

KOREA-AMERICA FINANCE ASSOCIATION

<http://www.K-AFA.org>

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President's Message

Greetings from sunny San Diego, California. I hope your holidays were pleasant and that the start of the New Year has been exciting. I am happy to report that the KAFA had a successful year which included many sponsored programs and activities. As in the past, the KAFA offered two special sessions last October at the 2006 FMA meetings in Salt Lake City. Both sessions were well attended and were considered a success by the participants. President-Elect, Dr. Seungmook Choi (UNLV) is organizing this year's special sessions at Orlando FMA meetings now. The following people served as moderators or panel members for special sessions at Salt Lake FMA meetings.

Session 1: **Corporate Governance, Foreign Investment, and Korean Firm Performance**

Moderator: Moon H. Song, San Diego State University

Panelists: Sang-Ho Son, Vice President, Korea Institute of Finance
Hyoung-Tae Kim, Vice President, Korea Security Research Institute
Sukho Sonu, Hongik University & President –Elect, Korea Finance Association
Woochan Kim, KDI School of Public Policy and Management

Session 2: **Current Issues in East Asian Financial Market**

Moderator: Bong Soo Lee, KAIST

Panelists: Takeshi Yamada, National University of Singapore
Oliver Rui, Chinese University of Hong Kong
David Ding, Nanyang Technological University
Young Kwon Cho, Executive Managing Director, Financial News Daily-Korea

Such a successful meeting would not be possible without the contributions of many individuals. In particular, Professor Bongsoo Lee, the Past President, made the transition to the new administration smooth and easy. Professor Sam Y. Chung, the Secretary General, continued to manage the administration and operations of the Association.

As we have done annually for a number of years, the KAFA held a Joint Symposium with the Korea Security Research Institute (KSRI) last December. The symposium was a great success by any standard. Seven KAFA members attended the conference, six of who presented papers. KSRI and KAFA agreed to expand the areas of joint work, such as KAFA members' visiting at KSRI, conducting joint projects and arranging and/or sponsoring visiting position for KSRI staff members at US universities where KAFA members are associated.

I am proud of the initiatives I've taken and of the small role I planned in arranging for sponsors who will support KAFA members' research activities starting from year 2007. I would like to take this opportunity to share with you some of the activities and future plans of the KAFA.

I am particularly pleased to inform you that for the first time in the history of KAFA, two institutions, Financial News Daily-Korea and Shinhan Bank, will *annually* provide funds for KAFA members' research activities. Financial News Daily-Korea has agreed to generously donate \$12,000 per year. We are planning to give three awards in the following categories; top journal publication, Ph.D dissertations, and Asia related article publication. Shinhan bank also pledged \$5,000 *per year* to support financial engineering related research. For this award, we will issue a call for proposals rather than awarding published articles to encourage your research in the area of financial engineering. We will hire outside well-known referee(s) to evaluate each research proposal. Details of this call for proposals are announced below.

As we have done annually for a number of years, the KAFA will hold a joint conference with the Korea Finance Association (KFA), Korea Securities Association (KSA), Korean Financial Management Association (KFMA), and Korea Futures Association (KFA). Professor Sang-ryong Chu, president of KSA (this year's managing association), informs us that the conference will be held on May 25 (Friday) and 26 (Saturday), 2007. This year's paper presenters are likely to receive at least the same amount of financial support as last year's participants. I urge you to participate in the Conference. Please refer to the Call for Papers below for more information about the Conference.

For your convenience, KAFA and KIF (Korea Institute of Finance) have decided that this year's Joint Symposium will be held on May 28 (Monday). This year's symposium topic is "Financial Innovation and Recent Trends in the Banking Industry and Capital Markets". Please refer to the Call for Papers below for more information on the Joint Symposium with KIF.

I am looking forward to seeing you in Korea as well as in Orlando this October.

Best wishes for the New Year!

Moon Hyun Song

I. Recent KAFA Activities

A. The Joint Conference with the KSRI

On December 14, Thursday, the KSRI sponsored a joint conference with the KAFA in Seoul. The following KAFA members presented papers:

Bae, Sung C. and Taek Ho Kwon, "Does Corporate Diversification by Business Groups Create Value? Evidence from Korean Chaebols Surrounding the Korean Financial Crisis"

Chung, Sam Y. and Micheal Tindall, "The Relevance of Hedge Fund Regulation: Based on the SEC's Recent Filing Requirement"

Jiraporn, Pornsit and Young Sang Kim, « Multiple Directorships and Corporate Diversification"

Kang, Jun-Koo and Jin-Mo Kim, "Geography of Corporate Governance and Source of Target Gains in Block Acquisition"

Park, Kang H., "Has Competition in the Korean Banking Sector Worsened due to Mergers and Acquisitions?"

Song, Moon H. and Yun W. Park, "Private Funds in the Partial Acquisitions Market: Effect on the Target Firm Governance"

Many thanks to Professor Kee Ho Chung of SUNY-Buffalo, who reviewed the submitted papers for the joint conference with the KSRI.

B. The Round Table Discussion with Financial News-Daily

On December 18, Monday, KAFA presidential members, Professors Moon H. Song, SeungMook Choi and Sam Y. Chung, had a round table discussion with the Financial News-daily in Korea for various issues in Korea-America financial markets. The Financial News has published the discussion summary in their newspaper:http://www.fnnews.com/view?ra=Sent0701m_01A&corp=fnnews&arcid=0920897092&cDateYear=2007&cDateMonth=01&cDateDay=01

II. Call for Papers / Awards

A. Call for papers for the Joint Conference with the KIF

Main Theme: "Financial Innovation and Recent Trends in the Banking Industry and Capital Markets"

Specifically, the topics related to financial intermediation, new financial products (securities, derivatives, structured financing), industry performance and optimal strategy, and new monetary and/or exchange rate policy, will be given a priority.

Conference date: May 28, 2007

Submission deadline: March 31, 2007

Notification of the accepted papers: April 20, 2007

Submit papers to: Professor Seungmook Choi, President Elect,
seungmook.choi@unlv.edu

We expect a few papers (2-4 papers) to be accepted for the presentation.

B. Call for papers for the Joint Conference with Korea Finance Associations (KFAs)

As in previous years, we expect to be part of the 2007 joint conference with Korean counterparts (KFAs) in May 25-26, 2007. In anticipation of this conference, the KAFA would like to announce a call for papers.

Topics: any finance area

Conference date: May 25-26, 2007

Submission deadline: March 31, 2007

Notification of the accepted papers: April 20, 2007

Submit papers to: Professor Seungmook Choi, President Elect,
seungmook.choi@unlv.edu

Note: When you submit your paper, please indicate the conference of your choice (e.g., KAFA joint conference with KIF or KFAs)

C. Call for the 1st Financial News & KAFA Top-Journal Paper Award

If you have papers published or accepted for the top three journals; Journal of Finance, Journal of Financial Economics, or Review of Financial Studies, during the period of September 2006 through August 2007, please provide us with the following information for the consideration of this award. The author of the selected paper will be awarded a cash grants of \$3,000 along with a plaque by the representative of Financial News at the annual KAFA banquet in the 2007 Orlando FMA Meetings.

Title of the Paper

Author(s) (names, affiliations, phones, e-mails)

Name of the Journal

Issue Date, Volume, and Page Numbers (if published)

Copy of the Acceptance Letter (if accepted but not yet published)

Electronic Copy of the Paper

Submission Deadline: August 31, 2007

Submit material to: Professor Moon H. Song, President, song1@mail.sdsu.edu

D. Call for the 1st Financial News & KAFA Doctoral Student Dissertation Award

If you are currently Doctoral student (ABD status) and going to defend your dissertation before September 2007, please submit your dissertation for the consideration of this award. Two dissertations will be selected for the awards. Each

author will be awarded a cash grants of \$1,500 along with a plaque by the representative of Financial News at the annual KAFA banquet in the 2007 Orlando FMA Meetings.

Submission Deadline: August 31, 2007

Submit material to: Professor Moon H. Song, President, song1@mail.sdsu.edu

E. Call for the 1st Financial News & KAFA Asian Financial Market Paper Award

If you have Asian financial market related papers that published or accepted for high quality refereed journals, during the period of September 2006 through August 2007, please provide us with the following information for the consideration of this award. The author of the selected paper will be awarded a cash grants of \$3,000 along with a plaque by the representative of Financial News at the annual KAFA banquet in the 2007 Orlando FMA Meetings.

Title of the Paper

Author(s) (names, affiliations, phones, e-mails)

Name of the Journal

Issue Date, Volume, and Page Numbers (if published)

Copy of the Acceptance Letter (if accepted but not yet published)

Electronic Copy of the Paper

Submission Deadline: August 31, 2007

Submit material to: Professor Moon H. Song, President, song1@mail.sdsu.edu

F. Call for the 1st Shinhan Bank & KAFA Best Financial Engineering Paper Award

The Korea America Finance Association (KAFA) and Shinhan Bank jointly announce that they will annually select the best research paper/proposal (non-published) in the area of the financial engineering written by KAFA members. The author(s) of selected paper/proposal will be awarded a cash grants of \$5,000 along with a plaque by the representative of Shinhan Bank at the annual KAFA banquet in the 2007 Orlando FMA Meetings.

Topics:

The award will focus on a range of theoretical and empirical issues in the areas of risk management, asset management, trading (stocks/ bonds/ commodities/ derivatives), and financial product development with advanced mathematical and numerical techniques.

The specific topics of interest include, but are not limited to:

- Financial Derivatives
- Risk Management
- Stochastic Control
- Financial/Economic Forecasting
- Financial Valuation
- Hedge Fund Strategies and Management

- Algorithmic Trading
- Other Financial Engineering Applications

SELECTION PROCESS:

With the agreement of Shinhan Bank, the outside reviewer - Professor Thomas Schneeweis (Bio is attached) will review the submitted papers/proposals and rank them based on papers' academic quality and potential contribution to the field. Priority will be given to those papers authored by a KAFA member or members, but the papers co-authored with non-members will also be given consideration.

Dr. Thomas Schneeweis

Professor Thomas Schneeweis is the Michael and Cheryl Philipp Professor of Finance at the Isenberg School of Management at the University of Massachusetts in Amherst, Massachusetts. He is the Founding and Current Director of the Center for International Securities and Derivatives Markets (CISDM), a nonprofit academic research center specializing in the alternative investment area at the University of Massachusetts (www.cisdms.org). He is the Founding and Current Editor of *The Journal of Alternative Investments* (www.ijournals.com). He has published over 100 articles in academic and practitioner journals in the areas of traditional and alternative investment, is a frequent speaker at professional and academic seminars in the area of alternative investments, has been quoted in most major financial publications, and has provided commentary on various US, Europe, and Asian financial news programs.

Please provide following information:

Title of the Paper
 Author(s) (names, affiliations, phones, e-mails)
 Electronic Copy of the Paper/Proposal
 Expected date of completion
 Expected contribution to the field
 Target Journal(s)

Submission Deadline: August 31, 2007

Submit material to: Professor Moon H. Song, President, song1@mail.sdsu.edu

III. Member News

A. Publications

Following is a list of recent publications by KAFA members. Only those provided to the KAFA office by the authors are listed here.

Xin Zhao and Kee H. Chung. "Information Disclosure and Market Quality: The Effect of SEC Rule 11Ac1-5 on Trading Costs." *Journal of Financial and Quantitative Analysis*, forthcoming.

Kee H. Chung and Chairat Chuwongnanant. "Quote-Based Competition, Market Share, and Execution Quality in NASDAQ-Listed Securities." *Journal of Banking and Finance*, forthcoming.

Xin Zhao and Kee H. Chung. "Decimal Pricing and Information-Based Trading: Tick Size and Informational Efficiency of Asset Price." *Journal of Business Finance and Accounting* 33 (June/July 2006), 753-766.

Kee H. Chung, Chairat Chuwongnant, and D. Timothy McCormick. "Order Preferencing, Adverse-Selection Costs, and the Probability of Information-based Trading." *Review of Quantitative Finance and Accounting* 27 (December 2006), 343-364.

Haksoon Kim, "Which explains stock return co-movement better, corporate governance or corporate transparency? Evidence from R²", *Finance a úvĕr*, 56, 2006, pp.534-551.

O. Maisondieu-Laforge, Yong H. Kim and Young S. Kim "Financial Contracting and Operating Performance: The Case for OBRA and Efficient Contracting", forthcoming in *Corporate Ownership & Control*.

Yong H. Kim, Jose Yague and Jimmy Yang "Relative Performance of Trading Halts and Price Limits:Evidence from the Spanish Stock Exchange", forthcoming in *International Review of Economics and Finance*.

Woochan Kim, Youngjae Lim, and Taeyoon Sung, "Group Control Motive as a Determinant of Ownership Structure in Business Conglomerates: Evidence from Korea's Chaebols," *Pacific-Basin Finance Journal*, forthcoming.

Kato, Takao, Woochan Kim, and Ju-Ho Lee, "Executive Compensation and Firm Performance in Korea," *Pacific-Basin Finance Journal*, forthcoming.

Bernard Black, Hasung Jang, and Woochan Kim (2006), "Does Corporate Governance Predict Firms' Market Values? Evidence from Korea," *Journal of Law, Economics, & Organization*, Vol.22, pp.366-413.

Bernard Black, Hasung Jang, and Woochan Kim (2006),"Predicting Firms' Corporate Governance Choices: Evidence from Korea," *Journal of Corporate Finance*, Vol.12, pp.660-691.

Youngsoo Kim and Bong Soo Lee "Limited participation and the closed-end fund discount", forthcoming, *Journal of Banking and Finance*.

Youngsoo Kim, Mark Huson, and Vikas Mehrotra, "Did decimalization benefit members of the Toronto Stock Exchange?", 2006 Summer/Autumn, *Quarterly Journal of Business and Economics*, Vol. 45, Nos. 3&4, pp. 49-69.

Daal, E., A. Naka, and J. Yu, 2006, Volatility Clustering, Leverage Effects, and Jump Dynamics in the US and Emerging Asian Equity Markets, Accepted for the publication to *Journal of Banking and Finance*, Forthcoming.

Donald J. Mullineaux, Maretno Harjoto, and Ha-Chin Yi, "A Comparison of Syndicated Loan Pricing at Investment and Commercial Banks," *Financial Management*, 2006, Volume 35, Issue 4, pp. 49 – 70.

Yu, J. and M. Hassan, 2006, Global and Regional Integration of the Middle East and North African Stock Markets, *The Quarterly Review of Economics and Finance*, Forthcoming.

B. New Position/ Promotion/ Awards

Kee H. Chung

Received the 2007 Maekyung-KAEA Economist Award, January 6, 2007, Chicago, Illinois.

Received Provost's Exceptional Scholar/Sustained Achievement Award, May 2006, SUNY at Buffalo.

Yong H. Kim

Inaugurated as the 23rd President of Korea-America Economic Association (KAEA) at the 2007 ASSA meeting in Chicago. KAFA members who previously served the presidency of KAEA include: Professors Chong Soo Pyun ('94), E. Han Kim (96), Bong Soo Lee ('04) and Suk H. Kim ('06).

Jung-Suk Yu

Moved to the new position: Research Fellow, Money and Finance Department, Samsung Economic Research Institute (SERI); Address: 191 Hangang-ro 2-ga, Kukje Center Bldg. 7, 8 & 10th Fl., Yongsan-gu, Seoul 140-702, Korea; Starting Date: September 1, 2007

Awarded the McGraw-Hill/Irwin Distinguished Paper Award at 2006 AIB-SW (Academy of International Business, Southwest United States) Conference in Oklahoma City

IV. Other Announcement

- A. We need more active participation of currently inactive finance professors and/or Ph.D. students for KAFA involvement. We strongly encourage you to introduce KAFA to your colleagues for their new membership.
- B. Please pay your annual membership dues, or preferably, be a life- time member by paying a one time due of just \$300.

