SEVENTH SPRING CONFERENCE
MULTINATIONAL FINANCE SOCIETY

http://www.mfsociety.org

Sponsored by

Department of Economics,
University of Crete, Greece

Financial Engineering Laboratory,
Technical University of Crete, Greece

University of Macedonia,
School of Business Administration, Greece

Region of Crete, Greece

April 19-21, 2019
Civitel Akali Hotel
55 Kissamou str.
731 31 Chania
Crete, GREECE

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

To bring together researchers, doctoral students and practitioners from various international institutions to focus on timely financial issues and research findings pertaining to industrialized and developing countries.

Keynote Speaker

Mike G. Tsionas - Lancaster University Management School, UK

Program Committee - Chairs

Chrysovalantis Gaganis - University of Crete, Greece
Panayiotis Theodossiou - CUT, Cyprus
Constantin Zopounidis - Technical University of Crete, Greece

Program Committee

Meni Abudy - Bar-Ilan University, Israel
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George Athanassakos - University of Western Ontario, Canada
Wolfgang Bessler - Justus-Liebig University Giessen, Germany
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Jeffrey Lawrence Callen - University of Toronto, Canada
Ephraim Clark - Middlesex University Business School, UK
George Constantinides - University of Chicago, USA
Michalis Doumpos - Technical University of Crete, Greece
Chanaka Edirisinghe - Rensselaer Polytechnic Institute, USA
Eti Einhorn - Tel Aviv University, Israel
Elyas Elyasiani - Temple University, USA
Emilios Galariotis - Audencia Business School, France
Anthony Yanxiang Gu - State University of New York, USA
Gikas Hardouvelis - University of Piraeus, Greece
Kris Jacobs - C.T. University of Houston, USA
Petko Kalev - La Trobe University, Australia
Olga Kandinskaia - CIIM, Cyprus
Mehmet Karan - Hacettepe University, Turkey
Johan Knif - Hanken School of Economics, Finland
Dimitrios Kousenidis - Aristotle University, Greece
Yoram Kroll - Ono Academic College (OAC), Israel
Lawrence Kryzanowski - Concordia University, Canada
Shiki Levy - Hebrew University of Jerusalem, Israel
Radu Lupu - Bucharest University of Economic Studies, Romania
Didier Maillard - CNAM, France
Anastasios Malliaris - Loyola University Chicago, USA
Minna Martikainen - Hanken School of Economics, Finland
Roni Michaely - Cornell University, USA
Nikolaos T. Milonas - University of Athens, Greece
Yevgeny Mugerman - Bar-Ilan University, Israel
Louis Murray - University College Dublin, Ireland
Silvia Muzzioli - University of Modena and Reggio Emilia, Italy
Christos Negakis - University of Macedonia, Greece
Edgar Ortiz - Universidad Nacional Autonoma de Mexico, Mexico
Dan Palmon - The State University of New Jersey, Rutgers
Fotis Pasiouras - Montpellier Business School, France
Dionisis Philippas - ESSCA Grand Ecole de Management, France
Nikolaos Philippas - University of Piraeus, Greece
Leszek Preisner - AGH University of Science and Technology, Poland
Frank Skinner - Brunel University, UK
Stella Spilioti - Athens University of Economics and Business, Greece
Samuel Szewczyk - Drexel University, USA
Uwe Walz - Goethe University of Frankfurt, Germany
Dan Weiss - Tel Aviv University, Israel
Zvi Wiener - Hebrew University of Jerusalem, Israel
Yildiray Yildirim - Baruch College-CUNY, USA
Ania Zalewska - University of Bath, UK

Local Organizing Committee

Eleni Angelaki - Technical University of Crete, Greece
Ioanna Atsalaki - Technical University of Crete, Greece
Dimitris Batakis - Technical University of Crete, Greece
Stavroula Sarri - Technical University of Crete, Greece

TWENTY-SIXTH ANNUAL CONFERENCE OF THE MULTINATIONAL FINANCE SOCIETY

June 30 - July 3, 2019
Jerusalem, Israel

KEYNOTE SPEAKERS

Eti Einhorn - *Tel Aviv University, Israel*
Dan Galai - *Hebrew University of Jerusalem, Israel*
Roni Michaely - *University of Geneva, Switzerland*

PROGRAM CHAIRS

Keren Bar-Hava - *Hebrew University of Jerusalem, Israel*
Jeffrey Lawrence Callen - *University of Toronto, Canada*
Panayiotis Theodossiou - *CUT, Cyprus*

SPONSORING INSTITUTION

Jerusalem School of Business Administration, The Hebrew University, Israel

FURTHER INFORMATION

Information regarding the conference, accommodations, feature speakers, travel arrangements, fees and other activities can be found on the MFS website as needed. Information about past conferences can also be found on the website.

WEBSITE: http://www.mfsociety.org

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ΠΑΝΕΠΙΣΤΗΜΙΟ ΚΡΗΤΗΣ
UNIVERSITY OF CRETE

TECHNICAL
UNIVERSITY
OF CRETE

HELLENIC
REPUBLIC
UNIVERSITY
OF MACEDONIA

ΠΕΡΙΦΕΡΕΙΑ ΚΡΗΤΗΣ
REGION OF CRETE
ΠΕΡΙΦΕΡΕΙΑΚΗ ΕΝΟΤΗΤΑ ΧΑΝΙΩΝ

ΣΥΝΕΤΑΙΡΙΣΤΙΚΗ
ΤΡΑΠΕΖΑ ΧΑΝΙΩΝ

ΤΖ
ΤΖΙΟΛΑ
ΕΚΔΟΣΕΙΣ ΤΖΙΟΛΑ

LETTER FROM THE PROGRAM CHAIRS

Dear Colleagues,

We welcome you to the 7th Spring Conference of the Multinational Finance Society in the beautiful city of Chania, Crete. The economic and political developments around the world have been challenging to businesses, financial institutions, regulations and governments. The general economic conditions, the increased public and private debt, the non-performing loans in the portfolios of many European banks and the turbulence in the financial and banking sectors of numerous European Union countries, necessitate the discussion of micro- and macro-finance issues and the exploration of timely solutions to financial problems.

The experience of recent years has shown once more that no modern country can operate and develop without a strong - healthy 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.

This year's meeting has also received many excellent submissions. In total, we received 115 papers. The conference program includes 54 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, Canada, China, Cyprus, Denmark, Egypt, Finland, France, Germany, Greece, Hong Kong, Italy, Korea, Mexico, New Zealand, Singapore, Spain, Switzerland, United Arab Emirates, United Kingdom and United States of America. This creates an opportunity to not only meet our old friends again but also our new colleagues from Crete as well as other first-comers.

We are lucky this year to have an outstanding keynote speaker, Professor Mike G. Tsionas from Lancaster University Management School, UK.

We have a wonderful location in the lively city of Chania and surrounding areas, which is well known for its outstanding climate, culture and Greek Cuisine.

We would like to thank the Department of Economics, University of Crete, Greece, the Financial Engineering Laboratory, Technical University of Crete, Greece, University of Macedonia, Greece, and the Region of Crete for their support in the organization of our conference.

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 local organizing committee members from University of Crete, Technical University of Crete, and the conference sponsors Cooperative Bank of Chania and TZIOLA Publications.

Special thanks go to our support staff Gregoris Gregoriou, Theodoros Theodossiou, and Fanos Theodosiou for their administrative assistance. This conference would have not been possible without all of their hard work!

We wish you a pleasant stay at Chania and we hope you enjoy the conference.

The Program Chairs,

CGPTCZ

Chrysovalantis Gaganis
Panayiotis Theodossiou
Constantin Zopounidis

LETTER FROM THE GOVERNOR OF CRETE

It is a great pleasure for the Region of Crete to participate in the organization of one of the leading and most important scientific conferences. The 7th Spring Conference of the Multinational Finance Society through the eminent participating scientists, highlights Crete as an international scientific center in the field of economic science.

Mr. Stavros Anraoutakis
Governor of Crete, Greece

GENERAL INFORMATION

CONFERENCE INQUIRIES

Global Business Publications
mfc2019b@mfsociety.org

CONFERENCE REGISTRATION

Friday, April 19 (Civitel Akali Hotel)	8:00 a.m. - 5:00 p.m.
Saturday, April 20 (Civitel Akali Hotel)	8:00 a.m. - 6:15 p.m.

SOCIAL FUNCTIONS

Friday, April 19

Refreshments	10:30 - 10:45 a.m.
Luncheon (Hotel Restaurant)	12:15 - 1:30 p.m.
Refreshments	3:00 - 3:15 p.m.

Saturday, April 20

Refreshments	10:30 - 10:45 a.m
Luncheon (Hotel Restaurant)	12:15 - 1:30 p.m.
Keynote Speech (Prof. Tsionas - ELPIDA)	1:30 - 2:30 p.m.
Refreshments	4:00 - 4:15 p.m.
Gala Dinner (Michalis Tavern)	8:00 - 11:00 p.m.

Sunday, April 21

Tour (Venizelos Graves, Agia Triada Monastery, Old Town & Venetian Harbour)	9:00 - 2:00 p.m.

LIST OF SESSIONS

Friday 8:30 - 10:30 a.m.

Session 1	Asset Pricing Models	ELPIDA
Session 2	Accounting Issues	ARIANTHI

Friday 10:45 - 12:15 p.m.

Session 3	Market Anomalies	ELPIDA
Session 4	Bankruptcy and Financial Distress	ARIANTHI

Friday 1:30 - 3:00 p.m.

Session 5	Mutual Funds	ELPIDA
Session 6	Corporate Risk Management	ARIANTHI

Friday 3:15 - 4:45 p.m.

Session 7	Risk Management	ELPIDA
Session 8	Trading	ARIANTHI

Saturday 8:30 - 10:30 a.m.

Session 9	Corporate Governance	ELPIDA
Session 10	Event Studies	ARIANTHI

Saturday 10:45 - 12:15 p.m.

Session 11	Behavioral Issues	ELPIDA
Session 12	Asset Pricing	ARIANTHI

Saturday 2:30 - 4:00 p.m.

Session 13	Volatility & Spillovers	ELPIDA
Session 14	Corporate Finance I	ARIANTHI

Saturday 4:15 - 6:15 p.m.

Session 15	Firm Valuation	ELPIDA
Session 16	Corporate Finance II	ARIANTHI

Friday 8:30 - 10:30 a.m.

SESSION 1 **ELPIDA**

ASSET PRICING MODELS
Session Chair: Renata Herrerias - ITAM, Mexico

"Are Anomalies Exploitable?"
Deniz Anginer - World Bank, USA
Gerard Hoberg - University of Southern California, USA
Hasan Seyhun - University of Michigan, USA

Discussant: Ronald Balvers - McMaster University, Canada

"Distinguishing Factors and Characteristics with Characteristic-Mimicking Portfolios"
Ronald Balvers - McMaster University, Canada
Hao Luo - Office of the Comptroller of the Currency, USA

Discussant: Georgios Skoulakis - University of British Columbia, Canada

"Oil and Equity Return Predictability: The Importance of Dissecting Oil Price Changes"
Haibo Jiang - Tulane University, USA
Georgios Skoulakis - University of British Columbia, Canada
Jinming Xue - University of Maryland, USA

Discussant: David Allen - University of Sydney, Australia

"“Choosing Factors” by Fama and French (2018): A Comment"
David Allen - University of Sydney, Australia
Michael McAleer - Asia University, Taiwan

Discussant: Hasan Seyhun - University of Michigan, USA

SESSION 2 **ARIANTHI**

ACCOUNTING ISSUES
Session Chair: Sangwon Suh - Chung-Ang University, Korea, Republic of

"Using Google Searches of Firm Products to Assess Revenue Quality and Detect Revenue Management"
Peng-Chia Chiu - Chinese University of Hong Kong, Hong Kong
Siew Hong Teoh - University of California, Irvine, USA
Yinglei Zhang - Chinese University of Hong Kong, Hong Kong
Xuan Huang - California State University, Long Beach, USA

Discussant: Probal Dutta - University of Vaasa, Finland

"An Investigation into the Relationship between Corporate Environmental Performance and Stock Market Returns: Evidence from Finland"
Probal Dutta - University of Vaasa, Finland

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

Friday 8:30 - 10:30 a.m.

"Do Firms Really Overproduce to Manage Earnings? A Reexamination of the Production Costs Proxy"
Zhaoyang Gu - Chinese University of Hong Kong, Hong Kong
Wing Hei Sao - Chinese University of Hong Kong, Hong Kong

Discussant: Ahmed Naciri - Université du Québec Montréal, Canada

"Why so Many Under Developed Economies Barely Develop?"
Ahmed Naciri - Université du Québec Montréal, Canada

Discussant: Peng-Chia Chiu - Chinese University of Hong Kong, Hong Kong

Refreshments 10:30 - 10:45 a.m.

Friday 10:45 - 12:15 p.m.

SESSION 3 **ELPIDA**

MARKET ANOMALIES
Session Chair: Grzegorz Trojanowski - University of Exeter Business School, UK

"Anomalies in Emerging Markets: The Case of Mexico"
Polux Diaz-Ruiz - ITAM, Mexico
Renata Herrerias - ITAM, Mexico
Aurelio Vasquez - ITAM, Mexico

Discussant: Sangwon Suh - Chung-Ang University, Korea, Republic of

"Can Prior Information Make Market Anomalies More Anomalous? Evidence from Common Stocks"
Sangwon Suh - Chung-Ang University, Korea, Republic of

Discussant: Kai Wang - Bocconi University, Italy

"Risk-Neutral Cumulants, Expected Risk Premia, and Future Stock Returns"
Kai Wang - Bocconi University, Italy

Discussant: Renata Herrerias - ITAM, Mexico

SESSION 4 **ARIANTHI**

BANKRUPTCY AND FINANCIAL DISTRESS
Session Chair: Shuxing Yin - University of Sheffield, UK

"Debt, Bankruptcy Risk, and Corporate Tax Aggressiveness"
Akanksha Jalan - Rennes School of Business, France
Jayant Kale - Northeastern University, USA
Costanza Meneghetti - West Virginia University, USA

Discussant: Sean Cleary - Queen’s University, Canada

"Post-Crisis M&As: A Story of Value, Long-Term Focus and Financial Constraints"
Sean Cleary - Queen’s University, Canada
Ashrafee Hossain - Memorial University of Newfoundland, Canada

Discussant: Mona ElBannan - German University in Cairo, Egypt

"Do Catering Behavior and Financial Distress Affect Corporate Payout Policy in Emerging Markets?"
Mona ElBannan - German University in Cairo, Egypt

Discussant: Akanksha Jalan - Rennes School of Business, France

LUNCHEON

12:15 - 1:30 p.m. Hotel Restaurant

Friday 1:30 - 3:00 p.m.

SESSION 5 **ELPIDA**

MUTUAL FUNDS
Session Chair: Christos Floros - T.E.I. of Crete, Greece

"Conditional Beta: Evidence from Emerging Stock Markets"
Osamah Alkhazali - American University of Sharjah, United Arab Emirates

Discussant: Bader Alsubaiei - Loughborough University, UK

"The Impact of Oil Market Volatility on Mutual Fund Performance in Saudi Arabia"
Bader Alsubaiei - Loughborough University, UK
Giovanni Calice - Loughborough University, UK
Andrew Vivian - Loughborough University, UK

Discussant: Theodosis Kallenos - University of Cyprus, Cyprus

"Business Development Companies: Private Equity for Individual Investors"
Theodosis Kallenos - University of Cyprus, Cyprus
George Nishiotis - University of Cyprus, Cyprus

Discussant: Osamah Alkhazali - American University of Sharjah, United Arab Emirates

SESSION 6 **ARIANTHI**

CORPORATE RISK MANAGEMENT
Session Chair: Kyriaki Kosmidou - Aristotle University of Thessaloniki, Greece

"Inter-Relations Among Corporate Environmental Performance, Environmental Disclosures, Financial Performance, and Risk"
Amama Shaukat - Brunel University London, UK
Grzegorz Trojanowski - University of Exeter Business School, UK

Discussant: Shuxing Yin - University of Sheffield, UK

"Excessive Risk Taking and Board Characteristics: Insights from State Firms"
Oleksandr Talavera - Swansea University, UK
Shuxing Yin - University of Sheffield, UK
Mao Zhang - University of St Andrews, UK

Discussant: Fotios Pasiouras - Montpellier Business School, France

"The Effects of Board of Directors' Education on Firms' Credit Ratings"
Panagiota Papadimitri - University of Portsmouth, UK
Fotios Pasiouras - Montpellier Business School, France
Menelaos Tasiou - University of Portsmouth, UK
Alexia Ventouri - King's College London, UK

Discussant: Amama Shaukat - Brunel University London, UK

Refreshments 3:00 - 3:15 p.m.

Friday 3:15 - 4:45 p.m.

SESSION 7 **ELPIDA**

RISK MANAGEMENT
Session Chair: Hasan Seyhun - University of Michigan, USA

"Assessing the Risk of the European Union Carbon Emission Allowance Market: Structural Breaks and Forecasting Performance"
Anupam Dutta - Vaasa University, Finland
Jalkh Naji - University Saint Joseph, Lebanon
Elie Bouri - Holy Spirit University of Kaslik, Lebanon

Discussant: Ophélie Couperier - CREST-ENSAE, France

"Backtesting Expected Shortfall via Multi-Quantile Regression"
Ophélie Couperier - CREST-ENSAE, France
Jérémy Leymarie - LEO - University of Orleans, France

Discussant: Christos Floros - T.E.I. of Crete, Greece

"Quantile Dependencies Between Volatility Discontinuities and Rare Disaster Risks: Robustness Across Jump Measures"
Konstantinos Gkillas - University of Patras, Greece
Christos Floros - T.E.I. of Crete, Greece
Tahir Suleman - Victoria University of Wellington, New Zealand

Discussant: Anupam Dutta - Vaasa University, Finland

SESSION 8 **ARIANTHI**

TRADING
Session Chair: Ronald Balvers - McMaster University, Canada

"Market Design of an Energy Exchange: The Case of Greece"
Filippos Ioannidis - Aristotle University of Thessaloniki, Greece
Georgia Makridou - ESCP Europe Business School, UK
Kyriaki Kosmidou - Aristotle University of Thessaloniki, Greece
Kostas Andriosopoulos - ESCP Europe Business School, UK
Dimitrios Kousenidis - Aristotle University of Thessaloniki, Greece

Discussant: Ingomar Krohn - Copenhagen Business School, Denmark

"FX Premia Around The Clock"
Ingomar Krohn - Copenhagen Business School, Denmark
Philippe Mueller - Warwick Business School, UK
Paul Whelan - Copenhagen Business School, Denmark

Discussant: Osama El-Temtamy - Mount Royal University, Canada

"Oil Price Plunge: Are Conventional and Islamic Banks Equally Vulnerable?"
Ghulame Rubbaniy - Zayed University, United Arab Emirates
Osama El-Temtamy - Mount Royal University, Canada
A. W. Khan - University of Evansville, USA
Abida Perveen - Comsats University Islamabad, Pakistan

Discussant: Filippos Ioannidis - Aristotle University of Thessaloniki, Greece

Saturday 8:30 - 10:30 a.m.

SESSION 9 **ELPIDA**

CORPORATE GOVERNANCE
Session Chair: Wenna Lu - Cardiff Metropolitan University, UK

"A Comparison of Corporate Governance Codes and Corporate Governance Compliance of KSE 30 and BSE 30 Share Index Companies"
Mubashir Qurashi - Bloomsbury Institute, UK
Sidra Mahboob - Brunel University, UK
Frank Forbes-Menson - Cardiff Metropolitan University, UK
Xiaochun Cheng - Cardiff Metropolitan University, UK

Discussant: Farooq Durrani - Temple University, USA

"CEO Social Connection and Firm Performance"
Ronald Anderson - Temple University, USA
Farooq Durrani - Temple University, USA

Discussant: Marco Nerino - King's College London, UK

"Do Summary Measures of Corporate Governance change Investor Expectations? Evidence from Announcements by Institutional Shareholder Services"
Marco Nerino - King's College London, UK
Paul Guest - King's College London, UK

Discussant: Dianna Chang - Singapore University of Social Sciences, Singapore

"Executive's Hometown Favouritism and Corporate Social Responsibility"
Dianna Chang - Singapore University of Social Sciences, Singapore
Xin Chang - Nanyang Business School, Singapore
Weichen Yan - Tsinghua University, China

Discussant: Mubashir Qurashi - Bloomsbury Institute, UK

SESSION 10 **ARIANTHI**

EVENT STUDIES
Session Chair: Didier Maillard - Conservatoire national des arts et metiers, France

"Does “Star Status” Matter? Analyst Recommendations and Acquirer Performance"
Michael Guo - Durham University Business School, UK
Nan Hu - Glasgow University Business School, UK
Changyun Wang - Renmin University, China
Xiaofei Xing - Birmingham University, UK

Discussant: Chaopeng Wu - Xiamen University, China

"Political or Commercial? Why do Chinese Companies Make Cross-border Acquisitions?"
Shi Li - Xiamen National Accounting Institution, China
Chaopeng Wu - Xiamen University, China

Discussant: Dieter Vanwalleghem - Rennes School of Business, France

Saturday 8:30 - 10:30 a.m.

"Leveraging Local Knowledge or Global Advantage: Cross Border Bank Mergers and Acquisitions in Africa"
Dieter Vanwalleghem - Rennes School of Business, France
Canan Yildirim - Rennes School of Business, France

Discussant: Ling Chu - Wilfrid Laurier University, Canada

"Event Studies and Outlier Returns: Side Effects and Cure"
Panayiotis Theodossiou - Cyprus University of Technology, Cyprus
Alexandra Theodossiou - Texas A&M University, USA

Discussant: Michael Guo - Durham University Business School, UK

Refreshments 10:30 - 10:45 a.m

Saturday 10:45 - 12:15 p.m.

SESSION 11 **ELPIDA**

BEHAVIORAL ISSUES
Session Chair: Lenos Trigeorgis - University of Cyprus, Cyprus

"Do Google Trends Help Forecast Sovereign Risk in Europe?"
Marcos González-Fernández - Universidad de León, Spain
Carmen González-Velasco - Univeridad de León, Spain

Discussant: Antonios Siganos - University of Glasgow, UK

"A Sleepiness Index Based on Google Search Activity, and Stock Market Returns"
Antonios Siganos - University of Glasgow, UK

Discussant: Susanna Lu - The University of Waikato, New Zealand

"Equity Liquidity, Speed of Leverage Adjustment and the Role of Institutional Environments"
Ly Ho - University of Waikato, New Zealand
Susanna Lu - The University of Waikato, New Zealand
Ron Bird - University of Waikato, New Zealand

Discussant: Marcos González-Fernández - Universidad de León, Spain

SESSION 12 **ARIANTHI**

ASSET PRICING
Session Chair: Laurence Booth - University of Toronto, Canada

"The Pricing of Unexpected Volatility in the Currency Market"
Wenna Lu - Cardiff Metropolitan University, UK
Laurence Copeland - Cardiff University, UK
Yongdeng Xu - Cardiff University, UK

Discussant: Didier Maillard - Conservatoire national des arts et metiers, France

"Tail Risk Adjusted Performance Measures"
Didier Maillard - Conservatoire national des arts et metiers, France

Discussant: Chanaka Edirisinghe - Rensselaer Polytechnic Institute, USA

"Optimal Portfolio Deleveraging Under Liquidity Costs and Margin Restrictions"
Chanaka Edirisinghe - Rensselaer Polytechnic Institute, USA
Jaehwan Jeong - Radford University, USA

Discussant: Wenna Lu - Cardiff Metropolitan University, UK

Saturday 12:15 - 2:30 p.m.

LUNCHEON

12:15 - 1:30 p.m.   Hotel Restaurant

KEYNOTE SPEECH

1:30 - 2:30 p.m.   ELPIDA

Professor Mike G. Tsionas
Lancaster University Management School, UK

ALTERNATIVE APPROACHES TO PORTFOLIO OPTIMIZATION IN FINANCE

Saturday 2:30 - 4:00 p.m.

SESSION 13 **ELPIDA**

VOLATILITY & SPILLOVERS
Session Chair: Danqing Young - The Chinese University of Hong Kong, Hong Kong

"Is there a Connection Between CDS Spreads and the Stock Market? Evidence for European and US Returns and Volatilities"
Laura Ballester - University of Valencia, Spain
Ana González-Urteaga - Public University of Navarre, Spain

Discussant: Sebastian Seidens - WHU - Otto Beisheim School of Management, Germany

"A Meta-Study on the Relation between Idiosyncratic Volatility and Expected Returns"
Sebastian Seidens - WHU - Otto Beisheim School of Management, Germany

Discussant: Ana Boskovic - ETH Zurich, Switzerland

"Bank Specialization and Spillover Effects:Evidence from the Syndicated Loan Market"
Ana Boskovic - ETH Zurich, Switzerland
Sebastian Doerr - University of Zurich, Switzerland
Philipp Schaz - Humboldt University of Berlin, Germany

Discussant: Ana González-Urteaga - Public University of Navarre, Spain

SESSION 14 **ARIANTHI**

CORPORATE FINANCE I
Session Chair: Robert Mathieu - Wilfrid Laurier University, Canada

"Value Share Appropriation in Patent Licensing: A Real Option and Bargaining Analysis"
Lenos Trigeorgis - University of Cyprus, Cyprus
Francesco Baldi - LUISS University, Italy
Daniela Baglieri - University of Messina, Italy
Raffaele Oriani - LUISS University, Italy

Discussant: F. Javier Sanchez-Vidal - Universidad Politecnica de Cartagena, Spain

"Beware of APIs!"
F. Javier Sanchez-Vidal - Universidad Politecnica de Cartagena, Spain

Discussant: Godfred Afrifa - University of Kent, UK

"Firm Heterogeneity and the Direct and Interaction Value Relevance of Trade Credit: Evidence from Across the European Union"
Godfred Afrifa - University of Kent, UK

Discussant: Lenos Trigeorgis - University of Cyprus, Cyprus

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

Saturday 4:15 - 6:15 p.m.

SESSION 15 **ELPIDA**

FIRM VALUATION
Session Chair: Michael Guo - Durham University Business School, UK

"Import Competition and Financial Flexibility: Evidence from Corporate Payout Policy"
Laurence Booth - University of Toronto, Canada
Jun Zhou - Dalhousie University, Canada
Mengying Wang - University of Massachusetts at Boston, USA

Discussant: Maria Dimitriou - University of Macedonia, Greece

"A philosophical research paradigm and a theoretical perspective of a valuation report in the beverage sector"
Maria Dimitriou - University of Macedonia, Greece

Discussant: Ozge Uygur - Rowan University, USA

"Income Inequality in S&P 500 Companies"
Ozge Uygur - Rowan University, USA

Discussant: Marco Guidi - University of Glasgow, UK

"Financial Institutions' Tail-Risk Strategies, Government Safety-Net Subsidies and Stakeholders' Payoffs"
Marco Guidi - University of Glasgow, UK

Discussant: Laurence Booth - University of Toronto, Canada

SESSION 16 **ARIANTHI**

CORPORATE FINANCE II
Session Chair: Chaopeng Wu - Xiamen University, China

"Signaling Theory of Acquisition Premium: A Cross-sectional Analysis from Asia-Pacific"
Ghulame Rubbaniy - Zayed University, United Arab Emirates
Khurram Shahzad - Tilburg University, Netherlands
Muhammad Kaleem Zahir-Ul-Hassan - Massey University, New Zealand
Abida Perveen - Comsats University Islamabad, Pakistan

Discussant: Danqing Young - The Chinese University of Hong Kong, Hong Kong

"Acquirers' Transparency and M&A Synergies in Emerging Markets"
Danqing Young - The Chinese University of Hong Kong, Hong Kong
Rita Wing Yue Yip - Hang Seng Management College, Hong Kong
Beibei Liu - Zhongnan University of Economics and Law, China

Discussant: Robert Mathieu - Wilfrid Laurier University, Canada

Saturday 4:15 - 6:15 p.m.

"The Heterogeneous Information Content of Capital Expenditures on Firms' Future Performance"
Robert Mathieu - Wilfrid Laurier University, Canada
Chima Mbagwu - Wilfrid Laurier University, Canada
Ling Chu - Wilfrid Laurier University, Canada
Ping Zhang - University of Toronto, Canada

Discussant: George Chalamandaris - Athens University of Economics and Business, Greece

"Adverse-selection Considerations in the Market-Making of Corporate Bonds"
George Chalamandaris - Athens University of Economics and Business, Greece
Nikos Vlachogiannakis - Bank of Greece, Greece

Discussant: Ghulame Rubbaniy - Zayed University, United Arab Emirates

GALA DINNER

8:00 - 11:00 p.m. Michalis Tavern

Conference Participants

Afrifa, Godfred	14	Kallenos, Theodosis	5
Alkhazali, Osamah	5	Khan, A. W.	8
Allen, David	1	Kosmidou, Kyriaki	6, 8
Alsubaiei, Bader	5	Kousenidis, Dimitrios	8
Anderson, Ronald	9	Krohn, Ingomar	8
Andriosopoulos, Kostas	8	Leymarie, Jérémy	7
Anginer, Deniz	1	Li, Shi	10
Baglieri, Daniela	14	Liu, Beibei	16
Baldi, Francesco	14	Lu, Susanna	11
Ballester, Laura	13	Lu, Wenna	9, 12
Balvers, Ronald	1, 8	Luo, Hao	1
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April 19-21, 2019
Civitel Akali Hotel
55 Kissamou str.
731 31 Chania
Crete, GREECE

SESSION 1 **ELPIDA**

ASSET PRICING MODELS
Session Chair: Renata Herrerias - ITAM, Mexico

"Are Anomalies Exploitable?"
Deniz Anginer - World Bank, USA
Gerard Hoberg - University of Southern California, USA
Hasan Seyhun - University of Michigan, USA

Discussant: Ronald Balvers - McMaster University, Canada

Many studies show that future stock returns are predictable consistent with mispricing of common stocks. However, strategies designed to correct the mispricing can be both risky and costly. In this paper, we investigate whether anomalies are potentially exploitable by insiders. We use a large backward-extended insider trading database from 1975 to 2014 to determine whether insider trading is consistent with the direction of the anomaly. We find mispricing is corrected shortly after insider trading becomes public when the direction of insider trading agrees with the anomaly. Mispricing completely disappears when the direction of insider trading disagrees with the anomaly, and mispricing is modest when there is no insider trading. We conclude that anomalies are largely exploitable and mispricing is an important component of the predictive ability of all thirteen anomalies we consider. Our evidence also indicates that insiders improve market efficiency through information not only about mispricing itself, but also about when mispricing will be corrected.

"Distinguishing Factors and Characteristics with Characteristic-Mimicking Portfolios"
Ronald Balvers - McMaster University, Canada
Hao Luo - Office of the Comptroller of the Currency, USA

Discussant: Georgios Skoulakis - University of British Columbia, Canada

We advance a procedure for deriving systematic factors from characteristics based on maximizing each factor's exposure to a characteristic for given factor variance. The resulting characteristic-mimicking portfolios (CMPs) price assets identically as the original characteristics and have maximum power to identify underlying factors. Performance differences of mimicking factors and characteristics in explaining mean returns are artifacts of arbitrary procedures for generating mimicking factors. CMPs are ideally suited to distinguish factors and characteristics by explanatory power for the time series of returns and are useful for improving risk management and to determine if return explanations are justifiably linked to systematic risk.

"Oil and Equity Return Predictability: The Importance of Dissecting Oil Price Changes"
Haibo Jiang - Tulane University, USA
Georgios Skoulakis - University of British Columbia, Canada
Jinming Xue - University of Maryland, USA

Discussant: David Allen - University of Sydney, Australia

We document that oil price changes no longer predict G7 country equity index returns, in contrast to evidence based on data until the mid 2000s. Using a structural VAR approach, we decompose oil price changes into oil supply shocks, global demand shocks, and oil-specific demand shocks. The hypothesis that oil supply shocks and oil-specific demand shocks (global demand shocks) predict equity returns with a negative (positive) slope is supported by the empirical evidence over the 1986-2015 period. The results are statistically and economically significant and do not appear to be consistent with time-varying risk premia.

"“Choosing Factors” by Fama and French (2018): A Comment"
David Allen - University of Sydney, Australia
Michael McAleer - Asia University, Taiwan

Discussant: Hasan Seyhun - University of Michigan, USA

This paper features a statistical analysis of the monthly three factor Fama/French return series. We apply rolling OLS regressions to explore the relationship between the 3 factors, using monthly data from July 1926 to June 2018, that are freely available on French's website. The results suggest there are significant and time-varying relationships between the factors. We then switch to a sub-sample from July 1990 to July 2018, also taken from French's website. The three series and their inter-relationships are analysed using two stage least squares and the Hausman test to check for issues related to endogeneity, the Sargan over-identification test and the Cragg-Donald weak instrument test. The relationship between factors is also examined using OLS, incorporating Ramsey's RESET tests of functional form misspecification, plus Naradaya-Watson kernel regression techniques. The empirical results suggest that the factors, when combined in OLS regression analysis, as suggested by Fama and French (2018), are likely to suffer from endogeneity. OLS regression analysis and the application of Ramsey's RESET tests suggest a non-linear relationship exists between the three series, in which cubed terms are significant. This non-linearity is also confirmed by the kernel regression analysis.

SESSION 2 **ARIANTHI**

ACCOUNTING ISSUES
Session Chair: Sangwon Suh - Chung-Ang University, Korea, Republic of

"Using Google Searches of Firm Products to Assess Revenue Quality and Detect Revenue Management"
Peng-Chia Chiu - Chinese University of Hong Kong, Hong Kong
Siew Hong Teoh - University of California, Irvine, USA
Yinglei Zhang - Chinese University of Hong Kong, Hong Kong
Xuan Huang - California State University, Long Beach, USA

Discussant: Probal Dutta - University of Vaasa, Finland

This paper presents evidence that Google searches of firm products (SVI) provide information about firm sales and that large discrepancies between reported sales growth and SVI can detect upward revenue manipulation. Firms with such large discrepancies—which we call MUP firms—have (a) low-quality revenues measured as sales growth persistence, (b) increases in accounts receivable, (c) lower allowance reserved for bad debts, and (d) higher upward revenue misstatements that are later subject to SEC enforcement actions, consistent with upward revenue manipulation. Investors do not adequately discount for MUP firms' low revenue quality at the earnings announcement; the negative post-announcement return reaction is consistent with a market correction of the initial overvaluation from the upward revenue manipulation.

"An Investigation into the Relationship between Corporate Environmental Performance and Stock Market Returns: Evidence from Finland"
Probal Dutta - University of Vaasa, Finland

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

Over the years, industries have been directly responsible for putting the natural environment under threat through their activities. It is evident from the growth in corporate responsible investments across the globe that investors and other stakeholders are insisting companies on being more responsible towards sustainable development. Consequently, the field of environmental accounting and reporting has received enormous research attention in the recent literature. Nevertheless, the relationship between corporate environmental performance and stock market returns remains under-researched. This study aims to address that void by investigating whether corporate environmental performance of Finnish firms has any impact on their stock prices. The condition of the natural environment in Finland makes the country a relevant geographical area for this study. We consider four different measures as the indicators of environmental performances: greenhouse gas emissions, waste production, water consumption and energy consumption. Besides, various firm characteristics namely, leverage, profitability, research and development intensity and growth, are employed as control variables. The sample covers the period from 2013-2017. The main objective of this empirical research is to investigate if Finnish firms are exposed to environmental risks. The findings show that firms that are superior environmental performers have higher stock returns than inferior environmental performers.

"Do Firms Really Overproduce to Manage Earnings? A Reexamination of the Production Costs Proxy"
Zhaoyang Gu - Chinese University of Hong Kong, Hong Kong
Wing Hei Sao - Chinese University of Hong Kong, Hong Kong

Discussant: Ahmed Naciri - Université du Québec Montréal, Canada

This study questions the use of the production costs measure developed by Roychowdhury (2006) as a proxy for firm's overproduction behavior. By disaggregating the production costs measure into its components COGS and inventory change, we find that suspect firms exhibit higher abnormal COGS and insignificant abnormal inventory change. This is inconsistent with the prediction of the hypothesis that suspect firms overproduce to decrease reported COGS in order to meet earnings target. Rather, suspect firms appear to have a COGS overrun-related earnings shortage that gives rise to earnings management through other means. We provide further examples to demonstrate how this incorrect inference from the result of production costs affects the interpretation of subsequent studies which use it to measure overproduction.

"Why so Many Under Developed Economies Barely Develop?"
Ahmed Naciri - Université du Québec Montréal, Canada

Discussant: Peng-Chia Chiu - Chinese University of Hong Kong, Hong Kong

In the year 2012, in a world of plenty and over abundance, more than 2 billion people were imposed hopeless future and still living with less than \$3.10 a day (many with even less than \$1.90). Given the impact of poverty on world stability and human solidarity, managing efficiently development and fighting poverty systematically is a critical issue facing all the mankind today. The paper uses a "Public Social Governance score" to measure the seriousness in poverty fight. This is a score that highlights social and political pressures that any government may experience in its governance. The paper explains why most poor countries seem to be failing in their development initiatives; Using a regression analysis on a sample of 176 countries, it tests the impact of Public Social Governance on poverty for the year 2016. On average, the paper finds poor countries to be underperforming rich countries, and unearths some of the reasons that may explain why weak Public Social Governance can seriously jeopardize national development.

Refreshments 10:30 - 10:45 a.m.

SESSION 3 **ELPIDA**

MARKET ANOMALIES

Session Chair: Grzegorz Trojanowski - University of Exeter Business School, UK

"Anomalies in Emerging Markets: The Case of Mexico"

Polux Diaz-Ruiz - ITAM, Mexico
Renata Herrerias - ITAM, Mexico
Aurelio Vasquez - ITAM, Mexico

Discussant: Sangwon Suh - Chung-Ang University, Korea, Republic of

In this paper we explore the relationship between 19 of the most common anomalies reported for the US market and the cross-section of Mexican stock returns. We find that one-month stock returns in Mexico are only predicted by 5 of the 19 anomalies: size, momentum, idiosyncratic volatility, lottery effect, and profitability. Size negatively predicts returns in a multivariate setting. Momentum and profitability have a positive relation with future 1-month returns, while idiosyncratic volatility and the lottery effect have a negative relation. For longer horizons of 3 and 6 months, only size and momentum continue to predict returns.

"Can Prior Information Make Market Anomalies More Anomalous? Evidence from Common Stocks"

Sangwon Suh - Chung-Ang University, Korea, Republic of

Discussant: Kai Wang - Bocconi University, Italy

In this paper, we propose a new method to improve the conventional market anomaly profits. The new method modifies the conventional anomaly strategy by filtering out equities with low predictability of anomaly attributes for future anomaly profits. We apply the new method into equity data and find that the new method significantly outperforms the conventional method for several well-known anomalies. The additional profits from the new method are largely driven by market inefficiency. Our results also suggest that market anomalies may not be prevalent but rather driven by only a small set of stocks.

"Risk-Neutral Cumulants, Expected Risk Premia, and Future Stock Returns"

Kai Wang - Bocconi University, Italy

Discussant: Renata Herrerias - ITAM, Mexico

This paper builds an empirical model to connect option-implied cumulants with expected risk premia through latent risk factors. Expected risk premia on individual stocks are estimated by applying a new partial least squares-based method on risk-neutral cumulants at different orders and various maturities. The filtered expected risk premia based on the second and third order risk-neutral cumulants exhibit a considerably large dispersion across stocks, which further generates a wide cross-sectional variation in future realized risk premia. I find a positive relationship between the ex-ante filtered expected risk premium and future realized risk premium during the period of 1996-2017. A strategy that goes long the decile portfolio with the largest filtered expected risk premium and short the decile portfolio with the smallest filtered expected risk premium yields a Fama-French-Carhart alpha of 1.06% per month (t-stat: 3.75). The filtered expected risk premium of the above trading strategy is correlated (Corr: 51.5%) with the equal-weighted stock's expected excess return in Martin and Wagner (2018). Moreover, I show that the predictability of the filtered expected risk premium can be potentially explained by informed trading driven by short-selling constraints.

BANKRUPTCY AND FINANCIAL DISTRESS
Session Chair: Shuxing Yin - University of Sheffield, UK

"Debt, Bankruptcy Risk, and Corporate Tax Aggressiveness"
Akanksha Jalan - Rennes School of Business, France
Jayant Kale - Northeastern University, USA
Costanza Meneghetti - West Virginia University, USA

Discussant: Sean Cleary - Queen's University, Canada

We examine the effect of leverage and bankruptcy risk on corporate incentives to shelter income from taxes. We derive the optimal level of sheltering for a levered firm in a two-date, single-period model in which a firm's perquisite-consuming manager with an equity stake in the firm maximizes her payoff. The theory predicts that sheltering relates negatively to leverage, monitoring, manager's bankruptcy costs, and, under certain parametric conditions, manager's equity stake in the firm. Our empirical tests provide evidence that is consistent with these theoretical predictions. We show that leverage and bankruptcy risk relate negatively to sheltering and that the negative effects of bankruptcy risk and debt on sheltering are stronger for riskier firms; and weaker for larger, better governed, more profitable firms, and for firms that are in the "public eye". We use two changes to the bankruptcy law to show that our findings are robust to endogeneity concerns.

"Post-Crisis M&As: A Story of Value, Long-Term Focus and Financial Constraints"
Sean Cleary - Queen's University, Canada
Ashrafee Hossain - Memorial University of Newfoundland, Canada

Discussant: Mona ElBannan - German University in Cairo, Egypt

We find that M&As occurring after the 2007-09 financial crisis were significantly more value-enhancing than pre-crisis M&As, both in the short- and long-term. Acquirers perform significantly better during the post-crisis period despite the fact that targets receive higher CARs. We show this superior performance occurs because the typical acquirer has greater long-term focus and obtains targets at more attractive prices relative to their intrinsic value. Post-crisis acquirers are able to capitalize on these opportunities despite a decline in financing availability because they are unconstrained financially. In contrast, the typical post-crisis target firm is more financially constrained than their pre-crisis counterparts.

"Do Catering Behavior and Financial Distress Affect Corporate Payout Policy in Emerging Markets?"
Mona ElBannan - German University in Cairo, Egypt

Discussant: Akanksha Jalan - Rennes School of Business, France

This study tests the catering theory, and explores the main determinants of dividend payments across a sample of 1534 firms in eleven emerging countries during the period from 2005 – 2015. Using panel logistic regressions while allowing for two-way clustering with robust standard errors (CL-2), evidence shows that firms cater to investor sentiment for dividends. Firms facing distress and likelihood to be bankrupt opt to omit dividends as a restructuring strategy to recover. Consistent with studies on developed countries, empirical evidence shows that firm life cycle, profitability, growth opportunities, size, and dividend stickiness are main determinants of payout policy in MENA countries. These results hold when constructing subsamples to investigate the effect of the Arab-spring period on dividend choices. Catering behavior holds true in the pre- and post-periods of the Arab-spring. All results of this research remain qualitatively the same and reliable to using other robustness tests.

LUNCHEON

12:15 - 1:30 p.m.   Hotel Restaurant

SESSION 5 **ELPIDA**

MUTUAL FUNDS
Session Chair: Christos Floros - T.E.I. of Crete, Greece

"Conditional Beta: Evidence from Emerging Stock Markets"
Osamah Alkhazali - American University of Sharjah, United Arab Emirates

Discussant: Bader Alsubaiei - Loughborough University, UK

Using Pettengill et al. (1995) model, this paper examines the relationship between conditional beta and return in 12 emerging stock markets over the period of 2005 to 2017. In applying weekly and monthly data, the evidence show that there is a flat relationship between beta and return for the unconditional CAPM. However, the opposite is true when applying the Pettengill et al. (1995) model. The findings indicate that the relation between beta and return is positive in bullish market and negative in a bearish market. In addition, the results support conditional CAPM for all months of the year. Finally, the results show that market excess returns are positive and the risk-return relationship is symmetrical in both bullish and bearish markets. We conclude that beta is still a valuable risk measure, which helps portfolio managers in making optimal investment decisions.

"The Impact of Oil Market Volatility on Mutual Fund Performance in Saudi Arabia"
Bader Alsubaiei - Loughborough University, UK
Giovanni Calice - Loughborough University, UK
Andrew Vivian - Loughborough University, UK

Discussant: Theodosis Kallenos - University of Cyprus, Cyprus

This study investigates whether oil market volatility influences mutual fund performance in the Saudi Arabian market using a pooled regression method. The findings indicate that there is a significant impact of oil volatility on mutual fund performance for all volatility measures applied. We find strong evidence of a negative impact of volatility on equity funds return performance in the Saudi Arabian market. Interestingly, funds that invest in Saudi Arabian equity market are more sensitive to the oil volatility movements. The evidence is consistent with mutual fund managers being able to show their skills based on the oil market volatility conditions through trading oil exposed assets. The study provides evidence for a new fast-growing market and explain the implications of oil market on the mutual fund market which helps investors, academics and regulators to understand the behaviour of the market in such conditions.

"Business Development Companies: Private Equity for Individual Investors"
Theodosis Kallenos - University of Cyprus, Cyprus
George Nishiotis - University of Cyprus, Cyprus

Discussant: Osamah Alkhazali - American University of Sharjah, United Arab Emirates

Using the universe of Business Development Companies (BDCs) for the period 1998-2017 we examine their performance and risk adjusted characteristics and analyze the relationship between BDC price returns and the traditional Private Equity Fund (PEF) returns. We find that a BDC traded factor significantly explains the PE cash flow based indices of Ang et al. (2018) over and above their traded factors, suggesting a significant relationship between the returns of BDCs and the time varying private equity premium. Our BDC traded factor does not explain the industry appraisal-based PE indices, thus highlighting the limitations of these indices relative to a market-based PE index. An analysis of the BDC NAV returns and a comparison with the appraisal-based indices reveals the presence of similar, albeit weaker, problems of low volatility and serial dependence as well as evidence that BDC NAV excess return significantly explains the return of appraisal-based indices over and above other traded factors. Finally, an event study analysis reveals a significant positive market reaction to positive changes in reported BDC NAV and a significant negative market reaction to negative NAV changes.

CORPORATE RISK MANAGEMENT

Session Chair: Kyriaki Kosmidou - Aristotle University of Thessaloniki, Greece

"Inter-Relations Among Corporate Environmental Performance, Environmental Disclosures, Financial Performance, and Risk"

Amama Shaukat - Brunel University London, UK
Grzegorz Trojanowski - University of Exeter Business School, UK

Discussant: Shuxing Yin - University of Sheffield, UK

We propose a holistic approach to modelling of the links among various environmental and financial outcomes of a firm, taking into account the endogeneity of these relations. In particular, we explicitly incorporate financial risk in the environmental-financial accountability analysis. We find corporate environmental performance and disclosures, corporate financial performance, and financial risk to be endogenously determined. First, we find that higher and more objective environmental disclosures help improve a firm's operating performance while mitigating its operating risk. This finding suggests that environmental disclosures are largely a means of engaging with and building a positive reputation among the firm's key operational stakeholders including customers. Second, we find corporate environmental performance to improve a firm's market value while reducing its market risk: for investors, environmental actions seem to speak louder than words. Third, consistent with the voluntary disclosure theory, we find a positive link between environmental performance and environmental disclosures. Finally, we find many of the links between the endogenous variables to be bi-directional. Overall these results have important conceptual and methodological implications for future research as well as for policy and practice related to the wider role of business in society.

"Excessive Risk Taking and Board Characteristics: Insights from State Firms"

Oleksandr Talavera - Swansea University, UK
Shuxing Yin - University of Sheffield, UK
Mao Zhang - University of St Andrews, UK

Discussant: Fotios Pasiouras - Montpellier Business School, France

This study investigates the impact of board characteristics on excessive corporate risk taking in state firms. Using a sample of Chinese firms from 2003 to 2017, we find that on average, there is greater excessive risk taking (i.e., excess leverage and less cash holdings) in state firms compared to non-state firms. Following Gao et al., (2013), we estimate how state firms should behave if they were non-state firms. Our results show that larger boards in state firms reduce the excessive risk by driving the cost of debt and cash holdings to the "target value". This effect is more pronounced in government-controlled state firms than SOE-controlled state firms. Our analysis is robust to different specifications and alternative measures of excessive risk.

"The Effects of Board of Directors' Education on Firms' Credit Ratings"

Panagiota Papadimitri - University of Portsmouth, UK
Fotios Pasiouras - Montpellier Business School, France
Menelaos Tasiou - University of Portsmouth, UK
Alexia Ventouri - King's College London, UK

Discussant: Amama Shaukat - Brunel University London, UK

Using a data set of approximately 1,526 firms from 43 countries, we examine the influence of the educational attainment of a firm's board of directors on its credit rating. We construct a Leadership Education Index that reflects the educational background of the key members of the Board of Directors. We document, after controlling for firm and country-specific characteristics, that, firms in which the key members of the board of directors have strong educational backgrounds are more likely to receive better credit ratings. In further analysis, we examine the educational background of the key board members on an individual basis. The results hold after controlling for numerous firm and country-specific characteristics. Our findings highlight the importance of hiring and retaining well-educated board members that are capable to manage firms and obtain better credit ratings.

Refreshments 3:00 - 3:15 p.m.

SESSION 7 **ELPIDA**

RISK MANAGEMENT
Session Chair: Hasan Seyhun - University of Michigan, USA

"Assessing the Risk of the European Union Carbon Emission Allowance Market: Structural Breaks and Forecasting Performance"
Anupam Dutta - Vaasa University, Finland
Jalkh Naji - University Saint Joseph, Lebanon
Elie Bouri - Holy Spirit University of Kaslik, Lebanon

Discussant: Ophélie Couperier - CREST-ENSAE, France

Modeling and forecasting volatility of the European Union carbon emission allowance prices are crucial to asset pricing, and risk assessment procedures. In this paper, we use a set of GARCH-class models and study the impact of structural breaks on the conditional variance of carbon emission allowance prices. We show that the forecast performance of GARCH models improves after accounting for the potential structural changes. Importantly, we observe a significant drop in the volatility persistence of emission prices. In addition, the effects of positive and negative shocks on the EU allowance (EUA) market volatility increase when breaks are taken into account. Overall, our findings reveal that when structural breaks are ignored in the emission price risk, the volatility persistence is overestimated and the news impact is underestimated.

"Backtesting Expected Shortfall via Multi-Quantile Regression"
Ophélie Couperier - CREST-ENSAE, France
Jérémy Leymarie - LEO - University of Orleans, France

Discussant: Christos Floros - T.E.I. of Crete, Greece

In this article, we propose a new approach to backtest Expected Shortfall (ES) exploiting the definition of ES as a function of Value-at-Risk (VaR). Our methodology examines jointly the quality of VaRs along the tail distribution of the risk model, and encompasses the Basel Committee recommendation of verifying quantiles at risk levels 97.5%, and 99%. We introduce four easy-to-use backtests which regress the ex-post losses on the VaR forecasts in a multi-quantile regression model, and test the resulting parameter estimates. Monte-Carlo simulations show that our tests are powerful to detect various model misspecifications. We apply our backtests on S&P500 returns over the period 2007-2012. Our tests clearly identify misleading ES forecasts in this period of financial turmoil. Empirical results also show that the detection abilities are higher when the evaluation procedure involves more than two quantiles, which should accordingly be taken into account in the current regulatory guidelines.

"Quantile Dependencies Between Volatility Discontinuities and Rare Disaster Risks: Robustness Across Jump Measures"
Konstantinos Gkillas - University of Patras, Greece
Christos Floros - T.E.I. of Crete, Greece
Tahir Suleman - Victoria University of Wellington, New Zealand

Discussant: Anupam Dutta - Vaasa University, Finland

We empirically investigate the predictability of rare disaster risks to different types of volatility jumps. We use data on Dow Jones Industrial Average and ICB for the international political crisis (as a proxy for rare disaster risks) for the period from January 1918 to December 2013. We conclude that there is a strong level of positive dependencies between rare disaster risks and volatility jumps especially when the rare disaster risks are at higher quantile.

TRADING
Session Chair: Ronald Balvers - McMaster University, Canada

"Market Design of an Energy Exchange: The Case of Greece"

Filippos Ioannidis - Aristotle University of Thessaloniki, Greece
Georgia Makridou - ESCP Europe Business School, UK
Kyriaki Kosmidou - Aristotle University of Thessaloniki, Greece
Kostas Andriosopoulos - ESCP Europe Business School, UK
Dimitrios Kousenidis - Aristotle University of Thessaloniki, Greece

Discussant: Ingomar Krohn - Copenhagen Business School, Denmark

Driven by the liberalization of the energy market launched in the 1990s, the European Union (EU) seeks to unify the internal market and achieve price convergence among all European economies. Nowadays, most of the EU countries have instituted power exchanges through which cross-border transactions are conducted in a transparent and reliable manner. Yet, various national electricity market designs represent one of the major obstacles to the creation of an integrated electricity market. Therefore, this paper gives a comprehensive overview of all the prior literature related to power exchange market design and structure. Additionally, the paper identifies recent developments regarding the case of Greece, by explicitly decomposing the Hellenic Energy Exchange structure and the markets that are going to be formed during the upcoming period.

"FX Premia Around The Clock"

Ingomar Krohn - Copenhagen Business School, Denmark
Philippe Mueller - Warwick Business School, UK
Paul Whelan - Copenhagen Business School, Denmark

Discussant: Osama El-Temtamy - Mount Royal University, Canada

We dissect return dynamics in the foreign exchange market into high-frequency components over the 24-hour day. Using twenty-four years of data on G10 currencies we unveil a distinct `W' intraday pattern of returns to the dollar portfolio. We show that positive average returns for going long foreign currencies are almost entirely generated during U.S. main trading hours, whereas currencies collectively depreciate against the U.S. dollar overnight. Moreover, we document that 75% of the HML portfolio returns from a standard carry trade strategy and almost 80% of dollar carry returns are generated during the U.S. trading day. Finally, we show that our main result may be exploitable by investors that are able to benefit from lower than average transaction costs.

"Oil Price Plunge: Are Conventional and Islamic Banks Equally Vulnerable?"

Ghulame Rubbaniy - Zayed University, United Arab Emirates
Osama El-Temtamy - Mount Royal University, Canada
A. W. Khan - University of Evansville, USA
Abida Perveen - Comsats University Islamabad, Pakistan

Discussant: Filippos Ioannidis - Aristotle University of Thessaloniki, Greece

In response to the recent debate on the vulnerability of the banking industry to oil price plunge, this article investigates the effect of oil price plunge on credit and insolvency risks of banking industry at aggregate level, across banks' specializations and at country level. Our findings show that falling oil prices significantly increase the credit risk for the banking industry in the GCC region and particularly for banks operating in Kuwait, Qatar, Saudi Arabia and United Arab Emirates; however, falling oil prices do not affect credit risk of Islamic banks. Our analysis shows that black gold's price plunge does not increase the insolvency risk of GCC banking industry nor across bank specializations and across Gulf countries using both accounting-based and market-based proxies of insolvency risk. We argue that bailout packages by the wealth funds to the GCC banks is a probable reason for counter intuitive protection against solvency risk due to negative oil price shocks.

SESSION 9 **ELPIDA**

CORPORATE GOVERNANCE
Session Chair: Wenna Lu - Cardiff Metropolitan University, UK

"A Comparison of Corporate Governance Codes and Corporate Governance Compliance of KSE 30 and BSE 30 Share Index Companies"

Mubashir Qurashi - Bloomsbury Institute, UK
Sidra Mahboob - Brunel University, UK
Frank Forbes-Menson - Cardiff Metropolitan University, UK
Xiaochun Cheng - Cardiff Metropolitan University, UK

Discussant: Farooq Durrani - Temple University, USA

The aim of this study is to compare the Corporate governance (CG) codes of Pakistan and India with the CG guide of United Nations (UN) and to explore the degree of CG compliance of KSE 30 and BSE 30 share index companies with the CG guide of UN. The study is based on the qualitative data while content analysis is used for the analysis. For this exploratory research different documents have been reviewed and consulted and qualitative data is collected from them. A multiple case study approach was adopted because the codes of the two countries and the degree of CG compliance of Pakistani and Indian companies have been explored. The findings of the present study show that the Pakistani code has approximately 77 percent convergence (40/52) while the Indian CG code has 50 percent convergence (26/52) to the CG guide of UN. Further, the CG compliance score of KSE 30 share index companies is in the range of 30 to 42 with the mean CG compliance score of 38.03 and the CG compliance score of BSE 30 share index companies is in the range of 30 to 41 with the mean CG compliance score of 37.7.

"CEO Social Connection and Firm Performance"

Ronald Anderson - Temple University, USA
Farooq Durrani - Temple University, USA

Discussant: Marco Nerino - King's College London, UK

Social connections developed by CEO can be both beneficial and costly to firm performance and shareholder wealth. We study the impact of social connections of CEO on stock returns and firm performance. We find that firms with highly socially connected CEOs earn 3.0% higher excess returns as compared to firms with low socially connected CEOs. Similarly, CEO social connections is also associated with positive impact on future operating performance of the firm and analyst forecast errors. To address concerns about endogeneity we use CEO turnover as an exogenous shock. Overall, we find evidence that supports our hypothesis that social connections of CEO have a positive impact on firm stock and operating performance.

"Do Summary Measures of Corporate Governance change Investor Expectations? Evidence from Announcements by Institutional Shareholder Services"

Marco Nerino - King's College London, UK
Paul Guest - King's College London, UK

Discussant: Dianna Chang - Singapore University of Social Sciences, Singapore

This paper examines empirically the announcement effect of summary measures of corporate governance on share returns. Commercial corporate governance rating downgrades by Institutional Shareholder Services (ISS) are associated with large negative stock returns which are increasing in downgrade magnitude. Downgrades have independent informational content; returns are significantly negative even in the absence of prior governance change and are significantly related to the proprietary content of the downgrade. Our finding contrasts with the insignificant price impact documented by Daines, Gow, and Larker (2010). We replicate their analysis, and successfully reconcile their findings to ours by differentiating rating upgrades from downgrades.

"Executive's Hometown Favouritism and Corporate Social Responsibility"
Dianna Chang - Singapore University of Social Sciences, Singapore
Xin Chang - Nanyang Business School, Singapore
Weichen Yan - Tsinghua University, China

Discussant: Mubashir Qurashi - Bloomsbury Institute, UK

We provide empirical evidence on the positive effect of executive's hometown favoritism on corporate social responsibility. This result is robust to a variety of tests on model specifications, variable definitions, and endogeneity issues. The positive effect is more pronounced in firms where executives have foreign or famine experiences, have otherwise grown up in good environments, in non-SOE firms, and in firms with female or powerful executives. Additional analysis reveal that executive's hometown favoritism contributes to firm performance and value. It also has a positive impact on CSR sub-indices, and it actually has real effects.

SESSION 10 **ARIANTHI**

EVENT STUDIES
Session Chair: Didier Maillard - Conservatoire national des arts et metiers, France

"Does "Star Status" Matter? Analyst Recommendations and Acquirer Performance"
Michael Guo - Durham University Business School, UK
Nan Hu - Glasgow University Business School, UK
Changyun Wang - Renmin University, China
Xiaofei Xing - Birmingham University, UK

Discussant: Chaopeng Wu - Xiamen University, China

This paper examines whether the pre-acquisition stock recommendations of sell-side analysts can be used to predict acquirer performance, and more importantly whether the recommendations of star analysts have stronger predictive ability for acquirer announcement performance than those of non-star analysts, and how star and non-star analysts respond to mergers and acquisitions (M&As). We find that pre-deal consensus recommendations are an effective predictor of acquirer performance. Both star and non-star analysts respond to M&As; however, star recommendations are not predictive of acquirer performance, while acquirers with more favorable non-star consensus recommendations gain higher announcement returns. In other words, non-star recommendations have stronger predictive ability than star recommendations, indicating that analyst rankings are a popularity contest.

"Political or Commercial? Why do Chinese Companies Make Cross-border Acquisitions?"
Shi Li - Xiamen National Accounting Institution, China
Chaopeng Wu - Xiamen University, China

Discussant: Dieter Vanwalleghem - Rennes School of Business, France

Cross-border acquisition activity led by Chinese enterprises have become increasingly conspicuous and prevalent in recent years. However, many of them were obstructed by foreign governments on the ground of "Threating National Security". Using a sample of 543 cross-border transactions made by China's listed companies from 2000 to 2014, this paper examines whether the acquisition of foreign political sensitive assets affects the likelihood of acquisition completion and acquisition performance. We find that central government-owned enterprises are more likely to acquire political sensitive assets than private-owned enterprises and local government-owned enterprises. The political sensitive acquisitions are less likely to be completed than others. The market response of acquisition announcements is greater for political sensitive acquisitions than for other acquisitions, which suggests that political sensitive acquisitions increase shareholders' wealth. Finally, we show that the positive effect of political sensitive acquisitions on shareholders' wealth is stronger for private-owned enterprises than for state-owned enterprises. Overall, our findings suggest that Chinese companies should reduce the political risks of cross-border acquisitions and try to achieve a win-win for the nation, market and enterprises. In academic value, this paper offers a new research angle on cross-border acquisitions, which is the impact of political sensitive target on acquisition transactions.

"Leveraging Local Knowledge or Global Advantage: Cross Border Bank Mergers and Acquisitions in Africa"

Dieter Vanwalleghem - Rennes School of Business, France
Canan Yildirim - Rennes School of Business, France

Discussant: Ling Chu - Wilfrid Laurier University, Canada

This paper examines the announcement returns of mergers and acquisitions (M&As) by banks across the world targeting African nancial institutions over the period 2000-2017. Over this long window, we document a strong advantage of Pan-African Banks (PABs) over domestic and emerging market banks anda slight advantage over advanced market banks. These results are in line with the hypothesis that Pan-African banks benet from both a global expertise and local knowledge advantage. We also document how retrenchment of global banks during and in the aftermath of the 2007-2009 nancial crisis have created opportunities for PABs.

"Event Studies and Outlier Returns: Side Effects and Cure"

Panayiotis Theodossiou - Cyprus University of Technology, Cyprus
Alexandra Theodossiou - Texas A&M University, USA

Discussant: Michael Guo - Durham University Business School, UK

The presence of outlier returns in the estimation sample is likely to have a significant impact on the estimated parameters of asset pricing models used in the computation of cumulative abnormal returns (CAR) statistics often employed in event studies. Ignoring the impact of outlier returns in estimation is likely to lead to erroneous inferences about the direction as well as impact of an event on the company's stock price. This paper presents the probabilistic framework explaining how outliers impact the estimated parameters in asset pricing models and consequently CAR statistics. The impact of outlier returns on CAR statistics is assessed via simulations and actual data.

Refreshments 10:30 - 10:45 a.m

SESSION 11 **ELPIDA**

BEHAVIORAL ISSUES

Session Chair: Lenos Trigeorgis - University of Cyprus, Cyprus

"Do Google Trends Help Forecast Sovereign Risk in Europe?"

Marcos González-Fernández - Universidad de León, Spain
Carmen González-Velasco - Univeridad de León, Spain

Discussant: Antonios Siganos - University of Glasgow, UK

The aim of this paper is to analyze whether internet activity, as measured through Google data, influences the evolution of sovereign bond yields. For this purpose, we focus on 27 European countries. We run panel data regressions and perform VAR models and Granger causality tests between the Google Search Volume Index (GSVI) for keywords related to the sovereign debt crisis and 10-yr sovereign bond yields. The panel data results reveal a positive relationship between Google data and sovereign yields for the whole sample. The VAR models and the causality tests for five core and five peripheral countries suggest that in the latter, especially Greece, Google data have had the highest positive impact on sovereign yields.

"A Sleepiness Index Based on Google Search Activity, and Stock Market Returns"

Antonios Siganos - University of Glasgow, UK

Discussant: Susanna Lu - The University of Waikato, New Zealand

This paper constructs a novel proxy of investor sleepiness and tests its significance for the US market. It is likely that investors search for terms related with sleepiness (e.g., sleep deprivation) using Google when they experience sleep disturbances. We find that sleepiness is negatively related with contemporaneous stock market returns, and there is evidence of a reversal of the relation over the following six months. We also report that sleepiness is related positively with contemporaneous market volatility. Overall, this study highlights the significance of sleep on investor decisions.

"Equity Liquidity, Speed of Leverage Adjustment and the Role of Institutional Environments"

Ly Ho - University of Waikato, New Zealand
Susanna Lu - The University of Waikato, New Zealand
Ron Bird - University of Waikato, New Zealand

Discussant: Marcos González-Fernández - Universidad de León, Spain

This paper investigates the impact of equity liquidity on leverage adjustment and how the country's institutional environments affect this relationship. We employ a panel across 35 countries globally during the period of 1996-2016. Our analyses yield three new findings. First, we evidence that firms with more liquid equity have a significantly faster speed of adjustment (SOA) than firms with less liquid equity. Second, further analyses imply that equity liquidity has a distinct impact on the SOA of under-levered and over-levered firms: over-levered firms have stronger equity liquidity–leverage SOA relationship than under-levered firms. Third, we document that the positive relationship between liquidity and SOA is less (more) pronounced for firms in strong (weak) institutional environments.

ASSET PRICING

Session Chair: Laurence Booth - University of Toronto, Canada

"The Pricing of Unexpected Volatility in the Currency Market"

Wenna Lu - Cardiff Metropolitan University, UK
Laurence Copeland - Cardiff University, UK
Yongdeng Xu - Cardiff University, UK

Discussant: Didier Maillard - Conservatoire national des arts et metiers, France

A number of recent papers have investigated the role played by volatility in determining the cross section of currency returns. In this paper, we employ two time-varying factor models: a threshold model and a Markov-switching model to price the excess returns from the currency carry trade. We show that the importance of volatility depends on whether the currency markets are unexpectedly volatile. Volatility innovation during relatively tranquil periods is largely unrewarded in the market, whereas during the volatile period, it is a risk which has a substantial impact on currency returns. The empirical results show that the two time-varying factor models fit the data better and generate a smaller price error than the linear model, while the Markov-switching model outperforms the threshold factor models not only by generating lower pricing errors but also distinguishing two regimes endogenously and without any predetermined state variables.

"Tail Risk Adjusted Performance Measures"

Didier Maillard - Conservatoire national des arts et metiers, France

Discussant: Chanaka Edirisinghe - Rensselaer Polytechnic Institute, USA

The Sharpe Ratio has become a standard measure of portfolio management performance, taking into account the risk side. In that framework, the consideration of risk is reduced to returns volatility. The Sharpe Ratio does not encompass extreme risk, especially on the downside. In this paper, we provide four methods for constructing Tail Risk Adjusted Sharpe Ratios (TRASR), using asymmetric measures of risk: semi variance, Value-at-Risk, Conditional Value-at-Risk (or Expected Shortfall) and expected utility derived measures of risks. We also have an exploration of the Aumann & Serrano's Economic Index of Riskiness. The adjustment translates into an adjusted volatility, which allows us to keep the Sharpe Ratio format and to compare the impacts of the adjustments. For that, we use the Cornish-Fisher transformation to model tail risk, duly controlling for skewness and kurtosis. Finally, we describe a direct adjustment of the Sharpe Ratio (ASR) and analyse the conditions under which it is obtained, and focus on the link with Aumann & Serrano's Economic Index of Riskiness.

"Optimal Portfolio Deleveraging Under Liquidity Costs and Margin Restrictions"

Chanaka Edirisinghe - Rensselaer Polytechnic Institute, USA
Jaehwan Jeong - Radford University, USA

Discussant: Wenna Lu - Cardiff Metropolitan University, UK

We consider the problem of deleveraging a large long-short portfolio of risky assets in a relatively short trading period to satisfy specific leverage and margin policy constraints in the presence of liquidity impact on prices. Given the future uncertainty during the rebalancing period, the model is formulated to determine the impact of policy limits on mean-variance tradeoff frontier. Liquidity costs are considered due to both quantity and intensity of trading leading to temporary and permanent impact on asset prices. Utilizing a separable upper approximating risk metric on portfolio variance, we formulate the model as a quadratic separable, but nonconvex, optimization problem, which is extremely-difficult to solve using known techniques. We develop, first, a new dual cutting plane methodology to solve the non-convex Lagrangian dual problem efficiently. Starting from the Lagrangian solution, next, we develop a method to obtain a sequence of progressively-improving feasible deleveraged portfolios. Using real data on ETF assets, the methodology is empirically-tested, and the optimal deleveraging strategy sensitivity to leverage and margin limits is analyzed in order to develop managerial insight for setting policy parameters. Relative gain from our model in comparison to ignoring market liquidity is quantified using out-of-sample analysis.

LUNCHEON

12:15 - 1:30 p.m.   Hotel Restaurant

KEYNOTE SPEECH

1:30 - 2:30 p.m.   ELPIDA

Professor Mike G. Tsionas
Lancaster University Management School, UK

ALTERNATIVE APPROACHES TO PORTFOLIO OPTIMIZATION IN FINANCE

In this keynote address, the speaker presents certain new approaches to portfolio optimization in finance. Special emphasis will be based on regression as well as multi-objective formulations. Multi-objective optimization is an active research area in both applied mathematics, finance, and optimal portfolio selection. First, the speaker will describe in non-technical terms the regression and multi-objective portfolio optimization and, second, he will explore certain new approaches to both techniques using a suitable likelihood function / posterior distribution to estimate the Pareto front. The new approaches rely on Bayesian analysis using Markov Chain Monte Carlo (MCMC) techniques. The presentation will be non-technical in nature, to the extent possible, and its purpose is to introduce Bayesian regression, MCMC and estimation of Pareto fronts in applied finance for experts and a general audience alike.

SESSION 13 **ELPIDA**

VOLATILITY & SPILLOVERS
Session Chair: Danqing Young - The Chinese University of Hong Kong, Hong Kong

"Is there a Connection Between CDS Spreads and the Stock Market? Evidence for European and US Returns and Volatilities"
Laura Ballester - University of Valencia, Spain
Ana González-Urteaga - Public University of Navarre, Spain

Discussant: Sebastian Seidens - WHU - Otto Beisheim School of Management, Germany

This paper complements the recent literature providing a thorough research of the lead lag relationship between sovereign stock indices and CDS markets in terms of returns. We use data for 14 European countries and US over the period 2004-2016 and a rolling VAR framework is estimated. This methodology enables us to analyse the transmission process evolution over time covering both crisis and non-crisis periods. In addition, we analyse the previous connectedness for the financial sector and also for stock market indices volatilities. We find that the transmission channel between the credit and stock market exist. We confirm that stock market returns anticipates the CDS market returns, and CDS market returns anticipate stock market returns volatilities, closing a relationship circle between markets. This phenomenon is time varying, it seems to be related with the economic cycle and in general, it’s more intense in US than in Europe.

"A Meta-Study on the Relation between Idiosyncratic Volatility and Expected Returns"
Sebastian Seidens - WHU - Otto Beisheim School of Management, Germany

Discussant: Ana Boskovic - ETH Zurich, Switzerland

This paper provides a meta-analysis of 45 studies focussing on the relation betweenidiosyncratic volatility and expected stock returns. Although literature provides alarge number of empirical studies on idiosyncratic volatility, we are currently missing a comprehensive overview of those studies. Therefore, the purpose of this meta-analysis is to systematically review existing papers using meta-analysis techniques to combine and explain previous empirical results on the relation between idiosyncratic volatility and expected returns. Although there is evidence of a publication bias in our dataset towards negative results, we can still observe a statistically negative relation after correcting for publication bias. This holds true for the full sample as well as different subsamples and contradicts traditional financial theory. Furthermore, our meta-analysis investigates the differences in the reported coefficients and a set of study-specific parameters that may be able to explain the variation in previous empirical findings. We find that the main driver for the diverse empirical results is the proxy of idiosyncratic volatility itself. This means that empirical results previously reported in academic literature seem to be heavily dependent on the proxy of idiosyncratic volatility used to estimate the relation to expected returns. Other parameters such as underlying market or methodological differences do not seem to have an important impact on the empirical result.

"Bank Specialization and Spillover Effects:Evidence from the Syndicated Loan Market"
Ana Boskovic - ETH Zurich, Switzerland
Sebastian Doerr - University of Zurich, Switzerland
Philipp Schaz - Humboldt University of Berlin, Germany

Discussant: Ana González-Urteaga - Public University of Navarre, Spain

We show that banks’ industry specialization determines whether banks smooth local shocks and how they spill over to connected markets. Using detailed bank-firm level data on syndicated loans, we show in a cross-country setting that banks insulate their core industries from local shocks. A one standard deviation increase in banks’ average loan share to a given industries increases loan supply by 5.5% to firms within the industry during a banking crisis in the firm country. To analyze spillover effects, we investigate how local shocks are transmitted via bank lending to connected markets. We find that banks hit by a local shock reduce lending to connected countries. However, these contagion effects are significantly weaker for firms in banks' core industries in connected countries. Granular fixed effects allow us to identify loan supply effects. When we look at firm employment, we find that a one standard deviation increase in industry specialization leads to 2.0% weaker decrease in firm employment. Our findings suggest that bank specialization plays a crucialrole in the transmission of shocks across markets.

SESSION 14 **ARIANTHI**

CORPORATE FINANCE I

Session Chair: Robert Mathieu - Wilfrid Laurier University, Canada

"Value Share Appropriation in Patent Licensing: A Real Option and Bargaining Analysis"

Lenos Trigeorgis - University of Cyprus, Cyprus
Francesco Baldi - LUISS University, Italy
Daniela Baglieri - University of Messina, Italy
Raffaele Oriani - LUISS University, Italy

Discussant: F. Javier Sanchez-Vidal - Universidad Politecnica de Cartagena, Spain

A main issue in patent licensing agreements is the payment structure of the contract, and how this distributes the value created between the licensor and the licensee. In this article, we analyze the factors affecting the allocation of value between the licensor and licensee from a combined real options and bargaining perspective. In doing so, we explicitly recognize the value of real options embedded in the development process and the sequential structure of licensing contracts. We test our hypotheses on a sample of 175 licensing deals in the U.S. biopharmaceutical industry collected from Medtrack and Recap IQ databases. Our results show that the value appropriated by the licensor is lower when a higher fraction of the payments comes from royalties, the license is signed in the later stages of technology development and the licensee has more experience in licensing activities. On the contrary, the value share of the licensor is higher in licensing schemes where the licensee pays for development. We conclude with implications for the design and management of licensing deals and for policymaking.

"Beware of APIs!"

F. Javier Sanchez-Vidal - Universidad Politecnica de Cartagena, Spain

Discussant: Godfred Afrifa - University of Kent, UK

This experiment uses a Monte Carlo simulation designed to test whether the problems about the use of accounting identities are present in the model of Fazzari, Hubbard, and Petersen (1988). The Monte Carlo simulation creates 10,000 sets of randomly generated cash flows, Tobin's Q, and an error term variables, which in turn shape an investments variable that depends on them. These two variables are also related through an accounting semi identity or accounting partial identity (API). OLS estimations verify that estimated coefficients do not represent reality. The closer the data are to the accounting identity, the less the regression will tell about the causal relation.

"Firm Heterogeneity and the Direct and Interaction Value Relevance of Trade Credit: Evidence from Across the European Union"

Godfred Afrifa - University of Kent, UK

Discussant: Lenos Trigeorgis - University of Cyprus, Cyprus

This paper examines the direct and interaction outcome of trade payables and trade receivables use on firm performance. Using firm-year data from all 28 European Union countries for the years 2008 to 2017, this paper finds consistent results with the existing literature showing a direct effect of trade payables and trade receivables on firm performance. Moreover, this paper finds new evidence that the interaction value impact

of trade payables and trade receivables is much higher than their direct effects. The results reveal that although the value relevance of trade receivables is lower for younger and financially constrained firms, trade receivables interaction with trade payables lead to a much higher performance. Further analysis indicates that the interaction value relevance of trade payables and trade receivables is lower for high bank dependency firms. The findings suggest that trade payables and trade receivables complement each other for higher firm performance. This study makes theoretical and practical contributes to both finance and accounting. The results are robust to alternative definitions and the control of endogeneity.

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

SESSION 15 **ELPIDA**

FIRM VALUATION
Session Chair: Michael Guo - Durham University Business School, UK

"Import Competition and Financial Flexibility: Evidence from Corporate Payout Policy"
Laurence Booth - University of Toronto, Canada
Jun Zhou - Dalhousie University, Canada
Mengying Wang - University of Massachusetts at Boston, USA

Discussant: Maria Dimitriou - University of Macedonia, Greece

This study examines the impact of import competition on a firm's preference for financial flexibility by examining corporate payout policy. We confirm existing results that firms with greater exposure to import competition are less likely to pay regular dividends and when they do, they distribute less. We extend these results by showing that firms subject to import competition are less likely to initiate or increase regular dividends, and are more likely to decrease or omit them. Further, we examine the use of the flexible distribution channel consisting of share repurchases and special dividends. Although the impact of import competition on the absolute preference for the flexible distribution channel is not significant, firms that have already decided to payout cash have a clear preference for this channel if they face greater import competition. These results are confirmed even when we include three additional measures of domestic market power due to Gerard Hoberg and Gordon Phillips. This research extends the analysis of the "how" part of dividend policy, that is, the distribution channel after the cash payout decision has been made, the role of market power in financial decisions and the emerging field that looks at import penetration as an additional element of domestic market power and a partial explanation for recent changes in financial policy.

"A philosophical research paradigm and a theoretical perspective of a valuation report in the beverage sector"
Maria Dimitriou - University of Macedonia, Greece

Discussant: Ozge Uygur - Rowan University, USA

This paper contributes to the current literature in the benefits of a more coherent and comprehensive solution to the study of analysts' valuation and the investment base of forecasts, valuation practices, and their decision making. In addition, it demonstrates the contribution of this method to the teaching of financial accounting with information systems, mainly in higher education, the promotion and support of scientific research, and the benefits it can provide as a means of knowledge for students and as an important aid to researchers. It contributes to the improvement of the quality of educational vision and practice.

"Income Inequality in S&P 500 Companies"
Ozge Uygur - Rowan University, USA

Discussant: Marco Guidi - University of Glasgow, UK

Income inequality in the United States has grown significantly in the last decades and has been drawing a lot of attention from the media, public, and academia. One important argument on this epidemic is that executive compensation and financial- sector pay have driven the income inequality. In this paper, I create a simple metric to calculate the CEO-to-worker compensation ratio, called the "Pay Ratio", and examine its relation to the firm performance and pay-performance sensitivities (PPS). I also evaluate the impact of CEO ability on such associations, which is frequently used as a justification for high pay ratios. The findings suggest that the Pay Ratio and firm performance are positively associated, however only when you pay more to a high-ability CEO. In addition, PPS and Pay Ratio is also positively associated, again only with a high-ability CEO. Interestingly, I find that PPS weakens when a low-ability CEO is paid more. Also, the positive

association between Pay Ratio and firm performance weakens with a chair-CEO, proving the value deteriorating impact of expropriation. Findings promise to shed light to the ability- entrenchment question in the executive compensation literature. Overall, I suggest that how much more CEOs are paid compared to the workers actually matters and CEO ability plays a key role on how the ratio affects the firm.

"Financial Institutions' Tail-Risk Strategies, Government Safety-Net Subsidies and Stakeholders' Payoffs"
Marco Guidi - University of Glasgow, UK

Discussant: Laurence Booth - University of Toronto, Canada

This study provides a multidiscipline investigation in relation to the interaction between institutions' tail-risk strategies, government safety-net subsidies and stakeholders' payoffs. This study finds that a financial crisis involving tail-strategies cannot be thought of as "normal accidents" but is analogous to the "debt overhang" problem with issues including debt/equity holder conflicts of interests, imperfect information, and the option-like features of corporate assets. Further, government subsidies such as Too-Big-To-Fail (TBTF), and Quantitative Easing distort incentives and degrades both "equity and debt as governance". Further still, taxpayers (society) can be thought of as "de facto" shareholders where external supervisors (regulators) act as a supervisory board, which the latter have responsibility to look after taxpayer's interests. However, supervisory boards have issues with "nodding approval" and inertia when financial institutions are in the "zone of insolvency" or in a crisis. Finally, the study provides an in-depth investigation of stakeholder payoffs in relation to the institutions' tail-risk strategies that game government safety-net subsidies, i.e. TBTF with "monopolistic profits", quantitative easing with "hold up" of extra capital in excess reserves, and ex post disclosure of "shadow entities" for private gain.

SESSION 16 **ARIANTHI**

CORPORATE FINANCE II
Session Chair: Chaopeng Wu - Xiamen University, China

"Signaling Theory of Acquisition Premium: A Cross-sectional Analysis from Asia-Pacific"
Ghulame Rubbaniy - Zayed University, United Arab Emirates
Khurram Shahzad - Tilburg University, Netherlands
Muhammad Kaleem Zahir-Ul-Hassan - Massey University, New Zealand
Abida Perveen - Comsats University Islamabad, Pakistan

Discussant: Danqing Young - The Chinese University of Hong Kong, Hong Kong

Existing studies on mergers and acquisitions ignore signaling effects of IPO underpricing and government involvement on acquisition premium from the target firm's perspective. We contribute to this gap by documenting that IPO underpricing increases acquisition premium in the Asia-Pacific region in general and China, Hong Kong and Singapore in particular; it is a pertinent signal of acquisition premium in countries with high market inefficiencies. We report that sell-side government involvement explains acquisition premium only in Australia. Our findings show that firm size does not moderate IPO underpricing effect on acquisition premium but does moderate the effect of sell-side government involvement.

"Acquirers' Transparency and M&A Synergies in Emerging Markets"
Danqing Young - The Chinese University of Hong Kong, Hong Kong
Rita Wing Yue Yip - Hang Seng Management College, Hong Kong
Beibei Liu - Zhongnan University of Economics and Law, China

Discussant: Robert Mathieu - Wilfrid Laurier University, Canada

Prior studies examining the effect of information transparency on merger and acquisition (M&A) synergy have primarily focused on target firms' information transparency, especially for emerging markets. Thus, this study empirically examines the effect of acquiring firms' information transparency on M&A synergy in emerging markets and compare such an effect with that of developed markets. Using a China sample as the proxy for emerging market, we find that an acquirer's M&A synergy is positively and significantly associated with its information transparency. Using a U.S. sample as the proxy for developed market, we find that the effect of acquirers' transparency on their M&A synergies is more pronounced in China than in the U.S.

"The Heterogeneous Information Content of Capital Expenditures on Firms' Future Performance"

Robert Mathieu - Wilfrid Laurier University, Canada
Chima Mbagwu - Wilfrid Laurier University, Canada
Ling Chu - Wilfrid Laurier University, Canada
Ping Zhang - University of Toronto, Canada

Discussant: George Chalamandaris - Athens University of Economics and Business, Greece

In this study, we investigate the information contained in capital expenditures on firms' future performance. We find that the relationship between the capital expenditures - adjusted by the level of capital required to maintain the current level of operation - and future performance is more informative of the quality of investment decisions than the relationship between the unadjusted capital expenditures and the future performance. We label a firm as growing (i.e., expansive investments) if the capital expenditures of the firm are greater than the level of required investment to maintain the current level of operation; otherwise, the firm is contracting (i.e., divesting). We document that the capital expenditures for expansive investments are negatively associated with firm performance while the capital expenditures of divesting firms are positively associated with firm performance. Further investigation shows that the above documented relationships are mainly driven by low performing firms. In particular, low performing firms over-invest or over-divest while high performing firms make more optimal expansive investment or divestment decisions. Our results suggest that the disclosure of the nature of capital expenditures and the level of required capital to maintain the current level of operation would provide important information to investors for understanding the quality of investment decisions.

"Adverse-selection Considerations in the Market-Making of Corporate Bonds"

George Chalamandaris - Athens University of Economics and Business, Greece
Nikos Vlachogiannakis - Bank of Greece, Greece

Discussant: Ghulame Rubbaniy - Zayed University, United Arab Emirates

We examine the effect of adverse selection considerations in the market-making of investment-grade corporate bonds. We find that customer trades executed in the wholesale market segment are more informative than the ones executed in the retail-market. However, this asymmetry is not reflected in transaction costs but only seems to affect the dealers' learning process. Indeed, on the one hand we confirm that retail-market customers are charged relatively higher transaction costs despite the lower adverse-selection risk they normally pose to market-makers. On the other hand, dealers appear to update their quotes with greater intensity after days dominated by institutional-sized orders. We find that the dealers' tendency to assign more weight to wholesale customer trades in their effort to discover the new equilibrium translates into statistically significant economic benefit. Finally, our evidence suggests that a significant portion of the dealers' profits stems from their ability to exploit efficiently the arrival of public information.

GALA DINNER

8:00 - 11:00 p.m.   Michalis Tavern

MULTINATIONAL FINANCE JOURNAL

Quarterly Publication of the *Multinational Finance Society*, a nonprofit corporation.
http://mfsociety.org e-mail <mfj@mfsociety.org>

Aim and Scope

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

Shipping Finance

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

• Maritime and transport infrastructure investment and financing
• Capital structure of shipping and transport companies
• Managing firm value in maritime transport
• Corporate governance and ownership structure in shipping and transport
• Maritime and transport mergers and acquisitions
• Financing, investment and privatization of transport related infrastructure
• Behavioral finance in relation to ship financing and management
• Financial performance and efficiency in maritime and transport sectors
• Risk-return characteristics of shipping investments
• Forecasting, volatility and shipping markets
• Risk management in shipping and transportation
• Accounting and maritime financial management

Editorial Policy

The editorial policy is to accept for publication original research articles that conform to the generally accepted standards of scientific inquiry and provide pragmatic interpretations of findings. Recognizing the multinational origins of the submitted articles, the MFJ is open to research that reflects diversity in its methodological and theoretical underpinnings.

Submissions

To submit your manuscript you have to login to your account (if you do not have an account, please create one), choose Multinational Finance Journal and then click on the 'Submit a new Manuscript' link. During this online submission process, detailed guidelines will appear on your screen providing information on how to proceed in each consecutive step of the submission. Moreover, all contacts between editor and corresponding author (including editor's decision notification) are to take place via e-mails. The submission/re-submission fee for MFS members is €80 and for non-members is €150.

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Annual subscription rate for institutions is €220. Claims for missing issues must be made within six months of the publication date. For air mail (international), please include an additional €25. Please, use our online pdf form and recommend to your library to carry a subscription to the Multinational Finance Journal. Your assistance on this matter is very much appreciated.

MULTINATIONAL FINANCE JOURNAL

FORTHCOMING ARTICLES

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

The Risk-Asymmetry Index as a New Measure of Risk
Elyas Elyasiani - *Temple University, USA*
Luca Gambarelli - *University of Modena and Reggio Emilia, Italy*
Silvia Muzzioli - *University of Modena and Reggio Emilia, Italy*

Greek Sovereign Debt: Addressing Economic Distress and Growth in the Euro Area
Panayiotis Alexakis - *National and Kapodistrian University of Athens, Greece*
Gikas Hardouvelis - *University of Piraeus, Greece*
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