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Welcome Notes

We are pleased to welcome you to the third Vietnam International Conference in Finance (VICIF-2016), which is jointly organized by the Vietnam Finance Association International (VFAI), Danang University of Economics, Foreign Trade University (FTU), and the University of Economics and Law (UEL) in Danang, a 'must-see' city with beautiful beaches in Vietnam. We are also proud to have support from the Military Bank (MB), the Bank for Investment and Development of Vietnam (BIDV), StoxPlus Corporation, and the Maritime Securities Incorporation (MSI).

It is our great privilege to have Professor Henk Berkman from the Department of Accounting and Finance, the University of Auckland as the Keynote Speaker. We are also delighted to have three Special Panellists: Dr. Luc Van Can, *Senior Executive Vice-President of BIDV and Director of BIDV's Training School*, Mr. Cong Le, *CEO of MB*, and Mr. Thuan Quang Nguyen, *Chairman and CEO of StoxPlus*. We are grateful to them for their presence and kind support.

We thank all members of the Scientific Committee, authors, and particularly conference participants who serve as session chairs, presenters, and discussants. Our special thanks go to Professor Thomas Lagoarde Segot (Editor-in-Chief of *Research in International Business and Finance*) and Professor Asheq Rahman (Editor-in-Chief of *Pacific Accounting Review*), who have agreed to publish a selection of high-quality papers in their journals.

We are indebted to members of the Organizing Committee, particularly, Dr. Kien Dinh Cao (*Foreign Trade University*), Associate Professor Hung Nhu Duong (*University of Economics and Law),* Dr. Lam Tung Dang, (*Danang University of Economics*), Dr. Nguyen Phuc Nguyen (*Danang University of Economics*), Associate Professor Thuy Thu Nguyen (*Foreign Trade University*)*,* and Dr. Hao Manh Quach (*University of Lincoln)* for their great contributions to the preparation of this scientific event. Finally, our gratitude goes to Associate Professor Manh Toan Nguyen, *Rector of Danang University of Economics*, Associate Professor Tuan Anh Bui, *President of Foreign Trade University*, and Associate Professor Dung Tien Nguyen, *Rector of University of Economics and Law*, for their support to make this event a great success.

We wish you all an intellectually stimulating and productive conference.

On behalf of the Organizing and Scientific Committees
The Conference Co-Chairs

Anh Thuy Thi Vo and Nhut Hoang Nguyen

Conference Scope

The third Vietnam International Conference in Finance (VICIF-2016) takes place on 9-10 June 2016 in Danang, one of the most beautiful cities in Vietnam thanks to its breathtaking landscape and beaches. VICIF-2016 provides an excellent opportunity for academics, doctoral students, and practitioners to share research interests, present new research results, and discuss current and challenging issues in finance and related topics.

The conference topics include, but are not limited to:

Banking regulation and financial services	Financial and econometric modeling
Corporate finance and governance	International finance
Corporate debt issues	IPOs, SEOs, M&A
Emerging markets finance	Market behavior and efficiency
Financial crises and contagion	Market integration and asset pricing
Financial engineering and derivatives	Multinational financial management
Foreign exchange markets	Portfolio management and optimization
Financial markets and institutions	Risk management

Along with regular parallel sessions, there are two special sessions as follows:

- *Thursday afternoon (14:00–15:00), June 9, 2016*: Keynote Address on **"Forensic Finance: A Closer Look at Individual Investors' Trading"**
- *Friday morning (8:30–10:00), June 10, 2016:* Special Panel Session on **"Vietnamese Financial Markets: Information Environment and Development"**

Keynote Speaker

Professor Henk Berkman, *Department of Accounting and Finance, the University of Auckland, New Zealand*

Henk Berkman is Professor of Finance and Head of Finance in the Department of Accounting and Finance at The University of Auckland Business School (UABS). He completed his PhD at Erasmus University Rotterdam and has held positions at Erasmus and Massey Universities, and the Universities of Kansas, Maastricht and Sydney. Henk has published in leading journals such as *Journal of Finance*, *Journal of Financial Economics*, *Review of Financial Studies*, *Journal of Financial and Quantitative Analysis*, and *Journal of Accounting Research*. He is on the editorial board of the Pacific Basin Finance Journal, Journal of International Money and Finance, Pacific Accounting Review, and Accounting Horizons, and serves as Editor for Accounting and Finance. Current research interests are in empirical asset pricing, forensic finance and corporate governance.

His keynote speech discusses the findings of 3 studies in forensic finance that use detailed data for individual investors in Finland. The first study shows that underaged accounts are very successful at picking stocks, especially when they trade just before earnings announcements, and takeover announcements. The result also shows that investors demand a higher return for holding stocks with a greater likelihood of private information. The second study shows that corporate board members earn abnormal returns, not only when they buy their company's own stock as an insider, but also when they buy stocks for which they are not classified as an insider. The third study documents that the personal stock market trading by brokers, analysts and fund managers is highly profitable over short windows up to a month. Also, some of these profits result from profitable front-running ahead of corporate insider trades and ahead of institutional buying or selling pressure.

Conference Co-chairs

- Dr. Nhut Hoang Nguyen, *Associate Professor of Finance, School of Economics and Finance, Massey University, New Zealand & President of Vietnam Finance Association International (VFAI)*
- Dr. Anh Thuy Thi Vo, *Associate Professor of Finance*, *Vice-Rector of Danang University of Economics, Vietnam*.

Scientific Committee

- G. Geoffrey Booth, *Michigan State University, USA*
- Sabri Boubaker, *Champagne School of Management, France*
- Mike Bowe, *University of Manchester, UK*
- Carole Comerton-Forde, *University of Melbourne, Australia*
- Lam Tung Dang, *Danang University of Economics, Vietnam*
- Anh Viet Dang, *University of Manchester, UK*
- Abe de Jong, *Erasmus University Rotterdam, the Netherlands*
- Truong Xuan Duong, *Iowa State University, USA*
- Fangjian Fu, *Singapore Management University, Singapore*
- Chuan Yang Hwang, *Nanyang Technological University, Singapore*
- Ambrus Kecskés, *York University, Canada*
- Paul Koch, *University of Kansas, USA*
- Anh Le, *Pennsylvania State University , USA*
- Ben Marshall, *Massey University, New Zealand*
- Ron Masulis, *University of New South Wales, Australia*
- Thanh Ngo, *East Carolina University, USA*
- Bang Dang Nguyen, *University of Cambridge, UK*
- Duong Nguyen, *University of Massachusetts, USA*
- Nga Nguyen, *Marquette University, USA*
- Canh Thi Nguyen, *University of Economics and Law – HCM City, Vietnam*
- Thuy Thu Nguyen, *Foreign Trade University, Vietnam*
- Khuong Nguyen, *IPAG Business School, France*
- Peter Kien Pham, *University of New South Wales, Australia*
- Hieu Van Phan, *University of Massachusetts Lowell, USA*
- Kuntara Pukthuanthong, *University of Missouri, USA*
- S. Ghon Rhee, *University of Hawaii, USA*
- Anh Luong Tran, *City University London, UK*
- Au Hai Truong, *Monash University, Australia*
- Jun Tu, *Singapore Management University, Singapore*
- Mathijs A. van Dijk, *Erasmus University, the Netherlands*
- Nuttawat Visaltanachoti, *Massey University, New Zealand*
- Mitch Warachka, *Claremont McKenna College, USA*
- Eliza Wu, *University of Technology Sydney, Australia*
- Bohui Zhang, *University of New South Wales, Australia*

Organizing Committee

- Danang University of Economics, Vietnam: Dr. Nguyen Phuc Nguyen, *Head of Office of Research and International Cooperation*, and Dr. Lam Tung Dang, *Head of Department of Finance*.
- Foreign Trade University, Vietnam: Associate Professor Thuy Thu Nguyen, *Vice-President*, and Dr. Kien Dinh Cao, *Lecturer*.
- University of Economics and Law, Vietnam: Associate Professor Hung Nhu Duong, *Vice-Rector*, and Dr. Son Hung Tran, *Vice Director of Center for Economic and Financial Research (CEFR)*.
- University of Lincoln, UK: Dr. Hao Manh Quach, *Senior Lecturer*.

Publication Opportunities

High-quality research papers presented at the conference are eligible to be considered for publication in special issues in *Research in International Business and Finance* and *Pacific Accounting Review*. Please see more details at the end of the document.

Conference Venue

[Furama Resort Danang](#)
105 Vo Nguyen Giap Street, Khue My Ward, Ngu Hanh Son District,
Da Nang City, Vietnam
Tel.: 84-511-3847 333/888

Conference Gala Dinner

Where	Ocean Ballroom
Time	Thursday, June 9th, 2016
18:00 – 18:30:	Pre-dinner get-together
18:30 – 21:00:	Dinner + Best Paper Award + Traditional Cham dances

Program at a Glance

Thursday, June 9, 2016

12:00 - 13:30	**Registration & Coffee**	
13:30 - 14:00	**Welcome and Opening Remarks**	**Da Nang I**
	Dr. Manh Toan Nguyen, *Asscociate Professor of Economics, Rector, University of Economics - The University of Danang* Dr. Nhut (Nick) Hoang Nguyen, *Associate Professor of Finance, Massey University, President of Vietnam Finance Association International (VFAI), and Conference Co-Chair*	
14:00 - 15:00	**Keynote Address**	**Da Nang I**
	Forensic Finance: A Closer Look at Individual Investors' Trading	
	Professor Henk Berkman, *Department of Accounting and Finance, The University of Auckland, New Zealand*	
15:00 - 15:30	**Coffee Break**	
15:30 - 17:00	**Parallel Sessions (A)**	
	A1. Banking Regulation and Financial Services I Chair: Hien Thu Nguyen, Hochiminh University of Technology, Vietnam	**Da Nang I**
	A2. Corporate Finance and Governance I Chair: Vinh Quoc Trieu Dang, University of Macau, China	**Non Nuoc**
	A3. Mergers and Acquisitions Chair: Man Huu Dang, Danang University of Economics, Vietnam	**Son Tra**
	A4. Market Efficiency and Portfolio Management Chair: Haim Shalit, Ben Gurion University, Israel	**Han River I**
	A5. Risk Measurement and Management I	**Han River II**

Chair: Thao Ngoc Nguyen, Nottingham Trent University, UK

18:30 - 20:30 **Gala Dinner**

+ International buffet at the Ocean Ballroom
+ Best Paper Award

Friday, June 10, 2016

08:00 - 08:30 **Registration & Coffee**

08:30 - 10:00

Special Panel Session	**Da Nang I**

Vietnamese Financial Markets: Information Environment and Development

Dr. Luc Van Can, *Senior Executive Vice President of the Bank for Investment and Development (BIDV) and Director of BIDV Training School*
Mr. Cong Le, *CEO of the Military Bank*
Mr. Thuan Quang Nguyen, *Chairman & CEO of StoxPlus Corporation*

10:00 - 10:30 **Coffee Break**

10:30 - 12:00 **Parallel Sessions (B)**

B1. Corporate Finance and Governance II	**Da Nang I**

Chair: Thuy Thu Nguyen, Foreign Trade University Hanoi, Vietnam

B2. Emerging Markets Finance I	**Han River I**

Chair: Long Hoang Phan, Danang University of Economics, Vietnam

B3. Financial and Econometric Modeling	**Han River II**

Chair: Anh Hoang Thi Nguyen, Foreign Trade University HCMC, Vietnam

B4. Market Integration and Asset Pricing I	**Non Nuoc**

Chair: Hao Manh Quach, University of Lincoln, UK

B5. Portfolio Management and Optimization	**Son Tra**
Chair: Kien Dinh Cao, Foreign Trade University Hanoi, Vietnam	

12:00 - 13:30 **Lunch Break**

+ Lunch at the Café Indochine Restaurant

13:30 - 15:00 **Parallel Sessions (C)**

C1. Market Integration and Asset Pricing II	**Da Nang I**
Chair: Viet Anh Dang, University of Manchester, UK	

C2. Corporate Finance and Governance III	**Han River I**
Chair: Rani Hoitash, Bentley University, USA	

C3. Risk Measurement and Management II	**Han River II**
Chair: Ha Manh Tran, Aston Business School, UK	

C4. Banking Regulation and Financial Services II	**Non Nuoc**
Chair: Thanh Dang Ngo, Massey University, New Zealand	

C5. Financial Crisis and Contagion	**Son Tra**
Chair: Hong Xuan Vo, University of Hawaii, USA	

15:00 - 15:30 **Coffee Break**

15:30 - 17:00 **Parallel Sessions (D)**

D1. Market Behaviour and Efficiency	**Da Nang I**
Chair: Cameron Truong, Monash University, Australia	

D2. Emerging Markets Finance II	**Han River I**
Chair: Vuong Minh Nhat Chu, University of Economics HCMC, Vietnam	

D3. Banking Regulation and Financial Services III	**Han River II**

Chair: Huy A. N. Pham, University of South Australia, Australia

D4. International Finance and Risk Management	**Non Nuoc**

Chair: M.Humayun Kabir, Massey University, New Zealand

D5. Market Integration and Asset Pricing III	**Son Tra**

Chair: Nhut Hoang Nguyen, Massey University, New Zealand

Program in Detail

* indicates Presenter

Thursday, June 9, 2016

12:00 - 13:30 Registration & Coffee

13:30 - 14:00 Welcome and Opening Remarks — Da Nang I

Dr. Manh Toan Nguyen, *Asscociate Professor of Economics, Rector, University of Economics - The University of Danang*

Dr. Nhut (Nick) Hoang Nguyen, *Associate Professor of Finance, Massey University, President of Vietnam Finance Association International (VFAI), and Conference Co-Chair*

14:00 - 15:00 Keynote Address — Da Nang I

Forensic Finance: A Closer Look at Individual Investors' Trading

Professor Henk Berkman, *Department of Accounting and Finance, The University of Auckland, New Zealand*

15:00 - 15:30 Coffee Break

15:30 - 17:00 Parallel Sessions (A)

A1. Banking Regulation and Financial Services I — Da Nang I

Chair: Hien Thu Nguyen, Hochiminh University of Technology, Vietnam

Inside Debt And Internal Capital Market Efficiency

Authors: Steven Freund (University of Massachusetts Lowell, USA), *Hien Thu Nguyen (Hochiminh University of Technology, Vietnam), Hieu Van Phan (University of Massachusetts Lowell, USA), Hien Thi Tang (Baria - Vungtau University, Vietnam)

Discussant: Minh Hong Thi Ho, University of Economics and Law, Vietnam

Income Diversification And Other Factors Affecting Bank Profitability In Viet Nam

Authors: *Minh Hong Thi Ho (University of Economics and Law, Vietnam), Canh Thi Nguyen (University of Economics and Law, Vietnam), Liem Thanh Nguyen (University of Economics and Law, Vietnam)

Discussant: Hien Thu Nguyen, Hochiminh University of Technology, Vietnam

Determinants Of Credit Risk: The Case Of Vietnam'S Listed Banks For The Period Of 2009-2014

Authors: Tu Thanh Thi Tran (University of Economics and Business, Vietnam), Thanh Trung Vu (National Economics University, Vietnam), *Lan Thu Tran (University of Economics and Business, Vietnam)

Discussant: Long Viet Nguyen, International University - VNUHCM, Vietnam

How Non-Performing Loans Affect The Efficiency And Productivity Of Vietnamese Commercial Banks: A Non-Parametric Assessment

Authors: *Long Viet Nguyen (International University - VNUHCM, Vietnam), Phuong-Anh Nguyen (International University - VNUHCM, Vietnam), Michel Simioni (INRA, France)

Discussant: Lan Thu Tran, University of Economics and Business, Vietnam

A2. Corporate Finance and Governance I — Non Nuoc

Chair: Vinh Quoc Trieu Dang, University of Macau, China

The Government As A Large Shareholder: Impact On Corporate Governance

Authors: *Marcelo Fernandes (Queen Mary University of London , UK), Walter Novaes (PUC-Rio, Brazil)

Discussant: Vinh Quoc Trieu Dang, University of Macau, China

Having The Wrong Friends At The Wrong Time: Implications Of Political Turmoil On Politically-Connected Firms

Authors: *Vinh Quoc Trieu Dang (University of Macau, China), Erin P. K. So (Hong Kong Baptist University, Hong Kong)

Discussant: Marcelo Fernandes, Queen Mary University of London , UK

Is Impact Of Board Gender Diversity On Firm Performance Homogeneous? Empirical Evidence In 10 Developed Countries

Authors: Anh Thuy Thi Vo (Danang University of Economics, Vietnam), *Khanh Nha Phan Bui (Danang University of Economics, Vietnam), Toan Manh Nguyen (Danang University of Economics, Vietnam)

Discussant: Phuong Trang Nguyen Doan, Danang University of Economics, Vietnam

Corporate Governance And Corporate Transparency Of Vietnamese Public Listed Companies

Author: *Phuong Trang Nguyen Doan (Danang University of Economics, Vietnam)

Discussant: Khanh Nha Phan Bui, Danang University of Economics, Vietnam

A3. Mergers and Acquisitions — Son Tra

Chair: Man Huu Dang, Danang University of Economics, Vietnam

Limited Attention And M&A Announcements

Author: *Tomas Herman Reyes (Pontificia Universidad Catolica de Chile, Chile)

Discussant: Anh Luong Tran, City University London, UK

What Determines The Acquirers' Location Preferences And Ownership Outcomes? An Empirical Study Of East And Southeast Asian Markets

Authors: *Man Huu Dang (Danang University of Economics, Vietnam), Darren John Henry (La Trobe University, Australia), Xiangkang Yin (La Trobe University, Australia)

Discussant: Tomas Herman Reyes, Pontificia Universidad Catolica de Chile, Chile

Advertising Attention And Acquisition Returns

Authors: Eliezer M. Fich (Drexel University, USA), Laura T. Starks (University of Texas, USA), *Anh Luong Tran (City University London, UK)

Discussant: Man Huu Dang, Danang University of Economics, Vietnam

A4. Market Efficiency and Portfolio Management — Han River I

Chair: Haim Shalit, Ben Gurion University, Israel

Rational Rationing: Credit Risk Lending Discrimination And Asset Price Volatility In Markets For Credit

Author: *David Nikerson (Ryerson University, Canada)

Discussant: Haim Shalit, Ben Gurion University, Israel

Nonlinear Shrinkage Of The Covariance Matrix For Portfolio Selection: Markowitz Meets Goldilocks

Authors: Olivier Ledoit (University of Zurich, Switzerland), *Michael Wolf (University of Zurich, Switzerland)

Discussant: David Nikerson, Ryerson University, Canada

Decomposing The Risk Of Optimal Portfolios With The Shapley Value

Author: *Haim Shalit (Ben Gurion University, Israel)

Discussant: Michael Wolf, University of Zurich, Switzerland

A5. Risk Measurement and Management I — Han River II

Chair: Thao Ngoc Nguyen, Nottingham Trent University, UK

Expected Shortfall In The Presence Of Asymmetry And Long Memory: An Application On Vietnamese Stock Markets

Author: *Thomas Walther (Technische Universitat Dresden, Germany)

Discussant: Thao Ngoc Nguyen, Nottingham Trent University, UK

Fair-Value Pension Accounting Corporate Risk Management And Pension Investment Policy

Authors: *Darren John Henry (La Trobe University, Australia), Li Yong (King's College London, UK)

Discussant: Thomas Walther, Technische Universitat Dresden, Germany

Risk Management Of A Developing Country: A Market Research Survey

Authors: Roman Matousek (University of Kent, UK), *Thao Ngoc Nguyen (Nottingham Trent University, UK), Chris Stewart (Kingston University, UK)

Discussant: Darren John Henry, La Trobe University, Australia

18:30 - 20:30 **Gala Dinner**

+ International buffet at the Ocean Ballroom

+ Best Paper Award

Friday, June 10, 2016

08:00 - 08:30 **Registration & Coffee**

08:30 - 10:00 **Special Panel Session** — **Da Nang I**

Vietnamese Financial Markets: Information Environment and Development

Dr. Luc Van Can, *Senior Executive Vice President of the Bank for Investment and Development (BIDV) and Director of BIDV Training School*

Mr. Cong Le, *CEO of the Military Bank*

Mr. Thuan Quang Nguyen, *Chairman & CEO of StoxPlus Corporation*

10:00 - 10:30 **Coffee Break**

10:30 - 12:00 **Parallel Sessions (B)**

B1. Corporate Finance and Governance II — Da Nang I

Chair: Thuy Thu Nguyen, Foreign Trade University Hanoi, Vietnam

Does Corporate Governance Shape The Relationship Between Corporate Social Responsibility And Financial Performance?

Authors: Rezaul Kabir (University of Twente, The Netherlands), *Hanh Minh Thai (University of Twente, The Netherlands)

Discussant: Mai Tuyet Thi Nguyen, Macquarie University, Australia

Independent Directors Ownership Concentration And Firm Performance In Listed Companies: Evidence From Vietnam

Authors: *Mai Tuyet Thi Nguyen (Macquarie University, Australia), Elaine Evans (Macquarie University, Australia), Meiting Lu (Macquarie University, Australia)

Discussant: Hien Thi Tran, Foreign Trade University Hanoi, Vietnam

Who Are More Influencial On Corporate Social Responsibility Strategy, Japanese Or American Independent Directors?

Author: *Hien Thi Tran (Foreign Trade University Hanoi, Vietnam)

Discussant: Hanh Minh Thai, University of Twente, The Netherlands

B2. Emerging Markets Finance I — Han River I

Chair: Long Hoang Phan, Danang University of Economics, Vietnam

How Foreign Investors Improve Stock Price Informativeness In Vietnam? An Empirical Study On The Foreign Trading And Foreign Ownership Channels.

Authors: *Long Hoang Phan (Danang University of Economics, Vietnam), Yessy Peranginangin (University of Adelaide, Australia)

Discussant: Hiep Manh Nguyen, Foreign Trade University HCMC, Vietnam

Price Discovery Dynamics In Turkish Equity Index Futures Market

Authors: *Aysegul Ates (Akdeniz University, Turkey), Hakan Er (Akdeniz University, Turkey)

Discussant: Long Hoang Phan, Danang University of Economics, Vietnam

Herding Behavior Liquidity And Foreign Investor Trading In Vietnam Stock Market

Authors: *Hiep Manh Nguyen (Foreign Trade University HCMC, Vietnam), Nhung Hong Nguyen (Foreign Trade University HCMC, Vietnam)

Discussant: Aysegul Ates, Akdeniz University, Turkey

B3. Financial and Econometric Modeling | Han River II

Chair: Anh Hoang Thi Nguyen, Foreign Trade University HCMC, Vietnam

Dynamic Factor Long Memory Volatility

Authors: Richard D.F. Harris (University of Exeter, UK), *Anh Hoang Thi Nguyen (Foreign Trade University HCMC, Vietnam)

Discussant: Thomas Walther, Technische Universitat Dresden, Germany

A Dynamic Nelson-Siegel Model With Forward-Looking Indicators For The Yield Curve In The Us

Authors: Fausto Vieira (Sao Paulo School of Economics, Brazil), Fernando Chague (University of Sao Paulo, Brazil), *Marcelo Fernandes (Queen Mary University of London , UK)

Discussant: Anh Hoang Thi Nguyen, Foreign Trade University HCMC, Vietnam

On The Application Of Fast Fractional Differencing In Modeling Long Memory Of Conditional Variance

Authors: Tony Klein (Technische Universitat Dresden, Germany), *Thomas Walther (Technische Universitat Dresden, Germany)

Discussant: Marcelo Fernandes, Queen Mary University of London , UK

B4. Market Integration and Asset Pricing I — Non Nuoc

Chair: Hao Manh Quach, University of Lincoln, UK

Risk Factors Of Stock Returns In Vietnam

Author: *Hao Manh Quach (University of Lincoln, UK)

Discussant: Hien Thi Hoang, Minghsin University, Taiwan

The Relationship Between Technical Indicators And The Market Index: Evidence Vietnam Stock Exchange Market

Authors: *Hien Thi Hoang (Minghsin University, Taiwan), Hoang Hai Van (Busan National University, Korea), Son Truong Nguyen (Danang University of Economics, Vietnam)

Discussant: Nhan Ton Nguyen, University of Economics and Law, Vietnam

A Comparison Of Industry Classification Schemes For Hose And Hnx

Authors: *Nhan Ton Nguyen (University of Economics and Law, Vietnam), Nam Hai Le (University of Economics and Law, Vietnam), Lien Kim Ngo (University of Economics and Law, Vietnam)

Discussant: Hao Manh Quach, University of Lincoln, UK

B5. Portfolio Management and Optimization — Son Tra

Chair: Kien Dinh Cao, Foreign Trade University Hanoi, Vietnam

Financial Risk Tolerance Risk Perception And Individual Investment Decision-Making In A Financial Advice Context

Authors: *Linh My Thi Nguyen (International University - VNUHCM, Vietnam), Gerry Gallery (Queensland University of Technology, Australia), Cameron Newton (Queensland University of Technology, Australia)

Discussant: William F. Johnson, University of Southern Mississippi, USA

Is Target Date Mutual Fund Under-Performance Rational?

Authors: Srinidhi Kanuri (University of Southern Mississippi, USA), *William F. Johnson (University of Southern Mississippi, USA)

Discussant: Linh My Thi Nguyen, International University - VNUHCM, Vietnam

Do Target Date Mutual Funds Meet Their Targets?

Authors: *William F. Johnson (University of Southern Mississippi, USA), Ha-Chin Yi (Texas State University, USA)

Discussant: Hong Xuan Vo, University of Hawaii, USA

12:00 - 13:30

Lunch Break

+ Lunch at the Café Indochine Restaurant

13:30 - 15:00

Parallel Sessions (C)

C1. Market Integration and Asset Pricing II — Da Nang I

Chair: Viet Anh Dang, University of Manchester, UK

Integration Of Financial Markets In Post Global Financial Crises And Implications For Britain: Analysis Based On A Panel Var Model

Authors: Muhammad Ali Nasir (Leeds Beckett University, UK), *Min Du (Leeds Beckett University, UK)

Discussant: Viet Anh Dang, University of Manchester, UK

National Culture And Stock Price Crash Risk

Authors: *Lam Tung Dang (Danang University of Economics, Vietnam), Robert Faff (University of Queensland, Australia), Luong Hoang Luong (University of New South Wales, Australia), Lily Nguyen (La Trobe University, Australia)

Discussant: Min Du, Leeds Beckett University, UK

Corporate Debt Maturity And Stock Price Crash Risk

Authors: *Viet Anh Dang (University of Manchester, UK), Edward Lee (University of Manchester, UK), Yangke Liu (University of Manchester, UK), Chen Zeng (University of Manchester, UK)

Discussant: Lam Tung Dang, Danang University of Economics, Vietnam

C2. Corporate Finance and Governance III — Han River I

Chair: Rani Hoitash, Bentley University, USA

Does Non-Gaap Earnings Disclosure Improve The Quality Of Gaap Earnings? Evidence From The Recognition Of Goodwill Impairment Losses

Authors: Hangsoo Kyung (Chinese University of Hong Kong, Hong Kong), Hakyin Lee (Hofstra University, USA), *Jeff Ng (Chinese University of Hong Kong, Hong Kong)

Discussant: Rani Hoitash, Bentley University, USA

R&D Investments And Crises: Evidence From Us Firms

Authors: Mamiza Haq (University of Queensland, Australia), *Ly Hai Ho (Danang University of Economics, Vietnam)

Discussant: Jeff Ng, Chinese University of Hong Kong, Hong Kong

Advisory Directors

Authors: Olubunmi Faleye (Northeastern University, USA), *Rani Hoitash (Bentley University, USA), Udi Hoitash (Northeastern University, USA)

Discussant: Ly Hai Ho, Danang University of Economics, Vietnam

C3. Risk Measurement and Management II — Han River II

Chair: Ha Manh Tran, Aston Business School, UK

Banking Technology, Efficiency And Financial Ratios: Some Insights Into Vietnamese Commercial Banks Using A Semiparametric Approach

Authors: *Phuong-Anh Nguyen (International University - VNUHCM, Vietnam), Michel Simioni (INRA, France)

Discussant: Ha Manh Tran, Aston Business School, UK

March Madness In Wall Street: (What) Does The Market Learn From Stress Tests?

Authors: *Marcelo Fernandes (Queen Mary University of London , UK), Deniz Igan (IMF, USA), Marcelo Pinheiro (PCAOB, USA)

Discussant: Phuong-Anh Nguyen, International University - VNUHCM, Vietnam

Evaluating Predictive Power Of Value-At-Risk Models At Commercial Banks

Authors: *Ha Manh Tran (Aston Business School, UK), Dudley Gilder (Aston Business School, UK), Nathan Joseph (Aston Business School, UK)

Discussant: Marcelo Fernandes, Queen Mary University of London , UK

C4. Banking Regulation and Financial Services II — Non Nuoc

Chair: Thanh Dang Ngo, Massey University, New Zealand

Measuring Efficiency Of Vietnamese Banks: Accounting For Nonperforming Loans In A Single-Step Stochastic Cost Frontier Analysis

Authors: *Thanh Dang Ngo (Massey University, New Zealand), David Tripe (Massey University, New Zealand)

Discussant: Vinh Trong Quoc Luong, University of Finance - Marketing, Vietnam

A Productivity Analysis Of Vietnamese Banking Sector Using Luenberger Indicator

Author: *Phuong Thanh Le (Vietnam Maritime University, Vietnam)

Discussant: Thanh Dang Ngo, Massey University, New Zealand

Relationship Between Corporate Governance And Profitability Of Commercial Bank In Vietnam

Authors: Viet Quoc Pham (University of Finance - Marketing, Vietnam), *Vinh Trong Quoc Luong (University of Finance - Marketing, Vietnam)

Discussant: Phuong Thanh Le, Vietnam Maritime University, Vietnam

C5. Financial Crisis and Contagion — Son Tra

Chair: Hong Xuan Vo, University of Hawaii, USA

Local Contagion In The Stock Market

Authors: *Hong Xuan Vo (University of Hawaii, USA), Nhan Le (University of Mannheim, Germany)

Discussant: Hai Xuan Nguyen, Chinese University of Hong Kong, Hong Kong

Embracing The Perfect Storm: Optimal Catastrophe Risk Financing In The New Normal

Authors: Carolyn W. Chang (California State University, USA), *Jack S. K. Chang (California State University, USA), Min-Teh Yu (National Chiao Tung University and RIRC, Taiwan)

Discussant: Hong Xuan Vo, University of Hawaii, USA

Too Big To Fail: Toward An Optimal Regulation

Authors: Chang Ma (Johns Hopkins University, USA), *Hai Xuan Nguyen (Chinese University of Hong Kong, Hong Kong)

Discussant: Jack S. K. Chang, California State University, USA

15:00 - 15:30 Coffee Break

15:30 - 17:00 Parallel Sessions (D)

D1. Market Behaviour and Efficiency — Da Nang I

Chair: Cameron Truong, Monash University, Australia

Googling Investor Sentiment Around The World

Authors: Zhenyu Gao (Chinese University of Hong Kong, Hong Kong), Haohan Ren (Chinese University of Hong Kong, Hong Kong), *Bohui Zhang (University of New South Wales, Australia)

Discussant: Cameron Truong, Monash University, Australia

Earnings Announcement Idiosyncratic Volatility And The Cross-Section Of Stock Returns

Author: *Cameron Truong (Monash University, Australia)

Discussant: Bohui Zhang, University of New South Wales, Australia

D2. Emerging Markets Finance II — Han River I

Chair: Vuong Minh Nhat Chu, University of Economics HCMC, Vietnam

How Do Macro-Financial Conditions Impact On The Relation Between Overconfidence And Firm Investment? Evidence From Vietnam

Authors: Chi Dat Le (University of Economics HCMC, Vietnam), Long Bao Dinh Truong (University of Economics HCMC, Vietnam), *Vuong Minh Nhat Chu (University of Economics HCMC, Vietnam)

Discussant: Nam Hoai Tran, University of Economics HCMC, Vietnam

Dividend Smoothing And Signalling Under The Impact Of The Global Financial Crisis: A Comparison Of Us And Southeast Asian Markets

Authors: Minh Xuan Nguyen (Foreign Trade University Hanoi, Vietnam), *Trung Quoc Tran (Foreign Trade University HCMC, Vietnam)

Discussant: Vuong Minh Nhat Chu, University of Economics HCMC, Vietnam

Financial Conditions And Corporate Investment: Evidence From Vietnam

Author: *Nam Hoai Tran (University of Economics HCMC, Vietnam)

Discussant: Trung Quoc Tran, Foreign Trade University HCMC, Vietnam

D3. Banking Regulation and Financial Services III — Han River II

Chair: Huy A. N. Pham, University of South Australia, Australia

The Effects Of Regulatory Announcements On Risk And Return: The Vietnamese Experience

Authors: Vikash Ramiah (University of South Australia, Australia), *Huy A. N. Pham (University of South Australia, Australia), Imad Moosa (RMIT Australia, Australia), Hung (Justin) Nguyen (RMIT Australia, Australia)

Discussant: Nhan Ton Nguyen, University of Economics and Law, Vietnam

Financial Stability Economic Growth And Volatility In Asean And The Implications For Vietnam

Authors: Son Hung Tran (University of Economics and Law, Vietnam), Liem Thanh Nguyen (University of Economics and Law, Vietnam), *Nhan Ton Nguyen (University of Economics and Law, Vietnam)

Discussant: Tu Quang Duc Le, University of Canberra, Australia

Do Bank Mergers And Acquisitions Improve Technical Efficiency Of Vietnamese Commercial Banks?

Author: *Tu Quang Duc Le (University of Canberra, Australia)

Discussant: Huy A. N. Pham, University of South Australia, Australia

D4. International Finance and Risk Management — Non Nuoc

Chair: M.Humayun Kabir, Massey University, New Zealand

Option Portfolio Hedging: A Study With Average Multi-Stock-Knot Hedge Ratios

Authors: Sharif Mozumder (University of Dhaka, Bangladesh), Michael Dempsey (RMIT University, Australia), *M.Humayun Kabir (Massey University, New Zealand), Taufiq Choudhry (University of Southampton, UK)

Discussant: Muhammad Ali Nasir, Leeds Beckett University, UK

Foreign Direct Investment Aggregate Demand Conditions And Exchange Rate Nexus: A Panel Data Analysis Of Brics Economies

Authors: Ferhan Kareem Ahmad (UKAid, UK), *Muhammad Ali Nasir (Leeds Beckett University, UK), Mushtaq Ahmad (COMSATS Institute of Information Technology, Pakistan)

Discussant: Yoshihiro Kitamura, Waseda University, Japan

New Assessment Of The Japanese Foreign Exchange Intervention: A Stopping Time Approach

Author: *Yoshihiro Kitamura (Waseda University, Japan)

Discussant: M.Humayun Kabir, Massey University, New Zealand

D5. Market Integration and Asset Pricing III — Son Tra

Chair: Nhut Hoang Nguyen, Massey University, New Zealand

High Frequency Trading And Treasury Bond Returns

Authors: Xiaoquan Liu (University of Essex, UK), Ingrid Lo (Bank of Canada, Canada), *Minh Nguyen (University of Sheffield, UK), Giorgio Valente (City University of Hong Kong, Hong Kong)

Discussant: Anh Xuan Thi Tran, Banking Academy, Vietnam

Monetary Policy And Its Impact On Stock Market Liquidity: Evidence From Vietnam Stock Exchange

Authors: *Anh Xuan Thi Tran (Banking Academy, Vietnam), Chi Quynh Nguyen (Banking Academy, Vietnam), Le Hoai Thi Nguyen (Vietnam Academy of Social Science, Vietnam)

Discussant: Nhut Hoang Nguyen, Massey University, New Zealand

Etf Liquidity

Authors: Ben R. Marshall (Massey University, New Zealand), *Nhut Hoang Nguyen (Massey University, New Zealand), Nuttawat Visaltanachoti (Massey University, New Zealand)

Discussant: Minh Nguyen, University of Sheffield, UK

Abstracts of Conference Papers

A1. Banking Regulation and Financial Services I

INSIDE DEBT AND INTERNAL CAPITAL MARKET EFFICIENCY

Steven Freund
University of Massachusetts Lowell, USA
Hien Thu Nguyen
Hochiminh University of Technology, Vietnam
Hieu Van Phan
University of Massachusetts Lowell, USA
Hien Thi Tang
Baria - Vungtau University, Vietnam

Abstract

We find that the inside debt holdings of CEOs of multi-segment firms are negatively related to their internal capital market allocation efficiency, with this result driven by the effect during the financial crisis years of 2007–2008. Additional analysis shows that CEO inside debt is also negatively related to the excess value of a multi-segment firm during the financial crisis years. Our evidence is consistent with the notion that the alignment of interests of managers and external creditors motivated by inside debt holdings, combined with the risk of insolvency during the financial crisis, induce managers to pursue an overly conservative sub-optimal investment policy which adversely affects firm value.

INCOME DIVERSIFICATION AND OTHER FACTORS AFFECTING BANK PROFITABILITY IN VIET NAM

Minh Hong Thi Ho
University of Economics and Law, Vietnam
Canh Thi Nguyen
University of Economics and Law, Vietnam
Liem Thanh Nguyen
University of Economics and Law, Vietnam

Abstract

This paper analyzes the relationship among income diversification and other factors affecting profitability of commercial banks in Vietnam. The data is collected from financial statements of 25 commercial banks in Viet Nam over the period 2005-2013. The empirical results obtained from SGMM estimator (System generalized method of moments) indicate that income diversification, deposit to total liabilities ratio have positive impact on bank profitability (measured by return on asset - ROA and return on equity - ROE). The results also show that non-performing loan to total loan ratio, total equity to total asset ratio have negative impact on bank profitability. The research finds no strong evidence of macroeconomic factors such as economic growth and inflation affecting profitability of Vietnamese commercial banks. What is more, the research finds out that large size banks with more diversified incomes gain more profits over other banks.

DETERMINANTS OF CREDIT RISK: THE CASE OF VIETNAM'S LISTED BANKS FOR THE PERIOD OF 2009-2014

Tu Thanh Thi Tran
University of Economics and Business, Vietnam
Thanh Trung Vu
National Economics University, Vietnam
Lan Thu Tran
University of Economics and Business, Vietnam

Abstract

The present study uses the Dynamic Panel Data Analysis method (DPDA) to identify the factors affecting the non-performing loans rate (NPL) of the Vietnam listed commercial banks for the period 2009-2015. Looking at both macro-variables and micro-variables, we investigate all listed banks as a whole, as well as seperately in accordance to the ownership (state-related or privately-held). Overall, our fidings reveal that (1) exchange rate, housing price index, stock price, return on assets (ROA), interest rate spread, the credit porfolio growth rate and the past non-performing loans ratio have strong collerations with the banks' NPL; (2) the GDP growth rate and inflation rate in Vietnam during the studied period have no correlation to the credit risk because of the accummulation of unresolved bad debts on the banks' balance sheet; (3) the bad loan resolution process usually quickens in the last quarters of the year; and and (4) with its establishment in July 2013, the Vietnam Assets Management Company (VAMC) helps to revolve a massive amount of bad debts accumulated by the Vietnamese banks, but encourages them to recognise the „hidden" bad debts, makingthe NPL ratios more in line with their true values.

HOW NON-PERFORMING LOANS AFFECT THE EFFICIENCY AND PRODUCTIVITY OF VIETNAMESE COMMERCIAL BANKS: A NON-PARAMETRIC ASSESSMENT

Long Viet Nguyen
International University - VNUHCM, Vietnam
Phuong-Anh Nguyen
International University - VNUHCM, Vietnam
Michel Simioni
INRA, France

Abstract

Vietnam's economy whose banking system tends to dominate the financial system has lost its efficiency in operating and has been struggling to restructure, reform governance, consolidate financial statements and build up merge and acquisition. The building-up of non-performing loans (NPLs) has been considered a critical problem which prevents banks from functioning as the key creditors to the economy. Consequently, it is no surprise that bank efficiency and productivity in Vietnam should be taken into consideration in recent years, while incorporating issues related to the rapid development of NPLs. The aim of this paper is to address the following issues: at which level of efficiency and productivity the Vietnamese commercial banks are operating; and how undesirable NPLs affect Vietnamese banks' efficiency and productivity. These issues are investigated using non-parametric techniques applied to a sample of Vietnamese commercial banks over the period from 2009 to 2011. Banks are divided into three groups according to their ratings given by Vietnam Credit Index. The average performance of banks in the three groups, obtained from different models of banking activity (intermediation and production models) taking NPLs as an undesirable output of this activity or not, are then compared. As might be expected, the NPLs affect significantly the performance of the Vietnamese commercial banks; but this impact is mixed when considering different groups and different models of banking activity.

A2. Corporate Finance and Governance I

THE GOVERNMENT AS A LARGE SHAREHOLDER: IMPACT ON CORPORATE GOVERNANCE

Marcelo Fernandes
Queen Mary University of London , UK
Walter Novaes
PUC-Rio, Brazil

Abstract

The subprime crisis led to a wave of government interventions in the private sector that has been particularly strong in Europe and Latin America, where several governments are large shareholders in a variety of public firms. In a sense, the subprime crisis induced these governments to behave as active large shareholders. This paper uses a sample of public firms in Brazil to show that government activism lowers the value of minority shareholders' voting rights. While the corporate governance literature usually associates lower voting premia with stronger protection of minority shareholders, we provide evidence that the government-induced decline in the value of voting rights harmed minority shareholders in Brazil.

HAVING THE WRONG FRIENDS AT THE WRONG TIME: IMPLICATIONS OF POLITICAL TURMOIL ON POLITICALLY-CONNECTED FIRMS

Vinh Quoc Trieu Dang
University of Macau, China
Erin P. K. So
Hong Kong Baptist University, Hong Kong

Abstract

Using a sample of listed Egyptian firms for the period of 2010-2014, we examine implications of political turmoil on corporate governance, value and risk of firms connected to different political fractions. Political strife leads to a shift in the balance of power among different fractions, thereby altering the behavior and incentive of connected shareholders. Controlling for important firm characteristics, we infer shareholders' expropriation by analysing several agency cost measures (e.g., asset utilization ratio, operating expense ratio, EBITDA and ROA) in various political rivalry episodes taking place during the persistent political turmoil. Our regression results suggest that expropriation and rent seeking of firms connected to the incumbent fraction became subdued in post-Mubarak period. These results are found not to be driven by worsening business environment. Moreover, although the literature suggests a positive association between political connection and firm value, our analysis on buy-and-hold abnormal return and idiosyncratic risk shows that during political turmoil, connection does not necessarily raise firm value; instead, it may raise the risk of connected firms' equity without compensating increase in return.

IS IMPACT OF BOARD GENDER DIVERSITY ON FIRM PERFORMANCE HOMOGENEOUS? EMPIRICAL EVIDENCE IN 10 DEVELOPED COUNTRIES

Anh Thuy Thi Vo
Danang University of Economics, Vietnam
Khanh Nha Phan Bui
Danang University of Economics, Vietnam
Toan Manh Nguyen
Danang University of Economics, Vietnam

Abstract

This paper focuses on the heterogeneity of the board gender diversity's impact on firm performance. Using data of 10 developed countries, we find that gender diversity has a negative impact on firm financial performance. This result can be explained by the fact that the presence of women on board increases monitoring function. When the investors' rights are well protected by legal system, this extra monitoring may be costly for firms. The sign of gender-performance correlation is robust regardless the control of differential institutional environments or economic environmental shock. However, the effect of the board gender diversity is not homogeneous. During the global financial crisis period, the reverse impact is weaker as the presence of woman on board may enhance internal control thus reducing the systematic risk firms are exposed to. Furthermore, when country governance is at extreme level in comparison with the whole group, board gender diversity is not associated with firm performance.

CORPORATE GOVERNANCE AND CORPORATE TRANSPARENCY OF VIETNAMESE PUBLIC LISTED COMPANIES

Phuong Trang Nguyen Doan
Danang University of Economics, Vietnam

Abstract

The study is focused on investigating the relationship between intentional governance mechanisms (Directors' boards, ownership structure and audit quality) and corporate transparency. For this purpose, a model is used and applied to Vietnamese public listed firms' sample observed over the period 2013–2014. The finding of this study reveals that intentional governance mechanisms are significantly related to a transparency level noticeable in financial information quality. In addition, empirical tests indicate that corporate transparency is highly dependent on the board size as well as on audit quality. It means the corporate transparency will increase since the companies have larger board. In contrast, audit quality is negatively associated with corporate transparency. It implies that some firms are audited by international reputable companies, implementing with a high level of discretionary acruals undertaking. In this regard, auditors' inefficiency may be motivated by the maintenance of friendly relations between managers and auditors.

A3. Mergers and Acquisitions

LIMITED ATTENTION AND M&A ANNOUNCEMENTS

Tomas Herman Reyes
Pontificia Universidad Catolica de Chile, Chile

Abstract

Retail investors' attention to mergers and acquisitions is analyzed using measurements based on Internet search volume for publicly traded companies' ticker symbols supplemented by data from news databases. Attention is found not to be instantaneous upon the public announcement of a merger but rather spread over a period surrounding the announcement date. Investors pay attention to a firm and demand information about it as the announcement date approaches, on announcement day itself, and for several days afterwards. More importantly, using instrumental variables it is shown that when news coverage is extensive and retail investors show high abnormal attention to the companies involved in a merger on announcement day, the returns of those companies the day after announcement are greater. This effect is strongest among firms with high standard deviations and betas, and partially reverses over the following months.

WHAT DETERMINES THE ACQUIRERS' LOCATION PREFERENCES AND OWNERSHIP OUTCOMES? AN EMPIRICAL STUDY OF EAST AND SOUTHEAST ASIAN MARKETS

Man Huu Dang
Danang University of Economics, Vietnam
Darren John Henry
La Trobe University, Australia
Xiangkang Yin
La Trobe University, Australia

Abstract

This paper addresses two of the most important questions in the bidders' acquisition planning: Should they acquire a domestic or cross-border target? And what level of equity ownership, partial- or full-control, are they seeking to achieve? In the context of eight East and Southeast Asian countries with a takeover wave following the 1997-1998 Asian financial crisis, it is found that good corporate governance of a target is a significant feature attracting both domestic and cross-border acquirers. However, target firms with poor financial performance are more likely to be acquired by domestic bidders while good-performing firms are more attracted to cross-border bidders. The findings also support the idea that the post-takeover integration process in cross-border takeovers is likely to be more problematic relative to domestic acquisitions and, therefore, the post-acquisition incremental performance improvement is greater for domestic targets compared to cross-border targets. Further, this paper indicates that targets with more independent directors, more powerful CEOs, and greater blockholdings are more likely to be taken over through partial-control rather than full-control acquisitions.

ADVERTISING ATTENTION AND ACQUISITION RETURNS

Eliezer M. Fich
Drexel University, USA
Laura T. Starks
University of Texas, USA
Anh Luong Tran
City University London, UK

Abstract

Targets with pre-takeover advertising obtain higher premiums while their acquirers experience lower merger announcement returns. An extra dollar in pre-takeover advertising is related to a $6 increase in deal value. This effect is stronger for targets in business-to-consumer industries, with short-sale constraints, and with higher managerial ownership. Advertising targets are more likely to initiate their own sale, be pursued by multiple bidders, receive revised increased bids, and capture more of the merger surplus. In failed acquisitions, targets that advertise experience a permanent market value revaluation of about 1%. Our results withstand numerous econometric concerns, including endogeneity, selectivity, and unobserved heterogeneity.

A4. Market Efficiency and Portfolio Management

RATIONAL RATIONING: CREDIT RISK LENDING DISCRIMINATION AND ASSET PRICE VOLATILITY IN MARKETS FOR CREDIT

David Nikerson
Ryerson University, Canada

Abstract

Significant variation in the terms and volume of lending across classes of borrowers distinguished only by qualities independent of credit risk is often interpreted as evidence of inefficient or inequitable discrimination in credit markets. Increasing accuracy in the measure of credit risk renders common theories of lending discrimination and credit rationing based on adverse selection or moral hazard increasingly implausible, while statistical procedures lacking financial foundations may expose empirical tests for discrimination to model risk. We consider a model of lending with complete markets, in which credit market equilibria may exhibit disparate loan terms or access to credit across such classes of borrowers, despite common knowledge possessed by both borrowers and lenders. Rather than evidence of inefficient equilibria owing to intentional or irrational discrimination, however, such equilibria can arise solely from the influence of asset price volatility on the strategic exercise of the options embedded in standard debt contracts. Extending substantially different loan terms or even rationing credit to different classes of borrowers can be a rational response by value-maximizing lenders when borrower classes are correlated with the degree of price volatility exhibited by the otherwise similar assets each of these classes offers as collateral to lenders. We illustrate this phenomenon in the context of mortgage lending to homeowners distinguished only by the degree of volatility in the prices of property in different urban neighborhoods.

NONLINEAR SHRINKAGE OF THE COVARIANCE MATRIX FOR PORTFOLIO SELECTION: MARKOWITZ MEETS GOLDILOCKS

Olivier Ledoit
University of Zurich, Switzerland
Michael Wolf
University of Zurich, Switzerland

Abstract

Markowitz (1952) portfolio selection requires estimates of (i) the vector of expected returns and (ii) the covariance matrix of returns. Many successful proposals to address the first estimation problem exist by now. This paper addresses the second estimation problem. We promote a nonlinear shrinkage estimator of the covariance matrix that is more flexible than previous linear shrinkage estimators and has 'just the right number' of free parameters to estimate (that is, the Goldilocks principle). It turns out that this number is the same as the number of assets in the investment universe. Under certain high-level assumptions, we show that our nonlinear shrinkage estimator is asymptotically optimal for portfolio selection in the setting where the number of assets is of the same magnitude as the sample size. For example, this is the relevant setting for mutual fund managers who invest in a large universe of stocks. In addition to theoretical analysis, we study the real-life performance of our new estimator using backtest exercises on historical stock return data. We find that it performs better than previous proposals for portfolio selection from the literature and, in particular, that it dominates linear shrinkage.

DECOMPOSING THE RISK OF OPTIMAL PORTFOLIOS WITH THE SHAPLEY VALUE

Haim Shalit
Ben Gurion University, Israel

Abstract

Investors want to evaluate the true and complete risk of the financial assets they hold in a portfolio. The current analytic methods provide only partial risk measures. By viewing the portfolio of securities as a cooperative game played by assets that minimize the portfolio risk one can calculate the exacy value that each security brings to the common goal of the game. This is the Shapley value that computes the contribution of each asset to the portfolio risk by looking at all the possible coalitions the risky asset participates. This concept is developed to decompose the risk of mean-variance optimal portfolios, mean-Gini portfolios and regression portfolios. This decomposition improves the ranking of all risky assets by their comprehensive contribution to the risk of optimal portfolios and allows investors to make unbiased decisions when analyzing risk. The Shapley value is calculated for asset allocation and for portfolios of individual securities.

A5. Risk Measurement and Management I

EXPECTED SHORTFALL IN THE PRESENCE OF ASYMMETRY AND LONG MEMORY: AN APPLICATION ON VIETNAMESE STOCK MARKETS

Thomas Walther
Technische Universitat Dresden, Germany

Abstract

The upcoming free trade agreements with the European Union and in the Pacific Region open the equity markets of Vietnam to more investors, which raises the question of risk management and the properties of equity markets in Vietnam. This study analyses the VN-Index (Ho Chi Minh City) as well as the HNX-Index (Hanoi) by means of Generalized Autoregressive Conditional Heteroskedasticity (GARCH) models with a specific focus on their application in risk management tools such as Expected Shortfall. We find differences in both indexes regarding the different impact of negative and positive news on volatility (asymmetry) and the persistence of shocks (long memory). Depending on their trading positions risk managers should be aware of different effects.

FAIR-VALUE PENSION ACCOUNTING CORPORATE RISK MANAGEMENT AND PENSION INVESTMENT POLICY

Darren John Henry
La Trobe University, Australia
Li Yong
King's College London, UK

Abstract

This paper investigates whether employer sponsors manage their pension risk exposure as an integral part of firm risk, or manage these two risk exposures separately over an extended period (2003-2010) in the UK, when transition from a disclosure to a recognition pension accounting regime has taken place. We test three competing explanations of corporate pension investment policy: coordinated risk management, contribution volatility, and separation hypotheses. We predict and find a negative association between the systematic pension risks and prior year's firm risk and operating asset risk during the period of recognition under fair value pension accounting (IAS 19), but no association before this period. These findings hold after controlling for other economic determinants identified by prior literature as relevant for pension investment policy. Our empirical evidence supports the view that fair-value pension accounting has real economic consequences, and pension investment policy is a dynamic process that is ultimately determined by strategic corporate risk management considerations.

RISK MANAGEMENT OF A DEVELOPING COUNTRY: A MARKET RESEARCH SURVEY

Roman Matousek
University of Kent, UK
Thao Ngoc Nguyen
Nottingham Trent University, UK
Chris Stewart
Kingston University, UK

Abstract

The purpose of this paper is to examine risk management of the Vietnamese banking system. This is the first such study of the Vietnamese banking system. To be able to carry out a comparative analysis and provide policy recommendation in risk management, we carry out a survey of Vietnamese commercial banks using a questionnaire. 42% of the interviewees are General/Deputy General Directors and 58% are Head/Deputy of risk management department. The Kruskall-Wallis and Pearson chi-square tests are employed to examine the relationship between risk management with bank efficiency. The results from the survey indicate that there is a difference between efficient banks in terms of risk area identification, risk monitoring methods and credit risk analysis.

B1. Corporate Finance and Governance II

DOES CORPORATE GOVERNANCE SHAPE THE RELATIONSHIP BETWEEN CORPORATE SOCIAL RESPONSIBILITY AND FINANCIAL PERFORMANCE?

Rezaul Kabir
University of Twente, The Netherlands
Hanh Minh Thai
University of Twente, The Netherlands

Abstract

Both theoretical and empirical relationships between corporate social responsibility activities and corporate financial performance are not without controversy. Yet, these activities are increasingly undertaken by a large number of firms, not only in developed countries but also in emerging countries. Using a multiple theory framework, we study a sample of Vietnamese listed firms and find that corporate social responsibility activities affect financial performance positively. However, the moderating effect of corporate governance on the CSR and firm performance relationship is ambiguous. We observe a slightly positive impact of foreign ownership, board independence, board diversity, but an insignificant impact of state ownership and board size.

INDEPENDENT DIRECTORS OWNERSHIP CONCENTRATION AND FIRM PERFORMANCE IN LISTED COMPANIES: EVIDENCE FROM VIETNAM

Mai Tuyet Thi Nguyen
Macquarie University, Australia
Elaine Evans
Macquarie University, Australia
Meiting Lu
Macquarie University, Australia

Abstract

We investigate the impact of independent directors on firm performance in Vietnam using a sample of 217 non-financial listed companies during the period from 2010 to 2014. Using two econometric techniques – the fixed effects estimation and the difference in difference estimation to control for endogeneity, the study provide the first robust evidence on the relationship between independent directors and firm performance in Vietnam. We find that independent directors have an overall negative effect on firm operating performance. This finding might be due to the information asymmetry and expertise disadvantages that prevent independent directors from fulfilling their monitoring function in governance. The negative relationship between independent directors and firm performance is even worse in firms with the State as a controlling shareholder. Findings in this study suggest that change in board structure in response to the new corporate governance code in 2012 does not impose positive effect on corporate governance and firm performance and that further reform is in demand to improve internal control mechanisms and corporate governance system in Vietnam.

WHO ARE MORE INFLUENCIAL ON CORPORATE SOCIAL RESPONSIBILITY STRATEGY, JAPANESE OR AMERICAN INDEPENDENT DIRECTORS?

Hien Thi Tran
Foreign Trade University Hanoi, Vietnam

Abstract

Applying the stakeholder theory, this paper examined how the strategy associated with corporate social responsibility was influenced by independent directors in Japan and the US in a comparative approach. Using the annual data of Fortune World's Most Admired Japanese and American firms between 2006 and 2011, this study found that independent directors in Japanese firms had a significant positive effect on the CSR disclosure whilst no evidence was found in the US firms. This reveals the trend that the independent directors in Japanese firms positively influenced the executives in disclosing CSR information. However, this influence is questioned in US firms although the proportion of independent directors on American boards traditionally outnumbers that of the Japanese counterparts. The findings support the stakeholder theory in Japanese globalized companies while challenging the theory in the US context during the recent financial crisis.

B2. Emerging Markets Finance I

HOW FOREIGN INVESTORS IMPROVE STOCK PRICE INFORMATIVENESS IN VIETNAM? AN EMPIRICAL STUDY ON THE FOREIGN TRADING AND FOREIGN OWNERSHIP CHANNELS.

Long Hoang Phan
Danang University of Economics, Vietnam
Yessy Peranginangin
University of Adelaide, Australia

Abstract

We examine foreign trading and ownership data of 316 stocks traded on the Ho Chi Minh Stock Exchange from 2010 to 2015 to investigate whether foreign investors in Vietnam help strengthen local market efficiency by improving stock price informativeness. The two potential channels through which foreign investors facilitate relevant information into stock prices are examined: foreign informed trading and foreign ownership. Using probability of informed trading (PIN) and return synchronicity as indicators for stock price informativeness, we find that stocks with higher proportions of foreign buy and sell volume are more informative. Foreign ownership, however, has insignificant impact on price informativeness.

PRICE DISCOVERY DYNAMICS IN TURKISH EQUITY INDEX FUTURES MARKET

Aysegul Ates
Akdeniz University, Turkey
Hakan Er
Akdeniz University, Turkey

Abstract

Turkey is one of the most dynamic emerging markets in the world and its futures market has expanded rapidly since the inception of futures contracts trading in 2005. Using high frequency data this study provides the first comprehensive examination of the informational role of index futures in price discovery process in Turkey for the period from February 4th, 2005 through September 30th, 2012. Data period covers extensive range of economic conditions including a strong economic growth and price stability in Turkish economy, global financial crisis as well as euro zone sovereign debt crisis. Furthermore, the data period contains the introduction period of futures market characterized by low trading volume as well as a mature period where trading activity increased considerably. Focusing on this data period allows us to examine whether price discovery function changes with changing market conditions. Our empirical results reveal new evidence that index futures markets became dominant in the price discovery process and new information is disseminated more rapidly in futures market since 2007. However, the degree of dominance of futures market in price discovery process varies over the sample period. Our results suggest that index futures market evolved and can be used as a price discovery vehicle but in times of market turmoil price discovery role of futures markets might be hampered. Our findings have implications for traders as well as market regulators.

HERDING BEHAVIOR LIQUIDITY AND FOREIGN INVESTOR TRADING IN VIETNAM STOCK MARKET

Hiep Manh Nguyen
Foreign Trade University HCMC, Vietnam
Nhung Hong Nguyen
Foreign Trade University HCMC, Vietnam

Abstract

We investigate the aggregate market trading data of Vietnam stock exchanges to study herding behavior. The results reveal that herding presents in Vietnam market, but the types of stocks herded vary given the market conditions. When the market declines, herding concentrates on less liquid stocks. When the market increases, herding concentrates on more liquid stocks. Nevertheless, for stocks of similar liquidity, herding is more pronounced in stocks that foreign investors contemporarily are net buyers, and do not occurs in stocks of zero net foreign trading. Based on the findings that foreign investors net buy herded stocks in market increases and net sell herded stocks in market declines, we conjecture that foreign trading can possibly exemplify herding effect in market up days and alleviate herding effect in market down days.

B3. Financial and Econometric Modeling

DYNAMIC FACTOR LONG MEMORY VOLATILITY

Richard D.F. Harris
University of Exeter, UK
Anh Hoang Thi Nguyen
Foreign Trade University HCMC, Vietnam

Abstract

In this paper, we develop a long memory orthogonal factor (LMOF) multivariate volatility model for forecasting the covariance matrix of financial asset returns. We evaluate the LMOF model using the volatility timing framework of Fleming et al. (2001) and compare its performance with that of both a static investment strategy based on the unconditional covariance matrix and a range of dynamic investment strategies based on existing short memory and long memory multivariate conditional volatility models. We show that investors should be willing to pay to switch from the static strategy to a dynamic, volatility timing strategy and that, among the dynamic strategies, the LMOF model consistently produces forecasts of the covariance matrix that are economically more useful than those produced by the other multivariate conditional volatility models, both short memory and long memory. Moreover, we show that combining long memory volatility with the factor structure yields better results than employing either long memory volatility or the factor structure alone. The factor structure also significantly reduces transaction costs, thus increasing the feasibility of dynamic volatility timing strategies in practice. Our results are robust to estimation error in expected returns, the choice of risk aversion coefficient, the estimation window length and sub-period analysis.

A DYNAMIC NELSON-SIEGEL MODEL WITH FORWARD-LOOKING INDICATORS FOR THE YIELD CURVE IN THE US

Fausto Vieira
Sao Paulo School of Economics, Brazil
Fernando Chague
University of Sao Paulo, Brazil
Marcelo Fernandes
Queen Mary University of London , UK

Abstract

This paper proposes a factor-augmented dynamic Nelson-Siegel (FADNS) model to predict the term structure of interest rates in the US. We add the first two principal components from a large number of weekly financial and macroeconomic indicators to the level, slope and curvature factors to forecast the yield curve. The FADNS model significantly improves the interest rate forecasts relative to the extant models in the literature. For longer horizons, it beats autoregressive alternatives, including random walks, with a reduction in mean absolute error of up to 50%. For shorter horizons, it offers a good challenge to the autoregressive forecasting models, outperforming them for the 5- and 7-year yields. The out-of-sample analysis shows that the good performance comes mostly from the forwarding-looking nature of the indicators we employ. Including them reduces the mean absolute error in 9 basis points on average with respect to models either without principal components or with only variables that reflect past macroeconomic events.

ON THE APPLICATION OF FAST FRACTIONAL DIFFERENCING IN MODELING LONG MEMORY OF CONDITIONAL VARIANCE

Tony Klein
Technische Universitat Dresden, Germany
Thomas Walther
Technische Universitat Dresden, Germany

Abstract

In Econometrics, long memory models for variance modeling like FIGARCH or FIAPARCH are characterized by a Fractional Differencing term. In order to estimate and apply these models, the infinite MacLaurin expansion of the differencing term has to be truncated at a certain level. We transfer the recently introduced fast fractional differencing that utilizes fast Fourier transforms (FFT) to long memory conditional variance models and show that this FFT approach offers immense speed-ups. This allows to further increase the truncation lag while ensuring a feasible computation time. We demonstrate how calculation times of parameter estimations of these models benefit from this new approach, relative to sample length and truncation lag. In this simulation study, allowing for higher truncation lags implies better and more precise results in parameter estimations. In order to emphasize the importance for practitioners and research in risk management, we carry out different time consuming rolling-window analyses for WTI and Brent crude oil returns and show that total computation times can be reduced by a factor 20 to 30 for FIGARCH. The speed-ups for FIAPARCH are found to be significantly higher. The FFT approach offers a computational advantage to all ARCH(infinity)-representations.

B4. Market Integration and Asset Pricing I

RISK FACTORS OF STOCK RETURNS IN VIETNAM

Hao Manh Quach
University of Lincoln, UK

Abstract

This study examines the risk factors of stock returns. Following the approach suggested by Fama and MacBeth (1973) and using data from an experimental study, we find that in addition to market factor, value, size and liquidity are risk factors of stock returns in Vietnam. Interestingly, our findings imply that growth stocks (high price to earnings ratio, high price to book value ratio) perform better, as opposed to the prevailing perception that value stocks should outperform. We also conduct a test and confirm the reliability of a four-factor pricing model, which includes market, size, value, and liquidity factor. Given the lack of empirical research in this market, our findings provide a theoretical framework for investment management in Vietnam.

THE RELATIONSHIP BETWEEN TECHNICAL INDICATORS AND THE MARKET INDEX: EVIDENCE VIETNAM STOCK EXCHANGE MARKET

Hien Thi Hoang
Minghsin University, Taiwan
Hoang Hai Van
Busan National University, Korea
Son Truong Nguyen
Danang University of Economics, Vietnam

Abstract

In this paper we apply several well-known and popular technical indicators include: moving averages (MA), Distance Simple moving average (DSMA), Moving Average Convergence Divergence (MACD), rate of change (ROC), momentum (M), Smoothed rate-of-change (SROC) to the daily data for the Ho Chi Minh stock index (HOX index), Ha Noi stock index (HNX index), and UPCOM index in during the period from July, 2000 to December, 2015. The results show a strongly support the predictive power of technical trading rules in all of our method; these strong results also hold for each subperiod analyzed. Furthermore, The regression results show that the combination of the distance between the index and a simple moving average and a simple momentum indicator is the best combination for explaining the differenced index series.

A COMPARISON OF INDUSTRY CLASSIFICATION SCHEMES FOR HOSE AND HNX

Nhan Ton Nguyen
University of Economics and Law, Vietnam
Nam Hai Le
University of Economics and Law, Vietnam
Lien Kim Ngo
University of Economics and Law, Vietnam

Abstract

The study compares three popular international industry classification schemes: Global Industry Classification Standard (GICS), Industry Classification Benchmark (ICB), Thomson Reuters Business Classification (TRBC) and two Vietnamese industry classification schemes: VSIC (Vietnam Standard Industry Classification) and HaSIC (Hanoi Stock Exchange Standard Industrial Classification) which are applied by HoSE and HNX stock exchange. The objective of the study is to find an optimal industry classification scheme and recommend the application of one common scheme for Vietnamese companies. Besides using market ratios such as stock returns, market-based valuation multiples, financial ratios and other ratios to compare and evaluate these industry classification schemes, we also perform Monte Carlo simulation to neutralize the advantage a scheme might gain from having a higher number of industry categories. Our results show that although VSIC does slightly better than GICS in Monte Carlo simulation, GICS outperforms TRBC and ICB on both HoSE and HNX, and does better than HaSIC on HNX. Generally, GICS is the optimal industry classification scheme for Vietnamese listed companies.

B5. Portfolio Management and Optimization

FINANCIAL RISK TOLERANCE RISK PERCEPTION AND INDIVIDUAL INVESTMENT DECISION-MAKING IN A FINANCIAL ADVICE CONTEXT

Linh My Thi Nguyen
International University - VNUHCM, Vietnam
Gerry Gallery
Queensland University of Technology, Australia
Cameron Newton
Queensland University of Technology, Australia

Abstract

The increasing complexity of the current investment environment has accelerated the need for more and better quality financial advice services. In order to provide suitable advice, financial advisers need to properly assess their client risks. However, a review of the academic literature reveals a dearth of research on client risk assessment and its influence on investment decisions in a financial advice context. Moreover, there is evidence that risk terms relevant to this context - risk tolerance and risk perception - are often ill-defined and used interchangeably. As such, this paper examines the role of these two main risk aspects in client decision-making process. Using data obtained through an online survey of financial adviser clients in Australia (N =364), our study reveals that financial risk tolerance influences asset allocation both directly and indirectly through risk perception. The intervening role of risk perception suggests that risk tolerance affects how clients perceive the riskiness of an investment product which influences client decision-making. Moreover, we also found evidence for significant direct and indirect influences of trust, relationship length, and financial literacy on risk tolerance and risk perception, indicating the important role of the financial advice service on client risk assessment and decision-making. The findings are likely to be helpful to financial advisers in their client risk assessments and ultimately, in facilitating better investment decisions by their clients.

IS TARGET DATE MUTUAL FUND UNDER-PERFORMANCE RATIONAL?

Srinidhi Kanuri
University of Southern Mississippi, USA
William F. Johnson
University of Southern Mississippi, USA

Abstract

We investigate the performance of Target Date Mutual Funds relative to several passive indexes using widely accepted mutual fund performance measures; Sharpe, Sortino, Omega, FF-3, FF-6 and find TDMFs performance is negative and significant in nearly all performance measures. We speculate several investor biases may explain the paradox of popularity and underperformance of TDMFs. Results of this paper are very important for choice architects and individual investors responsible for retirement plan decisions.

DO TARGET DATE MUTUAL FUNDS MEET THEIR TARGETS?

William F. Johnson
University of Southern Mississippi, USA
Ha-Chin Yi
Texas State University, USA

Abstract

We investigate the effectiveness of Target Date Mutual Funds performance relative to a naive self-directed target date investment portfolios and identify which variables are related to positive performance. We find that target date mutual funds do not outperform naive strategies, but find there are several characteristics which are associated with positive Sharpe and Treynor performance. Alpha, Volatility, Assets, Dividend Yield and Turnover are positive and significant in explaining performance differences, while Beta is negative and significant. Variables such as Morningstar rating and expense ratio are not significant. The results provide valuable information for retirement choice architects who must decide which Target Date Mutual Funds are included in retirement accounts.

INTEGRATION OF FINANCIAL MARKETS IN POST GLOBAL FINANCIAL CRISES AND IMPLICATIONS FOR BRITAIN: ANALYSIS BASED ON A PANEL VAR MODEL

Muhammad Ali Nasir
Leeds Beckett University, UK
Min Du
Leeds Beckett University, UK

Abstract

This study analysed the dynamics of integration among global financial markets in context of Global Financial Crisis (2008) by employing a Panel Vector Auto-regression (VAR) model on the data of nine countries and three markets from Jan 2003 to Oct 2015. It was found that there has been a shift in the association among the global financial markets since Global Financial Crisis. Moreover, the National Financial Structure in Post Global Financial crisis world clearly showed change in the association. Particularly, the emerging markets including China, Brazil and India showed a comparatively more significant impact on the UK financial sector implying the increased importance of the latter in the recent past. The Canadian, German and USA financial sector also showed a change in its impact in the post financial crisis world. It showed that Canada, Germany and USA financial sectors have become competitive to the UK financial Sector as the surge in them lead to relative response from the UK financial sector which could be associated with the portfolio adjustment. The disaggregated analysis in post GFC association between UK and under analysis global stock, Bonds and Forex markets showed a change. Important factor to note report was that after the GFC the response became mostly positive across most of the markets including the developing markets like Brazil and India. Except China and India the yield on British sovereign bonds showed a positive response to the positive shock. It implied that the sovereign risks which increase the yield on the bonds and contingent in under analysis sovereign bonds markets, perhaps there could be some exceptions and room for the portfolio adjustments in case of developing markets like China and India. The forex market analyse showed that although the heterogeneity in response to different markets existed pre and post GFC yet the response itself became more pronounced after the GFC.

NATIONAL CULTURE AND STOCK PRICE CRASH RISK

Lam Tung Dang
Danang University of Economics, Vietnam
Robert Faff
University of Queensland, Australia
Luong Hoang Luong
University of New South Wales, Australia
Lily Nguyen
La Trobe University, Australia

Abstract

We study how cultural norms along the dimensions of individualism and uncertainty avoidance affect stock price crash risk. Using a sample of 36 countries, we find that firms headquartered in countries with higher levels of individualism are associated with higher stock price crash risk while firms headquartered in countries with higher levels of uncertainty avoidance exhibit lower stock price crash risk. These findings suggest that individualism encourages managerial bad-news hoarding while uncertainty avoidance curbs such behavior. We also find that such effects are more pronounced in more opaque firms or countries. Overall, our findings suggest that national culture is an important determinant of stock price crash risk.

CORPORATE DEBT MATURITY AND STOCK PRICE CRASH RISK

Viet Anh Dang
University of Manchester, UK
Edward Lee
University of Manchester, UK
Yangke Liu
University of Manchester, UK
Chen Zeng
University of Manchester, UK

Abstract

We find that firms with a larger proportion of short-term debt have lower future stock price crash risk, consistent with short-term debt lenders playing an effective monitoring role in constraining managers' bad-news-hoarding behavior. The inverse relation between short-maturity debt and future crash risk is more pronounced for firms that are harder to monitor due to weaker corporate governance, higher information asymmetry, and greater risk-taking. These findings suggest that short-term debt substitutes for other monitoring mechanisms in curbing managerial opportunism and reducing future crash risk. Our study implies that short-maturity debt not only preserves creditors' interests, but also protects shareholders' wealth.

C2. Corporate Finance and Governance III

DOES NON-GAAP EARNINGS DISCLOSURE IMPROVE THE QUALITY OF GAAP EARNINGS? EVIDENCE FROM THE RECOGNITION OF GOODWILL IMPAIRMENT LOSSES

Hangsoo Kyung
Chinese University of Hong Kong, Hong Kong
Hakyin Lee
Hofstra University, USA
Jeff Ng
Chinese University of Hong Kong, Hong Kong

Abstract

We investigate whether firms that report non-GAAP earnings are likely to recognize goodwill impairment losses in a more timely and complete manner relative to firms that do not report non-GAAP earnings because non-GAAP earnings can mitigate managers' concerns about (1) market reactions and (2) decreases in compensation when they recognize goodwill impairment losses. We find that firms that report non-GAAP earnings are more likely to recognize impairment losses and that these impairment losses are unanticipated. We find that the probability of writing off goodwill increases as the difference of CEO pay sensitivity to non-GAAP earnings and GAAP earnings increases. This paper contributes to the literature on non-GAAP earnings and earnings quality by providing evidence that the use of non-GAAP earnings improves the quality of GAAP earnings, even when managers have a higher level of discretion in their accounting choices.

R&D INVESTMENTS AND CRISES: EVIDENCE FROM US FIRMS

Mamiza Haq
University of Queensland, Australia
Ly Hai Ho
Danang University of Economics, Vietnam

Abstract

This study empirically investigates the impact of financing sources on research and development (R&D) investments in both high tech and non-high tech firms. In particular, we examine to what extent do cash flow, stock issues and debt issues affect R&D investments during crises periods? Using a dataset of 8,602 publicly-listed high tech and non-high tech U.S. firms over 1990-2011, our results show that with regard to high tech and non-high tech firms, internal finance (cash flows) and R&D investments are positively associated. However, external finances are positively associated with R&D investments for high-tech firms. This effect is more prevalent among young and non-payout firms. In addition, we find that the impact of financial crisis 2007/2008 and internet bubble crisis 2000/2002 on R&D investments in high-tech firms are greater compared to their counterparts. The results are robust to different sample splitting criteria, model specifications, and other crises periods.

ADVISORY DIRECTORS

Olubunmi Faleye
Northeastern University, USA
Rani Hoitash
Bentley University, USA
Udi Hoitash
Northeastern University, USA

Abstract

We propose a measure of board advising that focuses on committee assignments and then study the characteristics and impact of directors dedicated to providing strategic counsel to top management. We find that advisory directors possess expertise and experience most valuable in strategic decision-making: entrepreneurial background, CEO-level experience, advanced degrees, and longer board tenures. We also find that these directors are associated with better strategic outcomes: higher acquisition returns, increased innovation, and higher firm value. The value effect is stronger when advising needs are greater and when the CEO is less powerful and thus more amenable to board influence on strategy.

C3. Risk Measurement and Management II

BANKING TECHNOLOGY, EFFICIENCY AND FINANCIAL RATIOS: SOME INSIGHTS INTO VIETNAMESE COMMERCIAL BANKS USING A SEMIPARAMETRIC APPROACH

Phuong-Anh Nguyen
International University - VNUHCM, Vietnam
Michel Simioni
INRA, France

Abstract

The assessment of bank performance is a much debated issue in the literature on banking. This paper contributes to the debate by comparing performance assessment through financial ratios and Data Envelopment Analysis. Recent bootstrapping techniques are used to see what financial ratios can explain about bank efficiency, depending on the chosen approach of bank technology: value-added or intermediation.

MARCH MADNESS IN WALL STREET: (WHAT) DOES THE MARKET LEARN FROM STRESS TESTS?

Marcelo Fernandes
Queen Mary University of London , UK
Deniz Igan
IMF, USA
Marcelo Pinheiro
PCAOB, USA

Abstract

Annual stress tests have become a regular part of the supervisors' toolkit following the global financial crisis. We investigate their capital market implications in the United States by looking at price and trade reactions, information asymmetry and uncertainty indicators, and bank activities. The evidence we present supports the notion that there is important new information in stress tests, especially at times of financial distress. Moreover, public disclosure seems to help reduce informational asymmetries. Importantly, public disclosure of stress test results (and methodology) does not seem to have reduced private incentives to generate information or to have led to distorted incentives.

EVALUATING PREDICTIVE POWER OF VALUE-AT-RISK MODELS AT COMMERCIAL BANKS

Ha Manh Tran
Aston Business School, UK
Dudley Gilder
Aston Business School, UK
Nathan Joseph
Aston Business School, UK

Abstract

This paper is the first empirical study to investigate the forecasting power of various VaR models based on non-anonymous daily Value-at-Risk (VaR) and Profit-and-Loss (P&L) data. Using actual data of seven commercial banks worldwide from 2001 to 2012, our two-stage backtesting gives emphasis to the predictive ability of Historical Simulation-type and GARCH-type models with Gaussian innovation in producing accurate VaR figures under normal market conditions.During financial crisis, the GARCH-type models with Student t distribution is preferable to estimate VaR. The EVT approach, which was reported to be superior in estimating in VaR in recent financial crises, poorly performs when we apply to the actual banks' data. We conclude that good VaR estimates can be obtained using simple, accessible models rather than complicated parametric methods or banks' internal VaR models.

C4. Banking Regulation and Financial Services II

MEASURING EFFICIENCY OF VIETNAMESE BANKS: ACCOUNTING FOR NONPERFORMING LOANS IN A SINGLE-STEP STOCHASTIC COST FRONTIER ANALYSIS

Thanh Dang Ngo
Massey University, New Zealand
David Tripe
Massey University, New Zealand

Abstract

We consider three ways of treating nonperforming loans (NPLs) in cost stochastic frontier analysis (SFA): as an additional control variable, as an environmental factor, or as an implicit component of the total loans. We observed that the first two methods are inappropriate for our analysis: one cannot find the significant relationship between NPLs and the banks' total cost, and the other cannot account for any inefficiency at all. We suggested that the third method of separating NPLs from total loans, i.e. comparing results from SFA models that use total loans and performing loans, can provide better insights. Using the proposed method, we showed that the cost efficiency of Vietnamese banks in the examined period was moderate with a slight decreasing trend. This was contributed by the bank-specific characteristics in which private banks and small banks tend to outperform state-owned banks and big banks. When NPLs is separated, the cost efficiency decreases in state-owned banks and big banks, while it increases in small and private banks.

A PRODUCTIVITY ANALYSIS OF VIETNAMESE BANKING SECTOR USING LUENBERGER INDICATOR

Phuong Thanh Le
Vietnam Maritime University, Vietnam

Abstract

This paper is to measure and analyse the productivity of Vietnam's banks during the 2007−2014 period. We extent the generalised directional distance function of Cheng and Zervopoulos (2014) to calculate Luenberger productivity indicator. The results show that state-owned banks are more efficient than their private counterparts and they play a role as leaders of Vietnamese banking industry. The impact of restructuring measures according to the five-year plan (2011−2015) in the banking sector seems insignificant when the productivity of the sector has been deteriorated.

RELATIONSHIP BETWEEN CORPORATE GOVERNANCE AND PROFITABILITY OF COMMERCIAL BANK IN VIETNAM

Viet Quoc Pham
University of Finance - Marketing, Vietnam
Vinh Trong Quoc Luong
University of Finance - Marketing, Vietnam

Abstract

This article seeks empirical evidences on the relationship between corporate governance and the profitability of commercial banks in Vietnam. Corporate governance, follow the previous studies, was measured through a set of ownership structure variables (percentage of state ownership, foreign ownership and major domestic private ownership) and the characteristics of the board (board size, proportion of independent board members, and the duality of CEO). Profitability of banks is measured by return on assets (ROA), return on equity (ROE), net interest margin (NIM). Through panel data regression on secondary data samples collected from the annual reports of 27 commercial banks in the 2007-2014 period, the study results showed that the profitability was positively correlated with the private ownership, negatively correlated with foreign ownership, and the relationship between profitability and state ownership is unclear. Some other results include the positive correlation between board size and profitability, negative correlation between the proportion of independent members and profitability, positive correlation between profitability and duality of CEO. The results of this study complement the empirical evidence in the corporate governance research for financial institutions in general, and for banks in particular; furthermore, this result can be use for policy implication for the State Bank of Vietnam in the reform-oriented mechanisms and banking system in the context of international economic integration.

C5. Financial Crisis and Contagion

LOCAL CONTAGION IN THE STOCK MARKET

Hong Xuan Vo
University of Hawaii, USA
Nhan Le
University of Mannheim, Germany

Abstract

The paper investigates the wealth effects of corporate bankruptcy filings on geographically proximate firms. We find that firms headquartered in the vicinity of a corporate bankruptcy event experience a significant discount of their equity value. This result is robust to controlling for industry and local economic conditions. The negative effect is more pronounced when the bankrupt firms are small, less reputable, low-priced, young, and have low asset tangibility. Local wealth effects are more severe when the event is less expected and takes place during weekday. The effects are stronger for local firms that are non-reputable and small in size. Overall, the paper suggests evidence that investor sentiment can be contagious geographically and magnify the impact of an individual negative shock. Hard-to-arbitrage and hard-to-value firms are the ones that are more likely to suffer the severity of local contagion.

EMBRACING THE PERFECT STORM: OPTIMAL CATASTROPHE RISK FINANCING IN THE NEW NORMAL

Carolyn W. Chang
California State University, USA
Jack S. K. Chang
California State University, USA
Min-Teh Yu
National Chiao Tung University and RIRC, Taiwan

Abstract

Unprecedented increases in extreme loss events over the past decades have raised important concerns about the inadequacy of catastrophe risk financing. The U.S. Federal Reserve's ultra-low interest rate policy following the 2008 financial crisis has transformed the catastrophe space into a new normal. Demand shocks from an influx of third-party capital have induced capacity expansion, risk capital redistribution, and premium reduction, catalyzing a convergence of the traditional reinsurance and the securitized catastrophe bond markets. We develop a novel theory of catastrophe risk financing where NPV-maximizing and hedging cost-minimizing agents optimally allocate these two inherently different products toward providing ex ante full risk intermediation and sharing. Our optimization models properly allow for assets, liabilities, interest rate, basis, and catastrophe loss dynamics, as well as numerically simulate the stylized post-crisis convergence process. Sensitivity analysis reveals that higher default risk leads to more catastrophe bond issuances and that one should be more concerned with the severity of a catastrophe rather than with the frequency of the arrival.

TOO BIG TO FAIL: TOWARD AN OPTIMAL REGULATION

Chang Ma
Johns Hopkins University, USA
Hai Xuan Nguyen
Chinese University of Hong Kong, Hong Kong

Abstract

In this paper, we examine optimal prudential regulations of large banks. First, we present a simple model of banking in which a representative bank expands its balance sheet for two reasons: economies of scale and implicit bailout guarantees. While a large bank can be socially beneficial, the social costs of a bailout, which increase with bank size, may outweigh its benefits. We then evaluate a range of policies that aim to mitigate bailout costs, including a capital requirement, direct cap on size, and tax on size. We find that each policy proposal improves social welfare in comparison with its absence; however, it cannot achieve the first-best level. In particular, bank size regulation inhibits the bank's scale economies, because it curbs bailout costs by limiting bank size. To eliminate the use of public funds and the associated costs, we consider the issuance of contingent convertible bonds (CoCos) to absorb the bank's losses in the bad state. We find that a socially optimal investment scale can be implemented when CoCos are required. Accordingly, the first-best level of social welfare can be achieved.

D1. Market Behaviour and Efficiency

GOOGLING INVESTOR SENTIMENT AROUND THE WORLD

Zhenyu Gao
Chinese University of Hong Kong, Hong Kong
Haohan Ren
Chinese University of Hong Kong, Hong Kong
Bohui Zhang
University of New South Wales, Australia

Abstract

We study how investor sentiment affects stock markets around the world. Relying on the Google search behavior of households, we construct a weekly search-based measure of sentiment for 40 countries during the 2004–2014 period. We first validate the sentiment index in the tests of sports, dual-listed firms, and earnings announcements, and then show that the sentiment measure is a contrarian predictor of country-level market returns. Two experiments suggest a causal relation between the return prediction of sentiment and theoretical channels. Finally, we document an important role of global sentiment in driving sentiment and predicting returns across countries. These findings support the view that sentiment prevails in stock markets.

EARNINGS ANNOUNCEMENT IDIOSYNCRATIC VOLATILITY AND THE CROSS-SECTION OF STOCK RETURNS

Cameron Truong
Monash University, Australia

Abstract

We document a significant positive relation between earnings announcement idiosyncratic volatility and stock returns in the 10-day window before future earnings announcements. The average of risk-adjusted return differences between stocks with the highest earnings announcement idiosyncratic volatility and stocks with the lowest earnings announcement idiosyncratic volatility exceeds 100 basis points in the 10 days leading up to the earnings announcements. The pricing of earnings announcement idiosyncratic volatility is asymmetric where only idiosyncratic volatility based on positive stock returns is priced. This is consistent with the argument that investors have a preference for stocks with large payoffs during earnings announcements.

D2. Emerging Markets Finance II

HOW DO MACRO-FINANCIAL CONDITIONS IMPACT ON THE RELATION BETWEEN OVERCONFIDENCE AND FIRM INVESTMENT? EVIDENCE FROM VIETNAM

Chi Dat Le
University of Economics HCMC, Vietnam
Long Bao Dinh Truong
University of Economics HCMC, Vietnam
Vuong Minh Nhat Chu
University of Economics HCMC, Vietnam

Abstract

Understanding the behavior of managers is crucial to make correct investment and financing decisions. Through empirical results on a sample of 423 listed non-financial companies in a period from 2010-2014, we point out that overconfidence of Board of directors (BoDs) in Vietnamese firms reduces the sensitivity of investment to cash flow because BoDs would like to use debt and external funds to support their investments. This explanation is proved by the interaction between macro-financial variables (Financial Condition Index – FCI and financial development index – FDI) and the relation overconfidence – investment to cash flow, and by robustness test about trade-off theory versus pecking order theory. The results shows that in good macro-financial conditions (such as high banking credit supply), cash flow has less significant impacts on investment than FDI has. We can see this clearly in large firms. Moreover, in companies which have overconfident BoDs, overconfidence will be able to make BoDs increase using external fund and reduce using internal fund. The results from testing trade-off theory versus pecking order theory in Vietnam show that Vietnamese firms would like to follow static trade-off theory to make financing decisions.

DIVIDEND SMOOTHING AND SIGNALLING UNDER THE IMPACT OF THE GLOBAL FINANCIAL CRISIS: A COMPARISON OF US AND SOUTHEAST ASIAN MARKETS

Minh Xuan Nguyen
Foreign Trade University Hanoi, Vietnam
Trung Quoc Tran
Foreign Trade University HCMC, Vietnam

Abstract

Under the impact of the global financial crisis, firms experience more external financial constraints and this is a good opportunity to investigate dividend smoothing and signaling behavior. Using data from the US market where the crisis originates and five Southeast Asian markets which is slightly affected by the crisis, we find that US firms pursue dividend smoothing model and they also follow signaling theory by increasing dividends in the post-crisis period to earn good reputation. However, Malaysia, Philippines and Indonesia following dividend smoothing model fail to pay more dividends in the post-crisis period. Thailand and Singapore increase dividend payments in the post-crisis period but they fail to pursue the dividend smoothing model significantly.

FINANCIAL CONDITIONS AND CORPORATE INVESTMENT: EVIDENCE FROM VIETNAM

Nam Hoai Tran
University of Economics HCMC, Vietnam

Abstract

It is considered that the monetary policy takes effect on firm-level investment efficiency in the way it changes financial conditions that in turn affect corporate investment behavior. For an imperfection capital market as Vietnam's, we explore the influence of financial conditions on firm-level investment via the Euler equation model of investment. Under the revealed evidence of a non-monotonic investment-cash flow relation, we find that financial conditions only do matter to investment behavior of firms with negative cash flow in the sense that better financial conditions reduce the level of "negative" financing constraints (i.e., the sensitivity of investment on negative cash flow). We suggest an explanation for this key finding in the aspect of information asymmetry in a developing country as Vietnam.

D3. Banking Regulation and Financial Services III

THE EFFECTS OF REGULATORY ANNOUNCEMENTS ON RISK AND RETURN: THE VIETNAMESE EXPERIENCE

Vikash Ramiah
University of South Australia, Australia
Huy A. N. Pham
University of South Australia, Australia
Imad Moosa
RMIT Australia, Australia
Hung (Justin) Nguyen
RMIT Australia, Australia

Abstract

We investigate the response of the Vietnamese equity market to announcements of banking regulation by using event study and risk models. Robustness tests are used, including the Corrado non-parametric ranking test and the Chesney et al. non-parametric conditional distribution test, as well as GARCH, TARCH, EGARCH and PARCH specifications for the risk models. We find evidence for both negative and positive reactions as well as risk shifting behaviour in the form of a diamond risk structure.

FINANCIAL STABILITY ECONOMIC GROWTH AND VOLATILITY IN ASEAN AND THE IMPLICATIONS FOR VIETNAM

Son Hung Tran
University of Economics and Law, Vietnam
Liem Thanh Nguyen
University of Economics and Law, Vietnam
Nhan Ton Nguyen
University of Economics and Law, Vietnam

Abstract

The study examines the impact of financial stability to economic growth and economic volatility in ASEAN. The results show that the development of the banking systems (measured by the credit to the private sector from deposit banks/GDP) and financial stability (Non-performing loans, banking-sector stability and stock market volatility) increases the economic growth and economic volatility. Based on the results of this study, the article discusses some policy implications for the case of Vietnam.

DO BANK MERGERS AND ACQUISITIONS IMPROVE TECHNICAL EFFICIENCY OF VIETNAMESE COMMERCIAL BANKS?

Tu Quang Duc Le
University of Canberra, Australia

Abstract

This study empirically investigates the effect of bank mergers and acquisitions (M&As) on technical efficiency in Vietnamese commercial banks. A bootstrap in Data Envelopment Analysis is employed to arrive at technical efficiency scores of 136 virtual bank mergers in the Vietnamese banking industry over the period of 2007 to 2011. The findings reveal that a year before the impact of the global financial crisis (GFC), the majority of the virtual bank mergers (VBMs) under examination were unable to generate technical efficiency (TE) gains. However, these VBMs can lead to TE gains in a year after the GFC and in 2011. The findings also indicate that state-owned commercial banks after mergers are less efficient than joint stock commercial banks. Finally, the empirical results support the hypothesis that a merger between two efficient banks does not necessarily generate an efficient bank merger.

D4. International Finance and Risk Management

OPTION PORTFOLIO HEDGING: A STUDY WITH AVERAGE MULTI-STOCK-KNOT HEDGE RATIOS

Sharif Mozumder
University of Dhaka, Bangladesh
Michael Dempsey
RMIT University, Australia
M.Humayun Kabir
Massey University, New Zealand
Taufiq Choudhry
University of Southampton, UK

Abstract

This paper demonstrates that delta and gamma values computed at several "knots" around the current stock price rather than at 'one point' improve the approximation of the option's payoff, even for deep-in-the-money options. We find that models with time-varying volatility not only price options more satisfactorily compared to pure jump, jump-diffusion and Gram-Charlier models, but also perform remarkably well in combination with the delta and delta-gamma approximations. The highest percentage improvements are achieved for the GARCH volatility model of Heston and Nandi using both 'Multi-stock-knot' delta and delta-gamma approaches. The Gram-Charlier and Heston's stochastic volatility models show the next best performance followed by jump-diffusion and pure-jump Lévy models.

FOREIGN DIRECT INVESTMENT AGGREGATE DEMAND CONDITIONS AND EXCHANGE RATE NEXUS: A PANEL DATA ANALYSIS OF BRICS ECONOMIES

Ferhan Kareem Ahmad
UKAid, UK
Muhammad Ali Nasir
Leeds Beckett University, UK
Mushtaq Ahmad
COMSATS Institute of Information Technology, Pakistan

Abstract

In this study, we attempt to provide underlying theoretical and empirical explanations for exchange rate appreciation due to foreign capital influx and aggregate demand conditions in the BRICS economies. The empirical analysis is based on a panel dataset of BRICS countries over the time period 1992 to 2013 to substantiate our theoretical findings. For panel co-integration, Pedroni and Johansen-Fisher panel co-integration tests are conducted to compare co-integration among panel countries. We also analyze the results from Dumitrescu-Hurlin panel causality test among variables and use Granger Causality to test for the causal patterns in each of the individual countries. Our findings showed that the exchange rate volatility is directly affected by the flows of FDI, GDP per capita, Capital formulation and House hold consumption. The results have profound implications in terms of exchange rate stability in the BRICS countries and associated risks.

NEW ASSESSMENT OF THE JAPANESE FOREIGN EXCHANGE INTERVENTION: A STOPPING TIME APPROACH

Yoshihiro Kitamura
Waseda University, Japan

Abstract

I propose a new variable to assess the effect of Japanese foreign exchange (FX) intervention. The variable is the probability of an FX rate reaching one threshold before reaching the other threshold. Importantly, the probability depends on not only the level, but also the trend and volatility of a current FX rate. When an intervention changes the probability in a desired direction, the intervention is effective. The notable feature of the probability is that it considers both the level and volatility of an FX rate comprehensively, while previous studies have examined these effects of FX intervention separately. Empirical results, regression, and nearest-neighbor analyses indicate that publicity and size are significant in the effectiveness of intervention.

HIGH FREQUENCY TRADING AND TREASURY BOND RETURNS

Xiaoquan Liu
University of Essex, UK
Ingrid Lo
Bank of Canada, Canada
Minh Nguyen
University of Sheffield, UK
Giorgio Valente
City University of Hong Kong, Hong Kong

Abstract

This study provides a comprehensive analysis of the e¤ects of High Frequency Trading (HFT) on expected returns of Treasury bonds. We document a strong and positive relationship between bond expected returns and a factor capturing the intensity at which HFT takes place in the market. We nd that investing in bonds with the largest exposure to the HFT intensity factor and shorting those with the smallest generates large and signi…cant returns. These returns are uncorrelated with conventional risk factors, are not a¤ected by transaction costs and they are higher during periods when macroeconomic news shocks are larger than normal.

MONETARY POLICY AND ITS IMPACT ON STOCK MARKET LIQUIDITY: EVIDENCE FROM VIETNAM STOCK EXCHANGE

Anh Xuan Thi Tran
Banking Academy, Vietnam
Chi Quynh Nguyen
Banking Academy, Vietnam
Le Hoai Thi Nguyen
Vietnam Academy of Social Science, Vietnam

Abstract

The paper seeks an answer to whether it is a significant correlation between the monetary policy and the stock market liquidity. With a sample covering the period of August 2000 and December 2015 of the Ho Chi Minh City Stock Exchange (HoSE), we investigate the impact that the State Bank of Vietnam's monetary policy might have on the total average monthly trading volume/value of the HoSE. I find significantly positive correlation between money base- M2 which stands for the SBV's monetary policy and the total average monthly trading volume/value of the HoSE. In addition, when conducting a foreign segment of the stock market analysis, I discover that an expansionary monetary policy increases the liquidity of this segment as shown in the increasing average monthly net buying volume/value of foreign investors in the HoSE.

ETF LIQUIDITY

Ben R. Marshall
Massey University, New Zealand
Nhut Hoang Nguyen

Massey University, New Zealand
Nuttawat Visaltanachoti
Massey University, New Zealand

Abstract

We provide a comprehensive analysis of ETF liquidity based on tick and daily data for in excess of 800 ETFs over the 1996-2014 period. We make several contributions. First, we show there is a strong relation between ETF and underlying stock liquidity. ETF liquidity is influenced by and influences underlying stock liquidity. Second, both supply- and demand-side factors have a strong bearing on ETF liquidity. Third, the end-of-day spread, high-low, and Amihud proxies best measure actual transaction costs. Fourth, there are intraday and daily patterns in spreads. Finally, liquidity risk is priced in ETF returns.

List of Participants

First Name(s)	Last Name	Affiliation
A		
Aysegul	Ates	*Akdeniz University, Turkey*
B		
Khanh Nha Phan	Bui	*Danang University of Economics, Vietnam*
C		
Kien Dinh	Cao	*Foreign Trade University Hanoi, Vietnam*
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Phone: (84-8) 3512 7254
Fax: (84-8) 3512 7255

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Phone: (84-8) 3 7244 555
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Phone: (84-4) 3562 6962
Email: stoxplus@stoxplus.com

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Phone: (84-4) 3776 5929
Fax: (84-4) 3776 5928
Web: http://www.msi.com.vn

HO CHI MINH CITY

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Phone: (84-8) 3521 4299
Fax: (84-8) 3914 1969