have greater job concerns. Drawing on agency and prospect theories, we suggest that when CEOs' actions fail to deliver, these concerns motivate CEOs to hoard bad news, resulting in stock crashes. Findings indicate that either long career horizon or short tenured CEOs are more likely to encounter a stock crash. The impact of career horizon on stock crashes is accentuated in the presence of either duality or diversified structure while the impact of tenure on stock crashes is accentuated only in the presence of diversified structure. The findings have important implications about the design of effective control mechanisms when either young or short-tenured CEOs lead the company.

"The Relationship between Cash Holding and Firm Value. The Role of Moderating Factors"

Domenico Cambrea - University of Calabria, Italy

Discussant: Christodoulos Louca - Cyprus University of Technology, Cyprus

The study examines the role of moderating factors in the relationship between cash holdings and value through analysis, econometric models used, some variables of interaction, referring to firm-specific characteristics, as well as factors related to the institutional context. The results show the positive effect of cash holding on firm value and reveal the existence of moderator variables can change the sign and intensity.

CORPORATE RISK MANAGEMENT

Session Chair: Tomasz Wisniewski - University of Szczecin, Poland

"An Investigation on Early Withdrawals from Individual Retirement Accounts: An Empirical Study on an Emerging Market"

Yilmaz Yildiz - Hacettepe University, Turkey
Mehmet Karan - Hacettepe University, Turkey
Seyma Bayrak - The Scientific and Technological Research Council of Turkey, Turkey

Discussant: Lin Guo - Suffolk University, USA

Early withdrawals are one of the main problem for the pension companies for developed and emerging countries. Currently about one-third of plan participants withdraw their savings despite a withholding tax of 15 percent is applied on the amount accumulate. The aim of the study is to identify personal variables of participants who withdrawal their retirement accounts before eligible for retirement using the database of the biggest pension company of Turkey. Using logistic regression methodology, the gender of the customers, the average risk level of the costumers' investment choice during the participation period, the ratio of actual contributions to committed contributions of the costumers, the marital status of the customers, number of kids of the customers, value of monthly contributions when they enter the system and the age of customers when they enter the system variables are found significant to identify participants who may quit the system earlier.

"The Role of Tax Havens in Portfolio Equity Flows: International Evidence"

David Kemme - University of Memphis, USA
Bhavik Parikh - University of Memphis, USA
Tanja Steigner - Emporia State University, USA

Discussant: Lawrence Kryzanowski - Concordia University, Canada

We show that for our sample of 50 non tax haven countries average portfolio equity flows from received tax haven countries is higher than average flows received from non-tax haven countries. We also show that as non tax haven countries increases their personal tax rates higher portfolio equity flows are received for tax havens countries. These effects are consistent for countries belonging to emerging, frontier and developed markets, whether a given country has high or low corporate governance.

"Impact of Sponsor Ownership on Fixed-Income Fund Performance"

Lawrence Kryzanowski - Concordia University, Canada

Discussant: Yilmaz Yildiz - Hacettepe University, Turkey

Mutual fund sponsors differ in their ownership structures (public/private, and mutual/stock). We provide evidence that agency issues and managerial abilities are important drivers of performance differences among Canadian fixed-income funds (FIF) differentiated by sponsor and fund types. Those sponsored by all public Banks (all private Professional Associations) exhibit superior (inferior) performances, on average, over those sponsored by Insurers, Financial Cooperatives, and Independents for the Canadian Bond category (over 70% of the Canadian FIF market). In contrast, funds sponsored by Financial Cooperatives strongly outperform the other sponsor types, on average, for the High-yield Bond category (10% of the Canadian FIF market).

"Market Discipline and Regulatory Oversight: Evidence on Bank Risk and Liability Choices from 1986 to 2013"
Lin Guo - Suffolk University, USA
Alexandros Prezas - Suffolk University, USA

Discussant: Dimitrios Kousenidis - Aristotle University of Thessaloniki, Greece

This paper develops a theoretical model to examine the interaction of a bank's asset and liability choices under insolvency risk and deposit insurance. The theoretical framework shows how the bank's liability choices interact with its asset composition and the riskiness of the bank's asset portfolio. In addition, the paper empirically tests the implications of the model on how changes in a bank's asset risk affect the structure of its assets and liabilities using U.S. bank holding company data for the period of September 1986 to September 2013. We find that interest rates on uninsured deposits are more risk sensitive than those on insured deposits. However, this does not necessarily lead to increased reliance on insured deposits to reduce market discipline when the bank becomes riskier. Our findings have important policy implications on regulatory surveillance of depository institutions and on the pricing of deposit insurance.

SESSION 64 **Shannon**

TRADING BEHAVIOR
Session Chair: Chih-Hsien Yu - University of Baltimore, USA

"An Investigation of Australian Investor Trading Behaviour for the Takeover Event and the Resultant Returns"
Anna McAdam - University of Huddersfield, UK

Discussant: Stefan Hirth - Aarhus University, Denmark

This study employs comprehensive Australian takeover data to examine, for four investors, their trading behaviour, share price impact, and apportionment of takeover wealth gains. The evidence confirms returns commensurate with information level, gains that vary by investor and whether a trade is aggressive or passive. An unexpected finding is that individuals represent an informed trader and realise a superior return, while nominees (fund managers) represent a sophisticated trader who realise a negligible return but who are responsible for the target firm share price movement. This paper consequentially contributes to takeover wealth gain literature by going beyond the 'target-bidder' firm dichotomy.

"Informed Trading Around Stock Split Announcements: Evidence from the Option Market"
Philip Gharghori - Monash University, Australia
Edwin Maberly - Monash University, Australia
Annette Nguyen - Deakin University, Australia

Discussant: Anna McAdam - University of Huddersfield, UK

Prior research has shown that splitting firms earn positive abnormal returns and that they experience an increase in stock return volatility. If they do, then the option market is an ideal venue to capitalize on this information. By examining option-implied volatility, we assess option investors' perceptions on return and volatility changes arising from stock splits. We find that they do expect higher stock volatility following splits. There is also some evidence of option investors anticipating an abnormal increase in stock prices. On balance though, we contend that they do not expect that splitting firms will earn abnormal returns.

"Routine Insider Sales and Managerial Opportunism"

Ashiq Ali - University of Texas at Dallas, USA
Yinghua Li - Baruch College, USA
Kelsey Wei - University of Texas at Dallas, USA
Yibin Zhou - University of Texas at Dallas, USA

Discussant: Philip Gharghori - Monash University, Australia

Prior research shows that routine insider trades are not informative about future firm performance (Cohen et al. 2012, Journal of Finance). We examine whether managers enhance their personal gains by manipulating reported earnings upwards prior to their routine sales. We show that the amount of routine sales by top-five managers is positively associated with discretionary accruals as well as overproduction, which reduces per unit cost of sales, and is negatively associated with discretionary expenditures such as R&D. These associations are more pronounced in periods when routine sales are conducted by more than one top-five managers and are not significant for routine sales by non-top five managers. Overall, our results suggest that even routine trades could be associated with managerial opportunism.

"Asset Liquidity and Investment - Empirical Evidence"

Stefan Hirth - Aarhus University, Denmark

Discussant: Ashiq Ali - University of Texas at Dallas, USA

How does the liquidity or tangibility of a firm's existing assets a ect new investment? I link two current topics of the corporate investment literature: On the one hand, the U-shaped relation between investment and liquid funds, and on the other hand, the effect of tangibility on investment and its sensitivity to cash flow. Preliminary empirical results suggest that investment is indeed U-shaped in liquid funds, and that the tangibility of a firm's existing assets is an important additional determinant of investment.

KEYNOTE SPEECH

8:30 p.m. - 9:15 p.m. Suite 1 - 3rd Floor

Professor Jeffrey Callen
University of Toronto, Canada

THE TERM STRUCTURE OF IMPLIED COSTS OF EQUITY CAPITAL

The speech deals with theoretically sound and empirically implementable method for estimating firm-level term structures of implied costs of equity from option prices, similar to the derivation of the term structure of interest rates from bond prices. The term structure of implied costs of equity are found to be upward sloping and concave for most years and industries for the period 1996-2012. Interestingly, the concavity ‡attenuated during the 2008-2009 crisis period. These estimates are positively and significantly associated with future equity returns in contrast to traditional static implied and factor model costs of equity. In contrast to other models, the term structure estimates predict risk premia for the month of earnings announcements, consistent with recent literature.

GALA DINNER

9:30 p.m. - midnight Suite 1 - 3rd Floor