



TWENTY-THIRD ANNUAL CONFERENCE MULTINATIONAL FINANCE SOCIETY

<http://www.mfsociety.org>

Organized by

**Faculty of Management and Economics
Cyprus University of Technology, Cyprus**

Hanken School of Economics, Finland

**Stockholm Business School
Stockholm University, Sweden**



June 26 - 29, 2016
Stockholm Business School
Kräftriket 3A
114 19 Stockholm
SWEDEN

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 Speakers

Alon Brav - Duke University, USA

James Ohlson - The Hong Kong Polytechnic University, Hong Kong

Program Committee - Chairs

Minna Martikainen - Hanken School of Economics, Finland

Panayiotis Theodossiou - Cyprus University of Technology, Cyprus

Local Organizing Committee

Michael Graham - Stockholm Business School, Sweden

Jarkko Peltomäki - Stockholm Business School, Sweden

Program Committee

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Wolfgang Bessler - Justus-Liebig University Giessen, Germany

Laurence Booth - University of Toronto, Canada

Ephraim Clark - Middlesex University Business School, UK

George Constantinides - University of Chicago, USA

Elyas Elyasiani - Temple University, USA

Peter Jørgensen - Aarhus University, Denmark

Petko Kalev - University of South Australia, Australia

Mehmet Karan - Hacettepe University, Turkey

Johan Knif - Hanken School of Economics, Finland

Yoram Kroll - Ono Academic College (OAC), Israel

Neophytos Lambertides - Cyprus University of Technology, Cyprus

Eva Liljebloom - Hanken School of Economics, Finland

Yueh-Neng Lin - National Chung Hsing University, Taiwan

Christodoulos Louca - Cyprus University of Technology, Cyprus

Didier Maillard - CNAM, France

Anastasios Malliaris - Loyola University Chicago, USA

Nikolaos T. Milonas - University of Athens, Greece

Usha Mittoo - University of Manitoba, Canada

Imad Moosa - RMIT University, Australia

Louis Murray - University College Dublin, Ireland

Christos Negakis - University of Macedonia, Greece

Lars Nordén - Stockholm University Business School, Sweden

Edgar Ortiz - Universidad Nacional Autonoma de Mexico, Mexico

Dan Palmon - Rutgers Business School, USA

Leszek Preisner - AGH, Poland

Wendy Rotenberg - University of Toronto, Canada

Richard Saito - Fundacao Getulio Vargas, Brazil

Christos Savva - Cyprus University of Technology, Cyprus

Yoko Shirasu - Aoyama Gakuin University, Japan

Frank Skinner - Brunel University, UK

Raul Susmel - University of Houston, USA

Samuel Szewczyk - Drexel University, USA

Mika Vaihekoski - University of Turku, Finland

Yukihiko Yasuda - Hitotsubashi University, Japan

Ania Zalewska - University of Bath, UK

MULTINATIONAL FINANCE SOCIETY OFFICERS AND DIRECTORS

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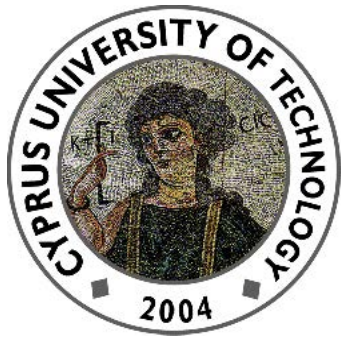
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| 2. Administrative Manager | – Fanos Theodossiou |
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E. PAST PRESIDENTS

- | | |
|------------------------------------|-----------------------------------|
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| 1997 – 1998 G. Geoffrey Booth | 2008 – 2009 Christos Negakis |
| 1998 – 1999 Jerry Stevens | 2009 – 2010 Samuel Szewczyk |
| 1999 – 2000 Nickolaos Travlos | 2010 – 2011 Laurence Booth |
| 2000 – 2001 Teppo Martikainen** | 2011 – 2012 Tassos Malliaris |
| 2001 – 2002 George Athanassakos | 2012 – 2013 Giorgio Di Giorgio |
| 2002 – 2003 George Tsetsekos | 2013 – 2014 Leszek Preisner |
| 2003 – 2004 Francesco Paris** | 2014 – 2015 Mehmet Baha Karan |
| 2004 – 2005 Ephraim Clark | 2015 – 2016 George Constantinides |
| 2005 – 2006 Lawrence Kryzanowski | |

** Deceased

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LETTER FROM THE PROGRAM CHAIRS

Dear Colleagues,

We welcome you to the 23rd Annual Conference of the Multinational Finance Society in the beautiful city of Stockholm, Sweden. During the past several years the economic and political developments around the world have created a challenging environment for businesses, financial institutions and governments. The general economic slowdown, the worsening of the fiscal condition of various countries, the increased public and private debt and the turbulence in the financial sector 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 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 493 papers - of those papers, 355 were accepted for presentation by the Program Committee. The conference program includes 280 registered papers covering a wide range of research areas making the conference a perfect platform for research exchange and inspiration. Once more, it is wonderful to welcome our participants from so many countries, such as Australia, Belgium, Brazil, Canada, China, Cyprus, Denmark, Egypt, Japan, Finland, France, Germany, Greece, India, Indonesia, Italy, Korea, Mexico, Netherlands, New Zealand, Poland, Portugal, Russia, Spain, South Africa, Sweden, Switzerland, Taiwan, Thailand, Turkey, the UAE, United Kingdom and the United States of America. This creates an opportunity to not only meet our old friends again but also our new colleagues from Sweden as well as other first-comers.

We are lucky this year to have two outstanding keynote speakers, Professor Alon Brav of Duke University, USA and Professor James Ohlson of The Hong Kong Polytechnic University, Hong Kong.

We have a wonderful location in the facilities of the Stockholm University's School of Business, which is located within walking distance from the hotels where most participants stay.

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 the Stockholm University's Business School, Associate Professors Michael Graham and Jarkko Peltomäki and Dean and Professor Tommy Jensen for his great hospitality.

Special thanks go to our colleagues at the Cyprus University of Technology Christodoulos Louca and Dimitris Tsouknides and our support staff Gregoris Gregoriou, Michal Preisner, Adamos Stavrinou and Fanos Theodossiou for their administrative assistance. This conference would have not been possible without all of their hard work!

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

The Program Chairs,



Minna Martikainen
Panayiotis Theodossiou

GENERAL INFORMATION

CONFERENCE INQUIRIES

Global Business Publications
mfc2016b@mfsociety.org

CONFERENCE REGISTRATION

Saturday, June 25 (Best Western Plus, Time Hotel, Vanadisvägen 12)	9:00 p.m. - 11:00 p.m.
Sunday, June 26 (Best Western Plus, Time Hotel, Vanadisvägen 12)	12:00 a.m. - 6:00 p.m.
Monday, June 27 (Stockholm Business School)	8:30 a.m. - 5:00 p.m.
Tuesday, June 28 (Stockholm Business School)	8:30 a.m. - 5:00 p.m.

SOCIAL FUNCTIONS

Sunday, June 26

Tour of the Old Town	6:30 p.m. - 7:30 p.m.
Welcome Reception (place TBA)	7:30 p.m. - 9:00 p.m.

Meeting of the Board of Directors and Trustees (place TBA)	9:00 p.m. - 10:00 p.m.
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Monday, June 27

Refreshments	10:15 - 10:30 a.m.
Luncheon (University Restaurant)	12:15 - 1:15 p.m.

Keynote Speech (Prof. Brav - Wallenbergsalen)	1:15 - 2:15 p.m.
Refreshments	4:00 - 4:15 p.m.

Tuesday, June 28

Refreshments	10:15 - 10:30 a.m.
Luncheon (University Restaurant)	12:15 - 1:15 p.m.

Keynote Speech (Prof. Ohlson - Wallenbergsalen)	1:15 - 2:15 p.m.
Refreshments	4:00 - 4:15 p.m.

Gala Dinner (Skansen Festvaning)	8:30 - 11:00 p.m.
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LIST OF SESSIONS

Monday 8:30 - 10:15

Session 1	Asset pricing I	Room 1
Session 2	Bankruptcy and Financial Distress	Room 2
Session 3	Capital structure I	Room 3
Session 4	Banks I	Room 4
Session 5	Derivatives I	Room 5
Session 6	Behavioral issues I	Room 6
Session 7	Cash holding/value	Room 7
Session 8	Portfolio management I	Room 8
Session 9	Household issues	Room 9

Monday 10:30 - 12:15

Session 10	Asset pricing II	Room 1
Session 11	Accounting issues I	Room 2
Session 12	Capital structure II	Room 3
Session 13	Banks II	Room 4
Session 14	Derivatives II	Room 5
Session 15	Behavioral issues II	Room 6
Session 16	M&As I	Room 7
Session 17	Portfolio management II	Room 8
Session 18	Payout policy	Room 9

Monday 2:15 - 4:00

Session 19	Asset pricing III	Room 1
Session 20	Accounting issues II	Room 2
Session 21	Corporate finance I	Room 3
Session 22	Banks III	Room 4
Session 23	Tutorial: Technology and Software used in University Trading Rooms	Room 5
Session 24	Bubbles	Room 6
Session 25	M&As II	Room 7
Session 26	Portfolio management III	Room 8
Session 27	Monetary policy	Room 9

Monday 4:15 - 6:00

Session 28	Asset pricing IV	Room 1
Session 29	Crash risk	Room 2
Session 30	Corporate finance II	Room 3
Session 31	Banks IV	Room 4
Session 32	Credit Default Swaps	Room 5
Session 33	Market microstructure	Room 6
Session 34	M&As III	Room 7
Session 35	Spillovers I	Room 8
Session 36	Credit ratings	Room 9

LIST OF SESSIONS

Tuesday 8:30 - 10:15

Session 37	Asset pricing V	Room 1
Session 38	Market anomalies I	Room 2
Session 39	Corporate governance I	Room 3
Session 40	Banking & Risk management	Room 4
Session 41	Commodities	Room 5
Session 42	Funds I	Room 6
Session 43	Financing I	Room 7
Session 44	Spillovers II	Room 8
Session 45	Informed trading	Room 9

Tuesday 10:30 - 12:15

Session 46	Asset pricing VI	Room 1
Session 47	Market anomalies II	Room 2
Session 48	Corporate governance II	Room 3
Session 49	Market regulation	Room 4
Session 50	Fixed income securities I	Room 5
Session 51	Funds II	Room 6
Session 52	Financing II	Room 7
Session 53	Volatility I	Room 8
Session 54	Financial crisis	Room 9

Tuesday 2:15 - 4:00

Session 55	Asset pricing VII	Room 1
Session 56	Analysts I	Room 2
Session 57	Corporate governance III	Room 3
Session 58	Regulation and disclosure	Room 4
Session 59	Fixed income securities II	Room 5
Session 60	Emerging markets I	Room 6
Session 61	IPOs/SEOs	Room 7
Session 62	Volatility II	Room 8
Session 63	Risk management II	Room 9

Tuesday 4:15 - 6:00

Session 64	Asset pricing VIII	Room 1
Session 65	Analysts II	Room 2
Session 66	Corporate social responsibility	Room 3
Session 67	Macroeconomics	Room 4
Session 68	Fixed income securities III	Room 5
Session 69	Emerging markets II	Room 6
Session 70	Firm value	Room 7
Session 71	Volatility III	Room 8
Session 72	Risk management III	Room 9

SESSION 1

Room 1

ASSET PRICING I

Session Chair: Didier Maillard - CNAM, France

"Illusory Nature of Pricing of Illiquidity Effect: The Test Case of Australian Stock Market"

Hilal Butt - Institute of Business Administration, Pakistan
Ihsan Badshah - Auckland University of Technology, New Zealand
Muhammad Suleman - Victoria University, New Zealand

Discussant: Jason Wei - University of Toronto, Canada

"Liquidity Risk and Expected Option Returns"

Siu Choy - Shanghai University of Finance and Economics, China
Jason Wei - University of Toronto, Canada

Discussant: Di Luo - Swansea University, UK

"Liquidity Risk and the Hiring Rate Premium"

Weimin Liu - University of Nottingham, UK
Di Luo - Swansea University, UK
Huainan Zhao - Cranfield University, UK

Discussant: Panayiotis Theodossiou - Cyprus University of Technology, Cyprus

"The Risk and Return Puzzle in International Financial Markets"

Christos Savva - Cyprus University of Technology, Cyprus
Panayiotis Theodossiou - Cyprus University of Technology, Cyprus

Discussant: Hilal Butt - Institute of Business Administration, Pakistan

SESSION 2

Room 2

BANKRUPTCY AND FINANCIAL DISTRESS

Session Chair: Chao Chen - Fudan University, China

"Bankruptcy of TRANSAERO, Russia's No.2 Airline: Was it Worth Saving?"

Olga Kandinskaia - CIIM, Cyprus

Discussant: Sanjiv Jaggia - California Polytechnic State University, USA

"An Evaluation of Chapter 11 Bankruptcy Filings in a Competing Risks Framework"

Sanjiv Jaggia - California Polytechnic State University, USA
Satish Thosar - University of Redlands, USA

Discussant: Nina Baranchuk - University of Texas at Dallas, USA

"Good-news" and Other Bankruptcies: Real Effects and Price Responses of Competitors"

Nina Baranchuk - University of Texas at Dallas, USA
Michael Rebello - University of Texas at Dallas, USA

Discussant: Richard Saito - Fundacao Getulio Vargas, Brazil

"Determinants of Delays in Corporate Reorganizations"

Vinicius Augusto - Fundacao Getulio Vargas, Brazil
Richard Saito - Fundacao Getulio Vargas, Brazil
Paulo Manoel - UC Berkeley, Brazil

Discussant: Olga Kandinskaia - CIIM, Cyprus

SESSION 3

Room 3

CAPITAL STRUCTURE I

Session Chair: Uwe Walz - Goethe University of Frankfurt, Germany

"SMEs' Capital Structure Decisions and Determinants in Europe: Factors that are Reliable during the Financial Crisis"

Krishna Reddy - University of Waikato, New Zealand
Hoa Dinh - University of Waikato, New Zealand
Noel Yahanpath - Eastern Institute of Technology, New Zealand

Discussant: Elisabeth Maes - KU Leuven, Belgium

"The Impact of Exporting on SME Capital Structure and Debt Maturity Choices"

Elisabeth Maes - KU Leuven, Belgium
Nico Dewaelheyns - KU Leuven, Belgium
Catherine Fuss - National Bank of Belgium, Belgium
Cynthia Van Hulle - KU Leuven, Belgium

Discussant: Pawel Mielcarz - Kozminski University, Poland

"An Iterative Algorithm of Transition to the Optimal Capital Structure"

Pawel Mielcarz - Kozminski University, Poland

Discussant: Xiaohong Huang - University of Twente, Netherlands

"Government Ownership, Concentration, and the Capital Structure of Firms: Empirical Analysis of an Institutional Context from China"

Xiaohong Huang - University of Twente, Netherlands
Rezaul Kabir - University of Twente, Netherlands
Lingling Zhang - Rexy Management, Netherlands

Discussant: Krishna Reddy - University of Waikato, New Zealand

SESSION 4

Room 4

BANKS I

Session Chair: Armin Varmaz - University of Applied Sciences Bremen, Germany

"Asset Securitization and Bank risk: Do Religiosity or Ownership Structure Matter"

Omneya Abdelsalam - Durham University, UK
Marwa Elnahas - Newcastle University, UK
Sabur Mollah - Stockholm Business School, Sweden
Stergios Leventis - International Hellenic University, Greece

Discussant: Ali Termos - American University of Beirut, Lebanon

"The role of securitization and foreign funds in bank liquidity management"

Darius Martin - American University of Beirut, Lebanon
Mohsen Saad - American University of Sharjah (UAE), United Arab Emirates
Ali Termos - American University of Beirut, Lebanon

Discussant: James Brown - Iowa State University, USA

"Is the Rise of the Financial Sector Really That Astonishing?"

James Brown - Iowa State University, USA
Gustav Martinsson - KTH Royal Institute of Technology, Sweden

Discussant: Erjona Rebi - Bank of Albania, Albania

"Relevance of Housing Market for Albanian Banking Sector"

Erjona Rebi - Bank of Albania, Albania

Discussant: Sabur Mollah - Stockholm Business School, Sweden

SESSION 5

Room 5

DERIVATIVES I

Session Chair: Kumar Sanka - Indian Institute of Management Kozhikode, India

"Pricing American Options with Stochastic Volatility and Jumps"

Lung-Fu Chang - National Taipei University of Business, Taiwan
Jia-Hau Guo - College of Management/National Chiao Tung University, Taiwan
Mao-Wei Hung - National Taiwan University, Taiwan

Discussant: Johannes Stadler - University of Augsburg, Germany

"Jump-Diffusion Option Valuation and Option-Implied Investor Preferences: A Stochastic Dominance Approach"

Hamed Ghanbari - Concordia University, Canada
Michael Oancea - University of Connecticut, USA
Stylianos Perrakis - Concordia University, Canada

Discussant: Andreas Rathgeber - University of Augsburg, Germany

"The Impact of the Leverage Effect on the Implied Volatility Smile -Evidence for the German Option Market"

Andreas Rathgeber - University of Augsburg, Germany
Johannes Stadler - University of Augsburg, Germany
Stefan Stöckl - ICN Business School, France

Discussant: Dudley Gilder - Aston Business School, UK

"On the Information Content of Realised and Option-Implied Measures of Risk"

Dudley Gilder - Aston Business School, UK
Yuanyuan Zhang - Lingnan University, Hong Kong

Discussant: Lung-Fu Chang - National Taipei University of Business, Taiwan

SESSION 6

Room 6

BEHAVIORAL ISSUES I

Session Chair: Christoph Kaserer - Technische Universität München, Germany

"Intraday Herding on a Cross-Border Exchange"

Panayiotis Andrikopoulos - University of Coventry, UK

Vasileios Kallinterakis - University of Liverpool, UK

Mario Pedro Leite Ferreira - Universidade Catolica Portuguesa, Portugal

Thanos Verousis - University of Bath, UK

Discussant: Styliani Krokida - Athens University of Economics and Business, Greece

"The Effect of Liquidity on Herding: A Comparative Study"

Emilios Galariotis - Audencia Business School, Institute of Finance, France

Styliani Krokida - Athens University of Economics and Business, Greece

Spyros Spyrou - Athens University of Economics and Business, Greece

Discussant: Vikash Ramiah - UNISA / RMIT University, Australia

"Behavioural Biases of Australian Financial Planners"

Girija Chowk - RMIT, Australia

Vikash Ramiah - UNISA / RMIT University, Australia

Imad Moosa - RMIT, Australia

Discussant: Moty Amar - Ono Academic, Israel

"Do all Investors Behave Myopically? An Experimental Examination"

Moty Amar - Ono Academic, Israel

Yoram Kroll - Ono Academic College (OAC), Israel

Discussant: Mario Pedro Leite Ferreira - Universidade Catolica Portuguesa, Portugal

SESSION 7

Room 7

CASH HOLDING/VALUE

Session Chair: Chaopeng Wu - Xiamen University, China

"Is Cash More Valuable in the Hands of Overconfident CEOs?"

Nihat Aktas - WHU Otto Beisheim School of Management, Germany

Christodoulos Louca - Cyprus University of Technology, Cyprus

Dimitris Petmezas - Surrey Business School, UK

Discussant: Natalia Matanova - Pennsylvania State University, USA

"Do PE and VC Firms Monitor Cash Reserves post-IPO?"

Natalia Matanova - Pennsylvania State University, USA

Discussant: Meike Ahrends - University of Hamburg, Germany

"Cyclical Growth Opportunities and the Value of Cash Holdings"

Meike Ahrends - University of Hamburg, Germany
Wolfgang Drobetz - University of Hamburg, Germany
Tatjana Puhani - University of Mannheim, Switzerland

Discussant: Sushil Sainani - University of Liverpool, UK

"Do Chief Financial Officers Affect Corporate Cash Policies?"

Chris Florackis - University of Liverpool, UK
Sushil Sainani - University of Liverpool, UK

Discussant: Christodoulos Louca - Cyprus University of Technology, Cyprus

SESSION 8

Room 8

PORTFOLIO MANAGEMENT I

Session Chair: Nikolaos Tassaromatis - EDHEC Business School, France

"Investing on the Edge: Exploring the Opportunities for Diversification in Frontier Markets"

Alina Spiru - Lancaster University Management School, UK
Zhu Qin - Lancaster University, UK

Discussant: Chulwoo Han - Durham University, UK

"Improving the Naive Portfolio Strategy"

Chulwoo Han - Durham University, UK

Discussant: Johan Knif - Hanken School of Economics, Finland

"A Minimum Variance Portfolio Approach for Testing Long-Horizon Event Effects"

Johan Knif - Hanken School of Economics, Finland
James Kolari - Texas A&M University, USA
Seppo Pynnonen - University of Vaasa, Finland

Discussant: Ron Bird - University of Technology Sydney, Australia

"Is Smart Beta That Smart?"

Ron Bird - University of Technology Sydney, Australia
Jeremy Davids - University of Technology Sydney, Australia
Danny Yeung - University of Technology Sydney, Australia

Discussant: Alina Spiru - Lancaster University Management School, UK

SESSION 9

Room 9

HOUSEHOLD ISSUES

Session Chair: Eva Liljeblom - Hanken School of Economics, Finland

"Debtor Protection, Credit Redistribution and Income Inequality"

Hamid Boustanifar - BI Norwegian Business School, Norway
Geraldo Cerqueiro - Catolica-Lisbon School of Business and Economics, Portugal
María Penas - Tilburg University, Netherlands

Discussant: Chioma Nwafor - Glasgow Caledonian University, UK

Monday 8:30 - 10:15

"The Role of Asset Prices on Wealth Inequality in the U.S"

Chioma Nwafor - Glasgow Caledonian University, UK

Discussant: Sabine Winkler - WHU - Otto Beisheim School of Management, Germany

"Empirical Evidence of Housing Wealth Effect on Consumer Spending"

Sabine Winkler - WHU - Otto Beisheim School of Management, Germany

Discussant: Nikolett Vaqo - Magyar Nemzeti Bank (The Central Bank of Hungary), Hungary

"Identification of Household Credit Supply and its Macroeconomic Effects"

Nikolett Vaqo - Magyar Nemzeti Bank (The Central Bank of Hungary), Hungary

Discussant: Hamid Boustanifar - BI Norwegian Business School, Norway

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

SESSION 10

Room 1

ASSET PRICING II

Session Chair: Joakim Kvamvold - Norwegian University of Science and Technology, Norway

"Analyses of Momentum and Contrarian Strategies in Emerging Markets"

Matthias Nnadi - Cranfield University, UK

Discussant: Christoph Meier - Macquarie University, Australia

"Aggregate Investor Confidence, Price Momentum, and Asset Pricing"

Christoph Meier - Macquarie University, Australia

Discussant: Victoria Dobrynskaya - National Research University Higher School of Economics, Russian Federation

"Upside and Downside Risks in Momentum Returns"

Victoria Dobrynskaya - National Research University Higher School of Economics, Russian Federation

Discussant: Graham Bornholt - Griffith University, Australia

"Size- and Value-based Market States and Momentum"

Warren Thomson - Griffith University, Australia

Graham Bornholt - Griffith University, Australia

Discussant: Matthias Nnadi - Cranfield University, UK

SESSION 11

Room 2

ACCOUNTING ISSUES I

Session Chair: Snorre Lindset - Norwegian University of Science and Technology, Norway

"Country Corruption Level and Legal Environment Effect on Audit Quality"

Panayiotis Tahinakis - University of Macedonia, Greece

Michalis Samarinas - University of Macedonia, Greece

Discussant: Hsiaowen Wang - National Central University, Taiwan

"The Effect of Split-Share Structure Reform on Audit Fees in China: Evidence from Cross-listed Firms"

Hsiaowen Wang - National Central University, Taiwan

Discussant: Chao Chen - Fudan University, China

"Busy Independent Audit Committee Directors and Accounting Quality"

Chao Chen - Fudan University, China

Henry Huang - Yeshiva University, USA

Gerald Lobo - University of Houston, USA

Jingjing Pan - Fudan University, China

Discussant: Gary Kleinman - Montclair State University, USA

Monday 10:30 - 12:15

"Accounting Standards Enforcement in an International Setting: Testing the Impact of Cultural, Religious, Political and Legal Environment on National Regulatory Efforts"

Gary Kleinman - Montclair State University, USA

Beixin Lin - Montclair State University, USA

Rebecca Bloch - Fairfield University, USA

Discussant: Panayiotis Tahinakis - University of Macedonia, Greece

SESSION 12

Room 3

CAPITAL STRUCTURE II

Session Chair: Christian Flor - University of Southern Denmark, Denmark

"The Impact of Internationalization on Zero Leverage: Evidence from the UK"

Eleni Chatzivgeri - University of Westminster, UK

Panagiotis Dontis Charitos - ESCP Europe, UK

Sheeja Sivaprasad - University of Westminster, UK

Discussant: Jiri Tresl - University of Nebraska-Lincoln, USA

"The Market vs Book Leverage Ratio Dilemma: An Analysis of the Lead-Lag Relationship and Speed of Adjustment"

Jan Hanousek - CERGE-EI, Czech Republic

Anastasiya Shamshur - University of East Anglia, UK

Jiri Tresl - University of Nebraska-Lincoln, USA

Discussant: Prashant Gupta - International Management Institute, India

"Impact of Capital Structure on Performance of Firms; An Analysis of Indian Firms"

Prashant Gupta - International Management Institute, India

Aman Srivastava - International Management Institute, India

Discussant: Uwe Walz - Goethe University of Frankfurt, Germany

"The Financing Dynamics of Newly Founded Firms"

Julia Hirsch - Autonomous University of Queretaro, Mexico

Uwe Walz - Goethe University of Frankfurt, Germany

Discussant: Panagiotis Dontis Charitos - ESCP Europe, UK

SESSION 13

Room 4

BANKS II

Session Chair: Elyas Elyasiani - Temple University, USA

"Cooperative Banks, the Internet and Market Discipline"

Lukasz Kozlowski - Kozminski University, Poland

Discussant: Armin Varmaz - University of Applied Sciences Bremen, Germany

"Do Bank Deposits Require a Special Treatment: An Analysis of the Efficiency of German Cooperative Banks"

Armin Varmaz - University of Applied Sciences Bremen, Germany
Andreas Varwig - University of Osnabrueck, Germany

Discussant: Georgios Efthyvoulou - University of Sheffield, UK

"Bank Value and Geographic Diversification: Regional vs Global"

Canan Yildirim - Kadir Has University, Turkey
Georgios Efthyvoulou - University of Sheffield, UK

Discussant: Elisabeta Pana - Illinois Wesleyan University, USA

"The Distribution of Capital Purchase Program Funds: Evidence from Bank Internal Capital Markets"

Elisabeta Pana - Illinois Wesleyan University, USA
Tarun Mukherjee - University of New Orleans, USA

Discussant: Lukasz Kozlowski - Kozminski University, Poland

SESSION 14

Room 5

DERIVATIVES II

Session Chair: James Cummings - Macquarie University, Australia

"A Sensitivity-based Approach for CVA Computation"

Othmane Kettani - University Paris 1 Panthéon-Sorbonne, France
Constantin Mellios - University Paris 1 Panthéon-Sorbonne, France
Adil Reghai - Natixis Bank, France

Discussant: Kumar Sanka - Indian Institute of Management Kozhikode, India

"Does the FII Investments in Index Futures Informative? Evidence from Indian Markets."

Kumar Sanka - Indian Institute of Management Kozhikode, India

Discussant: Linda Salahaldin - Telecom Business School, France

"The Dynamics of Crowdfunding: Picking the Successful Project"

Linda Salahaldin - Telecom Business School, France
Donia Trabelsi - Telecom Business School, France

Discussant: Claudia Zunft - Goethe University Frankfurt, Germany

"A Low-Risk Strategy based on Higher Moments in Currency Markets"

Claudia Zunft - Goethe University Frankfurt, Germany

Discussant: Othmane Kettani - University Paris 1 Panthéon-Sorbonne, France

SESSION 15

Room 6

BEHAVIORAL ISSUES II

Session Chair: Sven Arndt - Claremont McKenna College, USA

"Attention Effect via Internet Search Intensity in Asia-Oceania Stock Markets"

Parkpoom Tantaopas - Ek-Chai Distribution System Co., Ltd., Thailand

Chaiyuth Padungsaksawasdi - Thammasat University, Thailand

Discussant: Clive Walker - Queen's University Belfast, UK

"Media Coverage and Stock Returns on the London Stock Exchange, 1825-70"

John Turner - Queen's University Belfast, UK

Qing Ye - Xi'an Jiaotong-Liverpool University, UK

Clive Walker - Queen's University Belfast, UK

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

"The Role of News Momentum Investing in Stock Returns"

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

Hong-Fei Wu - Pei-shin branch of Taishin International Bank, Taiwan

Discussant: Michael Frömmel - Ghent University, Belgium

"Intraday Momentum in FX Markets: Disentangling Informed Trading from Liquidity Provision"

Gert Elaut - Ghent University, Belgium

Michael Frömmel - Ghent University, Belgium

Kevin Lampaert - Ghent University, Belgium

Discussant: Chaiyuth Padungsaksawasdi - Thammasat University, Thailand

SESSION 16

Room 7

M&AS I

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

"Two Sides of the Same Coin: Disentangling the Coinsurance Effect and the Diversification Discount in M&A Transactions"

Patrick Bielstein - Technische Universität München, Germany

Mario Fischer - Technische Universität München, Germany

Christoph Kaserer - Technische Universität München, Germany

Discussant: Chaopeng Wu - Xiamen University, China

"The Role of Technological Synergy in Mergers and Acquisitions"

Shi Li - Xiamen National Accounting Institute, China

James Ang - Florida State University, USA

Chaopeng Wu - Xiamen University, China

Shinong Wu - Xiamen University, China

Discussant: Lewis Tam - University of Macau, Macao

"The Information Role of Advisors in Mergers and Acquisitions: Evidence from Acquirers Hiring Targets' Ex-advisors"

Xin Chang - University of Cambridge, UK
Chander Shekhar - University of Melbourne, Australia
Lewis Tam - University of Macau, Macao
Jiaquan Yao - Xiamen University, Singapore

Discussant: Wenjing Ouyang - University of the Pacific, USA

"The Relation between Acquirer and Target Firms' Stock Price Informativeness"

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

Discussant: Christoph Kaserer - Technische Universität München, Germany

SESSION 17

Room 8

PORTFOLIO MANAGEMENT II

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

"Asset Allocation under (one's own) Sovereign Default Risk"

Didier Maillard - CNAM, France

Discussant: Lillian Zhu - University of Edinburgh, UK

"The Performance of Asset Allocation Strategies Across Datasets and Over Time"

Lillian Zhu - University of Edinburgh, UK

Discussant: Ekaterina Emm - Seattle University, USA

"Time Diversification: It is not about Risk Reduction"

Ekaterina Emm - Seattle University, USA
Ruben Trevino - Seattle University, USA

Discussant: Nikolaos Tassaromatis - EDHEC Business School, France

"Global Equity Country Allocation: An Application of Factor Investing"

Timotheos Angelidis - University of Peloponnese, Greece
Nikolaos Tassaromatis - EDHEC Business School, France

Discussant: Didier Maillard - CNAM, France

SESSION 18

Room 9

PAYOUT POLICY

Session Chair: Takayasu Ito - Meiji University, Japan

"Dividend Changes that Contradict Earnings Changes"

Ebenezer Asem - University of Lethbridge, Canada
Aditya Kaul - University of Alberta, Canada

Discussant: Eva Liljeblom - Hanken School of Economics, Finland

Monday 10:30 - 12:15

"Uncertainty and Firm Dividend Policy – A Natural Experiment"

Bonnie Buchanan - Seattle University, USA

Xuying Cao - Seattle University, USA

Eva Liljeblom - Hanken School of Economics, Finland

Susan Wehrich - Seattle University, USA

Discussant: Michael Skully - Monash University, Australia

"Dividends Divided: Australian Dividends and Shareholder Reinvestment"

Michael Skully - Monash University, Australia

James Murray - Christchurch Polytechnic Institute of Technology, New Zealand

Discussant: Ciaran Driver - SOAS, UK

"Dividend Decisions of UK Firms: What do we Really Know?"

Ciaran Driver - SOAS, UK

Anna Grosman - Aston University, UK

Pasquale Scaramozzino - SOAS, UK

Discussant: Ebenezer Asem - University of Lethbridge, Canada

LUNCHEON

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

KEYNOTE SPEECH

1:15 - 2:15 p.m. Wallenbergsalen

**Professor Alon Brav
Duke University, USA**

**GOVERNANCE BY PERSUASION: HEDGE FUND ACTIVISM AND THE MARKET FOR
CORPORATE INFLUENCE**

SESSION 19

Room 1

ASSET PRICING III

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

"Dividend Cuts and Predictability"

Ruey-Shii Chen - Tatung University, Taiwan

Tai-Wei Zhang - Ming Chuan University, Taiwan

Discussant: Joakim Kvamvold - Norwegian University of Science and Technology, Norway

"The Impact of Dividend Payments on Stock Returns"

Joakim Kvamvold - Norwegian University of Science and Technology, Norway

Snorre Lindset - Norwegian University of Science and Technology, Norway

Discussant: Josef Zorn - University of Innsbruck, Austria

"Predicting International Stock Returns with Conditional Price-Earnings Ratios"

Jochen Lawrenz - University of Innsbruck, Austria

Josef Zorn - University of Innsbruck, Austria

Discussant: Kenan Qiao - University of Groningen, Netherlands

"Leverage and Stock Return Predictability: Evidence from U.S. Panel Data"

Kenan Qiao - University of Groningen, Netherlands

Discussant: Tai-Wei Zhang - Ming Chuan University, Taiwan

SESSION 20

Room 2

ACCOUNTING ISSUES II

Session Chair: Wendy Rotenberg - University of Toronto, Canada

"Applying Benford's Law to Detect Fraudulent Practices in the Banking Industry"

Theoharry Grammatikos - University of Luxembourg, Luxembourg

Nikolaos Papanikolaou - University of Sussex, UK

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

"State-Controlled Banks and Earnings Management"

Shuh-Chyi Doong - National Chung Hsing University, Taiwan

Anh-Tuan Doan - University of Dalat, Viet Nam

Kun-Li Lin - Feng-Chia University, Taiwan

Discussant: Jayant Kale - Northeastern University, USA

"Debt, Bankruptcy Risk, and Corporate Tax Sheltering"

Akanksha Jalan - Indian Institute of Management Bangalore, India

Jayant Kale - Northeastern University, USA

Costanza Meneghetti - West Virginia University, USA

Discussant: Minna Martikainen - Hanken School of Economics, Finland

"Board Characteristics and Disclosure Tone"

Minna Martikainen - Hanken School of Economics, Finland
Antti Miihkinen - Aalto University School of Economics, Finland
Luke Watson - University of Florida, USA

Discussant: Nikolaos Papanikolaou - University of Sussex, UK

SESSION 21

Room 3

CORPORATE FINANCE I

Session Chair: Shuye Wang - Renmin University, China

"Liquidity Risk Assessment of Private Equity Investments: Evidence from European Divestment Processes"

Pascal Stachow - University of Manchester, UK

Discussant: Christian Flor - University of Southern Denmark, Denmark

"The Ambiguous Leader is a Follower"

Christian Flor - University of Southern Denmark, Denmark
Mark Moritzen - University of Southern Denmark, Denmark

Discussant: Anthony Bellofatto - Université Catholique de Louvain, Belgium

"How Does Language Similarity Impact Foreign Investing in a Multilingual Country?"

Anthony Bellofatto - Université Catholique de Louvain, Belgium

Discussant: Ana-Maria Cazacu - National Bank of Romania, Romania

"Are Expatriates Managing Banks' CEE Subsidiaries more Risk Takers?"

Liviu Voinea - National Bank of Romania, Romania
Ana-Maria Cazacu - National Bank of Romania, Romania
Florin Neagu - National Bank of Romania, Romania

Discussant: Pascal Stachow - University of Manchester, UK

SESSION 22

Room 4

BANKS III

Session Chair: Van Son Lai - Laval University, Canada

"Income Diversification and its Impact on Profitability and Default Risk of Nordic Banks"

Sheraz Ahmed - Lappeenranta University of Technology, Finland
Mikko Kärnä - DNB Bank ASA, Finland

Discussant: Rafael Schiozer - Fundação Getulio Vargas, Brazil

"Bailout Policies and Banking Risk in Crisis Periods"

Ramon Vilarins - Central Bank of Brazil, Brazil
Rafael Schiozer - Fundação Getulio Vargas, Brazil

Discussant: James Cummings - Macquarie University, Australia

"Effect of Too-Big-to-Fail Subsidies on Bank Borrowing Costs: Australian Evidence"

Yilian Guo - Macquarie University, Australia

James Cummings - Macquarie University, Australia

Discussant: Elyas Elyasiani - Temple University, USA

"The Association between Bank Concentration and the Real Economy"

Jeremy Crimmel - Temple University, USA

Elyas Elyasiani - Temple University, USA

Discussant: Sheraz Ahmed - Lappeenranta University of Technology, Finland

SESSION 23

Room 5

TUTORIAL: TECHNOLOGY AND SOFTWARE USED IN UNIVERSITY TRADING ROOMS

Presenter: Mr. Tom Reti - StockTrak, Canada

Research tutorial for doctoral students and other conference participants.

SESSION 24

Room 6

BUBBLES

Session Chair: Terrence Hallahan - Victoria University, Australia

"Price Anchors and Residential Real Estate Bubbles"

Clare Branigan - University College Dublin, Ireland

Paul Ryan - University College Dublin, Ireland

Discussant: Sven Arndt - Claremont McKenna College, USA

"Cross-Border Financial Intermediation: Money-Center Banks, Asset-Price Volatility and Housing Bubbles"

Sven Arndt - Claremont McKenna College, USA

Discussant: Rocco Huber - University of Augsburg, Germany

"An Alternative Approach for Bubble Detection in Commodity Prices"

Rocco Huber - University of Augsburg, Germany

Michael Ludwig - University of Augsburg, Germany

Herbert Mayer - University of Augsburg, Germany

Andreas Rathgeber - University of Augsburg, Germany

Markus Wanner - University of Augsburg, Germany

Discussant: Florian Wedlich - Bamberg University, Germany

"Does Personality Drive Price Bubbles?"

Andreas Oehler - Bamberg University, Germany

Florian Wedlich - Bamberg University, Germany

Stefan Wendt - Reykjavik University, Iceland

Matthias Horn - Bamberg University, Germany

Discussant: Clare Branigan - University College Dublin, Ireland

SESSION 25

Room 7

M&AS II

Session Chair: Ashiq Ali - University of Texas at Dallas, USA

"Litigation Risk: Measurement and Impact on M&A Transaction Terms"

Hubert De La Bruslerie - University Paris Dauphine, France

Le Maux Julien - HEC Montreal, Canada

Discussant: Yoko Shirasu - Aoyama Gakuin University, Japan

"Asia-Pacific Banks' M&A Effects and Strategies: Evidence from Long-Term Aspects"

Yoko Shirasu - Aoyama Gakuin University, Japan

Discussant: Yue Liu - University of Edinburgh, UK

"Shareholder Wealth Effects of M&A Withdrawals"

Yue Liu - University of Edinburgh, UK

Discussant: Jayasinghe Wickramanayake - Monash University, Australia

"Chopsticks and Genetics: Asian Acquisitions"

Wai Soh - KPMG Corporate Finance LLC, Singapore

Elaine Hutson - Monash University, Australia

Jayasinghe Wickramanayake - Monash University, Australia

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

SESSION 26

Room 8

PORTFOLIO MANAGEMENT III

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

"The Application of Fundamental Indexation to the BRICs"

Michael Naylor - Massey University, New Zealand

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

"Return Prediction Models and Portfolio Optimization"

Wolfgang Bessler - Justus-Liebig University Giessen, Germany

Dominik Wolff - Justus-Liebig-University Giessen, Germany

Discussant: Yilmaz Yildiz - Hacettepe University, Turkey

"The Effect of Valuation Difference between Local and Foreign Investors on Local Portfolio Investments"

Yilmaz Yildiz - Hacettepe University, Turkey

Mehmet Baha Karan - Hacettepe University, Turkey

Aydin Ozkan - University of Bradford, UK

Discussant: Michael Naylor - Massey University, New Zealand

MONETARY POLICY

Session Chair: Chun-Hao Chang - Florida International University, USA

"Foreign Operation and Monetary Policy"

Janikan Supanvanij - St. Cloud State University, USA

Discussant: Takayasu Ito - Meiji University, Japan

"An Analysis of Deposit Rates in Malaysia – The Impact of Monetary Policy and Islamic Finance"

Takayasu Ito - Meiji University, Japan

Discussant: Andreas Steiner - University of Munich, Germany

"Monetary Policy When the Zero Lower Bound Is Within Reach: A Smooth Transition Regression Approach"

Andreas Steiner - University of Munich, Germany

Discussant: Imad Moosa - RMIT University, Australia

"The Effect of Quantitative Easing on Stock Prices: A Structural Time Series Approach"

Imad Moosa - RMIT University, Australia

Discussant: Janikan Supanvanij - St. Cloud State University, USA

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

SESSION 28

Room 1

ASSET PRICING IV

Session Chair: Jason Wei - University of Toronto, Canada

"The Economic Value of TIPS Arbitrage Mispricing"

Vasilis Dedes - Stockholm School of Economics, Sweden

Roméo Tédongap - Stockholm School of Economics, Sweden

Discussant: Gonzalo Cortazar - Pontificia Universidad Catolica de Chile, Chile

"Fair Pricing of International Indices"

Juan-Pablo Araujo - Pontificia Universidad Catolica de Chile, Chile

Gonzalo Cortazar - Pontificia Universidad Catolica de Chile, Chile

Juan-Pablo Gonzalez - Pontificia Universidad Catolica de Chile, Chile

Discussant: George Athanassakos - University of Western Ontario, Canada

"New Evidence on the Relationship Between Earnings Quality and the Value Premium: What is Driving the Relationship – Risk, Mispricing or Both?"

George Athanassakos - University of Western Ontario, Canada

Vasiliki Athanasakou - London School of Economics, UK

Discussant: Jose Faias - Catolica Lisbon SBE, Portugal

"Moments of Prediction"

Tiago Castel-Branco - UCP - Católica Lisbon School of Business & Economics, Portugal

Jose Faias - Catolica Lisbon SBE, Portugal

Discussant: Vasilis Dedes - Stockholm School of Economics, Sweden

SESSION 29

Room 2

CRASH RISK

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

"Insider Sales and Future Stock Price Crash Risk: Firm-level Analysis"

Guanming He - University of Warwick, UK

Helen Ren - University of Warwick, UK

Richard Taffler - University of Warwick, UK

Discussant: Shuye Wang - Renmin University, China

"Trust and Stock Price Crash Risk: Evidence from China"

Xiaorong Li - Central University of Finance and Economics, China

Shuye Wang - Renmin University, China

Xue Wang - Renmin University of China, China

Discussant: Gudrun Rolle - Luxembourg School of Finance, Luxembourg

"Corporate Governance and Idiosyncratic Skewness"

Gudrun Rolle - Luxembourg School of Finance, Luxembourg

Thorsten Lehnert - Luxembourg School of Finance, Luxembourg

Discussant: Ernest Biktimirov - Brock University, Canada

"Market Reactions to Changes in the Dow Jones Industrial Average Index"

Ernest Biktimirov - Brock University, Canada

Yuanbin Xu - University of Alberta, Canada

Discussant: Guanming He - University of Warwick, UK

SESSION 30

Room 3

CORPORATE FINANCE II

Session Chair: Satish Thosar - University of Redlands, USA

"The Impact of Accounting-Based Information on the Financial Beta: Case for Cement Industry in Turkey"

Hakan Aygoren - Pamukkale University, Turkey

Serdar Iplikci - Pamukkale University, Turkey

Ilhan Kucukkaplan - Pamukkale University, Turkey

Umut Uyar - Pamukkale University, Turkey

Discussant: Demetris Koursaros - Cyprus University of Technology, Cyprus

"Overconfident vs Rational CEO: Who Diversifies More?"

Panayiotis Andreou - Cyprus University of Technology, Cyprus

John Doukas - Old Dominion University, USA

Demetris Koursaros - Cyprus University of Technology, Cyprus

Christodoulos Louca - Cyprus University of Technology, Cyprus

Discussant: Liliana Cueto Aguiar - Universidad Panamericana, Mexico

"Effects of Capital Structure of Private Hospitals in Investment Decisions"

Liliana Cueto Aguiar - Universidad Panamericana, Mexico

Discussant: Jie Wen - University of Sussex, UK

"Different Impacts of a Joint Venture Announcement on its Parent Firm' Stock Market Performance: Reasons and Implications for Trading Strategies"

Jie Wen - University of Sussex, UK

Xiaoxiang Zhang - Sussex University, UK

Discussant: Hakan Aygoren - Pamukkale University, Turkey

SESSION 31

Room 4

BANKS IV

Session Chair: Stylianos Perrakis - Concordia University, Canada

"On the Valuation of Large Systemic U.S. Banks"

Georgios Bertsatos - Athens University of Economics and Business, Greece

Plutarchos Sakellaris - Athens University of Economics and Business, Greece

Discussant: Van Son Lai - Laval University, Canada

"How Does the Market View Bank Regulatory Capital Forbearance Policies?"

Van Son Lai - Laval University, Canada
Xiaoxia Ye - Stockholm Business School, Sweden

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

"Why do Subchapter S Banks Convert Back to C Banks?"

Chun-Hao Chang - Florida International University, USA
Edward Lawrence - Florida International University, USA
Alejandro Pacheco - Florida International University, USA

Discussant: Peter Sarlin - Hanken School of Economics, Finland

"Bank Distress in the News: Describing Events Through Deep Learning"

Samuel Rönnqvist - Åbo Akademi University, Finland
Peter Sarlin - Hanken School of Economics, Finland

Discussant: Plutarchos Sakellaris - Athens University of Economics and Business, Greece

SESSION 32

Room 5

CREDIT DEFAULT SWAPS

Session Chair: Lung-Fu Chang - National Taipei University of Business, Taiwan

"The Impact of Central Clearing on Credit Default Swap Spreads - Evidence from the North American and European Corporate Credit Default Swap Market"

Andreas Oehler - University of Bamberg, Germany
Benjamin Hartl - University of Bamberg, Germany

Discussant: Giorgia Simion - Ca' Foscari University of Venice, Italy

"Basel Liquidity Regulation and Credit Risk Market Perception: Evidence from Large European Banks"

Giorgia Simion - Ca' Foscari University of Venice, Italy
Ugo Rigoni - Ca' Foscari University of Venice, Italy
Elisa Cavezzali - Ca' Foscari University of Venice, Italy
Andrea Veller - Ca' Foscari University of Venice, Italy

Discussant: Alper Bakdur - Ministry of Development, Turkey

"Do Sovereign Credit Default Swaps Have Pricing Implication for Stock Market?"

Alper Bakdur - Ministry of Development, Turkey
Levent Akdeniz - Bilkent University, Turkey
Aslihan Salih - Bilkent University, Turkey

Discussant: Georgios Angelopoulos - S&P Global Market Intelligence, UK

"Credit News around Seasoned Equity Offerings: Evidence from the Credit Default Swap Market"

Georgios Angelopoulos - S&P Global Market Intelligence, UK
Daniel Giamouridis - Bank of America Merrill Lynch, UK
Karampatsas Nikolaos - University of Surrey, UK

Discussant: Benjamin Hartl - University of Bamberg, Germany

SESSION 33

Room 6

MARKET MICROSTRUCTURE

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

"A New Measure of Market fragility – Can Trading Network Structure Explain Market Reflexivity?"

Tai Ma - National Sun Yat Sen University, Taiwan

Yu-Hsuan Chao - National Sun Yat-sen University, Taiwan

Discussant: Alexander Kupfer - University of Innsbruck, Austria

"In Search of Odd Lots"

Alexander Kupfer - University of Innsbruck, Austria

Markus Schmidt - University of Innsbruck, Austria

Discussant: Arie Gozluklu - University of Warwick, UK

"Flash Crashes, Rallies, and Spillovers"

Bei Cui - The University of Hong Kong, Hong Kong

Arie Gozluklu - University of Warwick, UK

Discussant: Terrence Hallahan - Victoria University, Australia

"Trading Volume and Volatility: Evidence from the Indonesian Stock Market"

Haryadi Haryadi - Victoria University, Australia

Terrence Hallahan - Victoria University, Australia

Hassan Tanha - Victoria University, Australia

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

SESSION 34

Room 7

M&AS III

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

"Accounting Profitability and Takeover Likelihood"

Ashiq Ali - University of Texas at Dallas, USA

Todd Kravet - University of Connecticut, USA

Bin Li - University of Texas at Dallas, USA

Discussant: Jean-Yves Filbien - ESG-UQAM, Canada

"The Effect of Information Uncertainty on Share Tendering: The Case of Private Bidders"

Diego Amaya - ESG UQAM, Canada

Ludivine Chalencon - Universite de Lyon, France

Jean-Yves Filbien - ESG-UQAM, Canada

Discussant: Martin Bugeja - University of Technology Sydney, Australia

Monday 4:15 - 6:00

"Choice of Acquisition form and the Post-takeover Employment of Target Firm Directors on the Acquiring Firm Board"

Martin Bugeja - University of Technology Sydney, Australia
Raymond Da Silva Rosa - University of Western Australia, Australia
HY Izan - University of Western Australia, Australia
Susan Ngan - Murdoch University, Australia

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

SESSION 35

Room 8

SPILLOVERS I

Session Chair: Sanjiv Jaggia - California Polytechnic State University, USA

"Dynamic Volatility Spillovers Across Shipping Freight Markets"

Dimitris Tsouknidis - Cyprus University of Technology, Cyprus

Discussant: Maria Schutte - Michigan Tech University, USA

"Comovement, Financial Reporting Complexity, and Information Markets: Evidence from Changes in 10-Q Lengths on Internet Search Volumes and Peer Correlations"

Joshua Filzen - Boise State University, USA
Maria Schutte - Michigan Tech University, USA

Discussant: Christos Savva - Cyprus University of Technology, Cyprus

"Is Loan Dollarization Contagious Across Countries? Evidence from Transition Economies"

Kyriakos Neanidis - University of Manchester and Centre for Growth and Business Cycle Research, UK
Christos Savva - Cyprus University of Technology, Cyprus

Discussant: Chiraz Labidi - United Arab Emirates university, United Arab Emirates

"Dynamic Spillovers between GCC and Global Markets: The Role of Economic Uncertainty"

Theo Berger - University of Bremen, Germany
Chiraz Labidi - United Arab Emirates university, United Arab Emirates
Gazi Salah Uddin - Linköping University, Sweden
Jonathan Siverskog - Linköping University, Sweden

Discussant: Dimitris Tsouknidis - Cyprus University of Technology, Cyprus

SESSION 36

Room 9

CREDIT RATINGS

Session Chair: Richard Saito - Fundacao Getulio Vargas, Brazil

"Are Market Implied Ratings Viable Alternatives to Credit Ratings?"

Winnie Poon - Lingnan University, Hong Kong, Hong Kong
Iftexhar Hasan - Fordham University, USA
Gaiyan Zhang - University of Missouri, St. Louis, USA
Jianfu Shen - Hang Seng Management College, Hong Kong, Hong Kong

Discussant: Rodrigo Ferreras - Santalucia, Spain

Monday 4:15 - 6:00

"Intra-Industry Transfer Effects of Credit Risk News"

Rodrigo Ferreras - Santalucia, Spain

Pilar Abad - Universidad Rey Juan Carlos, Spain

M Dolores Robles - Universidad Complutense de Madrid, Spain

Discussant: Eric Duca - Colegio Universitario de Estudios Financieros (CUNEF), Spain

"How Much are Credit Ratings Really Worth?"

Armen Arakelyan - Comisión Nacional de Mercado de Valores (CNMV), Spain

Eric Duca - Colegio Universitario de Estudios Financieros (CUNEF), Spain

Carlos Salvador Muñoz - Colegio Universitario de Estudios Financieros (CUNEF), Spain

Discussant: Jianfu Shen - Hang Seng Management College, Hong Kong, Hong Kong

SESSION 37

Room 1

ASSET PRICING V

Session Chair: Woon Leung - Cardiff University, UK

"Can Regulatory Mode Theory Explain the Equity Premium Puzzle?"

Irene Maria Buso - University of Rome, Italy

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

"Economic Policy Uncertainty and Equity Risk Premiums: Evidence from China"

Xiao-Ming Li - Massey University, New Zealand

Discussant: Mika Vaihekoski - University of Turku, Finland

"Countercyclical and Time-Varying Risk Aversion and Equity Premium"

Jan Antell - Hanken School of Economics, Finland

Mika Vaihekoski - University of Turku, Finland

Discussant: Qingyu Zhu - Nankai University, China

"Analysis of the Sector of Software & Computer Services with a New Carhart 4-Factor Model"

Qingyu Zhu - Nankai University, China

Yang Mu - Nankai University, China

Xueying Bian - Nankai University, China

Liuling Li - Nankai University, China

Discussant: Irene Maria Buso - University of Rome, Italy

SESSION 38

Room 2

MARKET ANOMALIES I

Session Chair: Theodore Sougiannis - University of Illinois, USA

"Stock Return Anomalies from Ending-digit Effects around The World"

Tao Chen - Open University of Hong Kong, Hong Kong

Discussant: Nizar Atrissi - Universite Saint-Joseph, Lebanon

"Risk Profile and Stocks Performance: Low Risk Anomaly of Global Banks"

Nizar Atrissi - Universite Saint-Joseph, Lebanon

Cynthia Julia Ballout - Universite Saint Joseph, Lebanon

Discussant: Stylianos Perrakis - Concordia University, Canada

"Mispriced Index Option Portfolios"

George Constantinides - University of Chicago, USA

Michal Czerwonko - Concordia University, Canada

Stylianos Perrakis - Concordia University, Canada

Discussant: Amnon Schreiber - Bar Ilan University, Israel

"Scaling up Market Anomalies"

Doron Avramov - The Hebrew University of Jerusalem, Israel

Si Cheng - Queen's University Belfast, UK

Amnon Schreiber - Bar Ilan University, Israel

Koby Shemer - AlphaBeta, Israel

Discussant: Tao Chen - Open University of Hong Kong, Hong Kong

SESSION 39

Room 3

CORPORATE GOVERNANCE I

Session Chair: Tom Berglund - Hanken School of Economics, Finland

"What Drives Shareholders' Reaction and Wealth Effect in Block Trades - Empirical Evidence from the Warsaw Stock Exchange"

Katarzyna Byrka-Kita - University of Szczecin, Poland

Mateusz Czerwinski - University of Szczecin, Poland

Agnieszka Perepeczo - University of Szczecin, Poland

Discussant: Samuel Szewczyk - Drexel University, USA

"Corporate Governance Structure and Strategic Change: Evidence from Major Acquisitions"

Seung Hee Choi - The College of New Jersey, USA

Samuel Szewczyk - Drexel University, USA

Discussant: Izabela Jedrzejowska-Schiffauer - WSB University in Wroclaw, Poland

"EU Crisis Management – Institutional and Normative Impact on Corporate Governance?"

Izabela Jedrzejowska-Schiffauer - WSB University in Wroclaw, Poland

Discussant: Bartolomé Pascual-Fuster - Universitat de les Illes Balears, Spain

"Politicians Inside the Boardroom; Is It a Convenient Burden?"

Bartolomé Pascual-Fuster - Universitat de les Illes Balears, Spain

Rafel Crespi-Cladera - Universitat de les Illes Balears, Spain

Discussant: Agnieszka Perepeczo - University of Szczecin, Poland

SESSION 40

Room 4

BANKING & RISK MANAGEMENT

Session Chair: Tim Loughran - Notre Dame, USA

"Measuring Systemic Risk: A Comparison of Alternative Market-Based Approaches"

Jacob Kleinow - Technische Universität Bergakademie Freiberg, Germany

Fernando Moreira - University of Edinburgh, UK

Sascha Strobl - University of Vaasa, Finland

Sami Vähämaa - University of Vaasa, Finland

Discussant: Naval Verma - Indian Institute of Technology, India

"Measurement of Systemic Risk in Financial System"

Naval Verma - Indian Institute of Technology, India

Discussant: Mikhail Oet - Case Western Reserve University, USA

"Macroprudential Policy in Adaptive Financial Markets: The Use of Systemic Risk Early Warning Tools"

Mikhail Oet - Case Western Reserve University, USA
John Dooley - Federal Reserve Bank of Cleveland, USA
Stephen Ong - Federal Reserve Bank of Cleveland, USA

Discussant: Levent Güntay - MEF University, Turkey

"Testing for Systemic Risk Using Stock Returns"

Paul Kupiec - American Enterprise Institute, USA
Levent Güntay - MEF University, Turkey

Discussant: Fernando Moreira - University of Edinburgh, UK

SESSION 41

Room 5

COMMODITIES

Session Chair: Sazali Abidin - Lincoln University, New Zealand

"Energy Consumption and Priority Dispatch for Renewables Under Demand Uncertainty"

Nikolaos Milonas - University of Athens, Greece
Fotios Kalantzis - National and Kapodistrian University of Athens, Greece
Stavros Thomadakis - University of Athens, Greece

Discussant: Roselyne Joyeux - Macquarie University, Australia

"Income and Energy Consumption in Asia"

Roselyne Joyeux - Macquarie University, Australia
Raymond Li - Hong Kong Polytechnic University, Hong Kong, Hong Kong
Ronald Ripple - The University of Tulsa, USA

Discussant: Mary Malliaris - Loyola University Chicago, USA

"Gold and Silver Direction Forecasts Using Decision Trees Built on Clusters"

Anastasios Malliaris - Loyola University Chicago, USA
Mary Malliaris - Loyola University Chicago, USA

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

"A Regime Switching Correlated Bivariate Poisson Jump Model for Futures Hedging"

Wing Hong Chan - Wilfrid Laurier University, Canada
Hsiang-Tai Lee - National Chi Nan University, Taiwan

Discussant: Nikolaos Milonas - University of Athens, Greece

SESSION 42

Room 6

FUNDS I

Session Chair: Peter Scholz - Hamburg School of Business Administration, Germany

"Measuring Hedge Fund Performance: A Markov Regime-Switching with False Discoveries Approach"

Gulten Mero - Université de Cergy-Pontoise - THEMA, France

Discussant: Alessandra Canepa - Brunel University, UK

"Evaluating the Performance of Hedge Fund Strategies: A Non-Parametric Analysis"

Alessandra Canepa - Brunel University, UK
Maria De La O Gonzalez Perez - University of Castilla - La Mancha, Spain
Frank Skinner - Brunel University, UK

Discussant: Ania Zalewska - University of Bath, UK

"Hard Times for Everyone: (De)Investing in Mutual Funds"

Ania Zalewska - University of Bath, UK
Yue Zhang - University of Bath, UK

Discussant: Angeline Kim Pei Chua - RMIT University, Australia

"The Presence of Style Drift in Chinese Equity Funds"

Angeline Kim Pei Chua - RMIT University, Australia
On Kit Tam - RMIT University, Australia
Marie Cam - RMIT University, Australia
Monica Tan - RMIT University, Australia

Discussant: Gulden Mero - Université de Cergy-Pontoise - THEMA, France

SESSION 43

Room 7

FINANCING I

Session Chair: Yukihiro Yasuda - Hitotsubashi University, Japan

"Do Local Banking Market Structures Matter for SME Financing and Performance? New Evidence from an Emerging Economy"

Iftekhar Hasan - Fordham University, USA
Krzysztof Jackowicz - Kozminski University, Poland
Oskar Kowalewski - Polish Academy of Sciences, Poland
Lukasz Kozlowski - Kozminski University, Poland

Discussant: Malte Janzen - Hamburg University, Germany

"Investment and Financing Decisions of Private and Public Firms"

Wolfgang Drobetz - Hamburg University, Germany
Malte Janzen - Hamburg University, Germany
Iwan Meier - HEC Montreal, Canada

Discussant: Nuno Filipe Moutinho - Instituto Politécnico de Bragança, Portugal

"Do the Types of Financial System, Corporate Governance System and Legal System of the Borrower's Country Influence the Interest Rate Spread of Syndicated Loans?"

Nuno Filipe Moutinho - Instituto Politécnico de Bragança, Portugal
Carlos Alves - CEMPRE, Portugal
Francisco Vitorino Martins - Faculdade de Economia do Porto, Portugal

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

"The Optimal Collaborative Financial Strategies for Firms Facing Competition and Uncertainty"

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

Discussant: Krzysztof Jackowicz - Kozminski University, Poland

SESSION 44

Room 8

SPILLOVERS II

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

"Multiemployer Defined Benefit Pension Plans' Liability Spillovers: Important Connections in U.S. Unionized Industries"

Barbara Chambers - Monash University, Australia

Discussant: Chritian Bucio Pacheco - Universidad Nacional Autónoma de México, Mexico

"Measuring via Copulas Static and Dynamic Dependency between the Stock Markets from NAFTA Bloc"

Chritian Bucio Pacheco - Universidad Nacional Autónoma de México, Mexico

Alejandra Cabello - Universidad Nacional Autónoma de México, Mexico

Discussant: Zana Grigaliuniene - ISM University of management and economics, Lithuania

"Noise or News? The Reaction of Eurozone Stock Markets to New Members"

Zana Grigaliuniene - ISM University of management and economics, Lithuania

Christopher Hartwell - CASE - Center for Social and Economic Research, Poland

Mindaugas Butkus - Siauliai University, Lithuania

Discussant: Pui Sun Tam - University of Macau, Macao

"Global Distribution Dynamics of Stock Valuation"

Pui Sun Tam - University of Macau, Macao

Pui I Tam - Macao Polytechnic Institute, Macao

Discussant: Barbara Chambers - Monash University, Australia

SESSION 45

Room 9

INFORMED TRADING

Session Chair: Anastasios Malliaris - Loyola University Chicago, USA

"Informed Trading Prior to Accelerated Equity Offerings and Readability of S-3"

Ali Sheikhabaehi - La Trobe University, Australia

Amalia Di Iorio - LaTrobe University, Australia

Balasingham Balachandran - LaTrobe University, Australia

Huu Duong - Monash University, Australia

Discussant: Marketa Wolfe - Skidmore College, USA

"Price Drift before U.S. Macroeconomic News: Private Information about Public Announcements?"

Alexander Kurov - West Virginia University, USA

Alessio Sancetta - Royal Holloway, University of London, UK

Georg Strasser - European Central Bank, Germany

Marketa Wolfe - Skidmore College, USA

Discussant: Matthijs Lof - Aalto University, Finland

Tuesday 8:30 - 10:15

"Asymmetric Information and the Distribution of Trading Volume"

Matthijs Lof - Aalto University, Finland

Jos Van Bommel - University of Luxembourg, Luxembourg

Discussant: Conall O'Sullivan - UCD Michael Smurfit Graduate Business School, Ireland

"Does Informed Option Trading Before a Merger Deal Announcement Differ According to Deal Side?"

Cal Muckley - UCD Michael Smurfit Graduate Business School, Ireland

James O'Donovan - INSEAD, Singapore

Conall O'Sullivan - UCD Michael Smurfit Graduate Business School, Ireland

Discussant: Balasingham Balachandran - LaTrobe University, Australia

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

SESSION 46

Room 1

ASSET PRICING VI

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

"Consumption Growth Predictability and Asset Prices"

Byoung-Kyu Min - University of Sydney, Australia

Discussant: Neophytos Lambertides - Cyprus University of Technology, Cyprus

"The Impact of Pure Growth Options on Stock Returns"

Christoforos Andreou - Cyprus University of Technology, Cyprus
Neophytos Lambertides - Cyprus University of Technology, Cyprus
Lenos Trigeorgis - University of Cyprus, Cyprus

Discussant: Luca Del Viva - ESADE Business School, Spain

"Lottery-type Behavior in Banking Stocks"

Luca Del Viva - ESADE Business School, Spain
Eero Kasanen - Aalto School of Management, Finland
Lenos Trigeorgis - University of Cyprus, Cyprus

Discussant: Walt Pohl - University of Zurich, Switzerland

"Recursive Preferences, Agent Heterogeneity and Wealth Dynamics"

Walt Pohl - University of Zurich, Switzerland
Karl Schmedders - University of Zurich, Switzerland
Ole Wilms - University of Zurich, Switzerland

Discussant: Byoung-Kyu Min - University of Sydney, Australia

SESSION 47

Room 2

MARKET ANOMALIES II

Session Chair: Dan Palmon - The State University of New Jersey, Rutgers, USA

"Timing Success Explained! The Fallacy of Beating Efficient Markets"

Peter Scholz - Hamburg School of Business Administration, Germany
Ursula Walther - Berlin School of Economics and Law, Germany

Discussant: Lior Gal - College for Academic Studies, Israel

"Toward Solving of the Turn-of-the-Month Effect Puzzle"

Lior Gal - College for Academic Studies, Israel
Uri Ben-Zion - Western Galilee College, Israel
Ahron Rosenfeld - Ben-Gurion University of the Negev, Israel

Discussant: Minhua Yang - University of South Australia, Australia

"Evaluating the Effectiveness of Environmental Policies"

Minhua Yang - University of South Australia, Australia
Vikash Ramiah - University of South Australia, Australia
Michael Gangemi - RMIT University, Australia
Imad Moosa - RMIT University, Australia
Yu He - University of South Australia, Australia

Discussant: Peter Scholz - Hamburg School of Business Administration, Germany

SESSION 48

Room 3

CORPORATE GOVERNANCE II

Session Chair: Gabrielle Wanzenried - Lucerne University of Applied Sciences and Arts, Switzerland

"Corporate Governance, Board Composition, Director Expertise, and Value: The Case of Quality Excellence"

Andreas Charitou - University of Cyprus, Cyprus
Ifigenia Georgiou - Cyprus International Institute of Management (CIIM), Cyprus
Andreas Soteriou - University of Cyprus, Cyprus

Discussant: Tom Berglund - Hanken School of Economics, Finland

"Employees on Corporate Boards"

Tom Berglund - Hanken School of Economics, Finland
Martin Holmén - University of Gothenburg, Sweden

Discussant: Roberto Wessels - University of Groningen, Netherlands

"What is the Relation (If Any) between a Firm's Corporate Governance Arrangements and its Financial Performance?"

Roberto Wessels - University of Groningen, Netherlands
Tom Wansbeek - University of Groningen, Netherlands
Lammertjan Dam - University of Groningen, Netherlands

Discussant: Rex Renjie Wang - Erasmus University Rotterdam, Netherlands

"Location, Managerial Entrenchment, and Short-Term Pressure"

Ali Akyol - University of Melbourne, Australia
Rex Renjie Wang - Erasmus University Rotterdam, Netherlands
Patrick Verwijmeren - Erasmus University Rotterdam, Netherlands

Discussant: Ifigenia Georgiou - Cyprus International Institute of Management (CIIM), Cyprus

SESSION 49

Room 4

MARKET REGULATION

Session Chair: Usha Mittoo - University of Manitoba, Canada

"Italian Ordinary Statute Regions & Derivatives"

Giulia Fantini - Swansea University, UK
Chiara Oldani - University of Viterbo "La Tuscia", Italy

Discussant: Kyriaki Kosmidou - Aristotle University of Thessaloniki, Greece

"How Protected are Firms against Capital Controls?"

Kyriaki Kosmidou - Aristotle University of Thessaloniki, Greece
Dimitrios Kousenidis - Aristotle University of Thessaloniki, Greece
Anestis Ladas - University of Macedonia, Greece
Christos Negakis - University of Macedonia, Greece

Discussant: Mohammad Shameem Jawed - Indian Institute of Management, Indore, India

"Equity Sale by Promoters and Impact on Stock Prices: Evidences from an Exogenous Supply Shock"

Mohammad Shameem Jawed - Indian Institute of Management, Indore, India

Discussant: Guoxiang Song - University of Greenwich, UK

"The Drivers of the Great Bull Stock Market of 2015 in China: Evidence and Policy Implications"

Guoxiang Song - University of Greenwich, UK

Discussant: Chiara Oldani - University of Viterbo "La Tuscia", Italy

SESSION 50

Room 5

FIXED INCOME SECURITIES I

Session Chair: Patrick Roger - University of Strasbourg, France

"The Post-Crisis Puzzling Behavior of Deposit Rates: Choosing the Right Benchmark"

Julien Pinter - Université Paris 1 Panthéon-Sorbonne, France
Charles Boissel - HEC Paris, France

Discussant: Joel Barber - Florida International University, USA

"Yield Curve Risk and the Effectiveness of Duration Targeting Strategies for Multiple Liabilities"

Joel Barber - Florida International University, USA

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

"Liquidity Measures Throughout the Lifetime of the US Treasury Bond"

Antonio Diaz - Universidad de Castilla-La Mancha, Spain
Ana Escribano - Universidad de Castilla-La Mancha, Spain

Discussant: Irem Demirci - University of Mannheim, Germany

"Real Estate Holdings of Public Firms and Collateral Discount"

Irem Demirci - University of Mannheim, Germany
Umit Gurun - University of Texas at Dallas, USA
Erkan Yönder - Ozyegin University, Turkey

Discussant: Julien Pinter - Université Paris 1 Panthéon-Sorbonne, France

SESSION 51

Room 6

FUNDS II

Session Chair: Pornchai Chunchinda - Thammasat University, Thailand

"UK Ethical Fund Managers – Skilled but Fair Weather Friends"

Yacine Belghitar - Cranfield University, UK

Ephraim Clark - Middlesex University, UK

Nitin Deshmukh - Middlesex University Business School, UK

Discussant: Sazali Abidin - Lincoln University, New Zealand

"Do Ethical Funds Really Perform Poorly than Conventional Funds?"

Sazali Abidin - Lincoln University, New Zealand

Azilawati Banchit - Universiti Teknologi Mara, Malaysia

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

"The Dynamic Effects of Stock Prices on Mutual Fund Flows and Volume in the Korean Stock Market"

Heung-Joo Cha - Univeristy of Redlands, USA

Discussant: Kang Baek - Hanbat National University, Korea, Republic of

"Do Distribution Channels Matter to Fund Flows under Oligopolistic Market Structures?: Evidence from Korea"

Kang Baek - Hanbat National University, Korea, Republic of

Discussant: Nitin Deshmukh - Middlesex University Business School, UK

SESSION 52

Room 7

FINANCING II

Session Chair: Jean-Marie Cardebat - University of Bordeaux, France

"Investment Flexibility and Loan Price"

Viet Cao - Monash University, Australia

Viet Do - Monash University, Australia

Tram Vu - Monash University, Australia

Discussant: Yilmaz Guney - University of Hull, UK

"R&D Investment and Revolving Credit"

Yilmaz Guney - University of Hull, UK

Ahmet Karpuz - University of Bristol, UK

Neslihan Ozkan - University of Bristol, UK

Discussant: Gunseli Tumer Alkan - Vrije Universiteit Amsterdam, Netherlands

"Banks' Security Holdings and Credit Supply During Financial Turmoil"

Falko Fecht - Frankfurt School of Finance & Management, Germany
Jose-Luis Peydro - Universitat Pompeu Fabra, Spain
Gunseli Tumer Alkan - Vrije Universiteit Amsterdam, Netherlands
Yuejuan Yu - Shandong University, China

Discussant: Silvio Contessi - Monash Business School, Australia

"Financial Choice and International Trade"

Il-Hyun Cho - University of California, Davis, USA
Silvio Contessi - Monash Business School, Australia
Kathryn Russ - University of California, Davis, USA
Diego Valderrama - Franklin Templeton Investment, USA

Discussant: Viet Do - Monash University, Australia

SESSION 53

Room 8

VOLATILITY I

Session Chair: Malick Sy - RMIT University, Australia

"Volatility Forecasting: The Role of Internet Search Activity and Implied Volatility"

Arabinda Basistha - West Virginia University, USA
Alexander Kurov - West Virginia University, USA
Marketa Halova Wolfe - Skidmore College, USA

Discussant: Yihui Lan - The University of Western Australia, Australia

"The Price of Volatility Risk: Evidence From G7 Countries"

Robert Faff - University of Queensland, Australia
Yihui Lan - The University of Western Australia, Australia

Discussant: Miriam Sosa - Universidad Nacional Autónoma de México, Mexico

"Financial Crises and Asymmetric Volatility in the NAFTA Stock Markets"

Miriam Sosa - Universidad Nacional Autónoma de México, Mexico
Edgar Ortiz - Universidad Nacional Autónoma de México, Mexico

Discussant: Antoni Vaello-Sebastia - University of Balearic Islands, Spain

"Capturing Skewness and Kurtosis by Fitting the QQ-plot: A Simple Approach with Financial Applications"

Unai Ansejo - University of the Basque Country, Spain
Aitor Bergara - University of the Basque Country, Spain
Antoni Vaello-Sebastia - University of Balearic Islands, Spain

Discussant: Alexander Kurov - West Virginia University, USA

FINANCIAL CRISIS

Session Chair: Mehmet Karan - Hacettepe University, Turkey

"Systemic Risk, Interbank Market Contagion, and the Lender of Last Resort Function"

Michael Bowe - University of Manchester, UK
Olga Kolokolova - University of Manchester, UK
Marcin Michalski - The University of Manchester, UK

Discussant: Yukihiro Yasuda - Hitotsubashi University, Japan

"Shocks and Shock Absorbers in Japanese Bonds and Banks During the Global Financial Crisis"

Hyonok Kim - Tokyo Keizai University, Japan
James Wilcox - University of California, Berkeley, USA
Yukihiro Yasuda - Hitotsubashi University, Japan

Discussant: Anastasios Malliaris - Loyola University Chicago, USA

"Financial Instability and Liquidity Trap"

Anastasios Malliaris - Loyola University Chicago, USA

Discussant: Jana Ohls - Deutsche Bundesbank, Germany

"On the Exposure of Insurance Companies to Sovereign Risk - Portfolio Investments and Market Forces"

Robert Duell - Deutsche Bundesbank, Germany
Felix Koenig - London School of Economics, UK
Jana Ohls - Deutsche Bundesbank, Germany

Discussant: Marcin Michalski - The University of Manchester, UK

LUNCHEON

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

KEYNOTE SPEECH

1:15 - 2:15 p.m. Wallenbergsalen

**Professor James Ohlson
The Hong Kong Polytechnic University, Hong Kong**

EMPIRICAL ACCOUNTING RESEARCH: THE NEED FOR A CHANGE IN DIRECTION

SESSION 55

Room 1

ASSET PRICING VII

Session Chair: Weiping Li - Oklahoma State University, USA

"Market-Clearing Effects of Corporate Financing Decisions on Stock Returns: An Equilibrium Analysis of Levered Firms when Equity Supply is Fixed"

Lammertjan Dam - University of Groningen, Netherlands

Pim Heijnen - University of Groningen, Netherlands

Discussant: Woon Leung - Cardiff University, UK

"Organization Capital, Labor Market Flexibility and Stock Returns Around the World"

Khelifa Mazouz - Cardiff University, UK

Woon Leung - Cardiff University, UK

Jie Chen - Cardiff University, UK

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

"Real Estate as a Common Risk Factor in Bank Stocks: New Insights"

Benoit Carmichael - Laval University, Canada

Alain Coen - University of Quebec in Montreal, Canada

Discussant: Gyorgy Varga - FCE Consulting, Brazil

"The Cross-Section of Expected Stock Returns in Brazil"

Gyorgy Varga - FCE Consulting, Brazil

Ricardo Brito - INSPER, Brazil

Discussant: Lammertjan Dam - University of Groningen, Netherlands

SESSION 56

Room 2

ANALYSTS I

Session Chair: Patrick Leoni - Kedge Business School, France

"Analyst Underreaction and the Post-Forecast Revision Price Drift"

Ganapathi Narayanamoorthy - Tulane University, USA

Po-Chang Chen - Miami University, USA

Theodore Sougiannis - University of Illinois, USA

Hui Zhou - Melbourne Business School, Australia

Discussant: Mei-Chen Lin - National Taipei University, Taiwan

"Effects of Managerial Overconfidence on Analyst Recommendations"

Mei-Chen Lin - National Taipei University, Taiwan

Po-Hsin Ho - National Taipei University, Taiwan

Discussant: Patrick Roger - University of Strasbourg, France

"Behavioral Biases in Number Processing: The Case of Analysts' Target Prices"

Patrick Roger - University of Strasbourg, France
Tristan Roger - Paris-Dauphine University, France
Alain Schatt - University of Lausanne, Switzerland

Discussant: Dan Palmon - The State University of New Jersey, Rutgers, USA

"The Corporate Social Responsibility Information Environment: Examining the Value of Financial Analysts' Recommendations"

Changhee Lee - Ramapo College of New Jersey, USA
Dan Palmon - The State University of New Jersey, Rutgers, USA
Ari Yezegele - Bentley University, USA

Discussant: Theodore Sougiannis - University of Illinois, USA

SESSION 57

Room 3

CORPORATE GOVERNANCE III

Session Chair: Tony Van Zijl - Victoria University of Wellington, New Zealand

"Price Conditions of the Bank Financing: Does Gender Matter?"

Danilo Mascia - University of Cagliari, Italy
Stefania Rossi - University of Cagliari, Italy

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

"Earnings Quality in Private SMEs: Does Gender Matter?"

François Belot - University of Cergy-Pontoise, France
Stéphanie Serve - University of Cergy-Pontoise, France

Discussant: Emilia Vähämaa - Hanken School of Economics, Finland

"Do Female CEOs and Chairwomen Constrain Bank Risk-Taking? Evidence from the Effects of Real Estate Shocks on Bank Performance"

Ajay Palvia - Office of the Comptroller of the Currency, USA
Emilia Vähämaa - Hanken School of Economics, Finland
Sami Vähämaa - University of Vaasa, Finland

Discussant: Gabrielle Wanzenried - Lucerne University of Applied Sciences and Arts, Switzerland

"Bankers' Pay in State-Owned Banks - How Important Are Governance and Political-Economic Factors?"

Gabrielle Wanzenried - Lucerne University of Applied Sciences and Arts, Switzerland

Discussant: Stefania Rossi - University of Cagliari, Italy

SESSION 58

Room 4

REGULATION AND DISCLOSURE

Session Chair: Willem Verschoor - VU University Amsterdam, Netherlands

"Does Cross-listing Mitigate Sub-optimal Corporate Investment?"

Wissam Abdallah - Cardiff University, UK

Abed AL-Nasser Abdallah - American University of Sharjah,, United Arab Emirates

Discussant: Tim Loughran - Notre Dame, USA

"Information Decay and Financial Disclosures"

Tim Loughran - Notre Dame, USA

Bill McDonald - University of Notre Dame, USA

Discussant: Usha Mittoo - University of Manitoba, Canada

"Unintended Consequences of the Sarbanes-Oxley Act's Timing for the U.S. and Foreign Rule 144A Debt Issuers"

Usha Mittoo - University of Manitoba, Canada

Zhou Zhang - University of Regina, Canada

Discussant: Sadok El Ghouli - University of Alberta, Canada

"Banking Deregulation and Externally Financed Growth: Evidence from Firm-level Data"

Allen Berger - University of South Carolina, USA

Ruiyuan Chen - University of South Carolina, USA

Sadok El Ghouli - University of Alberta, Canada

Omrane Guedhami - University of South Carolina, USA

Discussant: Wissam Abdallah - Cardiff University, UK

SESSION 59

Room 5

FIXED INCOME SECURITIES II

Session Chair: Benjamin Maury - Hanken School of Economics, Finland

"Sovereign Debt Markets in the New Digital Era"

Apostolos Kotzinos - University of Piraeus, Greece

Raphael Markellos - University of East Anglia, UK

Dimitrios Psychoyios - University of Piraeus, Greece

Discussant: Marcos Gonzalez - Universidad de León, Spain

"What Drives Sovereign Debt Maturity in European Countries?"

Marcos Gonzalez - Universidad de León, Spain

Carmen González Velasco - University of León, Spain

Discussant: Bibek Bhatta - Strathclyde University, UK

"The Cost of not Attracting Optimal Foreign Bond Allocations"

Bibek Bhatta - Strathclyde University, UK
Andrew Marshall - Strathclyde University, UK
Chandra Thapa - Strathclyde University, UK

Discussant: Frank Skinner - Brunel University, UK

"Explaining the Repo Specialness in the Italian Sovereign Market"

Alfonso Dufour - University of Reading, UK
Miriam Marra - University of Reading, UK
Ivan Sangiorgi - University of Reading, UK
Frank Skinner - Brunel University, UK

Discussant: Apostolos Kotzinos - University of Piraeus, Greece

SESSION 60

Room 6

EMERGING MARKETS I

Session Chair: Louis Murray - University College Dublin, Ireland

"Financial Deepening and Corruption in Selected Southeast Asian Countries: A Comparison with South Asia"

Piyadasa Edirisuriya - Monash University, Australia

Discussant: Malgorzata Sulimierska - University of Sussex, UK

"Capital Account Liberalization and Currency Crisis in Post-Communist Economies"

Mian Hu - Nanyang Technological University, Singapore
Zhanara Makhayeva - University of Sussex, UK
Malgorzata Sulimierska - University of Sussex, UK

Discussant: Pornchai Chunchinda - Thammasat University, Thailand

"Determinants of Foreign Direct Investment in Major ASEAN Countries"

Pornchai Chunchinda - Thammasat University, Thailand
Li Li - University of the Thai Chamber of Commerce, Thailand

Discussant: Jean-Marie Cardebat - University of Bordeaux, France

"The Long-term Financial Drivers of Fine Wine Prices: The Role of Emerging Markets"

Jean-Marie Cardebat - University of Bordeaux, France
Linda Jiao - University of Bordeaux, France

Discussant: Piyadasa Edirisuriya - Monash University, Australia

SESSION 61

Room 7

IPOS/SEOS

Session Chair: Kenth Skogsvik - Stockholm School of Economics, Sweden

"Initial Public Offerings and the Firm Location"

Giulia Baschieri - Ca' Foscari University of Venice, Italy
Andrea Carosi - University of Sassari, Italy
Stefano Mengoli - University of Bologna, Italy

Discussant: Susanne Espenlaub - University of Manchester, UK

"The Survival of Initial Public Offerings in Europe"

Wolfgang Bessler - Justus-Liebig University Giessen, Germany
Martin Seim - Justus-Liebig-University Giessen, Germany
Susanne Espenlaub - University of Manchester, UK

Discussant: Ari Pandes - University of Calgary, Canada

"Does Spending Time in the Minors Pay Off?"

Michele Meoli - University of Bergamo, Italy
Ari Pandes - University of Calgary, Canada
Michael Robinson - University of Calgary, Canada
Silvio Vismara - University of Bergamo, Italy

Discussant: Dionysia Dionysiou - University of Stirling, UK

"Changes in Liquidity Risk and its Relation to the Documented Reversal of Abnormal Returns in Equity Offerings"

Dionysia Dionysiou - University of Stirling, UK

Discussant: Andrea Carosi - University of Sassari, Italy

SESSION 62

Room 8

VOLATILITY II

Session Chair: Serge Darolles - Université Paris-Dauphine, France

"The Effect of Volatility Persistence on Excess Returns"

Ajeet Jain - Alabama A&M University, USA
Sascha Strobl - University of Vaasa, Finland

Discussant: Malick Sy - RMIT University, Australia

"High Frequency Trading and Volatility Dynamics around Flash Crash"

Malick Sy - RMIT University, Australia
Andrew Godfrey - RMIT University, Australia

Discussant: Muhammad Surajo Sanusi - Birmingham City University, UK

"Modelling and Forecasting the Volatility of FTSE UK Oil and Gas Index Using Symmetric and Asymmetric GARCH Models"

Muhammad Surajo Sanusi - Birmingham City University, UK

Discussant: Anupam Dutta - Vaasa University, Finland

"Impact of Oil Price Uncertainty on Middle East and African Stock Markets"

Anupam Dutta - Vaasa University, Finland
Jussi Nikkinen - University of Vaasa, Finland
Timo Rothovius - University of Vaasa, Finland

Discussant: Sascha Strobl - University of Vaasa, Finland

RISK MANAGEMENT II

Session Chair: Can Inci - Bryant University, USA

"Application of Copula-GARCH Method to Estimate VaR of a Portfolio Containing Credit Default Swaps"

Jhe-jheng Huang - National Tsing Hua University, Taiwan

Leh-chyan So - National Tsing Hua University, Taiwan

Discussant: Saswat Patra - Indian Institute of Management, India

"A Novel Non-linear Value-at-Risk Method for Options: The Use of Pearson Type-IV Distribution"

Saswat Patra - Indian Institute of Management, India

Malay Bhattacharyya - Indian Institute of Management, India

Discussant: Raquel Gaspar - ISEG, Universidade de Lisboa, Portugal

"Historical VaR for Bonds - A New Approach"

Joao Sousa - Politecnico de Lisboa, Portugal

Raquel Gaspar - ISEG, Universidade de Lisboa, Portugal

Manuel Esquivel - Univesidade Nova de Lisboa, Portugal

Pedro Real - Universidade Nova de Lisboa, Portugal

Discussant: Mehmet Karan - Hacettepe University, Turkey

"Value at Risk Performance of Emerging Market Equity Portfolios during the Fed's Tapering"

Ertugrul Uysal - Ziraat Bank, Turkey

Mehmet Karan - Hacettepe University, Turkey

Mustafa Kaya - Hacettepe University, Turkey

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

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

SESSION 64

Room 1

ASSET PRICING VIII

Session Chair: Mika Vaihekoski - University of Turku, Finland

"Contingent Capital Conversion Under Jump Diffusions"

Weiping Li - Oklahoma State University, USA
Hossein (Siamak) Javadi Asl - Ohio University, USA

Discussant: Patrick Leoni - Kedge Business School, France

"Non-parametric Spectral Tests for Forecast Accuracy"

Patrick Leoni - Kedge Business School, France

Discussant: Louis Murray - University College Dublin, Ireland

"Asset Pricing and Downside Risk in the Australian Equity Market"

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

Discussant: Donia Trabelsi - Telecom Business School, France

"Differences in Expectations and the Cross Section of Stock Returns"

Panayiotis Andreou - Cyprus University of Technology, Cyprus
Anastasios Kagkadis - Lancaster University, UK
Dennis Philip - Durham University, UK
Ruslan Tuneshev - Durham University, UK

Discussant: Weiping Li - Oklahoma State University, USA

SESSION 65

Room 2

ANALYSTS II

Session Chair: Jayant Kale - Northeastern University, USA

"Rising and Senior Stars in European Financial Analyst Rankings: the Talented and the Famous"

Carole Gresse - Université Paris-Dauphine, France
Laurence Porteu De La Morandiere - Groupe ESC Pau, France

Discussant: Sina Badreddine - Middlesex University, UK

"Bias and Rationality of Analysts' Earnings forecasts in the UK"

Sina Badreddine - Middlesex University, UK
Oussama Baher - Middlesex University, UK
Ephraim Clark - Middlesex University, UK

Discussant: Michael Donohoe - University of Illinois, USA

"The Effects of Financial Derivatives on Analyst Coverage Decisions"

Hye Sun Chang - Singapore Management University, Singapore
Michael Donohoe - University of Illinois, USA
Theodore Sougiannis - University of Illinois, USA

Discussant: Simeon Ketterer - University of Bamberg, Germany

"Accounting Conservatism and the Implied Cost of Capital"

Brigitte Eierle - University of Bamberg, Germany
Simeon Ketterer - University of Bamberg, Germany
Ioannis Tsalavoutas - University of Glasgow, UK

Discussant: Laurence Porteu De La Morandiere - Groupe ESC Pau, France

SESSION 66

Room 3

CORPORATE SOCIAL RESPONSIBILITY

Session Chair: Mary Malliaris - Loyola University Chicago, USA

"The Effect of Venture Capital Funding on Corporate Social Responsibility Records of Companies"

Ekin Alakent - California State University, East Bay, USA
Mehmet Goktan - California State University, East Bay, USA

Discussant: Kais Bouslah - University of St Andrews, UK

"CEO Risk Taking Incentives and Corporate Social Responsibility"

Kais Bouslah - University of St Andrews, UK
José Liñares-Zegarra - University of Essex, UK
Bouchra M'Zali - Université du Québec à Montréal, Canada
Bert Scholtens - University of Groningen, Netherlands

Discussant: Julia Puaschunder - The New School, USA

"Value Relevance of Environmental, Social, and Governance Disclosure"

Zuraida Zuraida - Victoria University of Wellington, New Zealand
Noor Houqe - Victoria University of Wellington, New Zealand
Tony Van Zijl - Victoria University of Wellington, New Zealand

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

"On the Emergence, Current State and Future Perspectives of Socially Responsible Investment"

Julia Puaschunder - The New School, USA

Discussant: Tony Van Zijl - Victoria University of Wellington, New Zealand

SESSION 67

Room 4

MACROECONOMICS

Session Chair: Nikolaos Milonas - University of Athens, Greece

"The Foreign Exchange Exposure of Non-Financial Companies in Eurozone: Myth or Reality?"

Ramona Rupeika-Apoga - University of Latvia, Latvia
Roberts Nedovis - University of Oxford, UK

Discussant: Willem Verschoor - VU University Amsterdam, Netherlands

"Cracks in the Crystal Ball: Foreign Exchange Rate Exposure when Forecasters Disagree"

Julien Poncelet - University of Liège, Belgium
Aline Muller - University of Liège, Belgium
Willem Verschoor - VU University Amsterdam, Netherlands

Discussant: Tugba Dayioglu - Nisantasi University, Turkey

Tuesday 4:15 - 6:00

"Credit Ratings and Stock Market Performance with Firm-Specific Characteristics and Macroeconomic Variables"

Ercan Balaban - University of Aberdeen, UK
Tugba Dayioglu - Nisantasi University, Turkey

Discussant: Ramona Rupeika-Apoga - University of Latvia, Latvia

SESSION 68

Room 5

FIXED INCOME SECURITIES III

Session Chair: Balasingham Balachandran - LaTrobe University, Australia

"Momentum in the Corporate Bond Market: European Evidence"

Florian Barth - Friedrich-Alexander-University Erlangen-Nürnberg, Germany
Hannah Lea Hühn - Friedrich-Alexander-University Erlangen-Nürnberg, Germany
Hendrik Scholz - Friedrich-Alexander-University Erlangen-Nürnberg, Germany

Discussant: Brice Dupoyet - Florida International University, USA

"A New Take on the Relationship between Interest Rates and Credit Spreads"

Brice Dupoyet - Florida International University, USA
Xiaoquan Jiang - Florida International University, USA
Qianying Zhang - Florida International University, USA

Discussant: Federica Ielasi - University of Florence, Italy

"Multi-channel Banking and Stakeholders' Perceptions. Challenges of Customer-Centred Communication in Emirati and Italian Banks"

Cornelia Ilie - Zayed University College of Business, United Arab Emirates
Federica Ielasi - University of Florence, Italy
Lorenzo Gai - University of Florence, Italy

Discussant: Florian Barth - Friedrich-Alexander-University Erlangen-Nürnberg, Germany

"Make-whole Call Provisions and Financial Flexibility"

Scott Brown - University of Puerto Rico, USA
Eric Powers - University of South Carolina, USA

SESSION 69

Room 6

EMERGING MARKETS II

Session Chair: Krzysztof Jackowicz - Kozminski University, Poland

"Regional Financial Integration and Monetary Union in Africa: Lessons from the Eurozone"

Grace Essien - University of Leeds, UK

Discussant: Saint Kuttu - University of Ghana, Ghana

"Modelling Long Memory in African Equity Markets"

Saint Kuttu - University of Ghana, Ghana

Discussant: Ahmed Wafi - Cairo University, Egypt

"The Investment Tools in Egyptian Stock Market by Practice: Is it Fundamental or Technical? - Survey Study"

Ahmed Wafi - Cairo University, Egypt

Discussant: Maria Dimitriou - University of Macedonia, Greece

"Case Study of Investments Opportunities and Decision Making on Food and Drink Firms Listed on ASE Under IFRS"

Maria Dimitriou - University of Macedonia, Greece

Discussant: Grace Essien - University of Leeds, UK

SESSION 70

Room 7

FIRM VALUE

Session Chair: Ania Zalewska - University of Bath, UK

"Rational Investor Behaviour and Market Mispricing - The Resale Option Effect"

Henrik Andersson - Dept of Accounting, Sweden

Kenth Skogsvik - Stockholm School of Economics, Sweden

Discussant: Ranjit Tiwari - Chandragupt Institute of Management Patna, India

"Intellectual Capital and Corporate Performance: A Case of Indian Banks"

Ranjit Tiwari - Chandragupt Institute of Management Patna, India

Harishankar Vidyarthi - National Institute of Financial Management, India

Discussant: Dimitrios Ginoglou - University of Macedonia, Greece

"Accounting Adjustments for Valuation Purpose of Private Firms Statements in Greece"

Athanasios Karampouzis - University of Macedonia, Greece

Dimitrios Ginoglou - University of Macedonia, Greece

Discussant: Benjamin Maury - Hanken School of Economics, Finland

"Sustainable Competitive Advantages and Profitability Persistence: International Evidence"

Benjamin Maury - Hanken School of Economics, Finland

Discussant: Henrik Andersson - Dept of Accounting, Sweden

SESSION 71

Room 8

VOLATILITY III

Session Chair: Alain Schatt - University of Lausanne, Switzerland

"Intrinsic Liquidity Risk and Conditional Volatility Models"

Serge Darolles - Université Paris-Dauphine, France

Gaëlle Le Fol - Université Paris-Dauphine, France

Christian Franck - CREST, France

Jean Michel Zakoian - CREST, France

Discussant: Can Inci - Bryant University, USA

"Intraday Volatility and the Closing Auction at Borsa Istanbul"

Can Inci - Bryant University, USA

Deniz Ozenbas - Montclair State University, USA

Discussant: Longfei Shang - Hong Kong Polytechnic University, Hong Kong

Tuesday 4:15 - 6:00

"What May Drive the Volatility of Volatility (VVIX)?"

Longfei Shang - Hong Kong Polytechnic University, Hong Kong

Te-Feng Chen - Hong Kong Polytechnic University, Hong Kong

Ji-Chai Lin - Hong Kong Polytechnic University, Hong Kong

Discussant: Metin Ilbasimis - University of Aberdeen, UK

"The Diversification Power of Real Estate Market"

Ercan Balaban - University of Aberdeen, UK

Metin Ilbasimis - University of Aberdeen, UK

Discussant: Serge Darolles - Université Paris-Dauphine, France

SESSION 72

Room 9

RISK MANAGEMENT III

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

"Does the Structure of Repo Markets Matter During the Crisis and for Financial Stability?"

Andre Ebner - Deutsche Bundesbank, Germany

Falko Fecht - Frankfurt School of Finance & Management and Deutsche Bundesbank, Germany

Alexander Schulz - Deutsche Bundesbank, Germany

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

"Volatility Derivatives and Downside Risk"

Yueh-Neng Lin - National Chung Hsing University, Taiwan

Discussant: Marco Guidi - University of Glasgow, UK

"The Shifting Fortune of Financial Institutions' Opportunistic Strategies"

Marco Guidi - University of Glasgow, UK

Discussant: Suren Pakhchanyan - University of Oldenburg, Germany

"Operational Risk Management in Financial Institutions: A Literature Review"

Suren Pakhchanyan - University of Oldenburg, Germany

Discussant: Andre Ebner - Deutsche Bundesbank, Germany

GALA DINNER

8:30 - 11:00 p.m. Skansen Festvaning

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NOTES



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June 26 - June 29, 2016
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SWEDEN

ASSET PRICING I

Session Chair: Didier Maillard - CNAM, France

"Illusory Nature of Pricing of Illiquidity Effect: The Test Case of Australian Stock Market"

Hilal Butt - Institute of Business Administration, Pakistan

Ihsan Badshah - Auckland University of Technology, New Zealand

Muhammad Suleman - Victoria University, New Zealand

Discussant: Jason Wei - University of Toronto, Canada

Positive illiquidity premium is documented to be linked with level and risk of illiquidity effect across global markets. Our study shows that this evidence is subject to variation from one measure of illiquidity to another with one potential implication. That the magnitude of illiquidity premium across global markets is less in previous studies, mainly because only one measure of illiquidity is implied. To elaborate this point the test case of Australian stock market is taken and likely strategy to determine the maximum illiquidity premium across the international markets is proposed. Further it is shown that stock based asset pricing tests are more appropriate to segregate level and risk of illiquidity effect.

"Liquidity Risk and Expected Option Returns"

Siu Choy - Shanghai University of Finance and Economics, China

Jason Wei - University of Toronto, Canada

Discussant: Di Luo - Swansea University, UK

Using data from OptionMetrics for the period of 1996 to 2013, we establish the existence of liquidity risk premium in option returns via both sorting analyses and Fama-MacBeth regressions. In leverage-adjusted, hedged returns, the alpha due to liquidity risk ranges from 11.2 basis points to 19.7 basis points per month. In hedged returns unadjusted for leverage, the alpha ranges from 88.8 basis points to 254 basis points per month. In contrast to the findings for stocks and bonds, the liquidity risk premium uncovered in option returns is negative. The negative premium is due to the fact that end-users of options write options in net and they care more about liquidity risk than market makers. Our results are robust to alternative data screening criteria and liquidity measure/factor constructions.

"Liquidity Risk and the Hiring Rate Premium"

Weimin Liu - University of Nottingham, UK

Di Luo - Swansea University, UK

Huainan Zhao - Cranfield University, UK

Discussant: Panayiotis Theodossiou - Cyprus University of Technology, Cyprus

This paper examines the role of liquidity risk in explaining the negative relation between hiring rate (HR) and stock return (Belo, et al., 2014). We show that firms experienced higher HRs are more liquid and exposed to lower liquidity risk than firms experienced lower HRs. After adjusting for the liquidity-augmented CAPM of Liu (2006), low-HR stocks show normal performance relative to high-HR stocks. In contrast, other models such as Fama and French's three- and five-factor models, and Hou et al.'s (2015) four-factor model fail to explain the HR-return relation. The results indicate that ignoring the important source of liquidity risk leads to the incorrect inference of HR on return.

"The Risk and Return Puzzle in International Financial Markets"

Christos Savva - Cyprus University of Technology, Cyprus

Panayiotis Theodossiou - Cyprus University of Technology, Cyprus

Discussant: Hilal Butt - Institute of Business Administration, Pakistan

This study employs a contemporaneous asset pricing model to explore the mixed findings in the literature regarding the risk and expected return relation across major national stock markets. For all national stock markets considered, a positive risk premium and negative skewness risk premium are documented. The combined size of the two premia is close to zero. Failure to account or decompose the latter premia is the main reason for the mixed results.

SESSION 2

Room 2

BANKRUPTCY AND FINANCIAL DISTRESS

Session Chair: Chao Chen - Fudan University, China

"Bankruptcy of TRANSAERO, Russia's No.2 Airline: Was it Worth Saving?"

Olga Kandinskaia - CIIM, Cyprus

Discussant: Sanjiv Jaggia - California Polytechnic State University, USA

This paper presents a decision case in the subject area of Accounting. We use the captivating story of Russia's No.2 airline, TRANSAERO, which in October 2015 was forced by Russian authorities to stop its flights due to bankruptcy proceedings against the company initiated by its key creditors. The bankruptcy came amidst the turmoil of the Russian economy caused by the rapid deterioration of the exchange rate of rouble, Russia's national currency, and the fall in global oil prices. The case helps students to master their understanding of financial statements and provides them with an opportunity to apply the basic techniques of financial analysis. Students are invited to evaluate the situation. Was TRANSAERO's demise attributed to the poor management practices by the airline, or did TRANSAERO simply fell victim in the recent economic turmoil in Russia? Students are required to form an opinion and defend it.

"An Evaluation of Chapter 11 Bankruptcy Filings in a Competing Risks Framework"

Sanjiv Jaggia - California Polytechnic State University, USA

Satish Thosar - University of Redlands, USA

Discussant: Nina Baranchuk - University of Texas at Dallas, USA

Most research on corporate bankruptcies via Chapter 11 in the US has appropriately focused on the firm characteristics associated with emergence as viable business entities. This necessarily involves considering factors (such as management changes) that arise during the restructuring process. We consider a narrower question: which ex-ante factors are important in obtaining a favorable ruling in a Chapter 11 application before a bankruptcy court? We use a competing risks model and find that while financial attributes such as firm size matter, the formation of a creditors committee, debt prepackaging prior to filing, and judicial experience significantly impact the probability of approval of the reorganization plan as well as the duration of the legal process.

""Good-news" and Other Bankruptcies: Real Effects and Price Responses of Competitors"

Nina Baranchuk - University of Texas at Dallas, USA

Michael Rebello - University of Texas at Dallas, USA

Discussant: Richard Saito - Fundacao Getulio Vargas, Brazil

We model debt restructurings that are endogenously completed either in or out of bankruptcy, and study spillovers to related firms' operating decisions, restructuring outcomes and security prices. We show that while bankruptcy may prompt a decline in the firm's share price, it typically signals good news about the

bankrupt firm. We identify the conditions under which the bankruptcy signals good news for competitors and conditions under which it signals bad news for them. We show that, when information asymmetry about a firm's prospects is high, bankruptcy raises its share price and prices of its competitors' debt. Competitors' share prices and probability of bankruptcy fall. When the information asymmetry is about industry prospects instead or the deadweight cost of bankruptcy is high, bankruptcy raises competitors' share prices and probability of bankruptcy, but lowers their debt prices.

"Determinants of Delays in Corporate Reorganizations"

Vinicius Augusto - Fundacao Getulio Vargas, Brazil

Richard Saito - Fundacao Getulio Vargas, Brazil

Paulo Manoel - UC Berkeley, Brazil

Discussant: Olga Kandinskaia - CIIM, Cyprus

Firms and creditors may delay certain decisions because of actions that require coordination in corporate reorganizations. For firms with multiple creditors and in cases with imperfect information, any creditor with veto power may have an incentive to cause delays. This paper empirically investigates delays of voting on reorganization plans during claimholders general meetings, which is publicly available information under Brazilian law. Using a sample of 120 reorganization plans, we found evidence that (i) a high concentration of debt among classes of claimholders is related to shorter delays, (ii) a high number of banks holding claims is related to longer delays, (iii) the average delay decreases considerably when only one class is voting on the plan, (iv) labor and secured creditors demand a delay when the level of collateral is higher, (v) the average delay is longer when the performance of the debtor's sector is lower and the delay is demanded by secured or unsecured classes (unsecured and labor creditors are the main parties responsible for delays caused by quorum requirements, and the debtor is the main party responsible for delays after the first Assembly), and (vi) a divestment proposal is the main topic discussed by claimholders in cases with longer delays.

SESSION 3

Room 3

CAPITAL STRUCTURE I

Session Chair: Uwe Walz - Goethe University of Frankfurt, Germany

"SMEs' Capital Structure Decisions and Determinants in Europe: Factors that are Reliable during the Financial Crisis"

Krishna Reddy - University of Waikato, New Zealand

Hoa Dinh - University of Waikato, New Zealand

Noel Yahanpath - Eastern Institute of Technology, New Zealand

Discussant: Elisabeth Maes - KU Leuven, Belgium

This study investigates the determinants and the speed of adjustment of capital structure of European SMEs before and during the sovereign debt crisis period. Macroeconomic factors, industry-level and firm-level variables are examined in relation to the SMEs' debt levels. The sample includes 2,142 firm-year observations of 306 firms in 10 European countries for the period 2006 to 2013. Results indicate that European SMEs have adjusted their capital structure during the sovereign debt crisis period and the speed of adjustment was quicker for non-stressed countries than for the stressed countries. Whilst SMEs from non-stressed countries have reduced their leverage ratios, the ratios of SMEs from stressed countries have increased during the crisis period. Our findings suggest that reliable determinants of leverage for SMEs in Europe are size, asset tangibility, industry median leverage, GDP growth rate, and inflation. Our findings show that the quality of countries' institutional factors significantly influenced the speed of adjustment of leverage of SMEs during the crisis period. The policy implications for the findings of this study are that European countries and the European Commission should implement policies that improve the country's institutional environment thereby easing SMEs' financial difficulties and helping to boost their economic performance.

"The Impact of Exporting on SME Capital Structure and Debt Maturity Choices"

Elisabeth Maes - KU Leuven, Belgium

Nico Dewaelheyns - KU Leuven, Belgium

Catherine Fuss - National Bank of Belgium, Belgium

Cynthia Van Hulle - KU Leuven, Belgium

Discussant: Pawel Mielcarz - Kozminski University, Poland

Using a longitudinal dataset comprising of detailed financial and exporting data from Belgian small and medium-sized enterprises (SME) between 1998 and 2013, this article examines the impact of export activities on corporate financial decision-making. We find that exporters carry higher financial leverage than comparable non-exporters, which is entirely attributable to exporters' higher use of short-term debt. In addition, we evidence that the availability of pledgeable short-term assets, such as accounts receivables and inventory, is of higher importance to exporters in accessing short-term financing. In particular, we show that the ties between pledgeable short-term assets and short-term debt financing are stronger for export-intensive firms and firms that serve distant and risky export destinations. Overall, our findings extend earlier empirical studies regarding corporate leverage and the collateral channel.

"An Iterative Algorithm of Transition to the Optimal Capital Structure"

Pawel Mielcarz - Kozminski University, Poland

Discussant: Xiaohong Huang - University of Twente, Netherlands

The paper presents an iterative algorithm allowing to quantify changes to the company's capital structure necessary to reach the optimum and estimate the value gains resulting from transition to the target leverage ratio. The paper maintains that certain benchmarks – i.e. industry average financial leverage and unlevered beta corrected for cash – allow to determine the parameters of the optimal capital structure for the company, and that a failure to adjust to the target may result in value destruction. The proposed model facilitates financing decisions by yielding the figures of debt issue/repayment or equity investment necessary to achieve the optimal debt-to-equity ratio.

"Government Ownership, Concentration, and the Capital Structure of Firms: Empirical Analysis of an Institutional Context from China"

Xiaohong Huang - University of Twente, Netherlands

Rezaul Kabir - University of Twente, Netherlands

Lingling Zhang - Rexy Management, Netherlands

Discussant: Krishna Reddy - University of Waikato, New Zealand

Institutional context influences corporate financing behavior of firms and emerging economies provide an interesting scenario to investigate this phenomenon. Therefore, in this study, we focus on the capital structure decision of Chinese listed firms which continues to have government as a significant shareholder. We choose the sample period after the Split-Share Reform so that we can distinguish the impact of ownership concentration from government ownership by creating a group of non-government-concentrated firms and a group of government-concentrated firms. For the former group, we find non-government concentration positively influences all leverage ratios, while government ownership has no impact. For the latter group, we find government ownership positively influences all leverage ratios. But for short-term debt and total debt, this positive impact turns negative when the firms are dominantly owned by government. The results suggests the changing role of government ownership in capital structure.

BANKS I

Session Chair: Armin Varmaz - University of Applied Sciences Bremen, Germany

"Asset Securitization and Bank risk: Do Religiosity or Ownership Structure Matter"

Omneya Abdelsalam - Durham University, UK

Marwa Elnahas - Newcastle University, UK

Sabur Mollah - Stockholm Business School, Sweden

Stergios Leventis - International Hellenic University, Greece

Discussant: Ali Termos - American University of Beirut, Lebanon

We test the impact of religiosity and ownership structure on the risk profile of banks, which issued securitisation. We employ GMM estimation using unique database on asset securitization of 672 commercial banks (4889 year-observations) in 22 countries (from 2003-2012), which have dual banking system. We find that banks with higher securitisation activity have consistently shown a riskier profile by being significantly less adequately capitalised and offering higher ratio of net loans to total assets. Controlling for bank type (Islamic and conventional banks), we find that although Islamic banks, in general, show a conservative approach towards risk by keeping higher reserves and more liquidity, banks involved in new issuance of asset securitization as still exposed to a higher risk profile. Controlling for a country religiosity shows different risk profile of banks in countries with different religiosity thresholds. Controlling for different types of bank ownership highlights an additional exposure to credit risk in addition to capital adequacy and liquidity risks. Our results emphasize the importance of identifying the impact of bank type and the religiosity / culture factors in global banking studies. Our results are of importance to both local and international regulators as well as different stakeholders in banks.

"The role of securitization and foreign funds in bank liquidity management"

Darius Martin - American University of Beirut, Lebanon

Mohsen Saad - American University of Sharjah (UAE), United Arab Emirates

Ali Termos - American University of Beirut, Lebanon

Discussant: James Brown - Iowa State University, USA

Recent banking literature identifies two distinct sources of liquidity that banks rely on in response to funding shocks: liquid funds on the balance sheet and securitizable loans. Using the Consolidated Reports of Income and Condition for all insured commercial banks in the U.S. between 1976 and 2007, we examine how domestic banks and global banks (banks with access to international capital) differ in tapping each one of these two different sources of liquidity. We find that global banks carry less securitizable loans than their domestic counterparts. However, liquid securities and securitizable loans are more substitutable for global than for domestic banks. We show that while higher levels of balance sheet liquidity and loan securitizability both reduce domestic banks' sensitivity to a monetary policy shock, global banks tap only securitizable loans in order to mitigate a liquidity shock.

"Is the Rise of the Financial Sector Really That Astonishing?"

James Brown - Iowa State University, USA

Gustav Martinsson - KTH Royal Institute of Technology, Sweden

Discussant: Erjona Rebi - Bank of Albania, Albania

We put the widely discussed rise of the financial sector in context. While the growth of the financial sector in the post World War II period is impressive, it is not extraordinary relative to the growth of other skill-intensive service sectors over the same period. Indeed, time-variation in the share of the economy accounted for by financial services almost exactly tracks variation in the economy share of other (non-financial) high-skill service sectors. If anything, the growth of financial services has been outpaced by other skill-intensive services since the late 1920s. These findings suggest that the rise of finance is part of a broad underlying shift toward high-skill services, and thus not merely a function of finance-specific regulatory changes. Supporting this idea, we find that, as with finance, the relative compensation of

skill-intensive services follows a U-shape pattern over the 1900s, tracking broader changes in labor markets, such as the strength of collective bargaining and the minimum wage. Financial deregulation is no longer an important determinant of finance relative wages when we control for these broader labor market factors. Moreover, time variation in the relative compensation of skill-intensive services (including finance) over the 1900s is driven in large part by variation in the compensation of workers in less skilled sectors, also highlighting the role of labor market factors in the sharp increase in relative compensation in the finance sector.

"Relevance of Housing Market for Albanian Banking Sector"

Erjona Rebi - Bank of Albania, Albania

Discussant: Sabur Mollah - Stockholm Business School, Sweden

The housing market is an important sector for the Albanian banks. Housing market financing dominates retail loans, and at the same time the houses represent a high share of the pledged collateral. This study aims to evaluate the role of the housing market plays Albanian banks' risk-taking profile. The empirical work confirms the statistically significant difference in risk profile between real estate and non-real estate banks. The dynamics of the housing market influence both type of banks, but the real estate banks are more sensitive to the housing market conditions. The negative relationship of the housing market developments with specialization of banks in real estate market reflects the high informality of the housing market and evident handicaps, such as governmental interference, institutional shortcomings and flawed enforcement of property rights. Especially after the global financial crisis the housing market has stagnated and the quality of banks' clients has deteriorated substantially, increasing the non-performing loans and, as such, influencing the banking intermediation.

SESSION 5

Room 5

DERIVATIVES I

Session Chair: Kumar Sanka - Indian Institute of Management Kozhikode, India

"Pricing American Options with Stochastic Volatility and Jumps"

Lung-Fu Chang - National Taipei University of Business, Taiwan

Jia-Hau Guo - College of Management/National Chiao Tung University, Taiwan

Mao-Wei Hung - National Taiwan University, Taiwan

Discussant: Johannes Stadler - University of Augsburg, Germany

Prices of American options can be calculated by the sum of a corresponding European option price and an early exercise premium. We introduce an analytical solution for pricing American options based on stochastic volatility and double jump processes. Our proposed model is a generalization of the recursive integral representation method. The main advantage of our approach lies in a straightforward extension to various option pricing models. This article provides the accelerated recursive integration method for pricing American options and numerical results show that our proposed method is efficient and accuracy in pricing American options under stochastic volatility and double jump processes. The numerical results representing a long period are similar to those representing a short period.

"Jump-Diffusion Option Valuation and Option-Implied Investor Preferences: A Stochastic Dominance Approach"

Hamed Ghanbari - Concordia University, Canada

Michael Oancea - University of Connecticut, USA

Stylianos Perrakis - Concordia University, Canada

Discussant: Andreas Rathgeber - University of Augsburg, Germany

We investigate the relationship between the discrete-time stochastic dominance option bounds and the continuous time arbitrage-based option pricing models when the underlying asset returns follow a jump-diffusion. Building upon the stochastic dominance approach, we derive multipored index option bounds,

violations of which trigger investment strategies that increase the expected utility of any risk-averse trader by introducing a corresponding short (long) option in her portfolio. As trading becomes more frequent, we provide empirical evidence that the bounds converge into a tight limit interval that includes the Merton jump-diffusion price, and compares favorably to the observed bid-ask spreads in option markets. For CRRA investors we also examine the limits of the admissible values of the relative risk aversion coefficient compatible with the boundary risk-neutral distributions extracted from underlying index return data. We show that, unlike the option prices derived from an equilibrium jump diffusion model in both underlying and option markets, the SD bounds can better accommodate reasonable values of the ex-dividend expected excess return. Moreover, the SD-restricted range of admissible RRA values is consistent with the recent macro-finance studies of the equity premium puzzle that show the relative importance of rare disasters in the consumption distribution in explaining the observed equity premium.

"The Impact of the Leverage Effect on the Implied Volatility Smile -Evidence for the German Option Market"

Andreas Rathgeber - University of Augsburg, Germany

Johannes Stadler - University of Augsburg, Germany

Stefan Stöckl - ICN Business School, France

Discussant: Dudley Gilder - Aston Business School, UK

There exists empirical evidence about asymmetric volatility during crashing stock markets. In this context, we take the controversially discussed so-called leverage effect hypothesis and link it to the implied volatility smile. Consistent with the theory of the leverage effect, we vary the market value of equity and debt in the compound option pricing model by Geske (1979) and hereby theoretically demonstrate the effects of leverage changes on the implied volatility smile, particularly on the level, the slope and the curvature. We empirically evaluate our model with an event study by using intra-day Eurex tick option data and a unique data set of adhoc news for the leverage changes for DAX companies from 1999 to 2014. The DAX option implied volatility smile as a benchmark helps to avoid distortions and to isolate the effects caused by leverage changes on the volatility smile of the DAX companies. With this completely new approach, we can demonstrate the existence of the leverage effect over all event types, like takeovers, sellings, equity and debt increases or share buybacks. Furthermore, our analysis clearly points to a size effect, what means that the extend of the capital structure change significantly impacts the volatility smile.

"On the Information Content of Realised and Option-Implied Measures of Risk"

Dudley Gilder - Aston Business School, UK

Yuanyuan Zhang - Lingnan University, Hong Kong

Discussant: Lung-Fu Chang - National Taipei University of Business, Taiwan

In this paper, we conduct a comprehensive evaluation of the information content of eight recently developed option-implied measures of beta for 30 actively traded stocks. By assuming returns follow a one-factor market model, we are also able to evaluate the associated option-implied measures of idiosyncratic variance and the covariance matrix. The option-implied measures are compared against their equivalent realised measures, which are constructed from high-frequency returns and are known to produce accurate forecasts. Four of the option-implied measures are found to provide incremental information, relative to realised measures, about the one-day-ahead and thirty-day-ahead values of beta, idiosyncratic variance and the covariance matrix. We also show that forecasts of beta, idiosyncratic variance and the covariance matrix may be improved by combining the option-implied and realised measures in an augmented factor-HEAVY model [Sheppard and Xu, 2014].

SESSION 6

Room 6

BEHAVIORAL ISSUES I

Session Chair: Christoph Kaserer - Technische Universität München, Germany

"Intraday Herding on a Cross-Border Exchange"

Panayiotis Andrikopoulos - University of Coventry, UK

Vasileios Kallinterakis - University of Liverpool, UK
Mario Pedro Leite Ferreira - Universidade Catolica Portuguesa, Portugal
Thanos Verousis - University of Bath, UK

Discussant: Styliani Krokida - Athens University of Economics and Business, Greece

We study intraday herding on the Euronext, the world's first cross-border consolidated exchange. Intraday herding is significant in the Euronext as a group and presents us with size, industry and country effects. Importantly, the trading dynamics of the group's member markets significantly affect each other and can, in the case of the Netherlands, promote herding formation. Intraday herding is found to be significant before, during and after the 2007-09 financial crisis period, with its presence appearing the least strong during the crisis. Overall, we demonstrate for the first time in the literature that cross-border exchanges harbour versatile herding dynamics at intraday level, a finding which reflects recent advances in financial technology and the ongoing financial integration in Europe.

"The Effect of Liquidity on Herding: A Comparative Study"

Emilios Galariotis - Audencia Business School, Institute of Finance, France
Styliani Krokida - Athens University of Economics and Business, Greece
Spyros Spyrou - Athens University of Economics and Business, Greece

Discussant: Vikash Ramiah - UNISA / RMIT University, Australia

This paper provides original evidence on the relation between herd behavior and equity market liquidity, an issue that has been neglected when studying herd behavior towards the consensus. We use equity price data for the G5 markets, and initially we find no evidence of herding. When, however, we condition on the daily liquidity of stocks we find significant evidence of herd behavior for days with high or medium stock liquidity, for all countries and the majority of the sub-periods. The only exception is Germany for which there is very weak evidence of herding. Variance decomposition tests indicate that the variance of the average equity market liquidity is affected by return clustering, especially during the crisis and post-crisis period and this effect is more pronounced for the US market.

"Behavioural Biases of Australian Financial Planners"

Girija Chowk - RMIT, Australia
Vikash Ramiah - UNISA / RMIT University, Australia
Imad Moosa - RMIT, Australia

Discussant: Moty Amar - Ono Academic, Israel

This paper documents the impact of behavioural biases on Australian financial planners. Using a survey questionnaire, we attempt to find out if financial planners are prone to four behavioural biases: overconfidence, self-serving, loss aversion and representativeness. Our survey of 162 financial advisers documents their approaches to four areas of financial planning: retirement planning, superannuation, insurance and investment. These biases have implications for decision making in financial planning and a direct impact on the quality of advice provided to clients. We also report how demographic factors play a pivotal role in the financial planning processes. Our results show that, regardless of behavioural biases of financial planners, they tend to provide sound financial advice.

"Do all Investors Behave Myopically? An Experimental Examination"

Moty Amar - Ono Academic, Israel
Yoram Kroll - Ono Academic College (OAC), Israel

Discussant: Mario Pedro Leite Ferreira - Universidade Catolica Portuguesa, Portugal

The two incentive-compatible multi-stage investments games examine whether investors behave myopically. The first experiment indicates only participants with an initially low risk-taking level behaved myopically. The second experiment manipulates the "statuesque" level by forcing participants to hold a minimum portion of their portfolio in equity. Once again, myopic behavior exists only for subjects with level of risk taking. However, participants who were forced to allocate a minimum portion of their portfolio to stocks eventually allocated above 30% more to equity relative to participants who did not have such a constraint.

CASH HOLDING/VALUE

Session Chair: Chaopeng Wu - Xiamen University, China

"Is Cash More Valuable in the Hands of Overconfident CEOs?"

Nihat Aktas - WHU Otto Beisheim School of Management, Germany

Christodoulos Louca - Cyprus University of Technology, Cyprus

Dimitris Petmezas - Surrey Business School, UK

Discussant: Natalia Matanova - Pennsylvania State University, USA

We investigate whether and how CEO overconfidence affects the value of cash. Cash is more valuable when firms are managed by overconfident CEOs. Economically, having an overconfident CEO on board increases the value of \$1.00 cash holding by an additional amount of \$0.49. This effect concentrates among firms that exhibit risky growth opportunities and are financially constrained or have high hedging needs. Additional analysis shows that cash holdings allow overconfident CEOs to increase future market share relative to industry rivals. Overall, our findings suggest that cash enables overconfident CEOs to exploit risky growth opportunities and improve product market performance.

"Do PE and VC Firms Monitor Cash Reserves post-IPO?"

Natalia Matanova - Pennsylvania State University, USA

Discussant: Meike Ahrends - University of Hamburg, Germany

The paper examines the impact of PE and VC ownership retention on financially sponsored IPOs' cash reserves. The results show that backed IPOs with higher VC (PE) ownership concentration maintain significantly higher (lower) cash ratios post flotation, which is driven by fundamentally different growth opportunities of these firms. Post-IPO voluntary ownership retention of PE and VC investors mitigates the agency problems, which allows financially constrained firms to hoard cash. PE and VC syndicate characteristics (bank affiliation and syndicate size) have significant impact on cash reserves. Moreover, the market values positively in the long-run cash held by companies with post-IPO PE investors' equity ownership. Overall, these results suggest that continued involvement of financial sponsors in the post-flotation period is value creating.

"Cyclicality of Growth Opportunities and the Value of Cash Holdings"

Meike Ahrends - University of Hamburg, Germany

Wolfgang Drobetz - University of Hamburg, Germany

Tatjana Puhan - University of Mannheim, Switzerland

Discussant: Sushil Sainani - University of Liverpool, UK

This paper shows that business cycle dynamics and, in particular, the cyclicality of a firm's growth opportunities, are important determinants of the value of corporate cash holdings. We find that cash is more valuable for firms with relatively more attractive growth opportunities in bad states of the business cycle. Cash holdings provide the financial flexibility to invest even in times when capital supply is relatively scarce. This valuation effect is strongest for firms with low financial leverage and high R&D spending. For firms, where changes in cash holdings exert a stronger effect on stock returns, cash holdings also have a stronger relation with net investment and operating performance.

"Do Chief Financial Officer Affect Corporate Cash Policies?"

Chris Florackis - University of Liverpool, UK

Sushil Sainani - University of Liverpool, UK

Discussant: Christodoulos Louca - Cyprus University of Technology, Cyprus

This paper examines the effects of Chief Financial Officers (CFOs) on corporate cash holding policies. Based

on a set of attributes that relate to CFO's expertise and status (e.g. educational background, work experience, outside board memberships and compensation), we construct an index that attempts to capture the level of influence of the CFO on financial decision-making. We find that firms with stronger CFOs hold less cash, ceteris paribus. This is partly driven by the fact that strong CFO firms deviate less from their target cash levels (e.g. strong CFOs prevent the accumulation of excess cash balances). The adjustment towards an optimal cash policy is also faster for these firms. These findings are robust to the inclusion of CEO-, board-, ownership-level characteristics and CEO fixed-effects to our empirical models. Using a propensity score matching technique combined with a difference-in-differences estimator, we further document that transitions from weak to strong CFO are associated with a statistically significant reduction in cash holdings.

SESSION 8

Room 8

PORTFOLIO MANAGEMENT I

Session Chair: Nikolaos Tassaromatis - EDHEC Business School, France

"Investing on the Edge: Exploring the Opportunities for Diversification in Frontier Markets"

Alina Spiru - Lancaster University Management School, UK

Zhu Qin - Lancaster University, UK

Discussant: Chulwoo Han - Durham University, UK

The increase in the degree of integration of emerging stock markets with the mature markets together with rising correlations among asset classes have posed new challenges to investors in their quest for diversification opportunities. Frontier markets have risen up to the challenge, opening avenues for greater diversification benefits compared to their emerging counterparts. This paper attempts to shed light on how the characteristics of frontier markets can enable investors to reap greater benefits from portfolio diversification. To this end, we examine the extent of integration of fifteen Central and Eastern European and Middle Eastern and North African frontier markets both with mature markets and within their own group, over the period from December 2005 and May 2015. For this purpose, we employ correlation and cointegration techniques to assess both short- and long-run comovements. The results suggest a greater degree of integration at the regional level. At the global level, the selected CEE frontier markets are more closely linked with their developed counterparts than the MENA frontier markets considered, suggesting that the MENA markets may have greater potential for diversification gains.

"Improving the Naive Portfolio Strategy"

Chulwoo Han - Durham University, UK

Discussant: Johan Knif - Hanken School of Economics, Finland

In this paper, I consider four approaches to improve the naive strategy, of which one is newly proposed in this paper. The new approach attempts to minimize the difference from a reference portfolio while satisfying risk and return targets. Other well known strategies such as variance minimization are also compared. Empirical results show that the new approach consistently outperforms the naive strategy. However, the best performance comes from the minimum variance portfolios. It is also worth noting that optimal strategies appear to perform well for factor portfolios, which implies careful construction of asset universe could have a large impact on portfolio optimization performance.

"A Minimum Variance Portfolio Approach for Testing Long-Horizon Event Effects"

Johan Knif - Hanken School of Economics, Finland

James Kolari - Texas A&M University, USA

Seppo Pynnonen - University of Vaasa, Finland

Discussant: Ron Bird - University of Technology Sydney, Australia

This paper proposes a minimum variance portfolio approach for testing abnormal returns in long-horizon event studies. The approach provides a powerful and robust test for testing the event effects as well as performance measures to evaluating differences between of event firms and control firms in optimal portfolio

context. Using the approach return performances after M&A, IPOs, SEOs, and dividend initiations (DIVs) are analyzed. We report significant performance differences such that in terms of optimal portfolios there are no discernible 5-year performance difference between M&A firms and their controls, while IPO firm portfolio lags their controls portfolio by 2.4 percent per unit of risk, SEOs underperform their matches by 1.9 percent per unit of risk, and DIVs outperform their matches by 2 percent per unit of risk.

"Is Smart Beta That Smart?"

Ron Bird - University of Technology Sydney, Australia
Jeremy Davids - University of Technology Sydney, Australia
Danny Yeung - University of Technology Sydney, Australia

Discussant: Alina Spiru - Lancaster University Management School, UK

Smart beta products have in recent years garnered a great amount of attention from the investment community, but how appropriate is their title of “smart”? First, we confirm that smart beta indices do tend to outperform the market-cap index, based on historical experience, and that this apparent outperformance can largely be attributed to their inherent tilts towards supposedly mispriced equity factors. Then we construct optimised factor-based portfolios to directly target these allegedly mispriced factors and compare their performance with the smart beta indices; concluding that the factor-based portfolios deliver a higher absolute and risk-adjusted return. Lastly, we confirm clear disparities exist between the two methods’ factor weightings and that these differences are a major contributor behind the factor-based portfolios apparent outperformance. Hence, an approach that targets a specific exposure to factors is found to be preferable to the smart beta strategies that derive factor exposures in an ad hoc manner; leading us to conclude that smart beta products are not all that smart (nor are they all that beta).

SESSION 9

Room 9

HOUSEHOLD ISSUES

Session Chair: Eva Liljeblom - Hanken School of Economics, Finland

"Debtor Protection, Credit Redistribution and Income Inequality"

Hamid Boustanifar - BI Norwegian Business School, Norway
Geraldo Cerqueiro - Catolica-Lisbon School of Business and Economics, Portugal
Maria Penas - Tilburg University, Netherlands

Discussant: Chioma Nwafor - Glasgow Caledonian University, UK

A debtor-friendly bankruptcy regime limits the amount of assets creditors can seize from distressed individuals. In response, creditors may redistribute credit towards richer and more able individuals. We show that increasing the amount of asset protection in bankruptcy (exemptions) leads to higher income inequality in the state. Using geographic variation in banking market structure and variation in capital needs across industries, we show that the increase in income inequality is mediated by a credit market channel. We analyze different population groups and find that the increase in inequality is driven by a growing income gap between unskilled and skilled individuals that affects both self-employed and wage workers. We also find a drop in the employment rate and in the relative wage of unskilled workers. Our results indicate that the redistribution of credit leads to an imbalance in economic opportunities among entrepreneurs that reduces the aggregate demand for unskilled labor.

"The Role of Asset Prices on Wealth Inequality in the U.S"

Chioma Nwafor - Glasgow Caledonian University, UK

Discussant: Sabine Winkler - WHU - Otto Beisheim School of Management, Germany

This paper analyses the role of asset prices on the income of households within the top 1 percent, and lowest fifth percent of the income distribution in the U.S. Using data for both financial and non-financial assets, the study finds substantial heterogeneity in the degree of sensitivity of income across the two different percentiles of household income to changes in stock returns and returns from home ownership. In addition, the paper

finds through the causality analysis that changes in stock returns have the efficacy of producing changes in the income of the top 1 percent wage earners. The results are robust after controlling for the effects of unemployment and inflation. A policy implication of this study is that government policies that are targeted at stimulating economic activities through the stock market will worsen income inequality.

"Empirical Evidence of Housing Wealth Effect on Consumer Spending"

Sabine Winkler - WHU - Otto Beisheim School of Management, Germany

Discussant: Nikolett Vaqo - Magyar Nemzeti Bank (The Central Bank of Hungary), Hungary

The paper studies the long run and short run interplay between consumption, income and housing wealth applying cointegration theory and relying on an unbalanced panel of 14 countries observed quarterly from 1Q 1995 to 4Q 2013. I claim that cointegration is present in Canadian, Danish, German, Italian, Japanese and United States data and argue that the housing wealth effect on consumption tends to be lower in countries with higher income elasticity of consumption, wealth volatility and income inequality, and tends to be larger in economies with superior business conditions and higher consumer indebtedness. Examining the short run relationship between consumption, income and housing wealth highlights that transitory income changes do not Granger cause consumption growth and transitory housing wealth fluctuations contain information useful for predicting consumption adjustment in each sample country.

"Identification of Household Credit Supply and its Macroeconomic Effects"

Nikolett Vaqo - Magyar Nemzeti Bank (The Central Bank of Hungary), Hungary

Discussant: Hamid Boustanifar - BI Norwegian Business School, Norway

This paper focuses on the demand- and supply-side factors of Hungarian household lending, as well as on the macroeconomic effects of the banking system's household credit supply. The identification of the household credit supply is based on the strategy of Bassett et al. (2014): changes in bank-level credit standards are adjusted by macroeconomic and bank-specific factors related to household credit demand. Due to the special characteristics of the database the dynamic fixed effect panel regression is estimated by a different - LSDVC (corrected least square dummy variable) - method, because simpler methods would not return a consistent estimate. According to the results, during the crisis both demand and supply factors contributed to the credit contraction in the household segment. The banking system's response to the change of the regulatory environment was a determinant factor in household lending. According to the VAR models a one standard deviation credit supply shock, when the banks that manage roughly 20 per cent of the outstanding household loans tighten credit standards simultaneously, exerts significant and persistent negative impact on consumption, GDP and outstanding household loans. In the long run consumption falls by about 0.9 per cent, while outstanding household loans shrink by 1.15 per cent. The GDP falls by about 0.5 per cent, accompanied by a decline in outstanding household loans of roughly 1.3 per cent.

Refreshments 10:15 - 10:30 a.m.
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ASSET PRICING II

Session Chair: Joakim Kvamvold - Norwegian University of Science and Technology, Norway

"Analyses of Momentum and Contrarian Strategies in Emerging Markets"

Matthias Nnadi - Cranfield University, UK

Discussant: Christoph Meier - Macquarie University, Australia

We analyse the momentum and contrarian effect of markets in Brazil, Russia, India, China and South Africa (BRICS) using both the Random Walk Hypothesis and Prospect Theory. Our study finds evidence of short-horizon momentum effect and intermediate to long-horizon contrarian effect in the different markets particularly in China. The result indicates that the Indian stock market has the highest significant momentum returns. We find no evidence that bid-ask spread affect the significance of the short-term contrarian profits in Chinese and Russian stock markets.

"Aggregate Investor Confidence, Price Momentum, and Asset Pricing"

Christoph Meier - Macquarie University, Australia

Discussant: Victoria Dobrynskaya - National Research University Higher School of Economics, Russian Federation

This paper applies a new measure of aggregate investor confidence, which extracts feedback signals from stock market data. According to the measure, aggregate investor confidence is positively associated with the profitability of momentum strategies. In a 1927-2014 U.S. sample, aggregate investor confidence requires around 3 months to influence market outcomes notably, and remains statistically significant for up to 16 months. Aggregate investor confidence can also partially explain the size premium, in line with conceptual arguments from prior literature. In aggregate, the size premium is higher in months subsequent high aggregate investor confidence. In contrast to price momentum, aggregate investor confidence affects the size premium immediately.

"Upside and Downside Risks in Momentum Returns"

Victoria Dobrynskaya - National Research University Higher School of Economics, Russian Federation

Discussant: Graham Bornholt - Griffith University, Australia

I provide a novel risk-based explanation for the profitability of momentum strategies. I show that the past winners and the past losers are differently exposed to the upside and downside market risks. Winners systematically have higher relative downside market betas and lower relative upside market betas than losers. As a result, the winner-minus-loser momentum portfolios are exposed to extra downside market risk, but hedge against the upside market risk. Such asymmetry in the upside and downside risks is a mechanical consequence of rebalancing momentum portfolios. But it is unattractive for an investor because both positive relative downside betas and negative relative upside betas carry positive risk premiums according to the Downside-Risk CAPM. Hence, the high returns to momentum strategies are a mere compensation for their upside and downside risks. The Downside Risk-CAPM is a robust unifying explanation of returns to momentum portfolios, constructed for different geographical and asset markets, and it outperforms alternative multi-factor models.

"Size- and Value-based Market States and Momentum"

Warren Thomson - Griffith University, Australia

Graham Bornholt - Griffith University, Australia

Discussant: Matthias Nnadi - Cranfield University, UK

We examine size and value influences on momentum stock and industry returns across market states. Momentum profits depend on size and value in the negative market state, however, not in the positive market state. Negative markets combined with large firm or value firm outperformance are followed by positive momentum profits, whereas negative markets combined with small firm or growth firm outperformance lead to momentum losses. Negative markets combined with small firm outperformance also predict market upturns, and have predicted 86% of the 15 worst momentum crashes. We show that dynamic trading strategies based on our four-state classification schemes outperform momentum with less risk. Finally, we discuss how these findings relate to overreaction theories of momentum.

SESSION 11

Room 2

ACCOUNTING ISSUES I

Session Chair: Snorre Lindset - Norwegian University of Science and Technology, Norway

"Country Corruption Level and Legal Environment Effect on Audit Quality"

Panayiotis Tahinakis - University of Macedonia, Greece

Michalis Samarinas - University of Macedonia, Greece

Discussant: Hsiaowen Wang - National Central University, Taiwan

The objective of this paper is to empirically examine the effect that audit quality has on audit opinion expression in the context of country characteristics that contribute to the formation of the environment in which an audit is being performed. Therefore, we attempt to investigate the potential impact of the legal system type and the level of country corruption on audit quality. Based on a sample comprised of the Euro area countries for a period of nine years (2005-2013) an ordinal logistic regression model is employed, incorporating audit opinion, audit quality determinants, corruption perception index, a legal system indicator and a series of audit opinion proxies. Our findings suggest that the size of the auditing firm and auditor's expertise in an industry continues to be a proxy for audit quality if we take into account the level of country corruption and the legal system. It attempts to provide useful insights for auditors, accountants and regulators concerning the regulatory framework and the efficiency of the various audit policy changes, even when distinct macroeconomic conditions exist.

"The Effect of Split-Share Structure Reform on Audit Fees in China: Evidence from Cross-listed Firms"

Hsiaowen Wang - National Central University, Taiwan

Discussant: Chao Chen - Fudan University, China

The split-share structure reform in China represents one of the most significant milestones in the evolution of the capital market. With the goal of converting non-tradable shares into tradable shares, the reform laid the foundation and supported the development of full-scale privatization. This study explores China's split-share structure reform and its impact on statutory audit fees. This study also examines how the share reform and cross-listing affect total audit fees (including statutory and supplementary audit fees). This study finds that auditors earn significant statutory audit fee premiums after the split-share structure reform. Second, the Big 4 auditors who provide better audit quality receive higher statutory audit fee premiums than non-Big 4 auditors after the share reform, which is attributable to their brand reputation, rather than the relative market dominance. Finally, without controlling the share reform effect, the Big 4 auditors obtain a significant total audit fee premiums from cross-listed companies.

"Busy Independent Audit Committee Directors and Accounting Quality"

Chao Chen - Fudan University, China

Henry Huang - Yeshiva University, USA

Gerald Lobo - University of Houston, USA

Jingjing Pan - Fudan University, China

Discussant: Gary Kleinman - Montclair State University, USA

This study explores the effect of busyness of independent audit committee directors on accounting quality of Chinese listed firms. We find that busy directors are paid more but attend fewer meetings. Busy directors' meeting attendance has no association with earnings quality. Furthermore, the busyness of audit committee directors is not significantly related to either accounting or real earnings management, but is negatively related to the likelihood of accounting reporting violation. Our evidence suggests that busy directors do not actively monitor firms' accounting quality, but their directorship can deter firms from committing auspicious accounting violation.

"Accounting Standards Enforcement in an International Setting: Testing the Impact of Cultural, Religious, Political and Legal Environment on National Regulatory Efforts"

Gary Kleinman - Montclair State University, USA

Beixin Lin - Montclair State University, USA

Rebecca Bloch - Fairfield University, USA

Discussant: Panayiotis Tahinakis - University of Macedonia, Greece

Although in theory a global set of reporting standards creates a more harmonious financial reporting environment, this argument fails to take into account how underlying differences in national environments impacts the enforcement of these standards. This study explores whether the accounting standards enforcement efforts vary as a result of national cultural elements, religious adherence choices and importance, legal code, market liquidity and political coherence. The results demonstrate the importance of political, religious, cultural and finance-related (market liquidity) factors in determining national accounting regulatory efforts. This study provides an important contribution to the literature seeking to understand whether the widespread adoption of any set of international standards can provide the link in comparability across nations that proponents are seeking, by focusing on determinants of international variation in enforcement efforts rather than on the standards themselves.

SESSION 12

Room 3

CAPITAL STRUCTURE II

Session Chair: Christian Flor - University of Southern Denmark, Denmark

"The Impact of Internationalization on Zero Leverage: Evidence from the UK"

Eleni Chatzivgeri - University of Westminster, UK

Panagiotis Dontis Charitos - ESCP Europe, UK

Sheeja Sivaprasad - University of Westminster, UK

Discussant: Jiri Tressl - University of Nebraska-Lincoln, USA

Despite the increasing attention on the role of internationalization in firms' capital structure decisions, and the increasing adoption of zero leverage policies by multinationals, no study attempts to explain the effect of multi-nationality on the zero leverage decision. This study explores the relationship between the level of internationalization and zero leverage using a large panel of UK companies, while controlling for various company-related factors. We find strong evidence that multi-nationality affects the propensity of firms to have zero leverage and that this decision is affected by industry specificities.

"The Market vs Book Leverage Ratio Dilemma: An Analysis of the Lead-Lag Relationship and Speed of Adjustment"

Jan Hanousek - CERGE-EI, Czech Republic

Anastasiya Shamshur - University of East Anglia, UK

Jiri Tressl - University of Nebraska-Lincoln, USA

Discussant: Prashant Gupta - International Management Institute, India

In this study we explore the relationship between market and book leverage. The results obtained suggest that book- and market-based values of leverage are closely related. The average difference in market and book

values of leverage fluctuates around zero with recession sensitive firms being largely responsible for the observed volatility. The close relationship between book and market leverage supports the idea of the book leverage being managed to meet the market expectations. We find that managers adjust book leverage only when it exceeds the market leverage. This behavior is consistent with a conservative view on managing leverage ratios as managers de-leverage firms when a one-sided discrepancy exists. The estimated adjustment speed is significantly higher for firms sensitive to the business cycle, which are more sensitive to negative macro shocks.

"Impact of Capital Structure on Performance of Firms; An Analysis of Indian Firms"

Prashant Gupta - International Management Institute, India

Aman Srivastava - International Management Institute, India

Discussant: Uwe Walz - Goethe University of Frankfurt, Germany

The objective of this study is to examine the impact of strategy on financial performance of selected Indian firms. The used debt equity ratio as a proxy for Leverage, promoter's equity holding structure & free float as a proxy of ownership and sales growth, profit margin, return on asset (ROA), return on equity (ROE) as measures of financial performance. The study sampled 184 most active companies listed on Bombay stock exchange of India and the period of analysis was 2005-2015. The findings of the study suggest that the relationship of using debt in capital structure is positive with profit margin and sales growth but negative with return on asset and return on equity. The findings of the study suggest that the firms with high sales growth and profit margin tend to use more debt and the firms with higher profitability tend to use less debt in capital structure. The study concludes that Indian firms follow pecking order theory than trade off theories of capital structure and more profitable firms tend to use less debt in their capital structure.

"The Financing Dynamics of Newly Founded Firms"

Julia Hirsch - Autonomous University of Queretaro, Mexico

Uwe Walz - Goethe University of Frankfurt, Germany

Discussant: Panagiotis Dontis Charitos - ESCP Europe, UK

While there exists a wide literature on the financing decisions (i.e. decisions on internal vs external finance, debt-equity choice but also different type of debt financing) of established firms, there is little evidence on the financing decisions of newly founded firms and none with respect to the financing dynamics of these firms over their life-cycle. We aim to partially fill this gap by investigating the financing dynamics of 2655 French manufacturing firms founded in 2004-2006 based on legally required and reported financial statements. Observing significant heterogeneity among the firms in their founding year our main focus is on the question whether these difference widen, persist or converge. We carve out a persistence-cum-convergence pattern. We show that there is a substantial persistence but also a certain degree of (slow) convergence of firms' financing decisions. We also show that the dynamics of financing matter for the growth path of the firm.

SESSION 13

Room 4

BANKS II

Session Chair: Elyas Elyasiani - Temple University, USA

"Cooperative Banks, the Internet and Market Discipline"

Lukasz Kozlowski - Kozminski University, Poland

Discussant: Armin Varmaz - University of Applied Sciences Bremen, Germany

This paper analyzes market discipline mechanisms at Polish cooperative banks within the special context of their internet activity. I argue that despite a unique organizational form, the role of profit and a group of clients, cooperative banks can be disciplined by their depositors similarly to large commercial banks. Additionally, I provide evidence that cooperative banks that are more active on the internet face stronger

market discipline. I observe that there are two reasons for this behavior. First, a bank's extensive internet activity gives its depositors better access to information about the bank. Second, adoption of online banking systems and presenting information regarding the deposit offer on a bank's website increases deposit mobility. The findings have important policy implications. They demonstrate that a greater emphasis could be placed on stimulating market discipline at cooperative banks because a large number of cooperative banks hampers their regulatory discipline. To strengthen the market discipline mechanisms, regulators should promote internet activity at cooperative banks and among their depositors, as well as require banks to present financial information on their websites and to adopt online banking systems.

"Do Bank Deposits Require a Special Treatment: An Analysis of the Efficiency of German Cooperative Banks"

Armin Varmaz - University of Applied Sciences Bremen, Germany

Andreas Varwig - University of Osnabrueck, Germany

Discussant: Georgios Efthymoulou - University of Sheffield, UK

Banking efficiency has been one of the most often studied subjects since the introduction of Data Envelopment Analysis. However, there is no broadly accepted model specification yet. Recently a new model, particularly addressing the ambiguous role of deposits in banking, has been presented by Holod and Lewis (2011). The objective of this article is to evaluate the applicability of this new model. Analyzing panel data on 1172 German cooperative banks in the period 1991-2014, this article finds the special treatment of deposits to be a valuable amendment to the evaluation of banking efficiency. However, the model of Holod and Lewis (2011) requires assumptions which cannot be made for any market.

"Bank Value and Geographic Diversification: Regional vs Global"

Canan Yildirim - Kadir Has University, Turkey

Georgios Efthymoulou - University of Sheffield, UK

Discussant: Elisabeta Pana - Illinois Wesleyan University, USA

This paper analyzes the impact of geographic diversification on bank value by employing a data set comprising the largest banks across the world, originating from both developed and emerging countries. The findings suggest that the value impact of international diversification depends on the financial development level of a bank's home country: higher levels of diversification are associated with changes in valuations only for banks originating from emerging countries. In addition, the locus of internationalization matters for the direction of effects: while markets respond positively to the intra-regional expansion activities of emerging country banks, they seem to believe that these banks cannot benefit from diversifying into far away markets.

"The Distribution of Capital Purchase Program Funds: Evidence from Bank Internal Capital Markets"

Elisabeta Pana - Illinois Wesleyan University, USA

Tarun Mukherjee - University of New Orleans, USA

Discussant: Lukasz Kozlowski - Kozminski University, Poland

Abstract: We investigate the role played by the internal capital markets of bank holding companies in the distribution of the Capital Purchase Program funds to bank subsidiaries. We find evidence that while program participants transferred significantly more capital to their bank subsidiaries than nonparticipants, all bank holding companies used their internal capital markets to mitigate the capital constraints faced by individual bank subsidiaries. Smaller bank subsidiaries with lower level of capital, earnings, and quality of loan portfolio received more capital than other subsidiaries. Our results are consistent with the argument that the distribution of capital was done in accordance with regulatory requirements that mandate bank holding companies to act as a source of strength for their subsidiaries. We also find that subsidiary characteristics related to the internal transfer of funds differ for the healthier versus the less healthy bank holding companies. While healthier program participants continued to provide support to smaller bank subsidiaries with lower level of capital and quality of loan portfolios, less healthy participants altered the transfer of funds to subsidiaries during the capital disbursement period and after the crisis.

DERIVATIVES II

Session Chair: James Cummings - Macquarie University, Australia

"A Sensitivity-based Approach for CVA Computation"

Othmane Kettani - University Paris 1 Panthéon-Sorbonne, France

Constantin Mellios - University Paris 1 Panthéon-Sorbonne, France

Adil Reghai - Natixis Bank, France

Discussant: Kumar Sanka - Indian Institute of Management Kozhikode, India

Since the sub-prime crisis, counterparty credit risk and Wrong Way Risk are crucial issues in connection with valuation and risk management of credit derivatives. For portfolios comprising other than simple vanilla products, calculating CVA could be a rather daunting task. In this work, we present a comprehensive approach to model CVA and Wrong Way Risk for equity portfolios. This approach is based on a first order approximation of exposures that allows us to derive closed-form formulas for CVA. Wrong Way risk is modeled through a Gaussian copula that connects default of the counterparty to the underlying portfolio. We test our model on two portfolios in two different credit risk scenarios and analyze the results obtained. In particular, we show how we retrieve the theoretical CVA in a computationally appealing manner. Some interesting properties of the Gaussian Copula related to Wrong Way Risk modeling are also discussed in the paper.

"Does the FII Investments in Index Futures Informative? Evidence from Indian Markets."

Kumar Sanka - Indian Institute of Management Kozhikode, India

Discussant: Linda Salahaldin - Telecom Business School, France

This paper examines the impact of foreign institutional investors' (FIIs) investments on the Indian market over the period February 1, 2005 till January 22, 2014. The motivation for the study is that past studies on this topic are based only on examining the relationship between FII investments in cash market and any associated effects on stock market returns while ignoring the FII activity in equity derivative markets. The impact of FIIs' investments on Indian markets is analysed in this paper by considering FII activity in Nifty index futures that trade on National Stock Exchange of India (NSE) and Singapore Exchange (SGX). The results show that Nifty index returns are statistically influenced by FII investments in Nifty index futures, although there is no causation from FIIs' cash market transactions to Nifty returns. The results indicate that index futures markets are the preferred route by FIIs for taking a position in the Indian market. Secondly, FII investments in cash market have a contemporaneous relationship with index futures activity. Thirdly, the weight of evidence shows that SGX futures are not found to be influencing Nifty, but Nifty is a significant explanatory variable in SGX futures returns.

"The Dynamics of Crowdfunding: Picking the Successful Project"

Linda Salahaldin - Telecom Business School, France

Donia Trabelsi - Telecom Business School, France

Discussant: Claudia Zunft - Goethe University Frankfurt, Germany

With the success of crowdfunding and the increase of the number of on-line platforms, funders have usually the choice between a large number of projects in their field of interest. This paper models the dynamics of crowdfunding from the funder's point of view, especially his decision to fund a project whose campaign is ending or to abandon it for other active projects. We make use of a dynamic programming approach for computing the value of the opportunity given by a platform at a given time and to derive the optimal funding decision. Our numerical results highlight the impact of the different parameters that influence the crowdfunder's choice. We make interesting observations such as the existence of an interval where the campaign duration can be setup for a successful funding.

"A Low-Risk Strategy based on Higher Moments in Currency Markets"

Claudia Zunft - Goethe University Frankfurt, Germany

Discussant: Othmane Kettani - University Paris 1 Panthéon-Sorbonne, France

This paper is first to establish profound evidence on the existence of a low-risk anomaly in currency markets. In particular, I discover a novel strategy in currency forward markets that is long in currencies whose higher return moments are low relative to past levels and short in currencies whose higher return moments are high relative to past levels. The low-risk strategy based on higher moments is not spanned by traditional currency strategies. In a sample of roughly 25 years, it provides the highest mean excess payoff and Sharpe ratio as well as the smallest drawdown in comparison to them. The profitability of the strategy is not explained by standard risk factors and limits-to-arbitrage.

SESSION 15

Room 6

BEHAVIORAL ISSUES II

Session Chair: Sven Arndt - Claremont McKenna College, USA

"Attention Effect via Internet Search Intensity in Asia-Oceania Stock Markets"

Parkpoom Tantaopas - Ek-Chai Distribution System Co., Ltd., Thailand

Chaiyuth Padungsaksawasdi - Thammasat University, Thailand

Discussant: Clive Walker - Queen's University Belfast, UK

This paper explores relationships between investor attention and various market variables – return, volatility, and trading volume from selected Asia-Oceania equity markets. Unlike most of previous research on attention effects, we directly measure public interest via Google Search Volume Index (SVI) which allows us to capture retail investor attention in financial markets in a more effective way. Our research is performed at a broad index level, which is a better reflection of retail individual investors' style of investment than a specific single stock. We note, from our analysis, mostly one-way pairwise Granger causality that the change in market variables drives the change in attention. Our results post additional evidence that existence of attention is good to the market, in overall, as it promotes market efficiency. Moreover, we find an asymmetric relationship between various positive and negative market conditions and attention.

"Media Coverage and Stock Returns on the London Stock Exchange, 1825-70"

John Turner - Queen's University Belfast, UK

Qing Ye - Xi'an Jiaotong-Liverpool University, UK

Clive Walker - Queen's University Belfast, UK

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

Media plays an important role in modern financial markets, but what about historical markets? In this paper, we analyse The Times's coverage of companies listed on the London market before 1870. What were the determinants of media coverage in this era and was there a media discount? We find that the number of adverts placed in the previous year is a determinant of being covered and that the media discount only manifests itself after the mid-1840s. Our evidence suggests that markedly increased arm's-length ownership and market participation were key reasons for the emergence of the media discount.

"The Role of News Momentum Investing in Stock Returns"

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

Hong-Fei Wu - Pei-shin branch of Taishin International Bank, Taiwan

Discussant: Michael Frömmel - Ghent University, Belgium

This study examines the performance of various portfolios to determine whether portfolios constructed using news information demonstrate more favorable returns compared with those constructed using stock returns.

The news sentiment index is calculated using a linguistic analysis according to the procedures outlined by Lu and Wei (2014) and Lu, Chen, Ker, and Wei (2015). First, this study creates groups of representative optimistic and pessimistic words. Second, this study measures the degree of optimism and pessimism in each news report. Third, this study derives the ratio of net optimism, which is the conceptual basis of news sentiment in this study. The news sentiment related to each listed stock is applied to investigate the applicability of momentum and contrarian strategies. The study period is divided into the financial crisis, noncrisis and full periods to observe the influence of the news on the constructed portfolios in various periods. Overall, this study presents a method for quantifying news information, investigates the performance of portfolios constructed using the returns or news momentum/contrarian strategies. The results indicate that after the news sentiment is added, the portfolio derives considerable significant and higher return. The results of this study can provide suggestions to individual investors, institutional investors, securities companies, stock software companies and financial information systems, etc. in decision making processes.

"Intraday Momentum in FX Markets: Disentangling Informed Trading from Liquidity Provision"

Gert Elaut - Ghent University, Belgium

Michael Frömmel - Ghent University, Belgium

Kevin Lampaert - Ghent University, Belgium

Discussant: Chaoyuth Padungsaksawasdi - Thammasat University, Thailand

We examine intraday momentum in the RUB-USD exchange market and its relationship with informed trading and liquidity provision. Using tick-by-tick transaction level data from the Moscow Interbank Currency Exchange (MICEX) for the period 2005 to 2014, we establish the presence of intraday momentum, defined as a significantly positive relationship between the first half-hour return and the last-half hour return. We find that, for our specific dataset, intraday momentum does not appear to be the result of informed trading. Instead, our results suggest that intraday momentum is consistent with risk-aversion for overnight holdings among liquidity providers.

SESSION 16

Room 7

M&AS I

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

"Two Sides of the Same Coin: Disentangling the Coinsurance Effect and the Diversification Discount in M&A Transactions"

Patrick Bielstein - Technische Universität München, Germany

Mario Fischer - Technische Universität München, Germany

Christoph Kaserer - Technische Universität München, Germany

Discussant: Chaopeng Wu - Xiamen University, China

This paper contributes to the vast literature on the effects of corporate diversification by showing that there always coexists a bright side (coinsurance effect) and a dark side (diversification discount) of internal capital markets. By analyzing the effect of the combined firm in U.S.-based M&A transactions on the ex-ante cost of capital, we show that it can be split up in two offsetting components. First, we identify the existence of a statistically and economically significant coinsurance effect. At the same time, however, we also identify the existence of a potentially offsetting, statistically and economically significant diversification discount. Second, we show that which of the two effects dominates in a given transaction is contingent on whether the acquiring firm has a track record on how to efficiently handle internal capital markets. These results hold against a battery of robustness test.

"The Role of Technological Synergy in Mergers and Acquisitions"

Shi Li - Xiamen National Accounting Institute, China

James Ang - Florida State University, USA

Chaopeng Wu - Xiamen University, China

Shinong Wu - Xiamen University, China

Discussant: Lewis Tam - University of Macau, Macao

Technological synergy in mergers is the increase in value generated by combining the stores of complementary technologies of acquirers and targets, as well as utilizing target's patents to initiate lawsuits against competitors. Using U.S. patent data, we provide quantitative measures of these two sources of technological synergy. We find that these measures of technological synergy are important considerations of acquiring firm and capital market in valuing target-firm's innovative assets, as the measures are positive determinant of merger premium and total synergy gain. The expected total gains of acquirers' and targets' shareholders from technological synergy decrease with the difficulties of post-merger integration as proxied by geographical distance between acquirer and target. Our technological synergy measures are also good predictor of post-merger realized synergy, i.e., increase in R&D investment, and patent output in common technological fields.

"The Information Role of Advisors in Mergers and Acquisitions: Evidence from Acquirers Hiring Targets' Ex-advisors"

Xin Chang - University of Cambridge, UK
Chander Shekhar - University of Melbourne, Australia
Lewis Tam - University of Macau, Macao
Jiaquan Yao - Xiamen University, Singapore

Discussant: Wenjing Ouyang - University of the Pacific, USA

We examine the information role of financial advisors by focusing on mergers and acquisitions in which acquiring firms hire target firms' ex-advisors. We document that by employing targets' ex-advisors, acquirers pay lower takeover premiums and secure a larger proportion of merger synergies. The corresponding targets exhibit lower announcement returns and are less likely to be propositioned by competing bidders. These results indicate that acquirers take advantage of value-relevant information about targets through targets' ex-advisors, and achieve bargaining advantages in deal negotiations. In contrast, we document no discernible value effects when targets hire acquirers' ex-advisors, suggesting that the information role of acquirers' ex-advisors hired by targets is weaker than that of targets' ex-advisors hired by acquirers.

"The Relation between Acquirer and Target Firms' Stock Price Informativeness"

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

Discussant: Christoph Kaserer - Technische Universität München, Germany

Recent studies find outside investors can produce private firm-specific information not possessed by the firm's managers. Through informed trading, this firm-specific information is impounded into stock prices as stock price firm-specific information. This paper finds pre-merger stock price firm-specific information in acquirer and target firms are positively matched. In the whole universe, firms with similar stock price informativeness are more likely paired together in mergers. This assortative matching creates merger synergies. These evidence suggest that pre-acquisition stock price firm-specific information may be one of the asset qualities that merging firms are looking for in the takeover market. When merging with a more informative partner, the acquirer benefits more from increased merger synergies but the target loses more from reduced bargaining power.

SESSION 17

Room 8

PORTFOLIO MANAGEMENT II

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

"Asset Allocation under (one's own) Sovereign Default Risk"

Didier Maillard - CNAM, France

Discussant: Lillian Zhu - University of Edinburgh, UK

The Greek drama of the late 2000s has returned sovereign risk awareness to centre stage. The default affected

a country with a relatively developed economy. It resulted in huge losses for the value of domestic assets: public debt, but also private debt, equity, real estate and furthermore pension rights and human capital. The burden has, not entirely but importantly, fallen on residents. Should a sovereign default happen, the consequences are therefore severe for investors, not only on the sovereign's debt, but also on all assets under the sovereign's jurisdiction, which are contaminated by the default. Investors should take account of sovereign default in their investment plans. The perspective of sovereign default reinforces the case for international diversification and for leaning against home bias. There are also implications for the asset management industry: it should lean against its own home bias and provide efficient solutions for cross-border investment.

"The Performance of Asset Allocation Strategies Across Datasets and Over Time"

Lillian Zhu - University of Edinburgh, UK

Discussant: Ekaterina Emm - Seattle University, USA

This paper evaluates the ex-ante performance of popular asset allocation strategies including the classical mean variance rule, the widely used naïve diversification and several newly sprouted risk-based techniques. In terms of risk-adjusted return, I find that there are no significant differences between these strategies for country- and industry-based portfolios. For the individual stock portfolio and multi-asset portfolios (stocks and bonds combined), the differences between strategy performances are relatively large, and the superior strategy changes over time. With respect to strategies' risk loadings, the mean variance rule leads to the most fluctuating exposures in size, value and momentum factors for all four datasets, the other allocation methods are less so. This paper indicates that currently-used allocation strategies are all far from ex-post optimal.

"Time Diversification: It is not about Risk Reduction"

Ekaterina Emm - Seattle University, USA

Ruben Trevino - Seattle University, USA

Discussant: Nikolaos Tassaromatis - EDHEC Business School, France

The study aims to contribute to the ongoing debate regarding asset allocation. Specifically, we provide a comprehensive analysis of the concept of time diversification and contribute to our understanding of whether an investor should be more aggressive and invest more in stocks when the investor's horizon is long. In this study, we (1) examine arguments for and against time diversification, (2) specify the conditions under which time diversification is valid and when a higher allocation to risky stocks for a risk-averse investor is justified, and (3) provide empirical analysis of time diversification, including simulation, using actual historical market returns. The conclusions of the study have significant implications for the practice of financial planning and our understanding of whether target-date funds are of real benefit to an investor. Thus, the findings of the study can be used by financial advisors and individual investors to inform their long-term investment decisions.

"Global Equity Country Allocation: An Application of Factor Investing"

Timotheos Angelidis - University of Peloponnese, Greece

Nikolaos Tassaromatis - EDHEC Business School, France

Discussant: Didier Maillard - CNAM, France

Based on the paradigm of factor investing we create global factor portfolios using country indices and robust to estimation error portfolio construction methodologies. Implementable through ETFs or index futures, a portfolio of global factors outperforms significantly, economically and statistically, the world market capitalization portfolio. The out of sample outperformance is robust to transaction costs and alternative portfolio construction methodologies. Including emerging markets in global factor portfolio construction enhances performance further. Country-based factor portfolios returns are spanned by the well-known Fama and French factors and represent a viable alternative to stock based factor portfolios in a world of illiquidity, transactions costs and capacity constraints.

PAYOUT POLICY

Session Chair: Takayasu Ito - Meiji University, Japan

"Dividend Changes that Contradict Earnings Changes"

Ebenezer Asem - University of Lethbridge, Canada

Aditya Kaul - University of Alberta, Canada

Discussant: Eva Liljeblom - Hanken School of Economics, Finland

Prior research suggests that dividend changes convey information about the permanence of the recent earnings change. Inconsistent with this hypothesis, we find that contradictory dividend changes do not point to temporary earnings changes. In contrast, we find that contradictory dividend changes are not related to the earnings change. Instead, these dividend changes are consistent with the life cycle hypothesis of dividends. Firms that increase dividends when earnings are lower have high and increasing ratios of retained earnings to equity, while firms that reduce dividends when earnings are higher have low and decreasing ratios. Also, the former have weaker growth prospects than the latter. Overall, our results indicate that contradictory and corroboratory dividend changes have different motivations.

"Uncertainty and Firm Dividend Policy – A Natural Experiment"

Bonnie Buchanan - Seattle University, USA

Xuying Cao - Seattle University, USA

Eva Liljeblom - Hanken School of Economics, Finland

Susan Wehrich - Seattle University, USA

Discussant: Michael Skully - Monash University, Australia

In this paper we examine how firms respond to uncertainty around U.S. tax policy changes, namely the individual level tax rate increases set to take effect on January 1, 2011 and January 1, 2013. We provide evidence that firms time the uncertainty in the tax environment and revise their dividend policy to an expected tax increase. We find that firms are likely to initiate their dividends or intensively increase their existing dividend amount one year before the expected tax increase (in 2010 and in 2012). In addition, in 2012 when there is much less uncertainty on dividend tax changes than in 2010, firms are less likely to initiate a regular dividend but are more likely to initiate special dividends. The results suggest that firms facing less tax uncertainty are less likely to make long-term commitments on regular dividend payments but are more likely to take advantage of the last-minute low tax benefits by issuing special dividends. Furthermore, the response to the possible elimination of tax cut was strongest in firms with high levels of tax-affected ownership, supporting the argument that when facing policy uncertainty, firms behave to prepare for the worst scenarios, where the worst scenario in our case is the termination of tax cut.

"Dividends Divided: Australian Dividends and Shareholder Reinvestment"

Michael Skully - Monash University, Australia

James Murray - Christchurch Polytechnic Institute of Technology, New Zealand

Discussant: Ciaran Driver - SOAS, UK

Australia's imputation tax system creates shareholder demand for dividends that may not be compatible with a firm's need to retain funds. A dividend reinvestment plan (DRP) offers a possible solution to this problem. This paper examines dividend reinvestment levels and size when firms use a DRP. Management determines the declared dividend, and amount of tax credits distributed, while effective dividend and cash distribution depends on shareholder reinvestments. DRPs are often used by listed Australian companies and on average around forty per cent of the declared dividend is reinvested. This high level of reinvestment suggests more dividend policy research should incorporate these DRP effects but this is one of the few papers to do so. Empirical results indicate that management considers expected reinvestment levels when determining dividend size, and can influence reinvestment levels by modifying plan design.

"Dividend Decisions of UK Firms: What do we Really Know?"

Ciaran Driver - SOAS, UK

Anna Grosman - Aston University, UK

Pasquale Scaramozzino - SOAS, UK

Discussant: Ebenezer Asem - University of Lethbridge, Canada

The literature on dividend pay-out is both crowded and relatively homogenous, generally aimed at bridging the gap between an abstract world of dividend irrelevance and the observed practice of firms that pay stable dividends. Research on dividends needs to be empirically focused because the opportunity cost of paying dividends is hard to define, let alone measure. Our methodological approach in this paper is to employ appropriate estimation techniques for dividend equations, something that is often neglected. We pay attention to issues such as choice of estimator, the inclusion of a lagged dependent variable, the stability of the coefficients over time, the robustness to different datasets, and the issue of sample selection. We identify from the literature five theoretical perspectives, namely substitution between sources and uses of funds, signaling and dividend smoothing, agency, catering to investors, and idiosyncrasies. We argue that the theoretical literature is not sufficiently discriminating to support tightly defined hypotheses but is nevertheless a useful starting point for empirical work, a view that is consistent with the ambiguous findings in previous empirical studies. Our results are consistent with the Lintner model and they support the role of investment opportunity as captured by the market to book ratio. The importance to dividends of asset growth and leverage depends on which of two datasets we use, on estimation method, and on the time period; the paper uses these contrasts to suggest interpretations and future avenues for research.

LUNCHEON

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

KEYNOTE SPEECH

1:15 - 2:15 p.m. Wallenbergsalen

**Professor Alon Brav
Duke University, USA**

GOVERNANCE BY PERSUASION: HEDGE FUND ACTIVISM AND THE MARKET FOR CORPORATE INFLUENCE

Shareholder activism by hedge funds has emerged as a major force of corporate governance resulting in changes to target firms' payout policy, capital structure, and business strategy. In this speech, I provide an overview of the major objectives and tactics adopted by hedge fund activists, and the short- and long-term impact of such activities on the performance of the targeted companies, including the spillover to other stakeholders. I then review current challenges, implications for ongoing policy debates, and speculate on future directions of research.

ASSET PRICING III

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

"Dividend Cuts and Predictability"

Ruey-Shii Chen - Tatung University, Taiwan

Tai-Wei Zhang - Ming Chuan University, Taiwan

Discussant: Joakim Kvamvold - Norwegian University of Science and Technology, Norway

This study provides a plausible economic interpretation to examine why the dramatic reversal of DY's relationship to dividend growth and return predictability, as proposed by Chen (2009), occurs in the U.S. stock market. Differing from Chen, we adopt a more meaningful "threshold" viewpoint rather than a "time" point of view to explain predictability reversal. Because severe dividend cuts took place mostly in the prewar period and almost disappeared in the postwar period, we argue that abnormally high dividend cuts can drive the threshold effect on log DY, thereby triggering the dividend growth predictability by log DY before 1945. However, this predictive ability disappears because severe dividend cuts have not occurred in the postwar period. Empirically, we find the existence of a log DY threshold point, above which future returns, as well as dividend growth, are significantly negatively correlated with log DY, yet below which future returns are significantly positively correlated with log DY—but lacking predictability for dividend growth.

"The Impact of Dividend Payments on Stock Returns"

Joakim Kvamvold - Norwegian University of Science and Technology, Norway

Snorre Lindset - Norwegian University of Science and Technology, Norway

Discussant: Josef Zorn - University of Innsbruck, Austria

This paper examines price impacts in NYSE and AMEX stocks from reinvestments of dividends. The results provide evidence that stocks experience abnormal returns three days prior to the distribution of dividends, as well as on the actual distribution date. Event study estimates, using data from 2000 to 2013, show that increases in turnover coincide with the abnormal returns. Cross-sectional regression results indicate that the effect from professional ownership on returns is positive. Overall, the results provide strong evidence that price impacts associated with dividend payments are demand driven.

"Predicting International Stock Returns with Conditional Price-Earnings Ratios"

Jochen Lawrenz - University of Innsbruck, Austria

Josef Zorn - University of Innsbruck, Austria

Discussant: Kenan Qiao - University of Groningen, Netherlands

For international asset allocation, two relevant benchmarks to which investment professionals tend to pay attention are the country's historical valuation level and the global average valuation level. This paper tests if predictive regressions conditional on time-series and cross-sectional information can improve forecasts of stock index returns. We show that mean reversion speeds of price-earnings ratios differ significantly for consistent time-series and cross-sectional signals as opposed to contradicting signals. Predictive regressions strongly confirm that predictability exclusively occurs for consistent signals. However, out-of-sample diagnostics weakly support our results, which casts doubt on whether benchmark information can be systematically exploited in real-time.

"Leverage and Stock Return Predictability: Evidence from U.S. Panel Data"

Kenan Qiao - University of Groningen, Netherlands

Discussant: Tai-Wei Zhang - Ming Chuan University, Taiwan

Standard asset pricing theory suggests a positive relation between equity returns and lagged financial leverage ratios. In general, the literature commonly uses a single index to provide evidence for return predictability; however, the evidence on return predictability is not conclusive. We argue that additional information in the cross-section of returns can be exploited to deliver more powerful tests of return predictability. We construct a panel data set of 25 portfolios of U.S. stocks, for the period 1951 to 2013. The portfolio sort groups firms in such a way that the unlevered beta of each portfolio is roughly equal to one. We use both fixed and random effects panel regressions to estimate the effect of leverage on stock returns. The results are consistent with our conjecture and the estimated coefficient is close to its theoretical value, the average equity risk premium.

SESSION 20

Room 2

ACCOUNTING ISSUES II

Session Chair: Wendy Rotenberg - University of Toronto, Canada

"Applying Benford's Law to Detect Fraudulent Practices in the Banking Industry"

Theoharry Grammatikos - University of Luxembourg, Luxembourg

Nikolaos Papanikolaou - University of Sussex, UK

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

Poor data quality has been widely accused of playing a key role in the formation of several banking scandals which have contributed to the propagation and prolongation of the late 2000s financial crisis. This paper takes a glimpse at the dark side of banking statistics by using a mathematical law which was established by Benford in 1938 to detect possible data tampering in bank accounting data. Using a sample of US Bank Holding Company data, we test whether and to what extent a set of fundamental balance sheet variables have been manipulated in the years before the outbreak of the crisis but also during the crisis. We report a strong and statistically significant deviation from the Benford's distribution for three fundamental measures: returns on assets, returns on equity, and total assets. We thus argue that bank managers and board members have a tendency to falsify the data on the profitability and size of their banks with the possible purpose to misinform investors, regulators, and market participants. Importantly, data tampering and fraudulent financial reporting are associated with banks which may experience financial difficulties due to the impact of the crisis. Further, the amendment of the Sarbanes-Oxley Act to impose stricter restrictions on accounting data tampering is proposed.

"State-Controlled Banks and Earnings Management"

Shuh-Chyi Doong - National Chung Hsing University, Taiwan

Anh-Tuan Doan - University of Dalat, Viet Nam

Kun-Li Lin - Feng-Chia University, Taiwan

Discussant: Jayant Kale - Northeastern University, USA

This paper is to investigate the relation between the ownership of state-controlled banks and earnings management by using a new dataset. We also evaluate how political connections vary the impact of government ownership on earnings management. The empirical results show that banks with more presence of state-controlled shareholders located in developing countries tend to have more incentives for income smoothing. The paper finds no significant differential in earnings manipulation between government-controlled and non-government banks located in developed countries. Next, in order to investigate whether the income smoothing behavior of state-controlled banks is driven by political objectives, the paper tests whether this behavior widens during national election years. It shows strong support for this conjecture. The magnitude of the income smoothing behavior also varies with different countries and electoral characteristics. These findings suggest that the political channel plays an important role in determining the income smoothing incentives of state-controlled banks, especially in developing countries.

"Debt, Bankruptcy Risk, and Corporate Tax Sheltering"

Akanksha Jalan - Indian Institute of Management Bangalore, India

Jayant Kale - Northeastern University, USA

Costanza Meneghetti - West Virginia University, USA

Discussant: Minna Martikainen - Hanken School of Economics, Finland

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, and manager's bankruptcy costs; and positively to the manager's equity stake in the firm. The theory also predicts that the negative relation between leverage and sheltering becomes weaker as the manager's equity stake increases. Our empirical tests provide evidence that is consistent with these theoretical predictions. Leverage and bankruptcy risk relate negatively to sheltering whereas greater managerial ownership increases sheltering and also weakens the negative sheltering-leverage relation. Further, we show 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". Our results are robust to endogeneity concerns.

"Board Characteristics and Disclosure Tone"

Minna Martikainen - Hanken School of Economics, Finland

Antti Miihkinen - Aalto University School of Economics, Finland

Luke Watson - University of Florida, USA

Discussant: Nikolaos Papanikolaou - University of Sussex, UK

We examine the role of corporate boards of directors in shaping mandatory disclosure. Specifically, we investigate whether the tone of firms' narrative disclosures provided in annual 10-K reports is associated with the risk aversion, human capital, turnover, and financial incentives of its board of directors. Analyzing a large sample of SEC registrants from 2000 to 2013, the results indicate that directors' experience and risk aversion (as measured by age) are negatively associated with negative, positive and uncertain disclosure tone. Meanwhile, directors' experience and risk aversion are positively associated with litigious disclosure tone. Furthermore, we find that directors' human capital (as measured by education) is positively associated with negative, positive, and litigious tone, indicative of "richer" narrative disclosures. Board turnover is positively associated with negative and litigious tone yet negatively associated with positive and uncertain tone, suggesting that new directors bring their own disclosure styles that fade over time. We also provide some evidence that directors' financial incentives (as measured by wealth and salary) are negatively associated with negative and litigious tone, suggesting incentive alignment with shareholders.

SESSION 21

Room 3

CORPORATE FINANCE I

Session Chair: Shuye Wang - Renmin University, China

"Liquidity Risk Assessment of Private Equity Investments: Evidence from European Divestment Processes"

Pascal Stachow - University of Manchester, UK

Discussant: Christian Flor - University of Southern Denmark, Denmark

This research proposes a novel approach to assess the liquidity risk level of private equity investments by disentangling risk into the probability of not being able to sell a private equity stake at its fair market value at a given time and the impact resulting from a failed divestment process. In collaboration with investment professionals, a framework for the assessment of the probability of a failed divestment process has been developed. The framework is characterized by a large number of identified factors that are both quantitative and qualitative in nature, which inevitably leads to a high level of complexity, i.e. correlation, dependency, incomplete and imprecise information. Applying unique deal-level data from past transactions, it will be

shown how a modified evidential reasoning model is superior to more traditional methodologies such as multiple regression analysis and neural networks in providing investment professionals with a transparent and accurate tool for assessing the probability of a failed divestment process.

"The Ambiguous Leader is a Follower"

Christian Flor - University of Southern Denmark, Denmark
Mark Moritzen - University of Southern Denmark, Denmark

Discussant: Anthony Bellofatto - Université Catholique de Louvain, Belgium

We set up a dynamic model with corporate investments in which firms are subject to a leader-follower problem. Firms can have different exposure to market risk and market participants' risk adjustment depends on the information quality. Our model predicts that in industries in which information quality is relatively low, it is more likely that seemingly less productive firms moves first if they have the advantage of being less exposed to systematic risk. This prediction fits well with R&D intensive technology industries. When new market entrants severely hampers the incumbent firms' profits, we predict that market leaders are much more willing to invest early albeit production costs are relatively high. Such a setting fits well to, for example, drug development and medical firms. Thus, a firm's apparently under-investment need not be due to managerial reluctance due to agency problems, but is actually a result of optimal decision making by a manager facing a setup with low information quality and competition from an entrant. Our model thus helps to explain empirical evidence on firms' investment behavior.

"How Does Language Similarity Impact Foreign Investing in a Multilingual Country?"

Anthony Bellofatto - Université Catholique de Louvain, Belgium

Discussant: Ana-Maria Cazacu - National Bank of Romania, Romania

Several papers have already highlighted that retail investors tend to favor stocks listed in countries that share a common language. We confirm previous results but unlike precedent papers we provide evidence that the difference of languages within the same country matters to understand foreign investing. We indeed study the common language effect by distinguishing the two language groups that compose the Belgian population. We investigate whether the language difference between the French- and Dutch-speakers induces differences in their investment behavior. Our results support our hypothesis by showing that French(Dutch) stocks are more traded by the French(Dutch)-speaking investors. We provide evidence that the common language effect remains significant after controlling for the gender, age, level of education and financial literacy. More importantly, we show that investors with a higher level of education tend to be less affected by the common language effect. In addition, we show that the common language effect is less pronounced for firms not included in a national stock index. Presumably due to international coverage, French (Dutch) stocks listed in a national stock index tend to attract more investors whose native language is not French (Dutch). Finally we find that the preference for stocks listed in countries that share the same language is not information-driven.

"Are Expatriates Managing Banks' CEE Subsidiaries more Risk Takers?"

Liviu Voinea - National Bank of Romania, Romania
Ana-Maria Cazacu - National Bank of Romania, Romania
Florian Neagu - National Bank of Romania, Romania

Discussant: Pascal Stachow - University of Manchester, UK

We look at the largest credit institutions from Central and East European countries to better understand the role of expatriates and of other top management team's characteristics for banks' risk profile, strategies and lending activity. We find that credit institutions with expatriate CEOs or larger share of expatriates in the top management team are more risk-takers, as indicated by alternative measures of risk (loan-to-deposit ratio, share of risk weighted assets and provisions for loan losses in total assets). On the other hand, banks managed by expatriates and more interconnected with the parent financial institution or other related parties tend to deliver more credit to companies and households (as share in total assets).

BANKS III

Session Chair: Van Son Lai - Laval University, Canada

"Income Diversification and its Impact on Profitability and Default Risk of Nordic Banks"

Sheraz Ahmed - Lappeenranta University of Technology, Finland

Mikko Kärnä - DNB Bank ASA, Finland

Discussant: Rafael Schiozer - Fundação Getulio Vargas, Brazil

This study aims to answer the question if the shift from traditional income yielding activities to more innovative noninterest activities is logical in terms of profitability and risk in Nordic Banks. This study also aims to answer the question if diversification within the noninterest income categories has impact on profitability and risk and if there are certain categories of noninterest income that are better than others in terms of profitability and risk in Nordics. Results show that diversification between interest and noninterest activities and increase in the share of noninterest income have a negative impact on the risk adjusted returns and risk profile. Results also show that further diversification within the noninterest income categories has negative impact on risk adjusted profitability and risk while an increase of the share of commission and fee income category of total noninterest income has a positive impact on risk adjusted profitability and risk. Results are logical and in line with previous research (De Young & Roland, 2001; Stiroh, 2004). Results provide useful information to banks and help them better evaluate outcomes of different income diversification strategies.

"Bailout Policies and Banking Risk in Crisis Periods"

Ramon Vilarins - Central Bank of Brazil, Brazil

Rafael Schiozer - Fundação Getulio Vargas, Brazil

Discussant: James Cummings - Macquarie University, Australia

This paper analyzes the impact of government bailout policies on the risk of the banking sector in OECD countries between 2005 and 2013. First, in line with the moral hazard hypothesis, we verify that financial institutions with high bailout expectations assume higher risks than others. Second, we find that, in normal times, rescue guarantees to large financial institutions distort competition in the sector and increase the risk of the other institutions. However, during the recent financial crisis, increases in the rescue expectation of competitors of an institution, to the extent that they represent a reduction in its chance of eventual government bailout, decrease its risk taking. Additionally, in a crisis period, it is also evident that the deterioration in the countries' financial conditions are associated with lower risk taking; on average, the increase in risk taking is higher in countries with a lower credit default swap spread.

"Effect of Too-Big-to-Fail Subsidies on Bank Borrowing Costs: Australian Evidence"

Yilian Guo - Macquarie University, Australia

James Cummings - Macquarie University, Australia

Discussant: Elyas Elyasiani - Temple University, USA

This paper examines the extent to which implicit subsidies are embedded in the bond spreads for large Australian banks and whether early implementation of the Basel III capital framework reduces the ability of banks to capture these subsidies. Using primary market data from 2004 to 2015, We find evidence that: (i) large banks benefit from substantial subsidies, (ii) bond investors are less sensitive to the risks of large banks and (iii) implicit subsidies captured by large banks are reduced since the implementation of the Basel III capital reforms.

"The Association between Bank Concentration and the Real Economy"

Jeremy Crimmel - Temple University, USA

Elyas Elyasiani - Temple University, USA

Discussant: Sheraz Ahmed - Lappeenranta University of Technology, Finland

In this paper, we bridge two strands of literature; the relationship between concentration and bank stability and the association between bank stability and the real economy. We build a system model that estimates the association between banking concentration and the economy through bank failures using U.S. data (1984-2013). The first equation tests the association between bank concentration and the rate of bank failure using a Poisson model which allows for more accurate estimates than linear models. The other three equations model real GDP growth, unemployment, and inflation as functions of the rate of bank failure. The system is estimated with three-stage GMM while correcting for endogeneity of the variables. Three main results are obtained. First, there is a threshold below which increasing concentration causes a reduction in bank failures and above which an increase in failures. Second, as bank failures increase, economic growth slows while unemployment and inflation both increase. Third, the U.S. banking system is more than twice as concentrated as the optimal level determined by the minimum level of bank failure, causing detrimental effects on the economy. While the Dodd-Frank Act of 2010 aimed at restricting bank concentration, further reductions are needed to strengthen the economy. Policy implications for bank managers, investors, regulators and policy makers are drawn.

SESSION 23**Room 5**

TUTORIAL: TECHNOLOGY AND SOFTWARE USED IN UNIVERSITY TRADING ROOMS**Presenter: Mr. Tom Reti - StockTrak, Canada**

Innovative Technology and Software used in University Trading Rooms—Hardware, software, best practices, and what works and what doesn't work in a university trading room.

Research tutorial for doctoral students and other conference participants.

SESSION 24**Room 6****BUBBLES**

Session Chair: Terrence Hallahan - Victoria University, Australia

"Price Anchors and Residential Real Estate Bubbles"

Clare Branigan - University College Dublin, Ireland

Paul Ryan - University College Dublin, Ireland

Discussant: Sven Arndt - Claremont McKenna College, USA

This paper is the first study exploring the impact of auction guide (list) prices on auction outcomes in a real estate bubble. Real estate agents through setting auction guide prices may have a role in influencing auction outcomes and potentially inflating the bubble if these guide prices had a part in generating final auction prices which were high relative to fundamentals. We find that winning bidders anchored on the advertised auction guide price consistent with anchoring and insufficient adjustment. However, interestingly, we find evidence consistent with real estate agents systematically setting low guide prices relative to fundamentals suggesting that the actions of the agents may have in fact dampened the effect of the bubble rather than amplifying it. Keywords real estate auctions. behavioral biases. Anchoring. guide prices.

"Cross-Border Financial Intermediation: Money-Center Banks, Asset-Price Volatility and Housing Bubbles"

Sven Arndt - Claremont McKenna College, USA

Discussant: Rocco Huber - University of Augsburg, Germany

This paper examines the financial crisis of 2008 and subsequent "great recession" in terms of an open-economy macro model similar to the model widely used by academics and policy makers, but augmented to take account of certain features not covered in the standard framework. These include the U.S. hybrid exchange-rate regime, with a floating dollar against most currencies but fixed against the Chinese yuan; a goods-producing real economy with distinct tradable and non-tradable sectors; an inflation bubble

in a main non-tradables industry (housing and construction); and credit inflows from abroad into that industry. The initial shock to this system comes from an expansionary monetary policy. Tradables producers are limited in their ability to respond to resulting price pressures by competition from Chinese imports, while non-tradables producers face few constraints. As the dynamic process unfolds, housing prices rise relative to tradables, nominal as well as real household wealth rise, capital inflows via money-center banks feed the bubble, as productive resources (labor, etc.) are reallocated to non-tradables. Manufacturing and other tradables industries lose competitiveness not just due to China's industrial and exchange-rate policies, but due to resource competition from within. Credit inflows play key roles.

"An Alternative Approach for Bubble Detection in Commodity Prices"

Rocco Huber - University of Augsburg, Germany
Michael Ludwig - University of Augsburg, Germany
Herbert Mayer - University of Augsburg, Germany
Andreas Rathgeber - University of Augsburg, Germany
Markus Wanner - University of Augsburg, Germany

Discussant: Florian Wedlich - Bamberg University, Germany

The potential influence of financialization and speculation on commodity prices is an intensely debated topic in scientific literature, but also in business and politics. Despite the growing body of literature on the analysis of fundamental factors driving commodity prices or the identification of bubbles in commodity prices, there is no conclusion on this crucial topic. This paper presents an alternative approach for the valuation of metal commodities based on the present value model on commodities of Pindyck (1993). As its direct discrete implementation is restricted due to the continuous nature of convenience yields, data availability and large differences between short- and long-term convenience yields, we present a continuous approach to determine commodities fundamental value considering the term structure of convenience yields. The derived mispricing measure indicates highly dynamic and rather unstable mispricing for all examined metals including phases of over- and underpricing. However it is hard to analyze whether futures or spot markets are mispriced fundamentally.

"Does Personality Drive Price Bubbles?"

Andreas Oehler - Bamberg University, Germany
Florian Wedlich - Bamberg University, Germany
Stefan Wendt - Reykjavik University, Iceland
Matthias Horn - Bamberg University, Germany

Discussant: Clare Branigan - University College Dublin, Ireland

We analyze whether differences in market-wide levels of investor personality influence experimental asset market outcomes in terms of price bubbles and levels. We employ a questionnaire to determine investor personality and combine the survey data with data from experimental asset markets. We run 17 separate asset markets with an overall number of 364 undergraduate business students. We find that markets with a higher proportion of extraverted and a lower proportion of neurotic participants exhibit longer bubble periods, higher prices, and higher limit orders at the beginning of the first trading session than markets with fewer extraverted and more neurotic participants. Overall, our findings suggest that market-wide personality levels influence market outcomes and yield implications for further research in financial markets.

SESSION 25

Room 7

M&AS II

Session Chair: Ashiq Ali - University of Texas at Dallas, USA

"Litigation Risk: Measurement and Impact on M&A Transaction Terms"

Hubert De La Bruslerie - University Paris Dauphine, France
Le Maux Julien - HEC Montreal, Canada

Discussant: Yoko Shirasu - Aoyama Gakuin University, Japan

The purpose of the paper is to propose an original proprietary proxy of a firm's litigation risk. We extend the scope of litigation risk outside of the conflicts with shareholders and the domain of security litigation. We demonstrate that the source of the risk of litigation can be found in the firm's policies and in its management's operational or strategic decisions, even if a sector conditioning effect exists. Based on a sample of 1051 M&A transactions between 2000 and 2013, we provide evidence that the level of litigation risk, at the acquirer's level, has a positive and significant impact on the takeover premium. We also provide evidence that a significant relationship exists between the acquirer's litigation risk and the means of payment.

"Asia-Pacific Banks' M&A Effects and Strategies: Evidence from Long- Term Aspects"

Yoko Shirasu - Aoyama Gakuin University, Japan

Discussant: Yue Liu - University of Edinburgh, UK

This paper covers Asian stock exchanges to empirically examine market responses to acquisitions announcements, and changes in management strategy from long-term aspects. The long term results suggest that stock's performance effects of banks, the acquirer's ABHR is higher than the than target's ABHR, and the target results for longer terms are significantly positive. In both acquirer and target, the alliance cases dominate the cross border cases. From the results of strategic factors analysis, an alliance strategy factor is one of the main components of created value. Investors value banks with low loans and much liquidities that promote the purchase of new loan business through mutually complementary alliances. Simultaneously, the majority of Asian bank deals are kind of relief type, and then acquirers store many bad loans and a heavy cost and lose its soundness. Investors expect unsound target banks will become good banks by the acquisitions. From characteristic analysis, acquires can become sound banks by strong legal/ regulatory protection and high credit rating. In cases of target's banks adapted private monitoring regulations systems, acquires banks tend to hold high Tier 1 capital and they make efforts to obtain good global reputations. And acquirer banks can be enjoying earning diversification benefits. However, for private monitoring regulations systems, there are problems about the incomplete disclosure information about non- performing loans.

"Shareholder Wealth Effects of M&A Withdrawals"

Yue Liu - University of Edinburgh, UK

Discussant: Jayasinghe Wickramanayake - Monash University, Australia

I investigate the wealth effect around the announcements of the withdrawal of a merger or acquisition and the factors that have impact on such wealth effect. I report that, on average, the market reacts positively to the withdrawal of a deal. My results show that the acquiring firm's withdrawal cumulative abnormal return is negatively related to the announcement cumulative abnormal return. I also find that acquiring firm termination fee provisions are positively associated with the acquiring firm's withdrawal cumulative abnormal return, suggesting that such provisions play an important role in protecting acquiring shareholders' interests in the event of a deal withdrawal. My results also show that target firm termination fee provisions are negatively associated with the acquiring firm's withdrawal cumulative abnormal return, which support the efficiency hypothesis and the theory of managerial discretion.

"Chopsticks and Genetics: Asian Acquisitions"

Wai Soh - KPMG Corporate Finance LLC, Singapore

Elaine Hutson - Monash University, Australia

Jayasinghe Wickramanayake - Monash University, Australia

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

Differences in cultural values between countries have been found to influence a wide range of financial outcomes. Nevertheless, the influence of other aspects of cultural distance is so far poorly understood. This study links the conflicting views on how cultural distance affects cross border acquisition performance and examines how the impeding and enriching effects of cultural distance influence cross border merger volumes. Using a sample of 2,370 country pair observations for Asian firms for the period 2003 to 2012, this study establishes that the relation between cultural distance and cross border merger volumes is not linear, but is

instead U-shaped. This study also uncovers that multiple aspects of cultural distances can affect cross-border acquisition volumes and that multiple facets of cultural distance not only jointly influence cross-border merger volumes but can also exert distinct and dissimilar effects. These findings have important policy implications and deliver several new insights.

SESSION 26

Room 8

PORTFOLIO MANAGEMENT III

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

"The Application of Fundamental Indexation to the BRICs"

Michael Naylor - Massey University, New Zealand

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

Fundamental Indexation has found by some research to outperform price-weighted indices such as capitalization-weighted index in many developed and emerging markets. This paper examines if that is true for the four main emerging markets, Brazil, China, India and Russia by testing whether fundamental index have inherent superiority to cap-weighted index or not by updating new data from 2009 to 2011. The results show that fundamental indexation has a better return characteristic than cap-weighted index, but performs poorly in terms of volatility.

"Return Prediction Models and Portfolio Optimization"

Wolfgang Bessler - Justus-Liebig University Giessen, Germany

Dominik Wolff - Justus-Liebig-University Giessen, Germany

Discussant: Yilmaz Yildiz - Hacettepe University, Turkey

We postulate that utilizing return prediction models with fundamental, macroeconomic, and technical indicators instead of using historical averages should result in superior asset allocation decisions. We investigate the predictive power of individual variables for forecasting industry returns in-sample and out-of-sample and then analyze multivariate predictive regression models including OLS, a regularization technique, principal components, a target-relevant latent factor approach, and forecast combinations. The gains from using industry return predictions are evaluated in an out-of-sample Black-Litterman portfolio optimization framework. We provide empirical evidence that portfolio optimization utilizing industry return prediction models significantly outperform portfolios using historical averages and those being passively managed.

"The Effect of Valuation Difference between Local and Foreign Investors on Local Portfolio Investments"

Yilmaz Yildiz - Hacettepe University, Turkey

Mehmet Baha Karan - Hacettepe University, Turkey

Aydin Ozkan - University of Bradford, UK

Discussant: Michael Naylor - Massey University, New Zealand

The aim of this paper is to reveal the valuation differences between foreign and local investors on local portfolio holdings. We hypothesize that foreign and local investors value the local stocks differently and as a consequence they invest in different stocks. Using a panel data of Turkey, we found that valuation difference is not the key determinant of the foreigners' investment behavior. They invest in firms with higher market capitalization, profitability and leverage, ignoring the expected adjusted returns. However, rather than forming, they adjust their portfolios by considering the alpha levels. Moreover, they use different valuation models in different time periods. Specifically, foreigners use a global benchmark in evaluating their performance during the crisis period. However, they base their valuation on a local benchmark during relatively stable and non-crisis periods.

MONETARY POLICY

Session Chair: Chun-Hao Chang - Florida International University, USA

"Foreign Operation and Monetary Policy"

Janikan Supanvanij - St. Cloud State University, USA

Discussant: Takayasu Ito - Meiji University, Japan

This paper examines the long-run and short-run relationship between a multinational firm's international business activity, capital structure and economic factors, including short-term interest rates and inflation rates. The sample period is 2001-2011.

"An Analysis of Deposit Rates in Malaysia – The Impact of Monetary Policy and Islamic Finance"

Takayasu Ito - Meiji University, Japan

Discussant: Andreas Steiner - University of Munich, Germany

The yield curves of both conventional interest rates and Islamic rates of return (one-week, three-, six- and 12-month) are driven by a single common trend caused from monetary policy operation. Through the transmission mechanism of monetary policy, Bank Negara Malaysia controls conventional interest rates and Islamic rates of return up to 12 months in the Malaysian deposit market. Conventional and Islamic deposit markets are competitive in Malaysia, where the influence of Islamic finance over conventional finance is getting stronger. This is consistent with the fact that at the end of 1999, the share of Islamic deposits in Malaysia was 5%, but had increased to 24.5% by the end of 2014. So far, the policy advocated by the Malaysian government to promote Islamic finance in the country has been successful. Keywords: Deposit Rate, Islamic Finance, Monetary Policy, Malaysia

"Monetary Policy When the Zero Lower Bound Is Within Reach: A Smooth Transition Regression Approach"

Andreas Steiner - University of Munich, Germany

Discussant: Imad Moosa - RMIT University, Australia

The period of low interest rates during the global financial crisis provides a unique opportunity to examine monetary policy reaction functions near the zero lower bound. Using smooth transition regressions for the US and a panel of industrialised countries we show that central banks anticipate the zero lower bound by reacting less aggressively to inflation and output in its vicinity.

"The Effect of Quantitative Easing on Stock Prices: A Structural Time Series Approach"

Imad Moosa - RMIT University, Australia

Discussant: Janikan Supanvanij - St. Cloud State University, USA

A structural time series model is estimated and tested to examine the effect of quantitative easing (QE) on stock prices in the U.S. during the period when the policy was in operation. The model is estimated by maximum likelihood in a TVP framework, using the S&P 500 index as the dependent variable and the Fed's balance as an explanatory variable in addition to unobserved components that account for the behaviour of variables that do not appear explicitly in the equation. The results show that QE had a sizeable, but not exclusive, effect on stock prices and that stock prices were also affected by other missing variables and cyclical movements.

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

ASSET PRICING IV

Session Chair: Jason Wei - University of Toronto, Canada

"The Economic Value of TIPS Arbitrage Mispricing"

Vasilis Dedes - Stockholm School of Economics, Sweden

Roméo Tédongap - Stockholm School of Economics, Sweden

Discussant: Gonzalo Cortazar - Pontificia Universidad Catolica de Chile, Chile

Rational frictionless asset pricing models imply that continuously compounded zero-coupon inflation swap and break-even inflation rates with same maturity must be equal. The data, however, evidence a persistent positive difference between these two quantities, which the literature attributes to mispricing of Treasury Inflation-Protected Securities (TIPS). In theory, factors driving TIPS mispricing are not directly observable to the econometrician. To reveal these factors, we analyze the daily term structure of TIPS mispricing and uncover its information content. To assess its economic value, we derive novel high-frequency stylized facts about its dynamics. In particular, we document strong relationships with stock market returns, option-implied volatility and variance risk premium, and an important channel for predicting inflation, bond and equity excess returns, jointly.

"Fair Pricing of International Indices"

Juan-Pablo Araujo - Pontificia Universidad Catolica de Chile, Chile

Gonzalo Cortazar - Pontificia Universidad Catolica de Chile, Chile

Juan-Pablo Gonzalez - Pontificia Universidad Catolica de Chile, Chile

Discussant: George Athanassakos - University of Western Ontario, Canada

We address how to obtain a fair price for an international index when there are no market prices for a given day because of a national holiday. Current practice uses the last observed price inducing stale prices and short-term arbitrage opportunities. We assume returns are a linear function of a common set of latent factors. Estimations use the Kalman filter and Maximum Likelihood. We estimate models with one to three factors using 43 international indices between 2007 and 2011. We compare model errors with those using the last observed price obtaining error reductions between 10 and 50%.

"New Evidence on the Relationship Between Earnings Quality and the Value Premium: What is Driving the Relationship – Risk, Mispricing or Both?"

George Athanassakos - University of Western Ontario, Canada

Vasiliki Athanasakou - London School of Economics, UK

Discussant: Jose Faias - Catolica Lisbon SBE, Portugal

In this paper we examine whether earnings quality contributes to risk, mispricing or both as drivers for the value premium. We find that looking at proxies for risk or mispricing used in prior research supports both risk and mispricing arguments. Combining earnings quality measures with the value and growth stock returns, however, helps reconcile the conflicting evidence on the rationale for the value premium. Earnings quality issues seem to be underlying both mispricing and the risk based explanations for the value premium; deteriorating earnings quality contributes to the mispricing (overpricing) of growth stocks and to analyst uncertainty (risk) of value stocks. Our results suggest that earnings quality is the missing link in explaining why both risk and mispricing factors drive the value premium.

"Moments of Prediction"

Tiago Castel-Branco - UCP - Católica Lisbon School of Business & Economics, Portugal

Jose Faias - Catolica Lisbon SBE, Portugal

Discussant: Vasilis Dedes - Stockholm School of Economics, Sweden

We analyze variance, skewness and kurtosis risk premia and its option-implied and realized components as predictors of market returns and of the cross section of stock returns. We find that the variance risk premium is the only predicting the S&P 500 index returns, with a monthly out-of-sample R² above 6% for the period between 2001 and 2014. However, all analyzed variables have shown to be useful in predicting the cross section of stock returns. Self-financed portfolios long on the least exposed stocks and short on the most exposed stocks to the market variable achieve positive and significant Carhart 4-factor alphas and a considerably higher Sharpe ratio than the S&P 500 index, with positive skewness.

SESSION 29

Room 2

CRASH RISK

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

"Insider Sales and Future Stock Price Crash Risk: Firm-level Analysis"

Guanming He - University of Warwick, UK

Helen Ren - University of Warwick, UK

Richard Taffler - University of Warwick, UK

Discussant: Shuye Wang - Renmin University, China

This study investigates whether insiders trade on future stock price crash risk. We find that insider sales are positively associated with future stock price crash risk. This evidence is consistent with the view that insiders are able to assess and anticipate future crash risk and to exploit this information advantage to fulfil personal trading incentives. We also find that the positive association between insider sales and future crash risk is stronger for firms that have high information opacity but weaker for firms that are in financial constraints or in the post SOX period. Additional analysis reveals that insider sales can predict future crash risk as far as 39 months ahead. Our findings have important practical implications. Market participants can use insider sales in ex ante assessing future stock price crash risk, and in appraising the likelihood and extent of insiders' bad news hoarding which results in the crash risk. Our study should be of particular interest to (i) investors that make portfolio investment decisions, (ii) suppliers and creditors who are concerned about their clients' creditworthiness, (iii) boards of directors contemplating the design of optimal equity incentive compensation schemes for insiders, and (iv) policymakers regulating insider trading and corporate disclosure transparency.

"Trust and Stock Price Crash Risk: Evidence from China"

Xiaorong Li - Central University of Finance and Economics, China

Shuye Wang - Renmin University, China

Xue Wang - Renmin University of China, China

Discussant: Gudrun Rolle - Luxembourg School of Finance, Luxembourg

This paper examines the impact of social trust on stock price crash risk. Social trust measures the level of mutual trust among members of society. Using a large sample of Chinese listed firms during 2001-2012, we find that firms headquartered in regions of high social trust tend to have a smaller crash risk. This result is more prominent for firms with weak internal or external monitoring, and for firms with higher risk-taking, and is robust to a battery of sensitivity tests. Our study suggests that social trust is an important variable, omitted in literature that investigates predictors of stock price crashes.

"Corporate Governance and Idiosyncratic Skewness"

Gudrun Rolle - Luxembourg School of Finance, Luxembourg

Thorsten Lehnert - Luxembourg School of Finance, Luxembourg

Discussant: Ernest Biktimirov - Brock University, Canada

This paper analyzes the relation between corporate governance and idiosyncratic skewness of stock returns for a large sample of U.S. firms. Since firm-level skewness is determined by information flow and companies with good corporate governance are more informative and transparent than their less shareholder protective counterparts, we argue that differences in the quality of corporate governance matter to idiosyncratic skewness. Our results validate the hypothesis and reveal a significant relation between the level of shareholder protection and idiosyncratic skewness. Firms with stronger shareholder rights are associated with more positively skewed stock returns. Our findings are robust to the inclusion of various control variables used in the literature as well as to the use of different methodologies and governance measures.

"Market Reactions to Changes in the Dow Jones Industrial Average Index"

Ernest Biktimirov - Brock University, Canada

Yuanbin Xu - University of Alberta, Canada

Discussant: Guanming He - University of Warwick, UK

This study uses the event study methodology to examine stock price, trading volume, and institutional ownership and liquidity changes for companies added to and removed from the Dow Jones Industrial Average (DJIA) index. Previous studies report conflicting evidence regarding the market reactions to changes in the DJIA index membership. The nature and composition of the DJIA make it a natural laboratory for examining the price pressure and liquidity hypotheses. We find that stocks added to the index experience a significant permanent stock price gain. The observed stock price changes are also accompanied with a significant increase in trading volume for both additions to and deletions from the DJIA index.

SESSION 30

Room 3

CORPORATE FINANCE II

Session Chair: Satish Thosar - University of Redlands, USA

"The Impact of Accounting-Based Information on the Financial Beta: Case for Cement Industry in Turkey"

Hakan Aygoren - Pamukkale University, Turkey

Serdar Iplikci - Pamukkale University, Turkey

Ilhan Kucukkaplan - Pamukkale University, Turkey

Umut Uyar - Pamukkale University, Turkey

Discussant: Demetris Koursaros - Cyprus University of Technology, Cyprus

In financial theory, the cost of equity is defined as a return that stockholders require for a company. It has a vital importance for corporations in evaluation of investment opportunities. There are several methods to calculate the cost of equity including Capital Asset Pricing Model (CAPM). The CAPM is a commonly used method but it has a major restriction. It can be used only for publicly traded corporations not for non-public corporations because it requires stock return data to estimate Financial Beta. When the stock price is not available for a firm, finance literature suggests that Accounting Beta can be used as a proxy of financial beta to estimate the cost of equity. Most of researchers have aimed to find a relationship between financial beta and accounting variables. However, they used correlation or regression based approaches. In this study, the accounting information is represented by current ratio, quick ratio, net profit margin, asset turnover, return on assets, return on equity, financial leverage and logarithmic total assets over 2005-2014 period. In addition to that, financial betas of cement firms traded in Borsa Istanbul (BIST) are calculated for each year. The result of the study illustrates that financial leverage, the size and asset turnover have the highest impact on financial beta, respectively.

"Overconfident vs Rational CEO: Who Diversifies More?"

Panayiotis Andreou - Cyprus University of Technology, Cyprus

John Doukas - Old Dominion University, USA

Demetris Koursaros - Cyprus University of Technology, Cyprus

Christodoulos Louca - Cyprus University of Technology, Cyprus

Discussant: Liliana Cueto Aguiar - Universidad Panamericana, Mexico

Corporate diversification is commonly considered a risk reducing strategy analogous to a portfolio diversification. According to this widely held belief, the overconfident CEO that underestimates risk should diversify less than the rational. In contrast, we empirically document that the overconfident CEO is the one that diversifies more. We model an alternative source of diversification -avoidance of diminishing returns- predicting that greater (lower) CEO risk tolerance leads to greater (lower) diversification if i) CEOs face diminishing returns, ii) they are not financially constrained and iii) project returns are not negatively correlated.

"Effects of Capital Structure of Private Hospitals in Investment Decisions"

Liliana Cueto Aguiar - Universidad Panamericana, Mexico

Discussant: Jie Wen - University of Sussex, UK

The objective of this article is to present an analysis on how the capital structure influences investment decisions in private hospitals. This study considers funding alternatives used in private hospitals in Mexico. When we include the possibility of financing cash flows with debt capital, valuations must acknowledge the tax deductibility of interest payments. The underlying valuation principle is that the discount rate must match the risk of the cash flows being valued. The results provide important insights into the following capital structure questions: How does debt financing affect equity holders? Does debt financing create value for a hospital? What is the right amount of debt financing? We examined the effects of debt financing on equity cash flow variability. The analysis justifies a common calculation, which is to adjust capital asset pricing model (CAPM) betas for leverage. The existence of debt financing magnifies changes in equity cash flows, and this variation also influences the beta of a firm's equity. Scenarios with different capital structure are compared to determine the effect on cash flows and discount rate. The Weighted Average Cost of Capital (WACC) approach is that the operating decisions are reflected in cash flows, while all the financing decisions are reflected in the discount rate.

"Different Impacts of a Joint Venture Announcement on its Parent Firm' Stock Market Performance: Reasons and Implications for Trading Strategies"

Jie Wen - University of Sussex, UK

Xiaoxiang Zhang - Sussex University, UK

Discussant: Hakan Aygoren - Pamukkale University, Turkey

Because of share sovereignty and incomplete contracting, Joint Venture (JV) imposes governance related transaction costs to parent firms. Through combining transaction cost theory and agency theory, we argue that such costs derive from partners' efforts in dealing with the dissimilarity between their administrative protocols and are more significant to the larger parent firm with less controlling power in a JV. After examining 824 JVs accounted from 2001 to 2012, our results indicate that JV damages rather than enhances larger non-controlling partners' market value when the dissimilarity between partners' administrative protocols is explicit. These results also imply that by short selling the larger non-controlling partner and buying the smaller controlling partner around the JV announcement period simultaneously, a significant positive risk adjusted rate of return can be achieved.

SESSION 31

Room 4

BANKS IV

Session Chair: Stylianos Perrakis - Concordia University, Canada

"On the Valuation of Large Systemic U.S. Banks"

Georgios Bertsatos - Athens University of Economics and Business, Greece

Plutarchos Sakellaris - Athens University of Economics and Business, Greece

Discussant: Van Son Lai - Laval University, Canada

We examine the stock market valuation of large and systemic U.S. bank holding companies over a decade

encompassing the financial crisis. We establish a dynamic relationship between the price – to – book (PB) ratio of equity and the cost of equity, expected growth of net income and dividend payout ratio. We find large heterogeneity in the degree to which PB ratios are temporarily above or below their long – run equilibrium valuation. These divergences are persistent and systematically related to bank balance sheet characteristics, market sentiment as well as the three aforementioned fundamentals. We provide evidence that the financial crisis and the ensuing regulatory reforms have altered the way in which investors value large and systemic U.S. banks.

"How Does the Market View Bank Regulatory Capital Forbearance Policies?"

Van Son Lai - Laval University, Canada

Xiaoxia Ye - Stockholm Business School, Sweden

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

At the height of the subprime crisis, the Federal Deposit Insurance Corporation (FDIC) has shown, once again, latitude and laxity in resolving and closing insolvent institutions. Ronn and Verma (1986) call the tolerance level below which a bank closure is triggered the regulatory policy parameter. We derive a model in which we make this policy parameter stochastic and bank-specific to infer the stock market view of the regulatory capital forbearance value. The regulatory policy parameter modeled as an exponential of a negative Cox-Ingersoll-Ross (CIR) process, yields a closed-form solution for banks' equity. For over 565 U.S. listed banks from 1990 to 2012, we link the model-derived forbearance fraction in equity capital to bank specific risk variables and business cycles. This forbearance fraction in capital represents 17%, on average, of the market valuation of bank equity and can go as high as 100%. We find that the market, naturally, expects banks to receive more capital forbearance in recessions. Bank regulatory forbearance values are also congruent with banks' intrinsic owner-contributed capital, idiosyncratic risk, systemic risk, and charter value.

"Why do Subchapter S Banks Convert Back to C Banks?"

Chun-Hao Chang - Florida International University, USA

Edward Lawrence - Florida International University, USA

Alejandro Pacheco - Florida International University, USA

Discussant: Peter Sarlin - Hanken School of Economics, Finland

The Small Business Job Protection Act of 1996 allows US banks to adopt the Subchapter S status and avoid double taxation. There are many banks that adopt the Subchapter status and then transition back to the C banks giving up the large tax benefits. In this paper we investigate the reasons for these Subchapter banks to convert back to the C banks. We find that Subchapter S banks convert back to C banks when they intend to make growth as their primary objective. We find that these banks experience significant growth in size and significant increase in their non-wage related operating expenses. For higher growth more investors are required where the bank is not able to meet the Subchapter S requirement and hence converts back to C bank.

"Bank Distress in the News: Describing Events Through Deep Learning"

Samuel Rönnqvist - Åbo Akademi University, Finland

Peter Sarlin - Hanken School of Economics, Finland

Discussant: Plutarchos Sakellaris - Athens University of Economics and Business, Greece

While many models are purposed for detecting the occurrence of events in complex systems, the task of providing qualitative detail on the developments is not usually as well automated. We present a deep learning approach for detecting relevant discussion in text and extracting natural language descriptions of events. Supervised by only a small set of event information, the model is leveraged by unsupervised learning of semantic vector representations on extensive text data. We demonstrate applicability to the study of financial risk based on news (6.6M articles), particularly bank distress and government interventions (243 events), where indices can signal the level of bank-stress-related reporting at the entity level, or aggregated at country or European level, while being coupled with explanations. Thus, we exemplify how text, as timely and widely available data, can serve as a useful complementary source of information for financial risk analytics.

CREDIT DEFAULT SWAPS

Session Chair: Lung-Fu Chang - National Taipei University of Business, Taiwan

"The Impact of Central Clearing on Credit Default Swap Spreads - Evidence from the North American and European Corporate Credit Default Swap Market"

Andreas Oehler - University of Bamberg, Germany

Benjamin Hartl - University of Bamberg, Germany

Discussant: Giorgia Simion - Ca' Foscari University of Venice, Italy

We contribute to the emerging debate on the joint dynamics of the markets for Credit Default Swaps (CDSs) and the central clearing functions of Central Counterparties (CCPs) by using a unique dataset of 155 North American and 151 European corporate single name CDSs for the period from late 2009 to early 2014. By applying three different analytical methods, we find that CDS spreads increase around the commencement of central clearing. We argue that the spreads' increase is due to higher transaction costs and a reduction in counterparty risk, which in turn increases the values of the underlying contracts.

"Basel Liquidity Regulation and Credit Risk Market Perception: Evidence from Large European Banks"

Giorgia Simion - Ca' Foscari University of Venice, Italy

Ugo Rigoni - Ca' Foscari University of Venice, Italy

Elisa Cavezzali - Ca' Foscari University of Venice, Italy

Andrea Veller - Ca' Foscari University of Venice, Italy

Discussant: Alper Bakdur - Ministry of Development, Turkey

Following the recent financial crisis, the Basel Committee on Banking Supervision (BCBS) undertook a negotiation process that led up to a liquidity reform package known as the new Basel III liquidity framework. This paper aims to assess the impact of BCBS liquidity regulation announcements on bank creditors. Using an event study on Credit Default Swap (CDS) data of large European banks over the 2007-2015 period, we find evidence that creditors increased expectations of a credit event following the regulatory events, with CDS spreads widening. Results also show that creditors were less sensitive to liquidity regulation announcements in banks with higher capital and liquidity funding ratios. In contrast, creditors were more sensitive in banks with higher bad loans, even though such effect is positively moderated by provisions against loan losses. We conclude that if banks correctly adjust the quality and the mix of their assets and liabilities, they could limit the potential side effects of Basel III liquidity regulation.

"Do Sovereign Credit Default Swaps Have Pricing Implication for Stock Market?"

Alper Bakdur - Ministry of Development, Turkey

Levent Akdeniz - Bilkent University, Turkey

Aslihan Salih - Bilkent University, Turkey

Discussant: Georgios Angelopoulos - S&P Global Market Intelligence, UK

Practitioners widely use Sovereign Credit Default Swap (CDS) spreads to infer the future economic performance of the countries. If this is the case, the information in sovereign CDS could be priced in the stock market. In local CAPM augmented with global CAPM setting, we test this hypothesis in international context with 6 developed and 4 emerging countries using individual stocks, industry portfolios and size portfolios. Our results document that information from sovereign CDS have limited explanatory power on stock market returns.

"Credit News around Seasoned Equity Offerings: Evidence from the Credit Default Swap Market"

Georgios Angelopoulos - S&P Global Market Intelligence, UK

Daniel Giamouridis - Bank of America Merrill Lynch, UK

Karampatsas Nikolaos - University of Surrey, UK

Discussant: Benjamin Hartl - University of Bamberg, Germany

In this paper we investigate the Credit Default Swap (CDS) market behaviour around Seasoned Equity Offerings (SEOs). We find that the CDS market is relatively efficient in incorporating the information impounded in the announcement of equity issues. According to the capital structure theory, we find that the most negative CDS market response is associated with SEO announcements of over-leveraged firms. We provide evidence that the reaction of the CDS spreads is also determined by leverage reduction, asymmetric information, and change in growth prospects.

SESSION 33

Room 6

MARKET MICROSTRUCTURE

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

"A New Measure of Market fragility – Can Trading Network Structure Explain Market Reflexivity?"

Tai Ma - National Sun Yat Sen University, Taiwan

Yu-Hsuan Chao - National Sun Yat-sen University, Taiwan

Discussant: Alexander Kupfer - University of Innsbruck, Austria

In this study we attempt to find out whether the level of market reflexivity or self-exciting process is a good indicator of market fragility. In addition, we examine whether and how high frequency trading and the network of investors trading affect the level of market reflexivity. Market reflexivity is measured by quantifying the level of endogenous component of the TXF index futures price formation process, using Hawkes conditional Poisson model. To test the validity of market reflexivity as a leading indicator of market fragility, the study analyzes the interaction between market reflexivity and the liquidity, volatility, and efficiency of the futures market. Finally, to decipher the factors contributing to reflexivity, we construct the trading network of TXF and invoke the concept of social network analysis such as centrality, clustering, and centralization in order to describe investor reactions and the market environment. Our main findings are threefold: (1) Volatility increases significantly before and after the critical threshold of market reflexivity especially in bearish market. (2) Intraday market reflexivity leads the liquidity and efficiency variables by 5 minutes. (3) Herding, high frequency trading, and clustering of the market are all significantly positively related with market reflexivity. Our study shows that market reflexivity may be an indicator of market fragility, which in turn is affected by clustering of trading network and high frequency trading.

"In Search of Odd Lots"

Alexander Kupfer - University of Innsbruck, Austria

Markus Schmidt - University of Innsbruck, Austria

Discussant: Arie Gozluklu - University of Warwick, UK

This paper analyzes odd lot trades with regard to investor attention. Recent literature argues that odd lot trades no longer represent retail investors. Odd lot trades - which are defined as trades with less than 100 shares - are primarily used by high-frequency traders (HFT). Within a panel regression framework consisting of 120 firm and daily data over one quarter, we analyze whether retail investors still matter in odd lot trades. We use Google search volume as a proxy for retail investors' attention and find that a change in the proxy corresponds to a change in odd lot trades. Further analyses focus on the differentiation between HFT and retail investors and include, for instance, the use of an HFT activity proxy or the separate analysis of two different exchanges. All in all, however, a clear distinction between HFT and individual retail investors is rather complex and conclusions are ambivalent.

"Flash Crashes, Rallies, and Spillovers"

Bei Cui - The University of Hong Kong, Hong Kong

Arie Gozluklu - University of Warwick, UK

Discussant: Terrence Hallahan - Victoria University, Australia

This paper analyses a large set of flash crash and rally events at the firm level during the SEC initiated single stock circuit breaker (SSCB) program, and documents the effects of such events unrelated to firm fundamentals on correlated stocks. We test whether such major price jumps, and subsequent trading halts, cause liquidity propagation to other stocks through high frequency trading strategies of arbitrageurs. We find that flash events at the firm level cause massive surge in trading volume and short-term volatility, while increasing transaction costs, not only for halted stocks but also for correlated stocks. Even though algorithmic trading (AT), measured by order-to-trade ratio (OTR), is lower around the market disruptions, fast trading activity reduces transactions costs and short-term volatility both for SSCB and correlated stocks.

"Trading Volume and Volatility: Evidence from the Indonesian Stock Market"

Haryadi Haryadi - Victoria University, Australia
Terrence Hallahan - Victoria University, Australia
Hassan Tanha - Victoria University, Australia

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

We examine the relationship between trading volume and market-wide realized volatility of emerging market equities. Trading volume has been used to indicate the arrival of new information, and its use as a proxy for information can improve understanding of market microstructure. This study contributes to the literature by using high-frequency data to investigate trading volume-volatility relations in the Indonesian equity market before, during and after the Global Financial Crisis, thereby enhancing understanding of Indonesian equity market microstructure. Consistent with the literature, we find different patterns of trading volume and returns volatility during intraday trading. However, we find mixed results on the significance and directions of volume-volatility relationships. We find evidence of bi-directional causality relationships when observations are decomposed into subsample periods and days of the week, although we find no Granger-causality relations between trading volume and volatility for the full sample period.

SESSION 34

Room 7

M&AS III

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

"Accounting Profitability and Takeover Likelihood"

Ashiq Ali - University of Texas at Dallas, USA
Todd Kravet - University of Connecticut, USA
Bin Li - University of Texas at Dallas, USA

Discussant: Jean-Yves Filbien - ESG-UQAM, Canada

We examine the association between accounting profitability and takeover likelihood of a firm. We show that the takeover likelihood is negatively associated with negative industry-adjusted ROA, and is positively associated with positive industry-adjusted ROA. This result suggests that among firms with below industry average profitability, acquirers can unlock more value in firms with poorer performance through efficient management (Palepu 1986). This result also suggests that among firms with above industry average profitability, those with higher accounting profitability are more likely to be acquired, and we argue that it is in part due to managerial opportunism. Consistent with this explanation, the positive association is more (less) pronounced when the benefits (costs) of acquisition to acquirers' management is greater, and the acquirers' stock price reaction to the announcement of acquisition is negatively associated with targets' positive industry-adjusted ROA.

"The Effect of Information Uncertainty on Share Tendering: The Case of Private Bidders"

Diego Amaya - ESG UQAM, Canada
Ludivine Chalençon - Université de Lyon, France
Jean-Yves Filbien - ESG-UQAM, Canada

Discussant: Martin Bugeja - University of Technology Sydney, Australia

Using a sample of deals announced by private bidders during the time period between January 1, 2000 and December 31, 2014, we find that the likelihood of a takeover attempt is related to the content of news articles about the deal. Our results show that the negative content of news articles is significantly and positively related to the probability of the deal's withdrawal. Our study proposes an alternative mechanism through which media can influence the outcome of a takeover announcement: information uncertainty. We argue that in environments where only soft information is available about the bidder, uncertainty generated from the processing of such information causes disagreement about target's asset value.

"Choice of Acquisition form and the Post-takeover Employment of Target Firm Directors on the Acquiring Firm Board"

Martin Bugeja - University of Technology Sydney, Australia

Raymond Da Silva Rosa - University of Western Australia, Australia

HY Izan - University of Western Australia, Australia

Susan Ngan - Murdoch University, Australia

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

In Australia a change in corporate control can be effected by either a scheme of arrangement or a takeover bid which is more conducive to an auction process. Prior research shows schemes are associated with lower bid premiums, consistent with self-dealing by target firm directors at the expense of their shareholders. We investigate the likelihood that one pay-off to target directors for accepting a lower bid premium is a seat on the acquiring firm's board. We find the odds of a target director subsequently sitting on the merged entities' board are significantly higher in schemes of arrangement. These odds increase further when the takeover premium paid is lower and when the directors have more experience on other nontarget firm boards. Our results also indicate that there is no association between merged entity post-acquisition performance and the appointment of target firm directors to the board.

SESSION 35

Room 8

SPILLOVERS I

Session Chair: Sanjiv Jaggia - California Polytechnic State University, USA

"Dynamic Volatility Spillovers Across Shipping Freight Markets"

Dimitris Tsouknidis - Cyprus University of Technology, Cyprus

Discussant: Maria Schutte - Michigan Tech University, USA

This paper examines the existence of dynamic volatility spillovers within and between the dry-bulk and tanker freight markets by employing the multivariate DCC-GARCH model and the volatility spillover index developed by Diebold & Yilmaz (2009, 2012). This methodology is invariant to ordering the variables when estimating a VAR model and allows for the disaggregation of volatility spillovers in total, directional, net and net pairwise. Results reveal the existence of large time-varying volatility spillovers across freight markets, which are more intense during and after the global financial crisis.

"Comovement, Financial Reporting Complexity, and Information Markets: Evidence from Changes in 10-Q Lengths on Internet Search Volumes and Peer Correlations"

Joshua Filzen - Boise State University, USA

Maria Schutte - Michigan Tech University, USA

Discussant: Christos Savva - Cyprus University of Technology, Cyprus

Abstract: We investigate the effect of financial reporting complexity on stock comovement. We hypothesize that investors deal with complexity increases by acquiring low cost information. This information is typically informative not just about the firm of interest but also about other firms with similar fundamentals, which generates excess comovement. We find that increases in 10-Q word counts, a complexity proxy, are consistently followed by increases in 1) internet searches about the firm and 2) R2s from regressions between

the firm's returns and its peers'. On a large scale, complexity-induced comovement might hinder investors' ability to discriminate across stocks and identify business innovators.

"Is Loan Dollarization Contagious Across Countries? Evidence from Transition Economies"

Kyriakos Neanidis - University of Manchester and Centre for Growth and Business Cycle Research, UK
Christos Savva - Cyprus University of Technology, Cyprus

Discussant: Chiraz Labidi - United Arab Emirates university, United Arab Emirates

We examine whether loan dollarization is contagious across countries and, if so, what factors contribute to such spillover effects. We analyse a unique monthly data set of loan dollarization for 23 transition economies. Using a flexible regime-switching model, we simultaneously test for shift contagion and bi-directional pure contagion between high-dollarized and low-dollarized countries. Our findings document widespread evidence of both shift and pure contagion in loan dollarization, the latter moving in both directions. Our results also show that the factors promoting contagion are associated with (i) times of adverse economic conditions and (ii) greater financial connectivity with the rest of the world.

"Dynamic Spillovers between GCC and Global Markets: The Role of Economic Uncertainty"

Theo Berger - University of Bremen, Germany
Chiraz Labidi - United Arab Emirates university, United Arab Emirates
Gazi Salah Uddin - Linköping University, Sweden
Jonathan Siverskog - Linköping University, Sweden

Discussant: Dimitris Tsouknidis - Cyprus University of Technology, Cyprus

We adopt a dynamic spillover framework to provide a thorough survey on the spillovers between global equity, oil, gold and real estate shocks and the GCC equity markets. We further explore the role of global uncertainty in explaining the documented spillovers by using an AutoRegressive Distributed Lag (ARDL) approach. Our analysis is motivated by the fact that, on one hand, the GCC region provides an ideal framework to analyze vulnerability to global shocks. It has been indeed one of the fastest growing regions over the last decade and its member countries share many similarities. It goes without saying that commodities, and particularly heavy reliance on oil have long shaped the region. It is also widely recognized that GCC investors have a high exposure to real assets such as gold and real estate. On the other hand, global shocks are in general proven to be associated with economic uncertainty and an investigation of the impact of uncertainty on the dynamic spillovers between GCC and global markets seems worthwhile. Our results indicate that time-varying spillover effects between global shocks and GCC equity markets do exist and are affected by equity-market and policy uncertainty.

SESSION 36

Room 9

CREDIT RATINGS

Session Chair: Richard Saito - Fundacao Getulio Vargas, Brazil

"Are Market Implied Ratings Viable Alternatives to Credit Ratings?"

Winnie Poon - Lingnan University, Hong Kong, Hong Kong
Iftexhar Hasan - Fordham University, USA
Gaiyan Zhang - University of Missouri, St. Louis, USA
Jianfu Shen - Hang Seng Management College, Hong Kong, Hong Kong

Discussant: Rodrigo Ferreras - Santalucia, Spain

This is the first comprehensive study to examine how market implied ratings (MIRs) perform relative to credit ratings (CRs) with respect to timeliness, responsiveness and stability for the period of 2002-2014. Our results suggest that MIRs derived from credit default swaps, bonds and stock prices lead CRs in general. MIRs are more responsive to credit risk measured by the expected default probability (EDP) calculated from Merton's model (Merton, 1974). Rating gaps are larger when information asymmetry is more severe. Moreover, rating

gaps help predict credit rating events. However, MIRs are less stable than CRs, measured by rating reversals. The results have important implications to regulators, policymakers, and market participants in the use of CRs and its possible market implied alternatives.

"Intra-Industry Transfer Effects of Credit Risk News"

Rodrigo Ferreras - Santalucia, Spain

Pilar Abad - Universidad Rey Juan Carlos, Spain

M Dolores Robles - Universidad Complutense de Madrid, Spain

Discussant: Eric Duca - Colegio Universitario de Estudios Financieros (CUNEF), Spain

This study analyzes the transfer effect of changes in corporate credit risk on the issuer's industry peers/rivals. We study credit events announced by Credit Rating Agencies affecting Spanish companies from 2000 to 2014. We find transfer effects not only in the industry returns, but also in the industry systematic and idiosyncratic risks indicating that credit rating news provide relevant unknown information to the market. Results suggest that rating announcements cause a contagion effect on the rerated firm sector. The transfer effect is stronger for the industry-related nonrated firms, indicating that the informational value of individual rating events is stronger for these firms. We find difference in the contagion effect across industries and related to the different industry risk levels. In addition, and consistent with the literature, there is an asymmetric response being the market more sensitive to negative credit news. These results have important implications for the valuation and risk management of industry portfolios.

"How Much are Credit Ratings Really Worth?"

Armen Arakelyan - Comisión Nacional de Mercado de Valores (CNMV), Spain

Eric Duca - Colegio Universitario de Estudios Financieros (CUNEF), Spain

Carlos Salvador Muñoz - Colegio Universitario de Estudios Financieros (CUNEF), Spain

Discussant: Jianfu Shen - Hang Seng Management College, Hong Kong, Hong Kong

We measure the benefits of obtaining a credit rating for the first time, through the change in yield of its outstanding unrated bonds around the rating date. In a sample of European issuers we find that most companies obtain a rating that is just above the cut-off point that separates investment grade from high yield. The decrease in yield for companies that are assigned an investment grade rating is 0.14 percentage points, whereas for those that obtain a speculative rating the reduction is 0.08 percentage points. We also find that half of the issuers assigned a speculative grade rating experience an increase in borrowing costs.

ASSET PRICING V

Session Chair: Woon Leung - Cardiff University, UK

"Can Regulatory Mode Theory Explain the Equity Premium Puzzle?"

Irene Maria Buso - University of Rome, Italy

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

In this work I solve the equity premium puzzle modeling the agent's decision making process according to the psychological evidence provided by the Regulatory Mode Theory (Higgins, Kruglanski, & Pierro, 2003; Kruglanski et al., 2000). This psychological theory identifies two motivational concerns in individuals which guide their choices: assessment and locomotion. Assessment is the tendency of the self-regulation system to evaluate and compare states; instead, locomotion is the tendency to move and change state. Following the rigorous analytical approach suggested by Rabin(2013) to apply psychology to economic models, I have built a Portable Extension of an Existing Model, the C-CAPM, where the representative agent is split into the assessment and the locomotion selves. The puzzle is solved under rather plausible conditions, as the numerical examples show. The behavioral explanation of the puzzle is based on the different motivations to bear risk (such as the desire to change state, locomotion), instead of the different types of risk evaluation, as in the models with loss aversion.

"Economic Policy Uncertainty and Equity Risk Premiums: Evidence from China"

Xiao-Ming Li - Massey University, New Zealand

Discussant: Mika Vaihekoski - University of Turku, Finland

Driven by the observation that investors in China are much less risk-averse than their US counterparts, we choose the Chinese equity market to explore whether stocks there provide a hedge against increases in policy uncertainty and whether the resultant equity risk premiums are negative, as reported for the US in recent empirical research. We conduct theoretical reasoning based on the ICAPM framework but assume irrational investor behavior. This assumption leads the reasoning to predict that Chinese stocks are a poor hedge and thus should earn a positive risk premium. To test these hypotheses, we adopt both the SDF-GMM and the Fama-Macbeth approach, and carry out estimations at both the portfolio and stock levels. Our results are coherent and robust, which provide strong evidence in support of the hypotheses but run counter to the existing evidence for the US that policy uncertainty commands a negative risk premium.

"Countercyclical and Time-Varying Risk Aversion and Equity Premium"

Jan Antell - Hanken School of Economics, Finland

Mika Vaihekoski - University of Turku, Finland

Discussant: Qingyu Zhu - Nankai University, China

This paper tests the counter-cyclicity of aggregate risk aversion and price of market risk using a novel testing approach introduced in Antell and Vaihekoski (2015) for conditional asset pricing models. Cohen et al. (2015) report experimental evidence that the risk aversion is countercyclical, although empirical support from financial studies is at best inconclusive. This paper applies the new testing approach for the Merton (1973, 1980) model. The testable implications link realized equity premium to, among others, changes in conditional variance, its long-term persistence, and changes in the time-varying risk aversion. Empirically, testing is conducted using monthly US stock market data from 1928 to 2013, and using (asymmetric) GARCH models to estimate time-varying variance. We compare various methods to model economic expectations regarding the state of the economy. Unlike the traditional estimation approach, the results from the new estimation approach give support for time-varying and countercyclical risk aversion.

"Analysis of the Sector of Software & Computer Services with a New Carhart 4-Factor Model"

Qingyu Zhu - Nankai University, China

Yang Mu - Nankai University, China

Xueying Bian - Nankai University, China

Liuling Li - Nankai University, China

Discussant: Irene Maria Buso - University of Rome, Italy

In this paper, we analyze the sector of Software and Computer Services with a new Carhart four-factor model. The sector in US, UK and China are compared. LR, KS and AIC are used for testing parameter restrictions, residual check and model comparison, respectively. MLE is used to estimate parameters via Matlab. Empirical results show the Carhart 4 factors are still alive! The new 4-factor model fits the data well and has better in-sample fit than that of Carhart(1997) and Fama-French(1993). This sector in these 3 countries can not earn statistically significant extra Alpha returns. And the Beta value in this sector of US is close to the market.

SESSION 38

Room 2

MARKET ANOMALIES I

Session Chair: Theodore Sougiannis - University of Illinois, USA

"Stock Return Anomalies from Ending-digit Effects around The World"

Tao Chen - Open University of Hong Kong, Hong Kong

Discussant: Nizar Atrissi - Universite Saint-Joseph, Lebanon

Ending-digit effects describe the presence of abnormal returns when the ending digits of stock prices are one penny below or above the zero-ending round number. Using data from 68 countries, I find abnormal positive returns when stock prices surpass the zero-ending threshold (i.e. when the ending digit is 1) but abnormal negative returns when prices drop below the same threshold (i.e. when the ending digit is 9). My findings survive alternative robustness checks. This ending-digit effect is more prominent in countries with more active innovation, better governance, looser law enforcement, and more transparent information environment.

"Risk Profile and Stocks Performance: Low Risk Anomaly of Global Banks"

Nizar Atrissi - Universite Saint-Joseph, Lebanon

Cynthia Julia Ballout - Universite Saint Joseph, Lebanon

Discussant: Stylianos Perrakis - Concordia University, Canada

The return of stocks is generally subject to the phenomena of low risk anomaly for different sectors and for different markets since the second half of the 20th century and that of banks are more subject to these anomalies than other industries (Baker and Wurgler, 2014). This paper studies the low risk anomaly on a sample of global banks stocks in order to bring out the relationship between global banks credit risk profile and their stocks return. Given the hypothesis that low risk anomaly is due to negative asymmetry in the distribution of stock return (Schneider, Wagner and Zechner, 2015) and that this asymmetry is affected by the volatility of assets and the level of leverage of a firm, we present an empirical work where we test these hypotheses on a sample of international banks. Our results suggest that negative asymmetry has no significant impact on the global banks stocks excess return while previous empirical studies suggest that a firm's asset volatility and leverage are main drivers of negative asymmetry - and still the relationship between global banks stock return and banks risk profile is strongly inverted - is revealing that seeking a higher risk profile causes the bank's stock return to be more subject to low risk anomaly and thus less performing than the stocks of a less risky bank. The impact of the bank's risk profile seems more important on the global banks low risk anomaly than negative asymmetry of return distribution.

"Mispriced Index Option Portfolios"

George Constantinides - University of Chicago, USA

Michal Czerwonko - Concordia University, Canada

Stylianos Perrakis - Concordia University, Canada

Discussant: Amnon Schreiber - Bar Ilan University, Israel

A utility-maximizing investor trading at 28, or 14, or 7-day intervals in the S&P 500 index and a riskless bond, subject to proportional transaction costs, can stochastically dominate his portfolio by overlaying a zero-net-cost portfolio of European S&P 500 options bought at their ask price and written at their bid price, in almost every month over 1996-2013. Dominance is prevalent when the ATM IV is high and/or the right skew is low. The portfolios include more than double the number of calls than puts and the call positions are overwhelmingly short positions, consistent with the practice of writing covered calls. This contradicts the common belief that puts and not calls are overvalued. We conclude that at least some S&P 500 options are significantly mispriced relative to the index.

"Scaling up Market Anomalies"

Doron Avramov - The Hebrew University of Jerusalem, Israel

Si Cheng - Queen's University Belfast, UK

Amnon Schreiber - Bar Ilan University, Israel

Koby Shemer - AlphaBeta, Israel

Discussant: Tao Chen - Open University of Hong Kong, Hong Kong

This paper implements momentum among a host of market anomalies. Our investment universe consists of the 15 top (long-leg) and 15 bottom (short-leg) anomaly portfolios. The proposed active strategy buys (sells short) a subset of the top (bottom) anomaly portfolios based on past one-month return. The evidence shows statistically strong and economically meaningful persistence in anomaly payoffs. Our strategy consistently outperforms a naive benchmark that equal weights anomalies and yields an abnormal monthly return ranging between 1.27% and 1.47%. The persistence is robust to the post-2000 period, and various other considerations, and is stronger following episodes of high investor sentiment.

SESSION 39

Room 3

CORPORATE GOVERNANCE I

Session Chair: Tom Berglund - Hanken School of Economics, Finland

"What Drives Shareholders' Reaction and Wealth Effect in Block Trades - Empirical Evidence from the Warsaw Stock Exchange"

Katarzyna Byrka-Kita - University of Szczecin, Poland

Mateusz Czerwinski - University of Szczecin, Poland

Agnieszka Perepeczo - University of Szczecin, Poland

Discussant: Samuel Szewczyk - Drexel University, USA

The main objective of this paper is to present abnormal returns and their determinants related to block trades on the Warsaw Stock Exchange, the largest emerging market in Central East Europe. The positive abnormal returns achieved for the entire sample, at approximately 12%, indicate that block trades create shareholder value. Further, in more than 40% of block trades, the reaction was negative, which implies that other factors affected abnormal returns. The CAARs show that shareholders reacted positively to no a control transfer in block trades in the Polish market, and they were higher for the Polish market than those observed for the US market. Abnormal returns for subsample of block trades concluded at a discount were twice as high as those for the entire sample. Moreover, cross-border block trades have a negative impact on shareholder value creation, as does a financial investor as an acquirer. However, CAARs are driven up by the relative power of minority shareholders (ocean) prior to the transaction. The absolute size of the block acquired by an investor was also observed to have positive impact on price rises and abnormal returns.

"Corporate Governance Structure and Strategic Change: Evidence from Major Acquisitions"

Seung Hee Choi - The College of New Jersey, USA

Samuel Szewczyk - Drexel University, USA

Discussant: Izabela Jedrzejowska-Schiffauer - WSB University in Wroclaw, Poland

When major reallocations of the firm's assets are necessary, a balance in the corporate governance structure favoring the CEO can be a necessary condition for planning and initiating major strategic moves. We examine firms making major acquisitions to identify corporate governance elements that are particular to undertaking major strategic initiatives. We find the propensity of acquiring firms to make major strategic acquisitions is abetted by the CEO's attributes and compensation, by the structure of the audit committee and compensation committee, and by the firm's prior financial performance. Our analysis of firms making major acquisitions presents a picture of an environment that is conducive to strategic risk taking.

"EU Crisis Management – Institutional and Normative Impact on Corporate Governance?"

Izabela Jedrzejowska-Schiffauer - WSB University in Wroclaw, Poland

Discussant: Bartolomé Pascual-Fuster - Universitat de les Illes Balears, Spain

Following the outbreak of the economic and financial crisis in 2008, the EU institutions have introduced a number of measures intended at tackling macroeconomic imbalances and implement fiscal and budgetary discipline, notably in the euro area. It turned out that mere coordination of Member States' economic policies was insufficient vis-à-vis the challenges posed by the crisis, notably in the light of the necessity of intervention by the public sector to keep some financial institutions solvent, which resulted in the spill over of the financial crisis to sovereign debt crisis. The purpose of this contribution is to analyse selected EU economic governance measures introduced in response to the economic and financial crisis with a view to determining their potential relevance for the company law, in particular corporate governance. Two basic premises may be indicated which incline to analyse this subject matter. Firstly, whilst the modalities of corporate governance are first and foremost the responsibility of companies themselves, relevant national and EU level rules are essential so as to ensure that certain standards are respected. The second relevant aspect pertains to weaknesses which have been uncovered in corporate governance of both financial and non-financial institutions in the context of the crisis. In particular, efficient and responsible corporate governance is perceived as possible means to curb harmful short-term policy orientation and excessive risk-taking.

"Politicians Inside the Boardroom; Is It a Convenient Burden?"

Bartolomé Pascual-Fuster - Universitat de les Illes Balears, Spain

Rafel Crespi-Cladera - Universitat de les Illes Balears, Spain

Discussant: Agnieszka Perepeczo - University of Szczecin, Poland

We analyze whether the activity of former politicians as corporate directors is different than the activity of the rest of directors. We analyze whether former politicians have a different probability of holding relevant positions in the full board of directors and in the delegated committees. Our results provide weak evidence of a higher activity by politicians, and strong evidence against a lower activity. Firms decide the positions held by each of their directors. Therefore, our results suggest that firms estimate the quality of former politicians as corporate directors, in terms of monitoring and advising, to be like the quality of the rest of corporate directors. Therefore, firms on average do not bear a high opportunity cost, in terms of directors' quality, when hire former politicians to obtain political connections. Our analysis is implemented in Spain, representative of the continental European countries, characterized with high ownership concentration.

BANKING & RISK MANAGEMENT

Session Chair: Tim Loughran - Notre Dame, USA

"Measuring Systemic Risk: A Comparison of Alternative Market-Based Approaches"

Jacob Kleinow - Technische Universität Bergakademie Freiberg, Germany

Fernando Moreira - University of Edinburgh, UK

Sascha Strobl - University of Vaasa, Finland

Sami Vähämaa - University of Vaasa, Finland

Discussant: Naval Verma - Indian Institute of Technology, India

This paper compares four commonly used systemic risk metrics using data on U.S. financial institutions over the period 2005-2014. The four systemic risk measures examined are the (i) marginal expected shortfall, (ii) codependence risk, (iii) delta conditional value at risk, and (iv) lower tail dependence. Our results demonstrate that the alternative measurement approaches produce very different estimates of systemic risk. Furthermore, we show that the different systemic risk metrics may lead to contradicting assessments about the riskiness of different types of financial institutions. Overall, our findings suggest that systemic risk assessments based on a single risk metric should be approached cautiously.

"Measurement of Systemic Risk in Financial System"

Naval Verma - Indian Institute of Technology, India

Discussant: Mikhail Oet - Case Western Reserve University, USA

The recent global financial crisis has taught us one tough and important lesson that, there is a pressing need for containing the systemic risk in the financial system. However, prior to containing this risk and form the regulations we need to measure this risk properly. This research has attempted to measure systemic risk in financial system and its evolution over time on daily basis. Being severely hit by the financial crisis in 2008-09, the US financial system provides the perfect setting for studying the evolution of systemic risk. We used the data of big US financial firms from year 2001 and onwards till the end of year 2011 for this study. We found the indications of continuous increase in the systemic risk levels of the US system before the Lehman Brothers' failure but probably this ex-ante risk was neither measured nor taken very seriously by the regulators. Systemic risk was at peak during the crisis though the level of the peak was different for the different kind of institutions. Depositories and Broker-dealer firms seem to pollute more and though the level of risk came down after the crisis but still high towards the end of 2011. This seems to be a first study estimating the time series of Systemic Expected Shortfall on daily basis and also the first in estimating firm specific share in the total systemic risk contribution of the firm.

"Macroprudential Policy in Adaptive Financial Markets: The Use of Systemic Risk Early Warning Tools"

Mikhail Oet - Case Western Reserve University, USA

John Dooley - Federal Reserve Bank of Cleveland, USA

Stephen Ong - Federal Reserve Bank of Cleveland, USA

Discussant: Levent Güntay - MEF University, Turkey

How can a systemic risk early warning system (EWS) facilitate the financial stability work of policymakers? In the context of evolving financial market dynamics and microprudential policy's natural limitations, this study examines new directions for macroprudential policy supported by empirical models for financial stress measurement and forecasting. This paper introduces the sector stress measure for stress analysis of adapting sector agents. It extends current supervisory EWS information through a structural equation model (SEM) of information spillovers and adaptive reaction to supervision. EWS and SEM policy responses to systemic risk in adaptive settings are considered, where sector stress offers greater informational depth for early warning triggering of policy responses. The EWS tools for measuring and forecasting financial stress are applied to three broad categories of macroprudential functions: stress identification, disclosure, as well as targets and limits on financial exposures.

"Testing for Systemic Risk Using Stock Returns"

Paul Kupiec - American Enterprise Institute, USA

Levent Güntay - MEF University, Turkey

Discussant: Fernando Moreira - University of Edinburgh, UK

The literature proposes several stock return-based measures of systemic risk but does not include a classical hypothesis tests for detecting systemic risk. We address this shortcoming. We adopt the joint null hypothesis of Gaussian returns and the absence of systemic risk, and develop a hypothesis test statistic to detect systemic risk in stock returns data. We apply our tests on CoVaR, MES and SRISK estimates of the 50 largest US financial institutions using daily stock return data between 2006 and 2007. The CoVaR test identifies only one institution as systemically important while the MES and SRISK measures identify 27, including some of the financial institutions that experienced distress in the past financial crisis. We also carry out a simulation analysis to assess the performance of the test statistics for non-Gaussian fat-tailed and skewed return distributions. We find that even when stock returns exhibit strong asymptotic left-tail dependence, hypothesis tests based on MES, SRISK and especially CoVaR lack power and may fail to detect it.

SESSION 41

Room 5

COMMODITIES

Session Chair: Sazali Abidin - Lincoln University, New Zealand

"Energy Consumption and Priority Dispatch for Renewables Under Demand Uncertainty"

Nikolaos Milonas - University of Athens, Greece

Fotios Kalantzis - National and Kapodistrian University of Athens, Greece

Stavros Thomadakis - University of Athens, Greece

Discussant: Roselyne Joyeux - Macquarie University, Australia

Our study investigates the impact of the Renewable Energy Sources (RES) priority rule in the dispatch schedule on the conventional power producers and particularly in their operation, profitability and their prospects in the overall EU electricity markets. We develop a model where the electricity sector faces a given demand uncertainty that absorbed by both the conventional and RES producers. In line to the existing EU policy, since RES production is taken first into the system, RES production does not face much demand uncertainty. In fact, the higher the RES electricity supply over time leads to a higher concentration of demand risk on the non-RES electricity companies. Such concentration of the demand uncertainty should be captured by the volatility of conventional power generation. This concentration of risk on conventional power producers is equivalent to the Modigliani-Miller effect of leverage whereby the cost of equity increases with the increase in leverage despite the fact that the overall risk of the company does not change. We utilize data from 18 European electricity markets and find the volatility of electricity produced from conventional companies to be positively affected by the share of RES production as suggested by the model.

"Income and Energy Consumption in Asia"

Roselyne Joyeux - Macquarie University, Australia

Raymond Li - Hong Kong Polytechnic University, Hong Kong, Hong Kong

Ronald Ripple - The University of Tulsa, USA

Discussant: Mary Malliaris - Loyola University Chicago, USA

The research presented in this paper studies the relationship between energy consumption and income for a panel of Asian economies. We start with an overview of the evolution of energy intensities for the individual countries in our study. Panel data methodologies are then employed to gain the advantage of increased explanatory power of the econometric analysis results from pooling time series and cross-section observations. In addition, the analyses incorporate common factors as a means of accounting for variables beyond the bivariate relationship between income and either total final energy consumption or electricity consumption. In the cross-section dimension the panel includes 20 economies across Asia, and in the time series dimension it ranges over 41 years from 1971 – 2012. The results find support for the flow of causality

running from income to energy consumption, albeit with feedback, for both electricity and total final consumption. The results are consistent with and supportive of the initial findings of Kraft and Kraft (1978). In addition, the long-run income elasticity estimates for the panel find electricity consumption to be substantially more responsive to income change than total final consumption. This latter finding is consistent with the view that well over half of the growth in energy demand feeds power generation.

"Gold and Silver Direction Forecasts Using Decision Trees Built on Clusters"

Anastasios Malliaris - Loyola University Chicago, USA

Mary Malliaris - Loyola University Chicago, USA

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

This paper considers the directional predictability of daily returns for both gold and silver. These two metals have had a long history behaving sometimes as complements and other times as substitutes. We use daily data from June of 2008 through February of 2015. The last two years were removed as a set for validation of the model and the remainder, almost 5 years, was used as training. A cluster analysis yields six important clusters. An evaluation of these clusters leads to the formation of three strategies for directional predictions – up or down—for both gold and silver returns. The results of this analysis suggest that each strategy has its own advantages: the first strategy suggests that gold returns can be predicted better than those of silver; the second strategy shows that predicting up for gold also means predicting down for silver and the final strategy confirms that predicting up for silver also validates predicting down for gold.

"A Regime Switching Correlated Bivariate Poisson Jump Model for Futures Hedging"

Wing Hong Chan - Wilfrid Laurier University, Canada

Hsiang-Tai Lee - National Chi Nan University, Taiwan

Discussant: Nikolaos Milonas - University of Athens, Greece

This article suggests a regime switching correlated bivariate Poisson jump (RSCBPJ) model for optimal futures hedging. The jump risk of spot and futures returns in RSCBPJ is specified with a state-dependent time-varying correlated jump dynamic. Most of the jump hedging models to date restrict a common jump for both spot and futures returns and do not consider regime switching effects in the jump dynamic. RSCBPJ releases these restrictions such that spot and futures returns have both common and asset-specific jump dynamics, and the jump dynamics are state-dependent. We illustrate the usefulness of RSCBPJ by performing an exercise of hedging the corn spot price exposure with corn futures. Empirical results show that RSCBPJ exhibits superior hedging effectiveness both in- and out-of-sample compared with models without modelling jump dynamic and models with a common jump dynamic.

SESSION 42

Room 6

FUNDS I

Session Chair: Peter Scholz - Hamburg School of Business Administration, Germany

"Measuring Hedge Fund Performance: A Markov Regime-Switching with False Discoveries Approach"

Gulten Mero - Université de Cergy-Pontoise - THEMA, France

Discussant: Alessandra Canepa - Brunel University, UK

We propose a Markov regime-switching approach accounting for false discoveries in order to measure hedge fund performance. It enables us to extract information from both time-series and cross-sectional dimensions of panels of individual hedge fund returns in order to distinguish between skilled, unskilled and zero-alpha funds for a given state of the economy. Applying our approach to individual funds belonging to the Long/Short Equity Hedge strategy, we find that their performance cannot be explained by luck alone, and that the proportion of zero-alpha funds in the population decreases when accounting for alpha regime dependence. However, the proportion of skilled funds is higher during expansion periods, while unskilled funds tend to

be more numerous during recession periods. Moreover, sorting on regime-dependent instead of unconditional alphas improves our ability to select funds that outperform their benchmarks in both regimes of the economy by maximizing the performance persistence effect of top performer fund portfolios.

"Evaluating the Performance of Hedge Fund Strategies: A Non-Parametric Analysis"

Alessandra Canepa - Brunel University, UK

Maria De La O Gonzalez Perez - University of Castilla - La Mancha, Spain

Frank Skinner - Brunel University, UK

Discussant: Ania Zalewska - University of Bath, UK

We seek evidence that top performing hedge funds follow a different strategy than mediocre performing hedge funds by examining the structure of significant risk factors that explain the out of sample excess net returns. Consequently, we examine the out of sample returns of hedge funds to determine, first, if hedge funds have outperformed the market in recent years, second, whether top funds actually outperform mediocre performing hedge funds and thirdly, whether top funds have a different risk profile than mediocre hedge funds and therefore appear to follow a different strategy. We find that the risk profile of top quintile performing funds is distinctly different than mediocre quintile funds by having fewer risk factors that appear to anticipate the troubling economic conditions that prevailed after 2006.

"Hard Times for Everyone: (De)Investing in Mutual Funds"

Ania Zalewska - University of Bath, UK

Yue Zhang - University of Bath, UK

Discussant: Angeline Kim Pei Chua - RMIT University, Australia

In spite of a high level of participation in mutual fund investments American investors manifest surprisingly weak level of financial literacy. This might not be a problem if it was not for the fact that about 50 millions of Americans use mutual fund investments as a way of securing income for old age, and therefore, investment mistakes may result in substantial reduction of retirement income. The paper looks at the performance of U.S. mutual funds that exited the market in 2000-2014 to assess whether a conjecture that natural market clearing mechanisms that take the weakest performing funds off the market were distorted during the financial crisis. We find strong evidence that this was the case and suggest that the finding can be explained by fund-families taking advantage of passive investors by charging them fees for underperforming funds that in 'normal' market circumstances would exit the market.

"The Presence of Style Drift in Chinese Equity Funds"

Angeline Kim Pei Chua - RMIT University, Australia

On Kit Tam - RMIT University, Australia

Marie Cam - RMIT University, Australia

Monica Tan - RMIT University, Australia

Discussant: Gulden Mero - Université de Cergy-Pontoise - THEMA, France

Fund managers' style drift behaviour alters fund risks and may impact fund performance that is detrimental to fund investor's interest. This paper is a first study on the existence and effects of style drift in the fast growing fund management industry in China. It provides a fine grained analysis of China's open-end equity funds to generate classifications that accurately reflect the true style of each fund whose name, objective, strategy, philosophy and prospectus are all manually analysed for drift detection. Employing a holding-based methodology and using a unique Chinese dataset, we find evidence of style drift in China. The behaviour is found regardless of fund age. We also examine whether style drift is influenced by fund characteristics and investment timeframe. Our findings offer new approach in addressing the issue of style drift with evidence providing new insights on fund performance evaluation and design of fund managers' compensation.

FINANCING I

Session Chair: Yukihiro Yasuda - Hitotsubashi University, Japan

"Do Local Banking Market Structures Matter for SME Financing and Performance? New Evidence from an Emerging Economy"

Iftekhar Hasan - Fordham University, USA

Krzysztof Jackowicz - Kozminski University, Poland

Oskar Kowalewski - Polish Academy of Sciences, Poland

Lukasz Kozlowski - Kozminski University, Poland

Discussant: Malte Janzen - Hamburg University, Germany

This paper investigates the relationship between local banking structures, SME access to debt financing and SME performance. Using a unique dataset on bank branch locations in Poland and county-level and firm-level data, we conclude that a strong position for local, cooperative banks facilitates access to bank financing, lowers financial costs and boosts investment and growth for SMEs. Moreover, counties where cooperative banks hold a strong position are characterized by a quicker pace of new firm creation. However, only local banking markets dominated by supra-local, foreign and domestic banks appear to exert pressure on SMEs to increase efficiency. Our results thus empirically document the advantages and disadvantages of the relationship and arm's length banking models. As a consequence, our findings are important from a policy perspective, as they show that foreign bank entry and industry consolidation may raise valid concerns for SME development prospects in emerging economies.

"Investment and Financing Decisions of Private and Public Firms"

Wolfgang Drobetz - Hamburg University, Germany

Malte Janzen - Hamburg University, Germany

Iwan Meier - HEC Montreal, Canada

Discussant: Nuno Filipe Moutinho - Instituto Politécnico de Bragança, Portugal

This paper analyzes the differences in investment and financing decisions of private and public firms by focusing on their use of cash flow. Our tests cover all channels through which a firm can spend its cash flow or compensate for lack of internal funds. Using a large dataset of private and public firms from Western Europe, we create a sample of matching firms to isolate the effects of private and public ownership. Our results show that private and public firms behave significantly different in their investment and financing decisions. Private firms exhibit lower investment-cash flow sensitivities and a stronger link between performance and shareholder distributions. We find that these differences between private and public firms can be accounted for entirely by their use of unexpected cash flow. However, our results can only be observed in countries with a highly developed and liquid stock market and low ownership concentration. We conclude that it is the "dark side" of liquidity that reduces the incentives for shareholders to actively monitor managers and, eventually, leads to inefficient cash flow allocation in public firms.

"Do the Types of Financial System, Corporate Governance System and Legal System of the Borrower's Country Influence the Interest Rate Spread of Syndicated Loans?"

Nuno Filipe Moutinho - Instituto Politécnico de Bragança, Portugal

Carlos Alves - CEMPRE, Portugal

Francisco Vitorino Martins - Faculdade de Economia do Porto, Portugal

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

The companies' choice of financing sources seems to be determined by a set of conditions related not only to their characteristics and situation, but also to the institutional environment – in particular regarding available information and the effective protection of investors' rights – in which they operate. In this way, the characteristics of the borrower's country may be relevant in determining the cost of syndicated bank financing. The purpose of this study is to analyse if the type of financial system, the type of governance

system and the type of legal system of the countries influence the cost of financing obtained by their borrowers through syndicated loans. Using data of 85.220 tranches, corresponding to 53.103 syndicated loans, 25.511 borrowers from 122 countries during 2000-2012 period, we find that borrowers pay lower spreads when they belong to countries with a bank-based financial system, which is in accordance with the existence of more relationship lending. As for the governance system, borrowers from continental countries have lower interest rate spreads on their financing, suggesting that “inside” control of companies’ life by banks yields lower costs of financing than “outside” control in a market relationship context.

"The Optimal Collaborative Financial Strategies for Firms Facing Competition and Uncertainty"

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

Discussant: Krzysztof Jackowicz - Kozminski University, Poland

Previous researches related to supply chain management have discussed the issues of collaboration in terms of operation activities, such as the optimization of inventory systems, the facilitation of operational processes, the sharing of information, and the sharing of market risks, etc. Even though some of them focused on the optimization of operational costs or profits, discussions were limited to the investment aspect, instead of the financing aspect. Inspired by current prevailing risk environment where corporations or government agencies are threatened by widespread bankruptcy, this proposed project will present a comprehensive framework dealing with supply chain collaboration under uncertainty by integrating investment and divestment decisions. In the model, entering (investing) and exiting (divesting) the market is a required approach to make sure each member firm along the supply chain optimizes its own value separately and simultaneously, instead of optimizing the joint profit of the overall supply chain only. In the framework, there are two stages of decisions: the first one is the investment stage at which the optimal investment threshold and bargaining power for each member firm, as a basis of distribution of the optimized joint profit, will be analytically derived. Following the first stage, the optimal divestment threshold for each firm will be obtained at the second stage. The major contributions of this model will be not only to solve the problem of profit-maximization for each member firm in the supply chain, but also to solve the problem of fairness for the distribution of the optimal joint profit presented at the first stage.

SESSION 44

Room 8

SPILLOVERS II

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

"Multiemployer Defined Benefit Pension Plans' Liability Spillovers: Important Connections in U.S. Unionized Industries"

Barbara Chambers - Monash University, Australia

Discussant: Chritian Bucio Pacheco - Universidad Nacional Autónoma de México, Mexico

A multiemployer defined pension plan (MDBP) is a collectively bargained pension plan maintained by two or more employers and a labor union. MDBPs pool risks, contributions, assets, and liabilities. Bankruptcy by MDBP firms usually results in almost constant MDBP total liabilities but a shrinking pool of contributing MDBP employers, thus increasing MDBP liabilities for the remaining MDBP employers and exposing them to “liability spillover risks.” I document the economic magnitudes of public firms’ MDBP liabilities and MDBP liability spillovers from other public companies, information relevant to both finance academics and policy makers. I find five companies with five-year expected MDBP liability spillovers exceeding 1% of their book assets. One company has one-year expected MDBP liability spillovers exceeding 22% of its book assets. On average, leverage ratios increase by 6% once MDBP liabilities and expected liability spillovers are consolidated into capital structure.

"Measuring via Copulas Static and Dynamic Dependency between the Stock Markets from NAFTA Bloc"

Chritian Bucio Pacheco - Universidad Nacional Autónoma de México, Mexico

Alejandra Cabello - Universidad Nacional Autónoma de México, Mexico

Discussant: Zana Grigaliuniene - ISM University of management and economics, Lithuania

Economic and financial relationships between neighboring capital markets are ineludible and important; therefore, it is essential to analyze and identify patterns of dependence inherent between these markets. This paper analyzes the degree of dependence, static and dynamic, among the capital markets of Mexico, Canada and the United States. The study is carried out applying the methodology of copulas, which considers dependence taking into account the nonlinearity and the asymptotic characteristics of stock markets series. The statistical and econometric tests are performed using the corresponding yields of the IPC stock index of Mexico, S&P TSX index of Canada, and the S&P 500 index of United States. The 1983-2015 period of analysis includes daily data series. Static dependence is analyzed with different periodicities: 1 year, semiannually and quarterly intervals. Dynamic dependence is performed through a rolling window of 251 and 61 days. Copulas both Elliptical and Archimedean are estimated. Static and dynamic Kendall's tau parameter of Copulas are contrasted versus the traditional Pearson correlation parameter. The analysis is carried out assuming that each marginal copula is adjusted by a kernel density function. The empirical evidence confirms that copula methodology is more precise than that based on linear models; it also identifies changes in the structures of dependence during the total and sub periods analyzed.

"Noise or News? The Reaction of Eurozone Stock Markets to New Members"

Zana Grigaliuniene - ISM University of management and economics, Lithuania
Christopher Hartwell - CASE - Center for Social and Economic Research, Poland
Mindaugas Butkus - Siauliai University, Lithuania

Discussant: Pui Sun Tam - University of Macau, Macao

The introduction of the Euro is an important event for a country's economy, and may have a significant impact on firms' performance in the countries joining the Eurozone. How then do Eurozone stock markets react when there is an announcement of another country introducing the Euro? This paper looks at the effects of Euro introduction news on the stock returns of 19 Eurozone countries, with an emphasis on the beta behavior dependent on the effect/ direction of the given news. We employ traditional event study methodology to explore news effects, finding a weak directional asymmetry in the markets. Our results show that Euro introduction news tends to have a stronger negative impact if the introduction of the Euro took place in the post-crisis period rather than before it.

"Global Distribution Dynamics of Stock Valuation"

Pui Sun Tam - University of Macau, Macao
Pui I Tam - Macao Polytechnic Institute, Macao

Discussant: Barbara Chambers - Monash University, Australia

This paper studies the transition dynamics of stock valuation across markets. Stock valuation across markets is reflective of stock fundamentals driven by global factors, admissible for idiosyncratic market components, which is examined with the non-parametric distribution dynamics approach. Results reveal that global distribution dynamics is affected by the global financial crisis. The global financial crisis tend to favor convergence in terms of EP and BP, but not with respect to DP. After the global financial crisis, stock valuation becomes most uniform for EP, whereas the worst performing markets in terms of initial BP transit to become the best performers.

SESSION 45

Room 9

INFORMED TRADING

Session Chair: Anastasios Malliaris - Loyola University Chicago, USA

"Informed Trading Prior to Accelerated Equity Offerings and Readability of S-3"

Ali Sheikhabaehi - La Trobe University, Australia
Amalia Di Iorio - LaTrobe University, Australia
Balasingham Balachandran - LaTrobe University, Australia
Huu Duong - Monash University, Australia

Discussant: Marketa Wolfe - Skidmore College, USA

This study investigates informed trading prior to accelerated equity offering announcements. Using a sample of 460 offers in US market during 2003-2013 period, we find abnormal put trading volume is high and implied volatility skew is low immediately prior to an offering announcement. Further, we examine whether the information advantage of informed traders arises from their superior ability to process S-3 SEC filings as the required prospectus filing for the equity offering. Our findings suggest that S-3 is not a source of superior information for investors.

"Price Drift before U.S. Macroeconomic News: Private Information about Public Announcements?"

Alexander Kurov - West Virginia University, USA

Alessio Sancetta - Royal Holloway, University of London, UK

Georg Strasser - European Central Bank, Germany

Marketa Wolfe - Skidmore College, USA

Discussant: Matthijs Lof - Aalto University, Finland

We examine stock index and Treasury futures markets around releases of U.S. macroeconomic announcements. Seven out of 21 market-moving announcements show evidence of substantial informed trading before the official release time. Prices begin to move in the "correct" direction about 30 minutes before the release time. The pre-announcement price drift accounts on average for about half of the total price adjustment. These results imply that some traders have private information about macroeconomic fundamentals. The evidence suggests that the pre-announcement drift likely comes from a combination of information leakage and superior forecasting based on proprietary data collection and reprocessing of public information.

"Asymmetric Information and the Distribution of Trading Volume"

Matthijs Lof - Aalto University, Finland

Jos Van Bommel - University of Luxembourg, Luxembourg

Discussant: Conall O'Sullivan - UCD Michael Smurfit Graduate Business School, Ireland

We use the Kyle (1985) model to characterize the distribution of trading volume as a function of the proportion of informed trade. If most orders are submitted by uninformed traders and are hence uncorrelated, order imbalance is small compared to observed trading volume, and the distribution of trading volume resembles a Normal distribution. On the other hand, if most orders are correlated because they are submitted by informed traders, the order imbalance is large and needs to be absorbed by market makers. The trading volume distribution is in this case more skewed and has a higher coefficient of variation (ratio of standard deviation to mean). We find that the volume coefficient of variation (VCV) is highly correlated to alternative measures indicative of informed trading in the cross section of stocks. Moreover, the VCV sharply decreases after earnings announcements, which resolve information asymmetries. Finally, the post earnings announcement drift is stronger for stocks with a low VCV prior to the announcement.

"Does Informed Option Trading Before a Merger Deal Announcement Differ According to Deal Side?"

Cal Muckley - UCD Michael Smurfit Graduate Business School, Ireland

James O'Donovan - INSEAD, Singapore

Conall O'Sullivan - UCD Michael Smurfit Graduate Business School, Ireland

Discussant: Balasingham Balachandran - LaTrobe University, Australia

There is pre-announcement cross-sectional information assimilation in changes in option implied model-free skewness in respect to announcement period equity returns. We show that changes in the option implied model-free skewness has significantly greater predictive capacity for principally cash financed target firms. A rationale for this pre-announcement option trading is (i) that the primarily cash financed target firms exhibit the largest discontinuous price impact at announcement and (ii) this finance mechanism, unlike in primarily equity financed deals, does not facilitate equity hedging of deal risk with an equity position in the counterpart deal firm. We formalize this intuition by simulating a simple model to show the information assimilation in changes in implied moments with respect to announcement returns. The results are robust to different run-up

period windows and a wide set of cross-sectional stock return predictors. Pending merger deal announcements, we therefore show that, as reflected in changes in model-free option implied skewness, the options market plays an important role in price discovery.

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

ASSET PRICING VI

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

"Consumption Growth Predictability and Asset Prices"

Byoung-Kyu Min - University of Sydney, Australia

Discussant: Neophytos Lambertides - Cyprus University of Technology, Cyprus

We derive and test a consumption-based intertemporal asset pricing model in which an asset earns a risk premium if it performs poorly when expected future consumption growth deteriorates. The predictability of consumption growth combined with the recursive preference delivers news about future consumption growth an additional risk factor, in addition to news about current consumption growth. We model the consumption growth dynamics using a vector autoregressive (VAR) structure with a set of instrumental variables commonly used for forecasting future economic growth. Our VAR estimation provides strong empirical support for future consumption growth predictability. The cross-sectional test shows that the model explains reasonably well the dispersion in average excess returns of 25 portfolios sorted on size and book-to-market, as well as 25 portfolios sorted on size and long-term return reversal. Growth stocks and long-term winners underperform value stocks and long-term losers, respectively, because growth stocks and long-term winners hedge adverse changes in the future consumption growth opportunities.

"The Impact of Pure Growth Options on Stock Returns"

Christoforos Andreou - Cyprus University of Technology, Cyprus
Neophytos Lambertides - Cyprus University of Technology, Cyprus
Lenos Trigeorgis - University of Cyprus, Cyprus

Discussant: Luca Del Viva - ESADE Business School, Spain

This study examines the interconnection between distress risk and growth options and the impact of pure growth options on subsequent stocks returns. Although much of the financial information utilized to measure distress risk and growth options is common, prior studies investigate these anomalous relations as stand-alone, distinct phenomena. In this study we show that certain component of growth options is driven by distress risk and after controlling for this the relation between growth options and stock returns is positive rather than negative as documented in prior studies (eg. Trigeorgis and Lambertides (2014)).

"Lottery-type Behavior in Banking Stocks"

Luca Del Viva - ESADE Business School, Spain
Eero Kananen - Aalto School of Management, Finland
Lenos Trigeorgis - University of Cyprus, Cyprus

Discussant: Walt Pohl - University of Zurich, Switzerland

We show that lottery-type features are important also for financial stocks. Banking investors have preferences for lottery-type stocks leading to negative risk-adjusted returns. We observe a shift in ownership of lottery-type bank stocks from institutional to retail investors surrounding the financial crisis as lottery-like behavior of financial stocks increased. TARP assistance increased the probability of a financial institution being of lottery type and suffering from moral hazard. Riskier prior banking behavior is associated with higher likelihood of a bank stock being of lottery type and ending in TARP assistance programs. Risky behavior continues even after TARP assistance. Lottery-type bank stocks have become relatively riskier than non-lottery stocks after the TARP, exhibiting fatter right tails. There is a consistent pattern of risk taking and lottery behavior extending before and after the financial crisis.

"Recursive Preferences, Agent Heterogeneity and Wealth Dynamics"

Walt Pohl - University of Zurich, Switzerland
Karl Schmedders - University of Zurich, Switzerland
Ole Wilms - University of Zurich, Switzerland

Discussant: Byoung-Kyu Min - University of Sydney, Australia

The paper shows how to solve asset pricing models with heterogeneous agents that have recursive utility. We derive first-order conditions to obtain optimal consumption shares and pricing functions. We present a methodology based on projection methods to solve for the equilibrium functions numerically and provide a simple example where we solve the long-run risk model of citeN{BansalYaron04} with two agents that differ with regard to their risk aversion and intertemporal elasticity of substitution.

SESSION 47

Room 2

MARKET ANOMALIES II

Session Chair: Dan Palmon - The State University of New Jersey, Rutgers, USA

"Timing Success Explained! The Fallacy of Beating Efficient Markets"

Peter Scholz - Hamburg School of Business Administration, Germany
Ursula Walther - Berlin School of Economics and Law, Germany

Discussant: Lior Gal - College for Academic Studies, Israel

According to the efficient market hypothesis, technical trading rules should not have prediction power. However, a significant number of academic studies confirm excess returns. By applying parametric and historical simulation techniques, we reveal the connection between timing performance and statistical properties of the underlying. Negative drifts, positive autocorrelation, and low but clustered return volatilities trigger systematic outperformance of simple moving average trading rules. As long as the future values of these four parameters of a time series are unpredictable, there seems to be no benefit from technical trading rules.

"Toward Solving of the Turn-of-the-Month Effect Puzzle"

Lior Gal - College for Academic Studies, Israel
Uri Ben-Zion - Western Galilee College, Israel
Ahron Rosenfeld - Ben-Gurion University of the Negev, Israel

Discussant: Minhua Yang - University of South Australia, Australia

The turn-of-the-month (TOM) anomaly is widely discussed in the literature of the last three decades covering US and other equity markets. In this study we identify new characteristics and sources of this anomaly. We use data of US indices spanning more than 80 years. Our findings relate to existing explanations of the anomaly in the literature, but shed new light on its sources. Our findings pinpoint the specific months during the year in which the anomaly is significant. We show that a significant TOM anomaly in a few months suffices to generate a significant pattern for decades. In addition, we identify the relationship between the TOM effect and other market anomalies as well as the correlation between the anomaly and capital market cycles. Finally, we conclude that the effect exists in the core return data, under regular volatility, and cannot be dismissed as stemming from outliers.

"Evaluating the Effectiveness of Environmental Policies"

Minhua Yang - University of South Australia, Australia
Vikash Ramiah - University of South Australia, Australia
Michael Gangemi - RMIT University, Australia
Imad Moosa - RMIT University, Australia
Yu He - University of South Australia, Australia

Discussant: Peter Scholz - Hamburg School of Business Administration, Germany

This research explores factors that impact on the effectiveness of environmental regulations in Australia and the US. Unlike prior literature, we explore issues such as green effects, political influence and effectiveness, with our superior methodology that we have developed—a process to determine the factors that impact on their effectiveness of green policies. Effectiveness is assessed on the basis of narcissistic behaviour of political leaders, presidency tenure and fundamentals factors, including firm size, capital expenditure, profitability and leverage. We observe the green market anomaly and a higher proportion of effectiveness in polluting sectors when narcissistic leaders are in power.

SESSION 48**Room 3****CORPORATE GOVERNANCE II***Session Chair:* Gabrielle Wanzenried - Lucerne University of Applied Sciences and Arts, Switzerland**"Corporate Governance, Board Composition, Director Expertise, and Value: The Case of Quality Excellence"**

Andreas Charitou - University of Cyprus, Cyprus

Ifigenia Georgiou - Cyprus International Institute of Management (CIIM), Cyprus

Andreas Soteriou - University of Cyprus, Cyprus

Discussant: Tom Berglund - Hanken School of Economics, Finland

Numerous studies document a positive relationship between quality excellence and firm value. In this paper, we empirically investigate the relation between the composition of the board of directors and the attainment of quality excellence under a contingency approach and we link this relationship to firm value. To proxy for quality excellence, we use the winning of a Malcolm Baldrige National Quality Award (MBNQA) or a local award explicitly based on the MBNQA criteria. We examine several characteristics of the board, such as the number of inside directors, the number of directors who can be considered industry experts, and the number of directors with management expertise. Using a conditional logistic regression, we show that the number of non-executive directors with industry expertise is positively related to the likelihood of winning a quality award. Subsequent residual analysis also reveals that firm performance is positively associated with the degree of the fit between board composition and quality management strategy. Specifically, the operating margin is positively related with the degree of fit for all the years examined (three years before, award year, and three years after) and correspondingly the cost per dollar of sales is negatively related, while Tobin's Q is positively related to the degree of fit the year the quality management implementation is considered to be complete as well as the year before.

"Employees on Corporate Boards"

Tom Berglund - Hanken School of Economics, Finland

Martin Holmén - University of Gothenburg, Sweden

Discussant: Roberto Wessels - University of Groningen, Netherlands

The fact that Swedish law gives the right for employees to choose whether they want be represented on the board or not, and that this option hasn't been used in a considerable part of Swedish firms allows us to analyze why employees choose to be represented on some corporate boards while they abstain from using that option in other firms. We use a simple framework in which we assume that employee representation reflects a rational choice on behalf of employees eligible to sit on the board. Our results are broadly in line with our predictions. We find no indications that employee board representation impact firm performance positively or negatively. The main driver of employee board representation appears to be the number of eligible employees. Furthermore, we find that the likelihood of employee board representation decreases with, i) firm risk, and ii) slow growth, and iii) internationalization. We conclude that employee representation can at least partly be seen as the outcome of rational choice by employees eligible for board seats.

"What is the Relation (If Any) between a Firm's Corporate Governance Arrangements and its Financial Performance?"

Roberto Wessels - University of Groningen, Netherlands

Tom Wansbeek - University of Groningen, Netherlands
Lammertjan Dam - University of Groningen, Netherlands

Discussant: Rex Renjie Wang - Erasmus University Rotterdam, Netherlands

We present a model to test the null hypothesis that firms organize their corporate governance arrangements optimally given the constraints they face. Following the literature, the model rejects the null if the conditional correlation between governance and performance is significantly different from zero. Our model provides a clean test of this hypothesis by controlling for measurement errors in all observed variables and avoiding simultaneous equation biases by casting our model as a reduced-form bivariate equation. We model governance, performance and the constraints on the firm's investment decisions as latent variables. Our estimate of the conditional correlation between our measures of governance and performance is statistically speaking equal to zero, which therefore provides empirical support for the in-equilibrium view proposed by Demsetz (1983), of corporate governance arrangements.

"Location, Managerial Entrenchment, and Short-Term Pressure"

Ali Akyol - University of Melbourne, Australia
Rex Renjie Wang - Erasmus University Rotterdam, Netherlands
Patrick Verwijmeren - Erasmus University Rotterdam, Netherlands

Discussant: Ifigenia Georgiou - Cyprus International Institute of Management (CIIM), Cyprus

Prior studies have documented that geographic distance renders remotely located firms more difficult to monitor. This paper asks whether remote firms self-discipline by removing anti-takeover provisions. We find that remote firms are more likely to leave anti-takeover provisions in place, which further enhances managerial entrenchment. Interestingly, this entrenchment does not lead to worse investment decisions by remote firms. In fact, we provide evidence that being out of sight could benefit firms by mitigating short-term pressure from Wall Street.

SESSION 49

Room 4

MARKET REGULATION

Session Chair: Usha Mittoo - University of Manitoba, Canada

"Italian Ordinary Statute Regions & Derivatives"

Giulia Fantini - Swansea University, UK
Chiara Oldani - University of Viterbo "La Tuscia", Italy

Discussant: Kyriaki Kosmidou - Aristotle University of Thessaloniki, Greece

Regions are first-level local administrations in Italy, and since 2003 have extensively used over-the-counter (OTC) derivatives to hedge outstanding debt and its costs. The use of derivatives by Italian local administration is not clearly regulated and accounting criteria are not suitable for disentangling the financial effects of complex financial; there is evidence that derivatives have been used also to pay current expenses. This study empirically investigates the dynamics the debt of Italian Ordinary Statute Regions and the impact of OTC derivatives during the 2007-2012 period, and the results show that derivatives – as measured by negative market value – have a positive and statistically significant relationship with debt.

"How Protected are Firms against Capital Controls?"

Kyriaki Kosmidou - Aristotle University of Thessaloniki, Greece
Dimitrios Kousenidis - Aristotle University of Thessaloniki, Greece
Anestis Ladas - University of Macedonia, Greece
Christos Negakis - University of Macedonia, Greece

Discussant: Mohammad Shameem Jawed - Indian Institute of Management, Indore, India

Restriction in capital flows has been proposed as a tool of limiting destabilizing market movements from the 1970s (i.e. Tobin, 1978). However, the use of this tool has been criticized due to being ineffective in restricting the effects of a financial crisis (Edwards, 1999). The use of restrictions in capital flows in Cyprus and Greece were the first similar instances in the European Union's history. In this paper we attempt to examine the effects of implementing capital controls in a Eurozone country on the financial position of the firms. The interesting characteristic of the sample is that it consists of countries that were affected by the financial crisis in Europe, had a common financial reporting framework (IFRS) and implemented a number of different measures that ranged from less intensive measures such as increases in tax rates to more intensive measures such as the enforcement of capital controls in their effort to stabilize their economies. The scope of the study is to examine how and in what extent the use of capital controls affected the firms. In addition we also provide evidence on the firm characteristics that shielded firms against the negative effects of capital controls.

"Equity Sale by Promoters and Impact on Stock Prices: Evidences from an Exogenous Supply Shock"

Mohammad Shameem Jawed - Indian Institute of Management, Indore, India

Discussant: Guoxiang Song - University of Greenwich, UK

Emerging economies like India has always been grappling with the issue of high promoter holding, which results ultimate control and influence of promoters on the firm's boards and governance. This not only creates conducive environment for minority shareholder expropriation at the hand of few promoters but also creates scope for stock price manipulations due to very low proportion of free floating stocks. To address such market imperfections, securities market regulator SEBI based on the directions of Ministry of Finance, intervened with a regulation, on 4th of June 2010. The changed regulation required the publically listed firms to have a minimum public shareholding (public float) of 25% (10% for Public Sector Units, PSU) for initial and continued listing on Indian bourses. 273 firms were affected by this regulation. A majority of which chose the method of OFS for compliance, which has been treated as an exogenous supply shock to re-test if the demand curve for stock for Indian markets slopes down, and some other competing theories – like information, signaling and temporary price pressure hypothesis. We find a negative average abnormal return of 1.6% on the event date and a cumulative abnormal return of (-2.5%) in the event window [-5 to +5 trading days]. We ruled out the information, signaling and temporary price pressure hypothesis while supporting a non-elastic demand curve for stocks which is downwards sloping.

"The Drivers of the Great Bull Stock Market of 2015 in China: Evidence and Policy Implications"

Guoxiang Song - University of Greenwich, UK

Discussant: Chiara Oldani - University of Viterbo "La Tuscia", Italy

This paper investigates what drove the great bull stock market of 2015 in China being called China's 1929. Multiple regression models based on the Arbitrage Pricing Theory (APT) theory are developed to describe the variation in the stock return using economic fundamentals. The results indicate that during the normal period, the Chinese stock market is sensitive to economic conditions. However, the fundamentals cannot justify the variation in the stock return during the bull markets. The paper finds that during the bull market from May 2014 to June 2015, margin trading was the main driver of stock prices. And the actual stock returns during the bull period are significantly different from the conditional predictions based on the multiple regression model which is robust for the normal period. These results suggest that there is a speculative bubble in the bull market of 2015 in China. As commercial banks are becoming more exposed to the stock market, the volatility of stock prices may have the potential to increase the risk of the financial system and limit the freedom of monetary policy to deal with economic fundamentals. Therefore, it is important for China to stop margin trading and commercial banks' financing for investment in the stock market to prevent a similar bubble from occurring again in the future.

FIXED INCOME SECURITIES I

Session Chair: Patrick Roger - University of Strasbourg, France

"The Post-Crisis Puzzling Behavior of Deposit Rates: Choosing the Right Benchmark"

Julien Pinter - Université Paris 1 Panthéon-Sorbonne, France

Charles Boissel - HEC Paris, France

Discussant: Joel Barber - Florida International University, USA

The paper proposes a new benchmark to analyze the post-crisis behavior of deposit rates in the Euro area. Using monthly data in 6 major Euro-countries, we build a simple country index for banks' cost of unsecured funding. The use of this proxy instead of the traditionally-used EURIBOR rate restores the cointegration relationship between deposit rates and their reckoned opportunity cost. It also provides a completely different picture as regards deposit remuneration, suggesting that deposits have actually not been significantly over-remunerated since the beginning of the financial crisis, in contrast with what is often argued. Our results give support for the use of our proxy rather than the usual "EURIBOR rate" for any analysis regarding deposits pricing after the crisis, and by extension for the numerous analysis on the pass-through to lending rates.

"Yield Curve Risk and the Effectiveness of Duration Targeting Strategies for Multiple Liabilities"

Joel Barber - Florida International University, USA

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

Duration targeting strategies for multiple liabilities are based on simplifying assumptions about how yield curves change. Given that actual yield curve changes may violate these assumptions, the effectiveness of a duration targeting is an empirical question. Based on weekly interest rate data from 1986 to 2014, we show that dedicated portfolios formed by targeting the duration of positive (asset) cash flows to the duration of the negative (liability) cash flows performed well. This conclusion holds over a large number of randomly generated portfolios, with both positive and negative cash flow dispersions. Unexpectedly, the results do not depend on the distribution of cash flows, suggesting that duration targeting alone, without consideration of the distribution of asset and liability cash flows, provides a reasonably effective means to fund a stream of cash outflows due to future liabilities.

"Liquidity Measures Throughout the Lifetime of the US Treasury Bond"

Antonio Diaz - Universidad de Castilla-La Mancha, Spain

Ana Escribano - Universidad de Castilla-La Mancha, Spain

Discussant: Irem Demirci - University of Mannheim, Germany

We examine the price impact of different components of liquidity throughout the lifetime of the US Treasury bond. Using the GovPx dataset, we provide a comprehensive empirical analysis of the impact of the liquidity proxies on the yield spreads of the two-year notes. The findings show that the liquidity premium has a deterministic main age-based component. The ability of microstructure-based liquidity measures to reflect this life cycle and their impact on prices are negligible. There is a stochastic component of the liquidity premiums that depends on the unexpected value of the liquidity proxies and the current market-level and bond-level conditions.

"Real Estate Holdings of Public Firms and Collateral Discount"

Irem Demirci - University of Mannheim, Germany

Umit Gurun - University of Texas at Dallas, USA

Erkan Yönder - Ozyegin University, Turkey

Discussant: Julien Pinter - Université Paris 1 Panthéon-Sorbonne, France

Using a novel and detailed transaction-level data on commercial real estate assets, we construct real estate asset portfolios for a comprehensive set of public firms between 2000 and 2013. We find that a commercial real estate asset is sold at a significant discount when the real estate asset is not redeployable for alternative uses, when potential buyers in the geographical region are limited, and when the industry is concentrated. These effects are further exacerbated for distressed firms and cannot be fully reconciled by the quality of real estate assets. Bank loan spreads incorporate information on the expected commercial real estate discounts due to collateral channel.

SESSION 51

Room 6

FUNDS II

Session Chair: Pornchai Chunhachinda - Thammasat University, Thailand

"UK Ethical Fund Managers – Skilled but Fair Weather Friends"

Yacine Belghitar - Cranfield University, UK

Ephraim Clark - Middlesex University, UK

Nitin Deshmukh - Middlesex University Business School, UK

Discussant: Sazali Abidin - Lincoln University, New Zealand

This study is the first to use Marginal Conditional Stochastic Dominance to compare the performance of UK based Socially Responsible Investment (SRI) funds with similar conventional funds using a matched pair analysis based on size, age, investment universe and fund management company. We find that there is widespread dominance of both fund types with respect to their benchmark market portfolios. This dominance is robust to the effect of fees and is evidence of managerial outperformance for both types of fund. The dominance is also resilient with respect to economic conditions, with conventional funds performing relatively better in the crisis period and SRI funds performing relatively better in the pre and post crisis periods. Although SRI funds perform slightly better on average than conventional funds, there is no widespread dominance in favour of either type of fund. However, this equivalent performance achieved by SRI fund managers suggests that they outperform conventional fund managers because the investment universe from which they choose has been shown to be inferior to that of conventional fund managers.

"Do Ethical Funds Really Perform Poorly than Conventional Funds?"

Sazali Abidin - Lincoln University, New Zealand

Azilawati Banchit - Universiti Teknologi Mara, Malaysia

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

The main aim of this research is to compare the overall performances and risks and return characteristics of 'ethical' investments against the performance of conventional investments in European and Asian countries; focusing on the examinations of the overall monthly performance of the Socially Responsible Investments (SRI) and/or Sharia Compliance Investments (SCI) indices in 5 European countries and 5 Asian countries within the period of 15 years (1998-2013). This study concludes that performance characteristics for both SRI and SCI funds possess better performance than the conventional funds and this trend is observed in both European and Asian countries, in a manner that conform the proponents in the outperformance hypothesis. This study also discovered that global financial distress has statistically significant, detrimental impact towards the performance characteristics of both SRI and SCI in both Asia and Europe, where both of these investment classes would have less satisfactory performance during recessions and experiencing improvements during the post-recession time periods.

"The Dynamic Effects of Stock Prices on Mutual Fund Flows and Volume in the Korean Stock Market"

Heung-Joo Cha - Univeristy of Redlands, USA

Discussant: Kang Baek - Hanbat National University, Korea, Republic of

This paper examines the dynamic relationship among security returns, equity mutual fund flows, and trading volume using the daily Korean stock market data. We employ various empirical methods including VAR (vector-autoregressions) analyses, Granger causality tests and a variation of the present value model. We find that Korean stock market returns Granger-cause equity mutual fund flows into the market, but not vice versa. We do not find evidence that the mutual fund flows directly affect stock market prices in the presence of fundamentals of firms. Instead, we find that fund flows seem to be influenced by the performance of the stock market and that investors try to forecast fundamentals of firms and change their demand for stocks accordingly. It is notable that we find the consistent causal relation from returns to flows regardless of the sophistication of markets (e.g., developed or emerging), different geographical regions and data frequency. We find that the Korean stock market volume plays a significant role in predicting both returns and flows. Information flow, however, conveyed by volume seems to disseminate slowly up to several days. This causal relationship is consistent with the sequential information arrival model (SEQ). We also find that trades by foreign investors have little impact on stock prices, contrary to the popular notion that foreign investors influence the Korean equity market. It seems that the Korean stock market has moved toward informational efficiency.

"Do Distribution Channels Matter to Fund Flows under Oligopolistic Market Structures?: Evidence from Korea"

Kang Baek - Hanbat National University, Korea, Republic of

Discussant: Nitin Deshmukh - Middlesex University Business School, UK

Uninformed investors preferentially select distribution companies to purchase funds that suit their investment objectives, because they cannot evaluate each product themselves. Thus, the investment decision depends significantly on their chosen fund distributor's recommendation. This study analyzes whether fund flows from each distribution channel indicate different responses to the determinants of investment decisions, and whether this distinction is caused by a fund distributor's transaction-specific variables. The results demonstrate that fund and fund management company flows have significantly different patterns according to distribution channels, and fund distributor flows are affected by their financial business segment, market power, vertical relation, and reputation. This result contributes by providing the insight that changes in the incentive structure of distribution channels lead to different outcomes in terms of investor protection and market competition.

SESSION 52

Room 7

FINANCING II

Session Chair: Jean-Marie Cardebat - University of Bordeaux, France

"Investment Flexibility and Loan Price"

Viet Cao - Monash University, Australia

Viet Do - Monash University, Australia

Tram Vu - Monash University, Australia

Discussant: Yilmaz Guney - University of Hull, UK

We investigate if borrowers' investment flexibility can influence loan contract terms. We test this relationship in the bank loan setting and find that borrower with higher investment flexibility are subjected to higher loan price. This effect appears to concentrate among borrowers with potentially heightened agency costs. These borrowers can mitigate the increase loan spread by pledging collateral or accepting stricter loan covenants. We demonstrate that while investment flexibility increase loan spread for opaque borrowers, there are a number of key covenants that they can use to fully mitigate the agency costs of investment flexibility in loan price.

"R&D Investment and Revolving Credit"

Yilmaz Guney - University of Hull, UK

Ahmet Karpuz - University of Bristol, UK

Neslihan Ozkan - University of Bristol, UK

Discussant: Gunseli Tumer Alkan - Vrije Universiteit Amsterdam, Netherlands

Using data for 938 publicly listed firms from 17 European countries over the period 2004-2013, we investigate the effect of revolving credit on R&D investments controlling for other determinants of R&D investment, i.e. cash flow, cash holdings, equity financing, and Tobin's Q. Our estimation results based on system-GMM method show that revolving credit has a positive and significant impact on R&D investments. Moreover, we find that firms, which are likely to be financially constrained, i.e., small and young firms, rely on revolving credit as a source of financing for their R&D investments while we do not observe any significant impact for mature and large firms. Notably, the positive and significant impact of revolving credit on R&D investment persists during the financial crisis of 2007-2009. Overall, our results are consistent with the view that firms use credit lines as part of their liquidity management tools.

"Banks' Security Holdings and Credit Supply During Financial Turmoil"

Falko Fecht - Frankfurt School of Finance & Management, Germany

Jose-Luis Peydro - Universitat Pompeu Fabra, Spain

Gunseli Tumer Alkan - Vrije Universiteit Amsterdam, Netherlands

Yuejuan Yu - Shandong University, China

Discussant: Silvio Contessi - Monash Business School, Australia

In this paper, we investigate the how banks' equity stakes in their borrowers influence credit provision to those firms in bad times. We merge unique data from the German credit register on individual bank-firm lending relationships with the security deposit statistics that includes banks' holdings of securities on a security-by-security basis. We find that holding equity in a firm determines lending to that firm. We also note that this relationship depends on the quality of both the borrower and the lender. During the crisis, banks tend to refinance the firms in which they hold equity only if the firm is of good quality.

"Financial Choice and International Trade"

Il-Hyun Cho - University of California, Davis, USA

Silvio Contessi - Monash Business School, Australia

Kathryn Russ - University of California, Davis, USA

Diego Valderrama - Franklin Templeton Investment, USA

Discussant: Viet Do - Monash University, Australia

We show that there is a positive correlation between access to bond markets relative to bank borrowing and international trade engagement both at the firm level and at the country level. Based on this novel evidence, we join the new trade theory with a model of choice between bank and bond financing to show the differential effects of financial policy on the distribution of firm size, gains from trade, and the real exchange rate in a small open economy. Increasing bank efficiency and reducing bond transaction costs have opposite effects on the extensive margin of trade, aggregate exports, and the real exchange rate. Increasing access to export markets generates a financial switching channel for gains from trade, allowing firms to overcome high fixed costs of bond issuance to secure a lower marginal cost of capital.

SESSION 53

Room 8

VOLATILITY I

Session Chair: Malick Sy - RMIT University, Australia

"Volatility Forecasting: The Role of Internet Search Activity and Implied Volatility"

Arabinda Basistha - West Virginia University, USA

Alexander Kurov - West Virginia University, USA

Marketa Halova Wolfe - Skidmore College, USA

Discussant: Yihui Lan - The University of Western Australia, Australia

Growing literature has shown usefulness of the Internet search activity data in numerous fields. We reexamine the role of the Internet search activity in a broader context of forecasting volatility in the financial and commodity markets both in-sample and out-of-sample. We find that usefulness of the Internet search activity

data disappears in the stock index and foreign exchange markets and substantially declines in the commodity markets once implied volatility is included in the benchmark model. This finding contributes to our understanding of what informational content is captured by the Internet search activity data. It appears to capture similar information as implied volatility.

"The Price of Volatility Risk: Evidence From G7 Countries"

Robert Faff - University of Queensland, Australia

Yihui Lan - The University of Western Australia, Australia

Discussant: Miriam Sosa - Universidad Nacional Autónoma de México, Mexico

The asset pricing literature finds that aggregate market variance is a significant cross-sectional asset pricing factor, but it cannot explain the idiosyncratic volatility puzzle. We decompose aggregate market variance at both the global level and country level into four components: average market correlation, average market variance, average stock correlation and average stock variance. We test whether innovations in these four components are priced factors in the cross section of asset returns in the group-of-seven (G7) countries. We find that the exposures to the two average variance components explain the cross-section of expected returns. This result is consistent with the notion that rising variance signals deterioration in investment opportunities. The domestic variance component, average stock variance, is a priced factor in the cross section of asset returns in the US, whereas exposure to the rest-of-world average market variance is an important determinant of the test asset returns in France, Japan, Italy and UK. The prices of risk for the two average correlation components are less conclusive, consistent with the result in Chen and Petkova (2012) that the effect of average correlation on the risk-return trade-off is ambiguous. Overall, our results based on the G7 countries are supportive of the findings in Herskovic et al. (2014) that firms' idiosyncratic volatility obeys a factor structure and that shocks to the common factor in idiosyncratic volatility are priced.

"Financial Crises and Asymmetric Volatility in the NAFTA Stock Markets"

Miriam Sosa - Universidad Nacional Autónoma de México, Mexico

Edgar Ortiz - Universidad Nacional Autónoma de México, Mexico

Discussant: Antoni Vaello-Sebastia - University of Balearic Islands, Spain

The purpose of this paper is to analyze the transmission and impact of the global financial crisis on the volatility behavior of NAFTA block stock markets, using a rolling window correlation and GARCH approach. The empirical evidence about the transmission shows increasing correlation, volatility changes and leverage effects; these changes are tested with symmetric and asymmetric GARCH models with a dummy variable in variance equation. Daily closing prices in US dollars of stock indexes for the Canada, USA and México stock markets are examined from 2003:01 to 2015:02.

"Capturing Skewness and Kurtosis by Fitting the QQ-plot: A Simple Approach with Financial Applications"

Unai Ansejo - University of the Basque Country, Spain

Aitor Bergara - University of the Basque Country, Spain

Antoni Vaello-Sebastia - University of Balearic Islands, Spain

Discussant: Alexander Kurov - West Virginia University, USA

We present a new distribution that consists on a polynomial expansion of the Gaussian quantiles, which nests the well known Cornish-Fisher expansion. Using third-order polynomials we obtain analytical expressions for the distribution and density functions, also yielding a skewness-kurtosis region much wider than other usually considered expansions. We show how to use the new distribution in a GARCH framework in order to obtain a heteroskedastic stock return model allowing for time-varying skewness and kurtosis too. We also apply our density for option pricing and hedging obtaining closed-form formulae. Finally, we conduct an empirical application with S&P 500 options data, showing that our option pricing model performs, at least, so well as other models based on semi--nonparametric densities of similar order.

FINANCIAL CRISIS

Session Chair: Mehmet Karan - Hacettepe University, Turkey

"Systemic Risk, Interbank Market Contagion, and the Lender of Last Resort Function"

Michael Bowe - University of Manchester, UK

Olga Kolokolova - University of Manchester, UK

Marcin Michalski - The University of Manchester, UK

Discussant: Yukihiro Yasuda - Hitotsubashi University, Japan

We develop a theoretical model examining the financial stability policy of a central bank serving as both the lender of last resort and the regulator of the financial system. Our model accommodates the possibility of financial contagion through interbank market linkages, and adverse feedback from the financial system to the real economy. We identify the relative riskiness of the agents in the financial system, the probability of systemic distress, and the expected duration of credit supply reduction as the key factors influencing the design of financial stability policy. Results of model simulations indicate the existence of a substitution effect between reducing the expected scope of a central bank's assistance to an institution in distress and increasing bank reserve requirements.

"Shocks and Shock Absorbers in Japanese Bonds and Banks During the Global Financial Crisis"

Hyonok Kim - Tokyo Keizai University, Japan

James Wilcox - University of California, Berkeley, USA

Yukihiro Yasuda - Hitotsubashi University, Japan

Discussant: Anastasios Malliaris - Loyola University Chicago, USA

We investigated whether the "Lehman shock" in the U.S. disrupted Japanese bond markets. Unlike the U.S., Japan requires firms to separately report their debts' components: bonds, loans, and other debt. We used data for the components to estimate how much of the "Lehman shock" to bond issuers was absorbed by Japanese banks. We found that pre-crisis patterns of bond issuance disappeared during the crisis, consistent with bond market disruptions. Despite a lengthy list of controls, estimates implied that bonds maturing during the crisis were accompanied by many-fewer bonds' being issued than before the crisis. Estimates also showed that firms whose bonds matured during the crisis increased their bank loans more than other firms. The estimates also revealed important cross-currents. While the Lehman shock raised credit spreads on bonds and reduced bond issuance for most firms, it reduced spreads for some of the very largest firms in Japan. While all credit spreads rose in the U.S. during the crisis, in Japan, spreads on highly-rated bonds fell. Consistent with that pattern, we found that the very largest firms issued more bonds during the crisis than they did before the crisis. The damage from the crisis to the U.S. economy also damaged export-oriented Japan. Our estimates implied that bond issuance, loans outstanding, and capital expenditures during the crisis were affected more by bond market disruption than by firms' conditions.

"Financial Instability and Liquidity Trap"

Anastasios Malliaris - Loyola University Chicago, USA

Discussant: Jana Ohls - Deutsche Bundesbank, Germany

The most recent Global Financial Crisis was characterized by financial instability and a liquidity trap. This paper argues that it is useful to divide the cyclical behavior of modern mixed capitalist economies into four phases: expansion, upper turning period, recession, and lower turning period. This characterization of the business cycle is more demanding and potentially more beneficial than the one currently used by the National Bureau of Economic Research, which identifies only the peak and trough of the cycle. To illustrate the value of this approach, the recent global financial crisis is examined by reviewing the expansion driven by the development of the housing bubble. Then, the beginning of the crisis is regarded as the upper turning period. The initial financial instability evolved into a full crisis during the Great Recession due to its impact on unemployment. Finally, the ending of the crisis during the challenging period of the liquidity trap is analyzed as the lower turning period. Orthodox economic analysis offers valuable insights for both the expansion and

recession phases, but can also benefit from behavioral finance and Minsky's analysis, when fluctuations in the economy extend beyond the business cycle and become financial crises. For financial crises, the upper turning period is Minskyan and the lower turning period is an updated version of the Keynesian-Minskyan liquidity trap.

"On the Exposure of Insurance Companies to Sovereign Risk - Portfolio Investments and Market Forces"

Robert Duell - Deutsche Bundesbank, Germany

Felix Koenig - London School of Economics, UK

Jana Ohls - Deutsche Bundesbank, Germany

Discussant: Marcin Michalski - The University of Manchester, UK

A sovereign debt crisis can have significant knock-on effects in the financial markets and put financial stability at risk. This paper focuses on the transmission of sovereign risk to insurance companies as some of the largest institutional investors in the sovereign bond market. We use a firm level panel dataset that covers large insurance companies, banks and non-financial firms from nine countries in the time period January 1st 2008 to May 1st 2013. We find significant and robust transmission effects from sovereign risk to domestic insurers. The impact on insurers is larger than for non-financial firms and slightly smaller than for banks. We find that systemically important insurers were more closely linked to the domestic sovereign. Based on European data, we show that risks in sovereign bond portfolios are an important driver of insurer risk, which is not reflected in current insurance regulation (incl. upcoming Solvency II in Europe).

LUNCHEON

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

KEYNOTE SPEECH

1:15 - 2:15 p.m. Wallenbergsalen

**Professor James Ohlson
The Hong Kong Polytechnic University, Hong Kong**

EMPIRICAL ACCOUNTING RESEARCH: THE NEED FOR A CHANGE IN DIRECTION

Empirical accounting research relies almost exclusively on regressions; a dependent variable, one or two primary variables of interest (PVIs), and so-called controlling variables. Nowadays the right hand side also tends to include year and firm dummies, and the total number of variables are ever increasing and often in excess of 25, excluding dummies. The talk reviews this approach: it tends to be excessively prone to false positives, and thus not long-run sustainable as a methodology. Many of the underlying deficiencies will be discussed, including the implementations of OLS (referred to as OLS PLUS). The talk's second part suggests some practical measures as to what needs to be done to put the field on a sounder footing. These mostly fall into the category of "easily implementable common sense", but, nonetheless, they demand far-reaching changes in researchers' mindsets.

ASSET PRICING VII

Session Chair: Weiping Li - Oklahoma State University, USA

"Market-Clearing Effects of Corporate Financing Decisions on Stock Returns: An Equilibrium Analysis of Levered Firms when Equity Supply is Fixed"

Lammertjan Dam - University of Groningen, Netherlands

Pim Heijnen - University of Groningen, Netherlands

Discussant: Woon Leung - Cardiff University, UK

We analyze how corporate financing decisions affect stock returns in a stochastic Ramsey model. Motivated by stylized facts, we incorporate two distinct features in the model. First, the supply of equity (the number of outstanding shares) is fixed. Second, firms pursue a target leverage ratio, and balance retained earnings against new debt issuance when financing real investments accordingly. We characterize both the time-series and cross-sectional properties of equity returns implied by the model and confront these with historical data. The model contains only a few time-invariant parameters, but is able to match many dynamic properties of returns (e.g., fat tails, variation in mean and volatility, mean reversion, time-varying betas, return predictability). Our findings suggest that the leverage effect needs to play a more prominent role in pricing equity.

"Organization Capital, Labor Market Flexibility and Stock Returns Around the World"

Khelifa Mazouz - Cardiff University, UK

Woon Leung - Cardiff University, UK

Jie Chen - Cardiff University, UK

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

Using data from 20 OECD countries, we find that firms with greater organization capital have significantly higher stock returns and that this represents an international phenomenon. Importantly, we find new evidence that the positive association between organization capital and stock returns is more pronounced in countries with high labor market flexibility. This positive association is at least twice as strong for firms in the US (the second most flexible) than for those in France (the least flexible). This finding is consistent with the argument that greater labor mobility and competition associated with flexible labor markets increase the key talent's outside option and the cost of their retention. This in turn reduces the rent that shareholders can extract from organization capital, thereby rendering investment in organization capital riskier from shareholders' perspective.

"Real Estate as a Common Risk Factor in Bank Stocks: New Insights"

Benoit Carmichael - Laval University, Canada

Alain Coen - University of Quebec in Montreal, Canada

Discussant: Gyorgy Varga - FCE Consulting, Brazil

In this article our main objective is to provide evidence on the common risk factors priced in bank equities. More precisely, we study the influence of equity market, the shocks to the slope of the yield curve, the default risk and the real estate risk. This latter is generally overlooked in the financial literature. The role played by real estate assets in the global financial crises calls seriously this omission into question. Alternative linear multi factor asset pricing models are tested. Estimates are based on CRSP's monthly decile portfolio returns in the banking sector from June 1986 to December 2014. Our results report that unconditional and conditional four factor asset pricing models including the stock market excess return, the real estate return, the term premium and the default premium shed a new light on the explanation of the cross-section of bank stock

returns. GMM results show that bank stocks returns are driven by market and real estate returns. To check robustness, we also report results for two sub-samples. This exercise reveals that the real estate factor is a leading common risk factor in the last three decades generally associated with mortgage securitization and then with the so called real estate bubble.

"The Cross-Section of Expected Stock Returns in Brazil"

Gyorgy Varga - FCE Consulting, Brazil
Ricardo Brito - INSPER, Brazil

Discussant: Lammertjan Dam - University of Groningen, Netherlands

This article replicates Fama and French (1992) "The Cross-Section of Expected Stock Returns" as close as possible, using a broad and carefully checked sample of the Brazilian stock market from 1999 to 2015. Similar to Fama and French, but with weaker significance, the book-to-market and size of individual firms capture some of the cross-sectional variation in average stock returns, while market β does not play a convincing role. The positive relation with book-to-market is more evident than the negative relation with size. However, because none of these characteristics show explanatory power for the subperiod July 2007-June 2015, we are not as convinced that they capture fundamental risk factors.

SESSION 56

Room 2

ANALYSTS I

Session Chair: Patrick Leoni - Kedge Business School, France

"Analyst Underreaction and the Post-Forecast Revision Price Drift"

Ganapathi Narayanamoorthy - Tulane University, USA
Po-Chang Chen - Miami University, USA
Theodore Sougiannis - University of Illinois, USA
Hui Zhou - Melbourne Business School, Australia

Discussant: Mei-Chen Lin - National Taipei University, Taiwan

We find that analysts exhibit an underreaction bias when revising their forecasts. Investors appear to fixate on the biased revisions because when the revision bias is strong (weak) the post-forecast revision price drift (PFRD) is strong (weak) and the bias increases the drift by about 30%. After regulation Fair Disclosure both analyst underreaction and PFRD have decreased but are still present. In contrast to prior studies consistently attributing the PFRD to investors' underreaction to analyst forecast revisions, we provide evidence that the PFRD arises from the combined effect of analyst biased revisions and insufficient investor correction for those biases.

"Effects of Managerial Overconfidence on Analyst Recommendations"

Mei-Chen Lin - National Taipei University, Taiwan
Po-Hsin Ho - National Taipei University, Taiwan

Discussant: Patrick Roger - University of Strasbourg, France

Previous research suggests that analysts generally provide favorable research and systematically fail to quickly downgrade stock recommendations in response to negative firm information. This study shows that these phenomena are more prevalent for firms managed by overconfident CEOs. Moreover, investors exhibit stronger immediate response to sell and downgrade recommendation for firms with overconfident CEOs. More experienced analysts are less susceptible to managerial overconfidence. Although analyst recommendations are positively affected by CEO overconfidence, the effect is non-monotonic.

"Behavioral Biases in Number Processing: The Case of Analysts' Target Prices"

Patrick Roger - University of Strasbourg, France

Tristan Roger - Paris-Dauphine University, France
Alain Schatt - University of Lausanne, Switzerland

Discussant: Dan Palmon - The State University of New Jersey, Rutgers, USA

Research in neuropsychology shows that the human brain processes differently small and large numbers. In this paper, we show that financial analysts process differently small prices and large prices, when they issue target prices one-year ahead. First, analysts are more optimistic about small price stocks than large price stocks, even after controlling for risk factors. Second, we strengthen these results by showing that target prices become more optimistic after stock splits. Finally, we find that the link between risk-adjusted implied returns and stock prices survives after controlling for rounding, the 52-week high bias, the coverage of distressed firms and analysts' characteristics. Overall, our results suggest that a deeply-rooted behavioral bias in number processing explains a significant part of analysts' forecast errors.

"The Corporate Social Responsibility Information Environment: Examining the Value of Financial Analysts' Recommendations"

Changhee Lee - Ramapo College of New Jersey, USA
Dan Palmon - The State University of New Jersey, Rutgers, USA
Ari Yezegel - Bentley University, USA

Discussant: Theodore Sougiannis - University of Illinois, USA

This study examines the relationship between corporate social responsibility (CSR)-related information and the value of financial analysts' stock recommendations. The information environment in which analysts operate in is affected by CSR-related reports that companies voluntarily issue as well as information that becomes available through third-party analysis & rating institutions. We find an inverse relationship between the value of both upgrade and downgrade revisions and the supply of CSR-related information compiled by third-party institutions, suggesting that CSR-related data is associated with a richer information environment that makes it more challenging for analysts to issue informative recommendations, thereby mitigating their contribution to the price discovery process. We further find that the value of analysts' recommendation revisions is lower for companies that voluntarily issue CSR-related reports compared to those that do not make such disclosures. Our findings have implications for the evolution of CSR reporting as the incorporation of CSR-related information into market prices legitimizes the relevance of such reports. Furthermore, these findings contribute to our understanding of the role and value of information intermediaries in changing information environments.

SESSION 57

Room 3

CORPORATE GOVERNANCE III

Session Chair: Tony Van Zijl - Victoria University of Wellington, New Zealand

"Price Conditions of the Bank Financing: Does Gender Matter?"

Danilo Mascia - University of Cagliari, Italy
Stefania Rossi - University of Cagliari, Italy

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

Access to formal credit for small- and medium- sized enterprises (SMEs) is crucial to the survival of their businesses, as they rely on bank credit markets more than large firms. Once financed, enterprises may experience different price-terms and conditions of their funding that vary, inter alia, according to firm's creditworthiness, leverage and profitability. Nonetheless, a branch of the literature highlights the existence of possible differences in the price conditions applied by banks because of the gender, race and ethnicity of a firm's manager. In this paper we address the question whether the manager's gender affects the cost of bank financing faced by SMEs. To this end, we employ 19,969 observations related to a sample of non-financial firms across 11 Euro area countries, during the years 2009-2013. We contribute to the literature by conducting our analysis on the ECB SAFE dataset, which provides comparable financial information on European enterprises on a bi-annual basis. Our results show that female-led firms face higher costs of funding

than their male counterparts, after controlling for a rich set of variables. This evidence is robust and stable to different model specifications and different methodological approaches.

"Earnings Quality in Private SMEs: Does Gender Matter?"

François Belot - University of Cergy-Pontoise, France

Stéphanie Serve - University of Cergy-Pontoise, France

Discussant: Emilia Vähämaa - Hanken School of Economics, Finland

This study investigates the impact of CEO gender on earnings quality for private SMEs. Using a 2012 sample of 30,476 French SMEs, we first provide evidence that SMEs manage earnings: the average value of discretionary accruals is above 9 percent of total assets. In accordance with our gender hypothesis, we show that firms run by female CEOs engage in less earnings management than firms run by male CEOs. In addition, firms with women in top management report better earnings quality. Finally, we also consider CEO age and find that this variable is negatively correlated with the magnitude of accruals. However, the effect of gender remains significant.

"Do Female CEOs and Chairwomen Constrain Bank Risk-Taking? Evidence from the Effects of Real Estate Shocks on Bank Performance"

Ajay Palvia - Office of the Comptroller of the Currency, USA

Emilia Vähämaa - Hanken School of Economics, Finland

Sami Vähämaa - University of Vaasa, Finland

Discussant: Gabrielle Wanzenried - Lucerne University of Applied Sciences and Arts, Switzerland

This paper examines whether banks with female Chief Executive Officers (CEOs) and chairpersons of the board are associated with better asset performance and lower default risk following severe real estate price shocks. Our empirical findings indicate that female-led banks with high real estate exposure are associated with higher profitability, lower loan charge-offs, and lower non-accrual loans relative to similar male-led banks. Furthermore, we document that female-led banks with high real estate exposure have lower insolvency risk and are less likely to fail in the aftermath of real estate price shocks. However, we find no evidence of superior asset performance or reduced default risk for female-led banks which are not exposed to severe real estate price shocks through high levels of real estate lending.

"Bankers' Pay in State-Owned Banks - How Important Are Governance and Political-Economic Factors?"

Gabrielle Wanzenried - Lucerne University of Applied Sciences and Arts, Switzerland

Discussant: Stefania Rossi - University of Cagliari, Italy

The paper focuses on board and executive compensation practices of state-owned banks in Switzerland. We take into account commonly considered firm-specific characteristics (e.g. bank size, performance, risk and growth) as well as corporate governance-specific factors which are all expected to affect board and executive pay. Given our focus on state-owned banks, we additionally integrate a set of political-economic factors related to the compensation practices. Finally, we compare compensation practices in state-owned banks with regional and savings banks in Switzerland in order to gain a better understanding of the specific mechanisms in state-owned banks. Our sample includes all 24 state-owned banks and 17 regional and savings banks in Switzerland over the period from 2004 to 2013, which leads to a total sample size of 363 observations. Our results from GMM estimations suggest that board and executive compensation are governed by different mechanisms. In addition, political-economic factors seem to be important determinants of board and executive pay.

REGULATION AND DISCLOSURE

Session Chair: Willem Verschoor - VU University Amsterdam, Netherlands

"Does Cross-listing Mitigate Sub-optimal Corporate Investment?"

Wissam Abdallah - Cardiff University, UK

Abed AL-Nasser Abdallah - American University of Sharjah,, United Arab Emirates

Discussant: Tim Loughran - Notre Dame, USA

This paper examines whether managers of cross-listed firms can learn better from the market about the investment opportunities of their firms, accordingly they invest more efficiently than non-cross-listed firms. The paper provides a direct test of the effect of cross-listing on corporate investment efficiency. Using a sample of UK firms cross-listed on US stock markets, the analysis shows that cross-listed firms invest more than non-cross-listed firms. Nevertheless, there is no evidence that UK cross-listed firms conduct more efficient investment post cross-listing. Learning from stock prices is likely to be affected by the managerial private information and monitoring effect of stock market.

"Information Decay and Financial Disclosures"

Tim Loughran - Notre Dame, USA

Bill McDonald - University of Notre Dame, USA

Discussant: Usha Mittoo - University of Manitoba, Canada

Using data from the SEC's EDGAR server log, we examine the consumption of financial information in filings from 2003 through 2012. We document how quickly server requests for EDGAR forms decay over the year following their initial filing. Investors and robots have contrasting patterns in accessing filings on EDGAR. Robot requests are much more numerous and have higher relative frequencies both around the filing date and more than a year after the initial filing. The magnitude of daily EDGAR requests for 10 Ks is relatively low for non-robots and shows a surprisingly small difference between firms with and without publicly-traded equity.

"Unintended Consequences of the Sarbanes-Oxley Act's Timing for the U.S. and Foreign Rule 144A Debt Issuers"

Usha Mittoo - University of Manitoba, Canada

Zhou Zhang - University of Regina, Canada

Discussant: Sadok El Ghouli - University of Alberta, Canada

The timing of the Sarbanes-Oxley Act (SOX) and its associated reforms coincided with major global regulatory reforms (GLOBAL) implemented in many countries that increased the competition and lowered the cost of debt in international bond markets. We distinguish between the impacts of SOX and GLOBAL on yield spreads and security market choices using Rule 144A debt issues with registration rights (RR) that allow conversion of 144A issues into public debt issues as a treatment sample and non-RR as a control sample. SOX predicts a decline in yield spreads for RR issues but no effect on non-RR issues whereas GLOBAL predicts a decline for both RR and non-RR issues. SOX also predicts a similar effect for U.S. and foreign issuers whereas GLOBAL predicts a larger decline for foreign issuers due to home bias and country-specific factors. We find a decline of more than 50 basis points in yield spread after SOX for both RR and non-RR issues and the decline is significantly larger for foreign issuers (68 basis points) that eliminated their pre-SOX yield premium relative to their U.S. peers. The post-SOX proportion of RR issues also declined by 50% whereas that of combined 144A and Regulation S (RS) offerings that placed simultaneously with U.S. and offshore investors increased over 100% after SOX, with a much larger increase for foreign issuers. The post-SOX median credit quality of U.S. RR issuers increased from B to BB+ but was unchanged for foreign issuers (BB+). We also find a postSOX yield spread decline of 30 basis points in the U.S. public debt market and a much larger decline for foreign issuers. Our evidence supports the notion that GLOBAL, not SOX, was the major driver of the yields spread decline in both 144A and public debt markets

and its timing with SOX resulted in a more adverse impact on U.S. speculative credit quality issuers relative to their foreign peers as GLOBAL eliminated their cost of debt advantage and reduced their fast access to financing through RR issues.

"Banking Deregulation and Externally Financed Growth: Evidence from Firm-level Data"

Allen Berger - University of South Carolina, USA

Ruiyuan Chen - University of South Carolina, USA

Sadok El Ghoul - University of Alberta, Canada

Omrane Guedhami - University of South Carolina, USA

Discussant: Wissam Abdallah - Cardiff University, UK

In this paper we test the impact of banking deregulation on firm access to external finance to fund growth opportunities. Using a difference-in-difference approach, we find robust evidence that banking deregulation is positively associated with externally financed firm growth. This effect is stronger for small firms and financially constrained firms. We argue that banking competition and consolidation following deregulation allow banks to more efficiently allocate scarce resources, funding firms that have limited access to external financing. Consistent with this view, we find that small, financially constrained firms enjoy a lower cost of debt and issue more debt after banking deregulation.

SESSION 59

Room 5

FIXED INCOME SECURITIES II

Session Chair: Benjamin Maury - Hanken School of Economics, Finland

"Sovereign Debt Markets in the New Digital Era"

Apostolos Kotzinos - University of Piraeus, Greece

Raphael Markellos - University of East Anglia, UK

Dimitrios Psychoyios - University of Piraeus, Greece

Discussant: Marcos Gonzalez - Universidad de León, Spain

We investigate the role of Information and Communication Technologies (ICTs) as a possible determinant of credit risk ratings and cost of debt using for the first time in such a context and as a comprehensive proxy of ICTs usage and diffusion, the Network Readiness Index. The empirical analysis of a panel of 65 countries between 2001-2010, by a modified random effects approach that allow us to distinguish between short and long run effects, confirms that ICTs are a significant long-run determinant of credit ratings and borrowing costs. Moreover our results indicate the increased importance that ICTs carry for non-OECD countries when rated by credit risk rating agencies.

"What Drives Sovereign Debt Maturity in European Countries?"

Marcos Gonzalez - Universidad de León, Spain

Carmen González Velasco - University of León, Spain

Discussant: Bibek Bhatta - Strathclyde University, UK

The aim of this paper is to study the determinants of sovereign debt maturity for 23 European countries during the period between 1995 and 2013. For this purpose, we use quantile regressions with robust standard errors clustered by countries to consider the impact of the determinants in the entire distribution. The results indicate a positive relation between the level of debt of the country and sovereign debt maturity, particularly for countries with the lowest debt maturity. We also find evidence of a negative relationship between sovereign risk and debt maturity for the lowest and intermediate values of the debt maturity.

"The Cost of not Attracting Optimal Foreign Bond Allocations"

Bibek Bhatta - Strathclyde University, UK

Andrew Marshall - Strathclyde University, UK

Chandra Thapa - Strathclyde University, UK

Discussant: Frank Skinner - Brunel University, UK

The International Capital Asset Pricing Model (ICAPM) suggests that markets where foreign bond portfolio investors overweight their portfolio relative to the prescribed benchmark should experience higher international risk sharing. Correspondingly, the cost of debt in such markets should be lower compared to markets facing a lower degree of international risk sharing. We empirically examine this prediction using a panel dataset of sovereign bond yield spreads and a measure of sub-optimal foreign bond portfolio allocations for 50 emerging and 10 developed markets. Our results provide evidence that higher level of investment by foreign bond portfolio investors, relative to the theoretical benchmark, is negatively related to cost of debt.

"Explaining the Repo Specialness in the Italian Sovereign Market"

Alfonso Dufour - University of Reading, UK

Miriam Marra - University of Reading, UK

Ivan Sangiorgi - University of Reading, UK

Frank Skinner - Brunel University, UK

Discussant: Apostolos Kotzinos - University of Piraeus, Greece

We explain the variation in specialness of repos that use Italian Government coupon bonds as collateral over a long sample from April 2003 to December 2013. We study three popular repo contracts: overnight, spot next, and tomorrow next. Our results show that collateral supply and quality are significant factors for specialness, along with repo liquidity, information uncertainty and short-selling proxies that reveal the importance of speculative bond demand for specialness. We identify a recurrent pattern for specialness around bond auctions. Specialness increases steadily for all repo contracts from the auction announcement date until few days before the auction settlement date, depending on the repo term, and then it decreases. The effect of auctions on specialness reveals an overbidding behaviour of primary dealers. Finally, during the crisis, we observe that fire-sales of bonds and ECB interventions have a large impact on repo specialness.

SESSION 60

Room 6

EMERGING MARKETS I

Session Chair: Louis Murray - University College Dublin, Ireland

"Financial Deepening and Corruption in Selected Southeast Asian Countries: A Comparison with South Asia"

Piyadasa Edirisuriya - Monash University, Australia

Discussant: Malgorzata Sulimierska - University of Sussex, UK

Financial market deregulation has produced financial deepening in many countries, with numerous benefits and costs. Since the 1980s, Southeast Asian countries have deregulated their financial market sector. Consequently, many of them now have substantially developed banking institutions, money markets, capital markets, and equity markets and are achieving better economic growth rates. Numerous studies on financial market deregulation and corruption levels have argued for and against financial deregulation, irrespective of its significant benefits, having significant costs such as increasing corruption levels in many countries. These conflicting results have motivated us to examine the impact of financial market deregulation, which leads to financial deepening, on corruption in Southeast Asian countries. We employ panel data analysis to explore whether financial deepening has a positive impact on corruption levels. Using data for 17 years, we empirically tested the relationship between financial deepening and corruption levels and found a significantly negative relationship between these two factors. When compare our results with the South Asian region where the level of corruption is higher, we do not find any significant differences.

"Capital Account Liberalization and Currency Crisis in Post-Communist Economies"

Mian Hu - Nanyang Technological University, Singapore

Zhanara Makhayeva - University of Sussex, UK

Malgorzata Sulimierska - University of Sussex, UK

Discussant: Pornchai Chunhachinda - Thammasat University, Thailand

After the Russian crisis in August 1997, its adverse impact spread into the Post-Communist countries essentially via several channels, which caused the collapse of domestic currency regimes. An essential factor in helping the spread of the currency speculative effect was the removal of capital control regulations in the earlier 90s. To analyse and answer the research question, the paper constructs multi-country investigation. Probit Panel model was adopted to analyze the multi-country study of post-communist countries. Evidently, the analysis of this panel pointed out that those countries with free capital flows experience a lower likelihood of currency crisis, if the sequence of CAL reformed is adjusted to economic performance of the economy. Furthermore, outcomes from analysis suggest that speed and sequence of the capital account liberalization process is one of the most important factor to increase the probability of crisis and it should be adequate to country conditions of macroeconomic and political fundamentals.

"Determinants of Foreign Direct Investment in Major ASEAN Countries"

Pornchai Chunhachinda - Thammasat University, Thailand

Li Li - University of the Thai Chamber of Commerce, Thailand

Discussant: Jean-Marie Cardebat - University of Bordeaux, France

This paper investigates the determinants of foreign direct investment (FDI) net inflows to ASEAN 6 countries, namely Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam, over the period of 1980-2013. The results suggest that the FDI net inflows to 6 ASEAN countries are attracted by bigger market size, better domestic investment climate (excluding Singapore), lower unemployment rate, better infrastructure, and the appreciation of the local currency. Further, crisis is found to have no effect on 6 countries' FDI inflows. Therefore, the policy makers in 6 ASEAN countries are suggested to focus more on improving the gross domestic product growth, domestic investment climate, infrastructure, and reducing the unemployment rate in order to attract more FDI inflows.

"The Long-term Financial Drivers of Fine Wine Prices: The Role of Emerging Markets"

Jean-Marie Cardebat - University of Bordeaux, France

Linda Jiao - University of Bordeaux, France

Discussant: Piyadasa Edirisuriya - Monash University, Australia

We analyze the long-term relationship between the fine wine market and stock markets, from world level to specific countries, by applying a cointegration approach on a 21-year monthly database. Our database includes the Liv-ex Fine Wine Investables Index, 6 Liv-ex sub-indices, 25 MSCI Indexes and 10 national stock market indexes. Results suggest significant cointegration between emerging markets, especially Asia, and fine wine markets, and also causality from the former to the latter. As a result, the slowdown of economic growth in emerging countries can be a risk to the fine wine market. Furthermore, Mainland China appears to be one of the main drivers of fine wine markets, and more precisely, the leading Bordeaux wines. We suggest that along with single-index analysis, our approach can be taken into consideration in fine wine price forecasting and portfolio diversification strategy.

SESSION 61

Room 7

IPOS/SEOS

Session Chair: Kenth Skogsvik - Stockholm School of Economics, Sweden

"Initial Public Offerings and the Firm Location"

Giulia Baschieri - Ca' Foscari University of Venice, Italy

Andrea Carosi - University of Sassari, Italy
Stefano Mengoli - University of Bologna, Italy

Discussant: Susanne Espenlaub - University of Manchester, UK

The firm geographic location matters in IPOs because investors have a strong preference for newly issued local stocks and provide abnormal demand in local offerings. Using equity holdings data for more than 53,000 households, we show the probability to participate to the stock market and the proportion of the equity wealth is abnormally increasing with the volume of the IPOs inside the investor region. Upon nearly the universe of the 167,515 going public and private domestic manufacturing firms, we provide consistent evidence that the isolated private firms have higher probability to go public, larger IPO underpricing cross-sectional average and volatility, and less pronounced long-run under-performance. Similar but opposite evidence holds for the local concentration of the investor wealth. These effects are economically relevant and robust to local delistings, IPO market timing, agglomeration economies, firm location endogeneity, self-selection bias, and information asymmetries, among others. Findings suggest IPO waves have a strong geographic component, highlight that underwriters significantly under-estimate the local demand component thus leaving unexpected money on the table, and support state-contingent but constant investor propensity for risk.

"The Survival of Initial Public Offerings in Europe"

Wolfgang Bessler - Justus-Liebig University Giessen, Germany
Martin Seim - Justus-Liebig-University Giessen, Germany
Susanne Espenlaub - University of Manchester, UK

Discussant: Ari Pandes - University of Calgary, Canada

We investigate the influence of venture capital (VC) and private equity (PE) on the survival probability of Initial Public Offerings (IPOs) in Europe between 1996 and 2010 using logit analyses and accelerated failure time models. Independent of VC/PE-backing, profitability and higher underpricing increase IPO survival, while higher leverage and risk are negatively associated with the survival rates of firms that just went public. The impact of VC/PE-backing on the likelihood of survival and the survival duration of IPOs is significantly positive. However, this effect is driven by VC-backing rather than PE-backing. Inconsistent with the general evidence of value creation and certification by VC/PE, but in line with related studies for Europe, VC/PE does not positively impact IPO survival during the "new economy" period. Moreover, the positive effect of VC/PE on IPO survival mainly holds for IPOs in continental Europe, but not for the U.K. Our results are robust to differentiating between delistings due to mergers and acquisitions, and delistings due to various negative factors such as bankruptcy, and to different assumptions regarding the distribution of the hazard function.

"Does Spending Time in the Minors Pay Off?"

Michele Meoli - University of Bergamo, Italy
Ari Pandes - University of Calgary, Canada
Michael Robinson - University of Calgary, Canada
Silvio Vismara - University of Bergamo, Italy

Discussant: Dionysia Dionysiou - University of Stirling, UK

This paper compares the performance of firms that first go public on the Toronto Venture Stock Exchange (TSX-V) and then graduate to the senior Toronto Stock Exchange (TSX), to the performance of VC-backed firms that directly have an IPO on the TSX. Controlling for potential selection biases stemming from the original decision to list on the TSX-V rather than receiving a VC injection, as well as from the subsequent listing decision on the TSX, we find TSX-V graduations on average outperform VC-backed IPOs by 31.2 percentage points in the three years following the TSX listing. Overall, our results indicate that the TSX-V is an effective "incubator" market for developing firms, and thus provide important policy and regulatory insights.

"Changes in Liquidity Risk and its Relation to the Documented Reversal of Abnormal Returns in Equity Offerings"

Dionysia Dionysiou - University of Stirling, UK

Discussant: Andrea Carosi - University of Sassari, Italy

This paper investigates why abnormal returns following issues of new equity including placings and open offers reverse. It re-examines the overreaction hypothesis that casts strong doubts on market efficiency. We report that the reversal is observable only when long-horizon abnormal returns are estimated following traditional long-run event-study methods including buy-and-hold (e.g. Barber and Lyon, 1997; Lyon et al., 1999) and calendar-time abnormal returns (e.g. Fama, 1998; Mitchell and Stafford, 2000). When the benchmark model controls for liquidity risk changes, the reversal disappears. Our findings suggest the traditional models used to measure long-run post-issue abnormal performance are misspecified. They appear unable to adjust for reduction in liquidity risk. This has a negative bias to the long-horizon abnormal returns following an equity offering.

SESSION 62

Room 8

VOLATILITY II

Session Chair: Serge Darolles - Université Paris-Dauphine, France

"The Effect of Volatility Persistence on Excess Returns"

Ajeet Jain - Alabama A&M University, USA

Sascha Strobl - University of Vaasa, Finland

Discussant: Malick Sy - RMIT University, Australia

In this paper, we examine the effect of volatility persistence in explaining excess returns in conjunction with established factors. We use an I-GARCH model to estimate volatility persistence for each company on the NYSE for each year between 1989 and 2014. We find that volatility persistence is significant in explaining excess returns for medium to high turnover portfolios. We also find a similar relationship for the portfolios sorted based on size. This study tries to disentangle the effects of various information asymmetry aspects in asset pricing and show that not only volatility itself but also its persistence is important in explaining stock returns.

"High Frequency Trading and Volatility Dynamics around Flash Crash"

Malick Sy - RMIT University, Australia

Andrew Godfrey - RMIT University, Australia

Discussant: Muhammad Surajo Sanusi - Birmingham City University, UK

This study investigates the Flash Crash that occurred on the 13th May 2014 with the aim to determine if there are any 'indicators' leading up to a flash crash event. Data is used from the Dow Jones Industrial Average (DJ30), over a period leading up to and after the event occurred. We fit the autoregressive GARCH/EGARCH models using the estimated Volatility (VLT) and Volume (VOL) and we also examine the Volume Toxicity Measure (VPIN) pioneered by Easley et al (2014) who find the VPIN measure being useful in monitoring order flow imbalances, but our analysis suggests that due to the inherent lag nature of the VPIN and the speed in which flash crashes occur that the measure may not be useful in providing an 'indicator' of an impending flash crash event. We found a significant bi-directional positive relationship between the interval trading volume and the market volatility.

"Modelling and Forecasting the Volatility of FTSE UK Oil and Gas Index Using Symmetric and Asymmetric GARCH Models"

Muhammad Surajo Sanusi - Birmingham City University, UK

Discussant: Anupam Dutta - Vaasa University, Finland

The paper investigates the volatility behaviour of the UK oil and gas sector using both asymmetric and symmetric volatility models such as GARCH (1,1) and Threshold ARCH or TARARCH (1,1,1) for estimation

and forecasting. To determine the effect of an exogenous variable on the sector's volatility, Brent crude oil price was used as a variance regressor in the models. The estimations were then used to forecast the price volatility taking note of the forecasting errors for the determination of the most effective forecasting model. Our findings suggest that asymmetric GARCH models outperform the standard GARCH models in measuring and forecasting the volatility of FTSE oil and gas index due to the existence of leverage effect which is consistent with the findings of many scholars. Contrary to the inferences of many studies, volatility spill-over has not been discovered between Brent crude oil price and the oil sector. The absence of volatility spill over was attributed to the behaviour of investors and portfolio managers in mitigating risks by using the forward market of Brent crude oil price. The long-term investment horizon of projects and the diversified product mix of many companies in the sector have also been seen as risk mitigating factors that prevent volatility spill-over.

"Impact of Oil Price Uncertainty on Middle East and African Stock Markets"

Anupam Dutta - Vaasa University, Finland

Jussi Nikkinen - University of Vaasa, Finland

Timo Rothovius - University of Vaasa, Finland

Discussant: Sascha Strobl - University of Vaasa, Finland

This paper investigates whether the implied crude oil volatility index (OVX), a forward-looking measure of oil market uncertainty published by Chicago Board Options Exchange (CBOE), impacts the realized volatility of Middle East and African stock markets. Using an extended version of the GARCH model, we show that the oil market uncertainty has substantial effects on the realized volatility of most of the markets under study. Our findings also reveal that, even after controlling for the effect of the implied volatility index of S&P500 (VIX), the impact of the OVX on the Middle East and African equity markets still holds for almost half of the markets considered. Thus, the market participants' anticipation of the future oil market uncertainty is an important factor explaining equity volatilities in the Middle East and African stock markets.

SESSION 63

Room 9

RISK MANAGEMENT II

Session Chair: Can Inci - Bryant University, USA

"Application of Copula-GARCH Method to Estimate VaR of a Portfolio Containing Credit Default Swaps"

Jhe-jheng Huang - National Tsing Hua University, Taiwan

Leh-chyan So - National Tsing Hua University, Taiwan

Discussant: Saswat Patra - Indian Institute of Management, India

Credit Default Swaps (CDS) provide an efficiency way for commercial banks to hedge their portfolios' exposure to credit risk. Following Patton(2006), Huang et al.(2009), and Fei et al. (2013), we proposed a better way to estimate Value-at-Risk (VaR) of portfolios containing CDSs than traditional methods mentioned in the financial textbooks. Markit's North American Investment Grade CDX Index (CDX.NA.IG) is a combination index of 125 North American entities with investment grade credit ratings that trade in the CDS market. The S&P 500 index and VIX are used respectively with CDX.NA.IG to construct a portfolio. From December 2004 to October 2014, 2477 daily data covering the period of the subprime mortgage crisis and European debt crisis are used in this paper. We chose six constant and two time-varying copula models combined with GARCH skewed Student-t innovation (GARCH-skt) to form eight copula-GARCH models to capture the joint distribution of the two assets in the portfolio. We then computed corresponding 1-day VaRs. According to our findings, the time-varying symmetrized Joe-Clayton (SJC) copula model combined with the GARCH-skt (tvSJC-copula – GARCH-skt) performed the best, regardless of the market situation. Not to our surprise, the result is mainly from its advantage of considering the serial correlation in the individual index return and the time-varying nonlinear dependency between indices.

"A Novel Non-linear Value-at-Risk Method for Options: The Use of Pearson Type-IV Distribution"

Saswat Patra - Indian Institute of Management, India

Malay Bhattacharyya - Indian Institute of Management, India

Discussant: Raquel Gaspar - ISEG, Universidade de Lisboa, Portugal

Quantifying risk has always been a challenge. While the basic concept of VaR as a tool to measure risk is simple, one of the major complications in measuring VaR arises when the portfolio under consideration has a non-linear payoff structure such as options. This paper presents a comparison of several existing methods of calculating VaR for options. In case of Static VaR, we propose the use of Pearson's Type IV and Skewed Student's t distribution to model the P&L of the options. We also propose new models (time-varying) to estimate the VaR dynamically for portfolios with non-linear payoffs.

"Historical VaR for Bonds - A New Approach"

Joao Sousa - Politecnico de Lisboa, Portugal

Raquel Gaspar - ISEG, Universidade de Lisboa, Portugal

Manuel Esquivel - Univesidade Nova de Lisboa, Portugal

Pedro Real - Universidade Nova de Lisboa, Portugal

Discussant: Mehmet Karan - Hacettepe University, Turkey

Bonds historical returns cannot be used directly to compute VaR because the maturities of returns implied by the historical prices do not have the relevant maturities to compute VaR. Given the so-called pull-to-par in bonds, with return volatilities necessarily decreasing with diminishing time-to-maturity, direct use of historical returns would lead to overestimation of the true VaR. Market practice deals with the problem of computing VaR for portfolios of bonds or mixed portfolios with cumbersome methods of cash-flow mappings. In this paper we propose a new approach. We develop a technique to adjust bonds historical prices and extract from them an adjusted history of returns, that can be used directly to compute historical VaR for bonds or bond portfolios. We illustrate the method using one concrete traded market zero-coupon bond, but the simplicity of the method makes this enough to the reader to understand how it would work with coupon bonds, portfolios of bonds or mixed portfolios.

"Value at Risk Performance of Emerging Market Equity Portfolios during the Fed's Tapering"

Ertugrul Uysal - Ziraat Bank, Turkey

Mehmet Karan - Hacettepe University, Turkey

Mustafa Kaya - Hacettepe University, Turkey

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

This paper investigates the issue of market risk quantification for twelve emerging market equity portfolios during the FED tapering period. The performance of most popular VaR methods, namely Variance-Covariance, Classical and Weighted Historical Simulation Methods are compared. The results indicate that Classical and Weighted Historical Simulation outperform Variance-Covariance VaR. Kupiec back testing is supporting this argument. In the second stage of analysis, VaR performance of equally weighted equity index, and US Government Bond portfolios are analysed. We obtain lower VaR values than equity portfolios. Russia, Turkey and Brazil are the worst performers out of 12 countries. The performance of portfolios are measured by Sharpe ratio and VaR adjusted Sharpe Ratios and found parallel rankings.

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

ASSET PRICING VIII

Session Chair: Mika Vaihekoski - University of Turku, Finland

"Contingent Capital Conversion Under Jump Diffusions"

Weiping Li - Oklahoma State University, USA

Hossein (Siamak) Javadi Asl - Ohio University, USA

Discussant: Patrick Leoni - Kedge Business School, France

In this paper, we study the design of contingent capital with market trigger under the jump diffusion process. Under the jump diffusion, the issued contingent capital is no longer riskless and has to be priced as a risky junior bond. We find that unique equilibrium requires a very strict condition. Multiple equilibria are expected to be generic. Moreover, even if unique equilibrium condition is satisfied, we show that the conversion ratio is no longer deterministic under the jump diffusion. The conversion ratio becomes a stochastic process related to the jump process of the underlying equity and the conditional expectation of the contingent capital at the conversion time. Thus, making the implementation of contingent capital impossible. The best we can hope to practically implement this conversion design, is to give the minimal conversion ratio (at least the portion required to convert) to conform with Basel III.

"Non-parametric Spectral Tests for Forecast Accuracy"

Patrick Leoni - Kedge Business School, France

Discussant: Louis Murray - University College Dublin, Ireland

We develop a class of non-parametric, spectral density tests capable of deciding whether a given random variable can predict a time series in expectations. Under standard assumptions, we show that those tests are consistent, robust and admissible. In controlled simulations, we find that those tests rightfully reject with low P-value and high power. When applied to daily returns of NASDAQ Composite (resp. S&P500), we find that an ARMA-GARCH mixture with Normal jumps (resp. T-Student jumps) passes our test at high level of confidence.

"Asset Pricing and Downside Risk in the Australian Equity Market"

Lakshman Alles - Curtin University, Australia

Louis Murray - University College Dublin, Ireland

Discussant: Donia Trabelsi - Telecom Business School, France

As downside risk has been identified as a separate risk exposure to investors, we investigate whether downside beta and co-skewness impact on the return to investors in Australian equities. As realised returns are a proxy for expected returns, we separately examine conditional returns in upturn and downturn periods. We find that both downside risks are separately priced by investors. We subsequently confirm that these returns are not related. In robustness tests, we conclude that neither a size premium nor a value premium explains the return to downside risk. Although it also has explanatory power, the inclusion of a leverage factor also does not reduce the explanatory power of downside risk.

"Differences in Expectations and the Cross Section of Stock Returns"

Panayiotis Andreou - Cyprus University of Technology, Cyprus

Anastasios Kagkadis - Lancaster University, UK

Dennis Philip - Durham University, UK

Ruslan Tuneshev - Durham University, UK

Discussant: Weiping Li - Oklahoma State University, USA

This paper constructs a new firm-level measure for differences in expectations (DiE) about future stock returns, which is obtained from the dispersion of equity options trading volume across strike prices. We demonstrate that stocks with higher differences in expectations consistently earn lower returns, with high DiE firms underperforming low DiE firms by 1.25 percent per month. Moreover, the relationship is more pronounced for small, illiquid, value, short-sale constrained, more volatile, lottery-type stocks and is the strongest following high sentiment times. We further show that the DiE effect cannot be subsumed by previously documented cross-sectional return predictors and is distinct to the effect of the dispersion in analysts' forecasts.

SESSION 65

Room 2

ANALYSTS II

Session Chair: Jayant Kale - Northeastern University, USA

"Rising and Senior Stars in European Financial Analyst Rankings: the Talented and the Famous"

Carole Gresse - Université Paris-Dauphine, France

Laurence Porteu De La Morandiere - Groupe ESC Pau, France

Discussant: Sina Badreddine - Middlesex University, UK

Using Institutional Investors (I/I) and Extel rankings and I/B/E/S data for European analysts over 15 years, we show that European analyst rankings are determined more by popularity than by intrinsic skills, the first determinant of recognition being employer size. Becoming an I/I star is like joining a club: talent for issuing high-quality recommendations is required to be initially ranked but is irrelevant to being re-elected or reaching the top level. Our findings also underline the importance of analyst rankings' design features. These features could probably be improved by reducing the impact of recognition in the election process.

"Bias and Rationality of Analysts' Earnings forecasts in the UK"

Sina Badreddine - Middlesex University, UK

Oussama Baher - Middlesex University, UK

Ephraim Clark - Middlesex University, UK

Discussant: Michael Donohoe - University of Illinois, USA

Financial analysts' are believed to play a major role in driving financial markets. Any error or bias in financial analysts' forecasts is likely to mislead investors who rely on these forecasts to make big investment decisions. Previous papers suggested that for many reasons, financial analysts might make systematic errors rather than just being a result of an unsystematic human being mistake. The rationality and bias of financial analysts are investigated in this paper for UK public companies. In order to study the accuracy of analysts on the index overall, FTSE all Share companies were collected individually as available for each year from 1993 to 2013. Two measures of forecast accuracy were used. First, earnings per share forecast error to show how far forecasts are from actual earnings per share. Second, Forecast bias which represents analyst's optimism or pessimism regarding company's performance. In addition, the horizon effect is examined by observing forecast errors from 11 to 1 month prior to earnings official announcement date. After setting few criteria to control for outliers, results show that analyst forecasts are overall optimistic. However, they seem to diverge to a more rational position the closer they get to the announcement date. Despite no evidence of relationship was found between forecast error and prior year change in earnings per share, analysts are proved to be systematically revising their forecasts downwards from the beginning of the year until the earnings announcement date. These results prove that forecasts are inefficient and raise more questions about bias of analyst forecasts and its implication on stock markets.

"The Effects of Financial Derivatives on Analyst Coverage Decisions"

Hye Sun Chang - Singapore Management University, Singapore

Michael Donohoe - University of Illinois, USA

Theodore Sougiannis - University of Illinois, USA

Discussant: Simeon Ketterer - University of Bamberg, Germany

We investigate whether and how a firm's use of derivatives influences analyst coverage decisions. Using a difference-in-differences design, we find that, relative to a matched control sample of nonusers, analyst coverage for new derivatives users increases significantly after derivatives initiation. We further find that this increase in coverage is driven by analysts with less expertise, as reflected by years of experience and All-Star status. Overall, despite the notorious complexity of derivatives, analysts with less expertise begin covering new derivatives users, presumably to signal their talent, and, as a result, produce the less accurate and more dispersed earnings forecasts shown by prior research (Chang et al. 2015) for these firms.

"Accounting Conservatism and the Implied Cost of Capital"

Brigitte Eierle - University of Bamberg, Germany
Simeon Ketterer - University of Bamberg, Germany
Ioannis Tsalavoutas - University of Glasgow, UK

Discussant: Laurence Porteu De La Morandiere - Groupe ESC Pau, France

Our paper shows that the most serious concern when estimating the implied cost of capital is how to deal with the effect of conservative accounting practice and the impact on the long-term growth rate applied when estimating the terminal value. We demonstrate in a more meaningful way that, due to conservative accounting practice which impacts bottom line numbers of financial statements in different ways, a unifying growth rate applied to all accounting based business valuation models does not perform well in empirical implementations. Furthermore, our results indicate that long-term growth expectations in empirical applications of the residual income valuation model should be essentially higher than the growth rate applying in the abnormal earnings growth model. Our conservatism framework fits well in the research literature that utilises accounting based business valuation models. It explains the different results for the various implied cost of capital estimates in past studies and furthermore explains why empirical implementations of the residual income valuation model perform only poorly with a clear trend of underestimating market values in previous literature.

SESSION 66

Room 3

CORPORATE SOCIAL RESPONSIBILITY

Session Chair: Mary Malliaris - Loyola University Chicago, USA

"The Effect of Venture Capital Funding on Corporate Social Responsibility Records of Companies"

Ekin Alakent - California State University, East Bay, USA
Mehmet Goktan - California State University, East Bay, USA

Discussant: Kais Bouslah - University of St Andrews, UK

This study explores the effect of venture capital (VC) funding on corporate social responsibility (CSR) records of VC backed companies. Drawing from resource dependency theory, we argue that VC backed companies heavily depend on VC firms for critical resources such as capital and business expertise and adhere to their performance expectations. Companies need to meet strict performance and operational goals to secure continuous funding from VC firms, which might result in less emphasis on socially responsible actions and strategies that distract managers from focusing on meeting short term performance targets. We argue that firms funded by VC firms will have poorer CSR records compared to non-VC backed firms. We also explored the effect of VC firms' age and the lifecycle of the VC backed company on its CSR records. We tested our hypotheses using a sample of 25,144 company year observations collected from diverse databases including MSCI KLD, Compustat, SDC Platinum (VentureXpert and Global New Issues) and found that 1. VC backed companies have poorer CSR records compared to non-VC backed companies, 2. VC backed companies that receive funding from more experienced VC firms have poorer CSR records and 3. VC backed companies' CSR records improve, as they get farther away from the initial public offering (IPO) date.

"CEO Risk Taking Incentives and Corporate Social Responsibility"

Kais Bouslah - University of St Andrews, UK
José Liñares-Zegarra - University of Essex, UK
Bouchra M'Zali - Université du Québec à Montréal, Canada

Bert Scholtens - University of Groningen, Netherlands

Discussant: Julia Puaschunder - The New School, USA

This paper examines whether the compensation incentives of top management affect corporate social responsibility (CSR). With a panel dataset of U.S. firms for the period 1992–2009, we find that compensation structures that create high wealth-risk sensitivity (Vega) could lead to simultaneous engagement in both responsible and irresponsible activities. This result suggests that board of directors should pay greater attention to the implications of the CEO compensation and its associated incentives for the firm's CSR.

"Value Relevance of Environmental, Social, and Governance Disclosure"

Zuraida Zuraida - Victoria University of Wellington, New Zealand

Noor Houqe - Victoria University of Wellington, New Zealand

Tony Van Zijl - Victoria University of Wellington, New Zealand

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

This paper investigates the impact of Environmental, Social, and Governance (ESG) disclosure by companies around the world on market value. Using a large sample of non-financial companies listed in 38 countries during the period 2008–2012, we test for value relevance by employing the modified version of the Ohlson (1995) model developed by Collins, Maydew, and Weiss (1997). We find support for the value relevance of disclosure of ESG both in aggregate form and for its individual components. These findings support the expectation of disclosure theory that disclosure of relevant information (such as ESG) has a positive impact on value. The results are robust to several alternative specifications. Consistent with the finance literature on the impact of legal origin (La Porta, Lopez de Silanes, & Shleifer, 2006; La Porta, Lopez de Silanes, Shleifer, & Vishny, 1998, 2000, 2002), the results for ESG disclosure are stronger in common-law countries. Our results provide new evidence for researchers, investors, and policy makers of the value relevance of ESG disclosure in a broad international setting. The evidence shows that globally investors benefit from the disclosure of both aggregate ESG and the individual factors and this supports regulators in pushing companies to provide additional ESG information.

"On the Emergence, Current State and Future Perspectives of Socially Responsible Investment"

Julia Puaschunder - The New School, USA

Discussant: Tony Van Zijl - Victoria University of Wellington, New Zealand

In recent decades Socially Responsible Investment (SRI) emerged into an en vogue investment philosophy. Originating from religious and moral considerations, SRI evolved in the wake of sociopolitical deficiencies and corporate social conduct. In the global rise of financial social conscientiousness, differing national legislations and regulatory traditions have led to various SRI practices, which are harmonized by the United Nations (UN). Building on the historic advancement of Financial Social Responsibility in the wake of socio-ethical deficiencies, this paper highlights the future potential of SRI in the aftermath of the 2008/09 World Financial Crisis as a means to avert economic market downfalls. During the current financial market reform, additional micro- and macro-research on financial social conduct could foster the idea of Financial Social Responsibility and aid a successful implementation of SRI.

SESSION 67

Room 4

MACROECONOMICS

Session Chair: Nikolaos Milonas - University of Athens, Greece

"The Foreign Exchange Exposure of Non-Financial Companies in Eurozone: Myth or Reality?"

Ramona Rupeika-Apoga - University of Latvia, Latvia

Roberts Nedovis - University of Oxford, UK

Discussant: Willem Verschoor - VU University Amsterdam, Netherlands

The authors of this paper are looking for answers: are domestic companies operating in small market economies such as the Baltics with little or no direct foreign involvement also at risk, taking into account that our companies mainly as a mean of exchange are using euro. The aim of this study is to examine the foreign exchange rate exposure of domestic corporations in the Baltic States. The study shows that companies in the Baltic States tend not to manage their foreign exchange risk properly and some of the companies are thus exposed to significant losses due to fluctuations in currency exchange rates. The VaR estimates are proposed and evaluated as a method to measure the position that is necessary to hedge.

"Cracks in the Crystal Ball: Foreign Exchange Rate Exposure when Forecasters Disagree"

Julien Poncelet - University of Liège, Belgium

Aline Muller - University of Liège, Belgium

Willem Verschoor - VU University Amsterdam, Netherlands

Discussant: Tugba Dayioglu - Nisantasi University, Turkey

The central issue of this paper is whether stock prices are exposed to total exchange rate movements – as traditionally measured – or to revisions in expected future exchange rate movements and unanticipated currency shocks, and by how much of each. Based on a sample of 1675 U.S. firms operating in Europe and in Japan our results reveal that disaggregating total exchange rate changes in expected and unexpected exchange rate movements leads to a more accurate and more intuitive measurement of firms' exchange rate exposure. In addition, theory expects that investors lend more credibility to forecasts communicated by expert panels when they display a low dispersion, hinting to agreement among experts, than when they display a higher dispersion. When uncertainty is higher, and when the informational content of these forecasts may be considered as less meaningful, investors should be reluctant to incorporate experts' anticipations in stock market values. Based on our time-varying estimates of the probability of agreement among experts, we find concluding empirical evidence in favour of this hypothesis.

"Credit Ratings and Stock Market Performance with Firm-Specific Characteristics and Macroeconomic Variables"

Ercan Balaban - University of Aberdeen, UK

Tugba Dayioglu - Nisantasi University, Turkey

Discussant: Ramona Rupeika-Apoga - University of Latvia, Latvia

The first two empirical chapters of this PhD dissertation use time series and cross-sectional regressions. The first empirical research on the effects of financial statements announcements on the individual stock returns and their conditional volatility is based on event study methodology using an asymmetric conditional heteroscedasticity model. The second empirical work uses cross-sectional regressions to analyze the relationships between corporate credit ratings and selected firm-specific variables. Both chapters employ semi-annual data for 26 periods. Hence, we report estimation results period by period, and primarily analyze the consolidated results. It should be recalled that each of these empirical studies are of stand-alone nature. This chapter of the dissertation employs panel data methodology to analyze the interrelationships between corporate credit ratings, selected firm-specific characteristics in terms of systematic risk, measured by beta coefficient; volatility, and size based on market capitalization of firms; and selected macroeconomic variables in terms economic growth, foreign exchange changes, money supply, interest rates and their changes, consumer prices inflation, export-import ratio, and industrial production. Panel data methodology combines both time series and cross-sectional characteristics in a single estimation.

SESSION 68

Room 5

FIXED INCOME SECURITIES III

Session Chair: Balasingham Balachandran - LaTrobe University, Australia

"Momentum in the Corporate Bond Market: European Evidence"

Florian Barth - Friedrich-Alexander-University Erlangen-Nürnberg, Germany

Hannah Lea Hühn - Friedrich-Alexander-University Erlangen-Nürnberg, Germany

Hendrik Scholz - Friedrich-Alexander-University Erlangen-Nürnberg, Germany

Discussant: Brice Dupoyet - Florida International University, USA

This paper analyzes momentum patterns in the European corporate bond market. We study a sample of Euro-denominated investment grade (IG) bonds and non-investment grade (NIG) bonds covering the period January 2000 to December 2014. Our analyses reveal that momentum is concentrated among NIG bonds. Furthermore, we show that the time-varying composition of momentum portfolios is driven by the durations and the default risk of corporate bonds subject to recent changes in interest rates and credit spreads. Thus, in context to performance measurement, we apply time-varying risk adjustments instead of unconditional standard models. Doing so, we are able to explain clearly more variability in bond momentum returns. Furthermore, we find that momentum returns are not a compensation for interest rate risk or default risk, even after dynamic risk-adjustments.

"A New Take on the Relationship between Interest Rates and Credit Spreads"

Brice Dupoyet - Florida International University, USA

Xiaoquan Jiang - Florida International University, USA

Qianying Zhang - Florida International University, USA

Discussant: Federica Ielasi - University of Florence, Italy

We revisit the link between interest rates and corporate bond credit spreads by applying Rigobon's (2003) heteroskedasticity identification methodology to their relation. This novel approach allows us to account for endogeneity problems and to conclude that credit spreads respond negatively to interest rates, a result consistent with the implications of Merton's (1974) structural model. The negative relation is robust to macroeconomic shocks, interest rates characteristics, different volatility regimes, bond ratings, and callability features. Finally, we show that business cycles could quite plausibly be responsible for the negative relationship, significantly more so than the option feature embedded in callable corporate bonds.

"Multi-channel Banking and Stakeholders' Perceptions. Challenges of Customer-Centred Communication in Emirati and Italian Banks"

Cornelia Ilie - Zayed University College of Business, United Arab Emirates

Federica Ielasi - University of Florence, Italy

Lorenzo Gai - University of Florence, Italy

Discussant: Florian Barth - Friedrich-Alexander-University Erlangen-Nürnberg, Germany

This paper is based on a project financed by Zayed University, in Abu Dhabi, UAE, which consists in a comparative communication-focused study involving banks in two countries that are representative for their respective geo-political regions and that have a growing bilateral collaboration in the banking sector, namely: the UAE – a country with a relatively new, but strong banking sector in the Middle East region (Al-Marri, Ahmed & Zairi 2007, Al-Hawari 2011), and Italy – a Western European country with one of the oldest banking systems in the world. The aim of the project is to identify and examine the main factors that impact bank customers' perceptions of and attitudes to the communication involved in bank services, on the one hand, and the bank employees' perceptions of and attitudes to changing communication patterns in customer services, on the other. An important objective of the present investigation is 'to give voice to bank customers' in the UAE and Italy, by analysing the ways and the extent to which their needs and requests across a wide range of multi-channel banking services are being (mis)communicated, (mis)understood and (un)resolved.

"Make-whole Call Provisions and Financial Flexibility"

Scott Brown - University of Puerto Rico, USA

Eric Powers - University of South Carolina, USA

Make-whole call provisions are ubiquitous. While common perception is that the calls are rarely exercised, we demonstrate that bonds with make-whole call provisions are more than twice as likely to be retired early as equivalent non-callable bonds. Detailed analysis of these retirement events reveal three motivating

rationales: 1) to refund the debt at what are perceived to be low current interest rates, 2) as a result of a merger or acquisition, often by a private equity group, and 3) as a mechanism for paying out excess cash, often generated by prior divestitures. Further analysis indicates that firms that retire bonds early in order to refinance are not adept at timing interest rates. Finally, we find that firms with a large percentage of make-whole callable debt are more likely to be engaged in M&A transactions as both targets and acquirers.

SESSION 69

Room 6

EMERGING MARKETS II

Session Chair: Krzysztof Jackowicz - Kozminski University, Poland

"Regional Financial Integration and Monetary Union in Africa: Lessons from the Eurozone"

Grace Essien - University of Leeds, UK

Discussant: Saint Kuttu - University of Ghana, Ghana

Before monetary unions can be established some criteria needs to be met, one of which is financial integration. This paper empirically measured the extent of financial integration in Africa's Regional Economic Communities (RECs) using beta and sigma convergence to measure the speed and degree of financial integration in four RECs (COMESA, EAC, ECOWAS and SADC). From the results obtained further analysis was conducted on the desirability and feasibility of monetary union formation using the Eurozone as a case study. Analysis of the results showed that Africa's RECs would be better-off slowing down on the agenda of monetary union formation while focusing on strengthening financial integration in their regions.

"Modelling Long Memory in African Equity Markets"

Saint Kuttu - University of Ghana, Ghana

Discussant: Ahmed Wafi - Cairo University, Egypt

This study examined the long memory properties in the second moments of the return series in the equity markets of Ghana, Kenya, Nigeria and South Africa. Using daily equity market data that spans the period 1st January, 1996 to 31st December 2015, we find the presence of long range dependency in the second moments of the return innovations in all the four countries' equity markets in the full sample. To isolate spurious long memory, we divided that data into four equal parts, and we find that the long memory exhibited by Ghana and Kenya is time dependent. This findings may have implication for how inefficient these markets are. The long memory characteristics in the conditional volatility may also provide useful information to market participants in pricing long term derivative contracts.

"The Investment Tools in Egyptian Stock Market by Practice: Is it Fundamental or Technical? - Survey Study"

Ahmed Wafi - Cairo University, Egypt

Discussant: Maria Dimitriou - University of Macedonia, Greece

Nowadays, there are many investment tools that enable individual investors to use them in making buy stocks decision or sell stocks decision. Investors use technical analysis tools, fundamental analysis tools or both of them. Each one of these tools has many techniques, for instance, the fundamental analysis tools have; discounted dividend model (DDM), Multiplier models, discounted cash flow model (DCF), Residual Income model (RIM) and others like analysts' recommendations. On the other hand, the technical analysis tools have many techniques, for example, support and resistance lines, Moving Average, Relative and Strength Index (RSI) Oscillator and Moving Average Convergence and Divergence MACD Oscillator. So, this study aims to answer the following question: What is the analysis tool (fundamental or technical analysis) used by investors in practice to buy stock or sell it?. This study will depend on the survey study by asking investors in Egyptian Stock Market by meeting some of them and via online survey. However, the author expects that most investors in Egyptian Stock Market depend on technical analysis tools rather than fundamental analysis tools, because, the technical investment tools based on historical data and it is easily to get it. In a contrast, the fundamental investment tools depend on the current and historical data and it is not easy to collect them, because, the Egyptian Stock Market is still not efficient market.

"Case Study of Investments Opportunities and Decision Making on Food and Drink Firms Listed on ASE Under IFRS"

Maria Dimitriou - University of Macedonia, Greece

Discussant: Grace Essien - University of Leeds, UK

Firms have been enabled to produce IFRS financial statements that allow them to adopt a global financial reporting language as well as to be evaluated in a global marketplace. Paper investigates a sector which has a major role in European economy as well as in Greece. This paper aims at outlining a picture of events and trends, reminding the idea of funds and indexes through ASE and it put things into perspective. It is believed that investment in Greek Food and Drink Sector, especially in SMEs, is opportunity even in recession period. The existing trend in the international investment community indicates positive prospects for the sector. It discuss the findings and observations of the main accounting and business related issues in food and drink sector and their effect in investment decisions, which prove to be a matter of great importance and of considerable research interest. This paper explores reasons why internal and external investors should invest on Food and Drink Sector. It provides an updates description of the process of IFRS adoption in Greece in comparison with Greek GAAP, considering currently New Greek Accounting Standards. It examines firm's financial statements under IFRS giving information about performance, position and cash flow. It can be useful for accountant and management but also investors, financial analysts or business valuers. Besides, it provides sufficient background information to make investment recommendation for the firm's stock, in a next paper.

SESSION 70

Room 7

FIRM VALUE

Session Chair: Ania Zalewska - University of Bath, UK

"Rational Investor Behaviour and Market Mispricing - The Resale Option Effect"

Henrik Andersson - Dept of Accounting, Sweden

Kenth Skogsvik - Stockholm School of Economics, Sweden

Discussant: Ranjit Tiwari - Chandragupt Institute of Management Patna, India

The fundamental value of a company share is commonly calculated as the present value of future expected dividends, typically modelled as some function of the firm's future accounting earnings and/or book values. However, when a substantial magnitude of trades in the stock market are made by "uninformed" investors, the observed price might only be a noisy reflection of this fundamental value. For an informed investor, this potentially creates a value-enhancing opportunity. In principle, the investor can either wait for the dividends to be realised, or sell the stock. It can be rational to sell when there is a mispricing, such that the share price is higher than the present value of future expected dividends, but the intriguing question is: How much higher than the fundamental value should the price be to sell? We formalize this question as a so called stopping problem, and show that substantial mispricing typically is required before any trading should take place. Hence, market mispricing cannot really be expected to "immediately" correct itself, but can actually be present for long periods of time. Our modelling sheds new light on stock market bubble phenomena, as well as provides a tool for fund managers to rationally determine trading strategies in their portfolio management.

"Intellectual Capital and Corporate Performance: A Case of Indian Banks"

Ranjit Tiwari - Chandragupt Institute of Management Patna, India

Harishankar Vidyarthi - National Institute of Financial Management, India

Discussant: Dimitrios Ginoglou - University of Macedonia, Greece

The purpose of this paper is to estimate the intellectual coefficient of Indian banking firms and its ability to enhance corporate performance. We also propose to further extend the model by introducing interaction variables into the model. The data for the study is drawn from Centre for Monitoring Indian Economy (CMIE) from 1999 to 2015. We have considered 39 public and private banks listed on Bombay Stock Exchange (BSE) for the study. The study is expected to benefit bankers in measuring the intellectual potential of banks and also help the management in identifying the relevant intellectual capital elements that may enhance performance of banks.

"Accounting Adjustments for Valuation Purpose of Private Firms Statements in Greece"

Athanasios Karampouzis - University of Macedonia, Greece

Dimitrios Ginoglou - University of Macedonia, Greece

Discussant: Benjamin Maury - Hanken School of Economics, Finland

The present paper examines accounting issues that come up when evaluating a private firm under the Greek accounting standards. As valuation methodology for this certain type of firm, we consider the discounted cash flow model and, more specifically, the Free Cash Flows to the Firm (FCFF) model. We try to adjust the firms' statements' items in order to produce part of a nominator that is consistent with the FCFF theory, taking in response among others - the differences between IFRS (which are mainly used in several countries for business valuation) and the Greek General Chart of Accounts. Finally, we produce a rather normative formula, which can be positively used upon this very model in order to assess the value of a private firm in Greece.

"Sustainable Competitive Advantages and Profitability Persistence: International Evidence"

Benjamin Maury - Hanken School of Economics, Finland

Discussant: Henrik Andersson - Dept of Accounting, Sweden

This paper explores how variables measuring firms' competitive advantages influence profitability persistence. Using a sample of more than 203925 firm-year observations from MSCI 23 developed countries between 1985-2013, I find that an index of proxies for firms' competitive advantages significantly reduce profit mean reversion. In addition, firms that exhibit superior long-term past return on assets have lower mean reversion of profitability. The best performance persistence was obtained when firms had high past sustained profitability and high competitive advantage proxies. There are strong commonalities in the key variables among countries. This paper contributes to the literature by showing how various proxies for barriers to entry and market dominance as well as past superior performance is related to firms' fundamental performance in an international setting.

SESSION 71

Room 8

VOLATILITY III

Session Chair: Alain Schatt - University of Lausanne, Switzerland

"Intrinsic Liquidity Risk and Conditional Volatility Models"

Serge Darolles - Université Paris-Dauphine, France

Gaëlle Le Fol - Université Paris-Dauphine, France

Christian Franck - CREST, France

Jean Michel Zakoian - CREST, France

Discussant: Can Inci - Bryant University, USA

Until recently, the liquidity of financial assets has typically been viewed as a second-order consideration. Liquidity was frequently associated with simple transaction costs that impose little effect, temporary if any, on asset prices and whose shocks could be easily diversified away. Yet, the evidence, especially the recent liquidity crisis, suggests that liquidity is now a primary concern. This paper aims at proposing a static liquidity risk measure leading to a better evaluation of the latter risk by distinguishing the market volatility shocks with persistent effects from liquidity shocks with temporary effects. This approach will allow isolating the liquidity risk even in the case where volumes are not observed.

"Intraday Volatility and the Closing Auction at Borsa Istanbul"

Can Inci - Bryant University, USA

Deniz Ozenbas - Montclair State University, USA

Discussant: Longfei Shang - Hong Kong Polytechnic University, Hong Kong

The effect of the implementation of a closing call auction on market efficiency and volatility is examined at

Borsa Istanbul (BIST) stock exchange in Turkey. Borsa Istanbul is distinctive that it employs two consecutive trading sessions during the day, and similar to other emerging markets trading patterns there are significantly influenced by global developments. Using 30-, 15, and 5-minute intervals, we document the accentuated volatility after the market open in the morning and afternoon sessions, and before the market close. Accentuated intra-day volatility is indicative of a lack of market efficiency, and points to the difficulty traders and market makers have in interpreting information and clearing accumulated trading orders. We show that the implementation of a closing call decreases volatility accentuation just prior to the market close, and hence increases market efficiency. During heightened volatility price discovery process is hampered, and thus taking accentuated volatility patterns into account helps control unnecessary risk exposure and would help with the performance of investment portfolios. Risk management and hedging strategies should consider this information by adjusting their trading patterns during these higher volatility periods.

"What May Drive the Volatility of Volatility (VVIX)?"

Longfei Shang - Hong Kong Polytechnic University, Hong Kong

Te-Feng Chen - Hong Kong Polytechnic University, Hong Kong

Ji-Chai Lin - Hong Kong Polytechnic University, Hong Kong

Discussant: Metin Ilbasimis - University of Aberdeen, UK

Bollerslev et al. (2009) introduce the volatility of volatility (VOV) as an additional source of uncertainty that affects market volatility, and show that VOV is an important driving force of both the variance risk premium (e.g. the risk premium in the market volatility) and the future stock market returns. The purpose of our study is to identify where the underlying source of uncertainty for VOV may come from. Specifically, we examine to what extent various components of U.S. Economic Policy Uncertainty (EPU) developed by Baker et al. (2015) may be related to VIX and VVIX, which is the implied volatility of VIX. While several domestic components of U.S. EPU, particularly monetary policy and regulation uncertainties, affect VIX, surprisingly, we find that only the foreign component that concerns about sovereign debt and currency crisis significantly drives VVIX. Consistent with the notion that VOV is related to the systematic risk for the market volatility, we further find that VVIX reveals U.S. investors' concern on global EPU uncertainty and that VVIX spill over to France and Germany and significantly affects their stock market volatilities. Thus, what drives VVIX in the U.S. has important implications for international markets.

"The Diversification Power of Real Estate Market"

Ercan Balaban - University of Aberdeen, UK

Metin Ilbasimis - University of Aberdeen, UK

Discussant: Serge Darolles - Université Paris-Dauphine, France

This study investigates the dynamic conditional correlations between real estate and stock markets in Turkey. The magnitude and the direction of these time-varying correlations provide diversification benefits to investors. This paper uses an asymmetric DCC-GARCH model to estimate these dynamic conditional correlations. The literature implementing this type of models finds an upward slope in conditional correlations between stock and real estate markets. Contrary to the literature, we find a downward slope, which indicates that the diversification power of the real estate market for stock market investors is increasing over time.

SESSION 72

Room 9

RISK MANAGEMENT III

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

"Does the Structure of Repo Markets Matter During the Crisis and for Financial Stability?"

Andre Ebner - Deutsche Bundesbank, Germany

Falko Fecht - Frankfurt School of Finance & Management and Deutsche Bundesbank, Germany

Alexander Schulz - Deutsche Bundesbank, Germany

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

With the crisis, funding conditions have deteriorated, but repo markets offering central counterparty (CCP)

clearing and anonymized trading have grown, offering access to finance when liquidity was scarce. Thus, understanding their mechanics and development is key for financial stability and regulation. This paper is the first rigorous study of the microstructure of a major CCP cleared European funding market, using not publicly available transaction data that allow tracing market participants over time. We also document aggregate developments of repo rates and volumes on the Eurex General Collateral Pooling market during the financial turmoil and the interaction with unconventional monetary policy. Central bank liquidity aimed at supporting financial stability has to be careful not to crowd out private markets. While CCPs have the potential to enhance the stability of repo markets, they have to be closely supervised and regulated due to their own systemic importance.

"Volatility Derivatives and Downside Risk"

Yueh-Neng Lin - National Chung Hsing University, Taiwan

Discussant: Marco Guidi - University of Glasgow, UK

The challenge in long volatility strategies is to minimize the cost of carrying such insurance due to negative roll yields and negative volatility risk premia. This study proposes a hedging strategy for volatility as an asset class that provides substantial protection against market crashes, while still participating upside preservation. The results show (i) timely hedging strategy removes the extreme negative tail risk and reduces the negative skewness in exchange for slightly fewer instances of large positive returns; (ii) dynamic allocation effectively mitigates the negative cost-of-carry problem; (iii) using volatility contracts as extreme downside hedges can be a viable alternative to buying out-of-the-money S&P 500 index puts; and (iv) the significant volatility-hedged return is a form of compensation for investable higher-moment equity risk factors.

"The Shifting Fortune of Financial Institutions' Opportunistic Strategies"

Marco Guidi - University of Glasgow, UK

Discussant: Suren Pakhchanyan - University of Oldenburg, Germany

FIs' opportunistic (legalized looting and excessive risk-taking) strategies extract private economic gains with a indifference to the basic principles of banking fiduciary duties and generation of social losses and 'moral debt'. FIs' opportunistic strategies exploit inefficient social contracts and safety-risk management due to unsafe government and management policies. Society needs to ensure that FIs' adhere to their fiduciary duties since they have both status versus contract relation associated with other stakeholders property rights to FIs' assets. The study investigates FIs' 'getting away with it seems safe' policies that morphs into extreme opportunism through undermining safety-risk governance arrangements.

"Operational Risk Management in Financial Institutions: A Literature Review"

Suren Pakhchanyan - University of Oldenburg, Germany

Discussant: Andre Ebner - Deutsche Bundesbank, Germany

This article surveys academic research on operational risk between 1998 and 2014. A selected 279 scientific papers are categorized into three Pillars of Basel II/III framework. In doing so, different theoretical and empirical directions for research in determining risk indicators based on business environmental and firm specific variables as well as on impact of disclosure of operational risk on market participants are outlined. In addition, this study provides an overview of existing consortiums' databases and other public available sources on operational loss, that may be incorporated into empirical research, as well as in risk measurement process by financial institutions. Finally, this paper highlights the research gaps in operational risk and outlines recommendations for further research.

GALA DINNER

8:30 - 11:00 p.m. Skansen Festvaning

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
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- Behavioral finance in relation to ship financing and management
- Financial performance and efficiency in maritime and transport sectors
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- Risk management in shipping and transportation
- Accounting and maritime financial management

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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.

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MULTINATIONAL FINANCE JOURNAL

FORTHCOMING ARTICLE

Volume 20, Issue 2 – June 2016

TITLE

“Value of Control in Family Firms: Evidence from Mergers and Acquisitions”

NIHAT AKTAS

WHU Otto Beisheim School of Management, Germany

SANTO CENTINEO

WHU Otto Beisheim School of Management, Germany

ETTORE CROCI

Universita' Cattolica del Sacro Cuore, Italy

ABSTRACT

This article studies European acquisitions in the period 1990-2013 to examine the relationship between family ownership and the propensity to undertake diversifying acquisitions. We show that family firms, especially those highly leveraged, tend to make more cross-industry acquisitions as this allows the owners to effectively diversify their wealth without selling their shares. Our results also indicate that family firms that value control high (i.e., family firms with high leverage) appear not to diversify at the detriment of minority shareholders.

MULTINATIONAL FINANCE JOURNAL

PUBLISHED ARTICLES

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Media Content and Stock Returns: The Predictive Power of Press

Nicky J. Ferguson, *University of Cambridge, UK*
Dennis Philip, *Durham University Business School, UK*
Herbert Y. T. Lam, *Renmin University of China, China*
Jie Michael Guo, *Durham University Business School, UK*

Equity Anomalies and Idiosyncratic Risk Around the World

Steve Fan, *University of Wisconsin - Whitewater, USA*
Scott Opsal, *University of Wisconsin - Whitewater, USA*
Linda Yu, *University of Wisconsin - Whitewater, USA*

Dividends and Foreign Performance Signaling

Robert Joliet, *IESEG School of Management Lille-Paris, France*
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The Determinants of Shareholder Value in Retail Banking During Crisis Years: The Case of Greece

Eleftherios Angelopoulos, *University of Patras, Greece*
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Yakov Amihud, *NYU-Stern, USA*
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Idiosyncratic Volatility, Momentum, Liquidity, and Expected Stock Returns in Developed and Emerging Markets

Lorne Switzer, *Concordia University, Canada*
Alan Picard, *Concordia University, Canada*

Skewed Generalized Error Distribution of Financial Assets and Option Pricing

Panayiotis Theodossiou, *Cyprus University of Technology, Cyprus*

Trading Volume and Momentum: The International Evidence

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Adjustment Cost Determinants and Target Capital Structure

Costas Lambrinouidakis, *University of Piraeus, Greece*

A Reconsideration of the Meese-Rogoff Puzzle: An Alternative Approach to Model Estimation and Forecast Evaluation

Kelly Burns, *Curtin University, Australia*

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Policy-oriented papers from researchers in government and industry are particularly welcome. Suggestions for the organization of panel sessions on topics of general interest will also be considered.

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

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Ekon. dr Peter Wallenbergs
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Peter Wallenberg Foundation was established by donations from Swedish and Finnish companies, as well as from private citizens, in honor of Dr. Peter Wallenberg's 70th birthday in 1996. The Foundation had distributed approximately SEK 56 million in grants since its establishment in 1997. Furthermore the company supports projects related to economics and technology, preferably projects involving collaboration between Swedish and Finnish scientists. The purpose of this Foundation is to promote scientific research and support the preparation of teaching or education related to economics and technology, mainly in Sweden but also in Finland. Grants are given to private individuals or institutions for research, teaching and education in these countries.