

KOREA-AMERICA FINANCE ASSOCIATION

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

Vol. XI

October 2007

No.2

President's Message

Greetings from Sunny San Diego, California. I believe you have had a productive summer break. I am happy to report to you that the Kafa had a successful year with many programs and activities. My term as the president of the Kafa will end soon and I look forward to turning over the responsibilities to a new administration headed by Professor Seungmook Choi at UNLV.

As we have done annually, the Kafa held a joint conference with the Korea Finance Association, Korea Securities Association, Korean Financial Management Association, and Korea Futures Association at Dogo, Korea on May 25/26, 2007. The conference was a great success by any standard. Ten Kafa members attended the conference, eight of who presented papers. The joint symposium with the Korea Institute of Finance was held this year in Seoul on May 28th. I understand that KIF was pleased with the result of this year's symposium. Under the new leadership by Dr. Dong-Gul Lee, KIF would like to expand the joint activities with Kafa in the future. Four Kafa members attended the symposium, two of who presented and one discussed papers.

Professor Seungmook Choi, president-elect and I organized two Special Sessions for Kafa at the forthcoming FMA meetings in Orlando between 8:30am and noon on October 19th (Friday), 2007. **I urge you strongly to make every effort to attend these sessions.** Remember that success of these sessions will greatly depend on your supports.

Professor Seungmook Choi will assume the presidency on October 19th, 2007. Professor Sam Young Chung will continue to serve as the Secretary General. Professor Hoje Jo was elected to serve as the president-elect for 2007-2008, and Professors Yoon K. Choi and Young Sang Kim were elected to serve on the Executive Board.

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 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, have pledged to provide **annually** funds for Kafa members' research activities. Financial News Daily-Korea has donated \$12,000 this year. We have selected three Kafa members in the following categories; top journal publication, Ph D dissertation, and Asia related article publication for 'Financial News/Kafa Research Awards'. The president of Financial News, Mr. Jae Ho Jeon, will attend our annual meeting and confer these awards. Shinhan bank has

donated \$5,000 this year for 'Shinhan/KAFA Financial Engineering Research Award'. The president of Shinhan Bank, Mr. Sang Hoon Shin will attend our annual meeting and confer this award. The recipients of these awards are listed below. Shinhan Bank donated additional \$7,000 for doctoral students' scholarship this year. The selection committee will be formed and decide to allocate fund to seven doctoral students soon.

Looking back on my service for KAFA during the last several years, I believe it is really a rewarding experience. I am looking forward to seeing all of you at KAFA Annual Membership Dinner held at the Caribe Royale Hotel on October 19th, 2007

Moon Hyun Song

I. Recent KAFA Activities

A. The Joint Conference with the Korea Institute of Finance

In May 28th, the KIF sponsored a Joint Symposium with the KAFA in Seoul. The following two KAFA members presented papers:

Chung, Sam Y., and George A. Martin, "Lessons from Hedge Fund Failure: Institutional Investors' View"

Park, Yun W., and Michael LaCourLittle, "Model Risks, Boom/Bust Cycles in Housing Markets and Innovations in Mortgage Markets in the Valuation of Mortgages and Mortgage-backed Securities"

B. The Joint Conference with Korea Finance Associations

In May 25th, eight KAFA members presented papers at the 2007 Joint Conference in Dogo, Korea:

Bae, Sung C., "Related and Unrelated Corporate Diversification and Firm Value: Evidence from Korean Business Groups"

Huh, Sahn-wook, "Theory-Based Illiquidity and Asset Pricing"

Jo, Hoje, "Polishing Diamonds in the Rough: The Sources of Syndicated Venture Performance"

Kim, Suk, "The behavior and performance of individual investors in Japan"

Kim, Yong H., "Boundary and Efficiency of Internal Capital Markets and Organizational Structure in Spin-offs: Control vs. Focus"

Kim, Young Sang, "Which Monitors Monitor the Most? Dual-Stock Structure and Corporate Governance"

Pyo, Unyong, "New Bounds on Real Option Values"

Sung, Jaeyoung, "Hierarchical Contract, Firm Size, and Pay Sensitivity"

II. KAFA NEWS

A. KAFA New Officers

New President-Elect:

Professor Hoje Jo, Santa Clara University

New Board Members:

Professor Yoon K. Choi, University of Central Florida

Professor Young Sang Kim, Univ. of Northern Kentucky

B. Two KAFA-FMA Sessions

The KAFA has the following two panel discussions as special sessions in the 2007 FMA Meetings in Orlando.

Session Number: 147

Title: Recent Restructuring and Development of Korean Financial Market

Date and Time: Friday, October 19, 8:30 am - 10:00 am

This session will discuss the current issues and problems in Korean Financial Market, consequences of adopting 'Law of Capital Market Integration', the role of Korean style investment banking firms and their influence on the structure of Korean Financial System. This session also covers big issues in Korea, such as economics of Korean National Pension system.

Moderator

Moon Hyun Song

San Diego State University

Panelists

Kyoo Bok Lee, Researcher Fellow, Korea Institute of Finance

Hyoung-Tae Kim, Vice President, Korea Security Research Institute

Sangsoo Park, Kyunghee University

Woochan Kim, Associate Professor, KDI School of Public Policy & Management

Session Number: 175

Title: Contemporary Issues in East Asian Financial Markets

Date and Time: Friday, October 19, 10:15 am - 11:45 am

This session will discuss the current issues in financial markets in East Asia --China, Hong Kong, Indonesia, Philippines, Malaysia, Japan, Singapore, and South Korea -- addressing the issues of financial markets and their structures as well as the issues of government roles in financial markets in these countries.

Moderator

Sam Choi, University of Nevada, Las Vegas

Panelists

Wee Yong Yeo, National University of Singapore

Suk Kim, University of Detroit, Mercy & Editor, *North Korean Review*

Michael Sullivan, University of Nevada, Las Vegas

Chong Soo Pyun, University of Memphis

C. KAFAs Board and Annual Business meeting/dinner

1. 2007 KAFAs Executive Board Meeting:

2:00 p.m. Friday, October 19, 2007

Room: Hibiscus at Hotel Caribe Royale

2. 2007 KAFAs Annual Business Meeting

7:00 p.m. Friday, October 19, 2007

Room: Grand Sierra Ballroom B at Hotel Caribe Royale

D. Special membership dinner

1. Dinner, Thursday, October 18, 6:30 PM

Sponsor: *Korea Securities Research Institute (KSRI)*

Venue: Go Hyang Gip Restaurant,

1400 W Oakridge Rd, Orlando, FL 32809, (407)856-4242

2. Dinner, Friday, October 19, 7:00 PM

Sponsor: Sung Kyun Kwan Univ. & Korea Institute of Finance

Venue: Grand Sierra Ballroom B at the Hotel Caribe Royale

E. The 1st Financial News & KAFAs Top-Journal Paper Award

The following author will be awarded a cash grants of \$3,000 along with a plaque by the President of Financial News at the annual KAFAs banquet in FMA Meeting. The chair of selection committee is Dr. Kee H. Chung at University of Buffalo.

Soku Byoun, "How and When Do Firms Adjust Their Capital Structures toward Targets?", *Journal of Finance*.

F. The 1st Financial News & KAFAs Doctoral Student Dissertation Award

The author of the following paper will be awarded a cash grants of \$1,500 along with a plaque by the President of Financial News at the annual Kafa banquet in FMA Meeting. The chair of selection committee is Dr. Moon H. Song at San Diego State University.

Jeong S. Song, PhD student in Finance and Economics, Columbia Business School

Dissertation title: "Understanding Credit Risk"

G. The 1st Financial News & Kafa Asia Financial Market Paper Award

The authors of the following paper will be awarded a cash grants of \$3,000 along with a plaque by the President of Financial News at the annual Kafa banquet in FMA Meeting. The chair of selection committee is Dr. Bongsoo Lee at Florida State University.

Jongmoo Jay Choi, Sae Woon Park, Sean Sehyun Yoo, "The Value of Outside Directors: Evidence from Corporate Governance Reform in Korea", Journal of Financial and Quantitative Analysis, forthcoming.

H. The 1st Shin Han Bank & Kafa Best Financial Engineering Paper Award

The author of following paper/proposal will be awarded a cash grants of \$5,000 along with a plaque by the President of Shin Han Bank at the annual Kafa banquet in FMA Meeting. The chair of selection committee is Dr. Thomas Schneeweis at University of Massachusetts-Amherst.

Jeong S. Song, PhD student in Finance and Economics, Columbia Business School
Title of Research Proposal: "Loss Given Default Implied by Cross-sectional No Arbitrage"

III. Call for Papers

Call for papers for the 2007 Kafa-KSRI seminar

There will be a Kafa-KSRI joint symposium on Tuesday, December 11, 2007.

General topics of Finance (all area) will be considered.

Submission due date: November 11, 2007.

Please submit the paper to: Professor Hoje Jo, New President Elect, hjo@scu.edu

IV. Publications

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

- Baek, Hyungkee Young, "Managerial Ownership, Corporate Governance and Voluntary Disclosure", with D. Johnson and J. Kim, *Journal of Business and Economic Studies*, accepted for publication, 2008 or 2009.
- Baek, Hyungkee Young, "The Effects of Agency Problems on the International Joint Venture Stability", with S. Min and S. Ryu, *Multinational Business Review* 14(2), 2006.
- Bae, Sung C., Taek Ho Kwon, Mingsheng Li, "Foreign Exchange Exposure and Risk Premium in International Investments: Evidence from American Depositary Receipts." forthcoming in *Journal of Multinational Financial Management*.
- Bae, Sung C., Taek Ho Kwon, and Jong Won Park, "KOSPI 200 Derivatives and Volatility Spillover between Stocks in the Spot Market." *The Korean Journal of Financial Engineering* 6 (June 2007), No. 1, 35-68.
- Bae, Sung C. and Hoje Jo, "Underwriter Warrants, Underwriter Reputation, and Growth Signaling." forthcoming in *Review of Quantitative Finance and Accounting*.
- Bae, Sung C. and Hoje Jo, "Corporate Governance and Firm Performance of Highly Leveraged Transactions." *Corporate Ownership & Control* 4 (Winter 2006-2007), No. 2, 170-180.
- Byoun, Soku, 2007, How and When Do Firms Adjust Their Capital Structures toward Targets? *Journal of Finance*, forthcoming.
- Byoun, Soku, 2007, Smooth Goodness-of-Fit Specification Tests under the Lagrange Multiplier Principle, *Communication in Statistics: Theory and Procedure* 37(3), forthcoming
- Choi, J. Jay, Edited the following volume: Value Creation in Multinational Enterprise, *International Finance Review*, vol. 7, Elsevier, January 2007 (coedited with R. Click)
- Choi, Seungmook, "Have Absolute Price Levels Converged for Developed Economies? The Evidence since 1870" with Lein-Lein Chen and John Devaurex, *Review of Economics and Statistics*., Forthcoming.
- Kang Jun-koo, "The Geography of Block Acquisitions," (with Jin-Mo Kim), *Journal of Finance*, forthcoming.
- Kang Jun-koo, "Bank Incentives and Suboptimal Lending Decisions: Evidence from the Valuation Effect of Bank Loan Announcement in Japan," (with Wei-Lin Liu), *Journal of Banking and Finance*, forthcoming.
- Kim, Young S., "Multiple Directorships and Corporate Diversification," with P. Jiraporn, and W. Davidson, accepted at *Journal of Empirical Finance*, forthcoming 2007 (Article in Press).
- Kim, Young S., "Financial Contracting and Operating Performance: The Case for OBRA and Efficient Contracting" with O. Maisondieu-Laforge, with Y.H. Kim, *Corporate Ownership & Control*, Summer 2007 (Vol 4, Issue 2) 217-227.

- Kim, Young S., "Is Earnings Management Opportunistic or Beneficial?: An Agency Theory Perspective," with P. Jiraporn, G. Miller, S. Yoon, *International Review of Financial Analysis*, forthcoming 2007 (Article in Press).
- Kim, Young S., "Majority Voting for the Election of Directors," with W. Sjostrom, Jr, *Connecticut Law Review*, Oct 2007.
- Kim, Young S., "The Impact of Geographic Diversification on Firm Performance" with I. Mathur, accepted at the *International Review of Financial Analysis*, forthcoming Special Issue 2007
- Lee, Kuan-Hui, "Short-sale strategies and return predictability" (with K. Diether and I. M. Werner), *Review of Financial Studies*, forthcoming
- Park, Hyuna, and Liang, Bing, 2007, "Risk Measures for Hedge Funds: A Cross-Sectional Approach", *European Financial Management*, Vol. 13, No. 2, 317-354
- Park, Kwangwoo and George Pennacchi, "Harming Depositors and Helping Borrowers: The Disparate Impact of Bank Consolidation," forthcoming *Review of Financial Studies*.
- Pyo, Unyong, "Enhancing Managerial Incentives and Value Creation: Evidence from Corporate Spinoffs", Fall 2007, *Journal of Economics and Finance*, forthcoming.
- Pyo, Unyong and Thompson, Howard E., "Bond Prices in a Debt Priority Structure with Absolute Priority Rule Deviation", *Quarterly Review of Economics and Finance*. Volume 47, Number 1, 2007.

V. Member News

New Position/ Promotion/ Awards

Professor Hun Y. Park, moved to Ewha Woman's University as a Dean of College of Business.

Professors Sung Bae at Bowling Green State University and Hoje Jo at Santa Clara University received the 2007 MBAA Distinguished Best Paper Award at the Annual MBAA-Academy of Finance Association Conference meetings in Chicago in March 2007, sponsored by McGraw-Hill/Irwin Publishing Co. Professor Bae also recently assumed a new position of Director of Financial Planning Program effective August 2007.

Professor Ken Kim at SUNY-Buffalo, was promoted to Associate Professor with tenure , effective September 2007.

Professor Woochan Kim, received the Pacific Basin Finance Journal Research Excellence Award (2007 AsFA/FMA Conference), and he also received The 37th Maekyung Economist Award (Maeil Business News Paper)

Professor Hyuna Park, joined to Minnesota State University – Mankato as a Tenure-track Assistant professor. Professor Park also received the 2007 China International Conference in Finance (CICF) Best Paper Award in July 9, 2007 for the paper entitled, “Share Restrictions, Liquidity Premium and Offshore Hedge Funds” (coauthored with Bing Liang)

Professor Hyungkee Young Baek takes a new position, Faculty Chair, Economics and Finance Area and Associate Professor of Finance, Nova Southeastern University.

VI. Other Announcement

1. 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.
2. Please bring your most recent business cards at the FMA meeting. This time, we would like to update our membership directory that is currently quite outdated. We need a volunteer possibly from an executive board member to perform that task.
3. Please pay your annual membership dues, or preferably, be a life- time member by paying a one time due of just \$300.

VII. Faculty Position Announcement

School of Business, Sungkyunkwan University Seoul, Korea

School of Business at SKKU invites applications for tenure-track positions in Finance. The positions are open to candidates in all areas of finance at any rank. Candidates should have a Ph.D. degree and research potential, and should be qualified to teach at undergraduate and graduate levels in any field of finance.

We have a low teaching load (12 or 15 credit hours per year based on research records), and offer English-spoken classes at undergraduate and MBA levels. We also have excellent research resources, WRDS (CRSP, Research Insight, Global Vintage, TAQ, Executive Compensation, Thomson Financial), DataStream, SDC (IPO, M&A, and VC), Korean Data, etc.

Interested applicants should send an application letter and CV by email to Dr. Kyojik “Roy” Song at roysong@skku.edu. We will interview candidates at FMA meetings in Orlando.

If you have any questions, please contact Dr. Roy Song:
Phone: 82-10-9457-4183
Email: roysong@skku.edu

All KAFA members are strongly encouraged to attend two KAFA-FMA sessions on Friday (8:30-10:00 & 10:15-11:45 am) and the business meeting on Friday, Oct. 19.

THE KOREA-AMERICA FINANCE ASSOCIATION (KAFA)
Renewal/Application for 2007-2008 Membership

Name: _____
Last First Korean

Education: Undergraduate _____
Degree Year
Graduate _____
Degree Year
Graduate _____
Degree Year

Current Position:

Title: _____

Affiliation: _____

Address: _____

Office Phone:() _____ City State Zip
Fax:() _____

E-mail Address:

Home Address: _____

Home Phone:() _____ City State Zip

Fields of Specialization in Finance:

1. _____ 2. _____

Annual Membership Dues:

() \$20; Regular and Guest Member () \$10; Associate Member
() \$300 Lifetime Member

<Please send the UPPER portion of this form and your check (payable to KAFA) to: Sam Y. Chung,
Associate Dean, School of Business, Long Island University, Brooklyn, NY 11201, or fax it to (718) 488-
1125, or e-mail to "sam.chung@liu.edu">

<Keep this LOWER portion for your record.>

RECEIPT OF KAFA MEMBERSHIP DUES

I have paid KAFA annual membership dues for the year of 2007 - 2008 on _____:
() \$20; Regular and Guest Member, () \$10; Associate Member, () \$300 Lifetime Member