

CALL FOR PAPERS

FINANCING PUBLIC AND PRIVATE FIRMS: FRAUD, ETHICS AND REGULATION

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CFA INSTITUTE

FINANCIAL ANALYSTS JOURNAL

SCHULICH SCHOOL OF BUSINESS, YORK UNIVERSITY

April 26-27, 2012

Toronto, Canada

\$2,500 Best Paper Prize

KEYNOTE SPEAKER:

- Jonathan Karpoff, Foster School of Business, University of Washington

ORGANIZERS:

- Douglas Cumming, Schulich School of Business, York University
- Bob Dannhauser, CFA Institute
- Stephen Horan, CFA Institute
- Rodney Sullivan, Financial Analysts Journal

RATIONALE:

In May 2011, the SEC approved the new BX NASDAQ Venture Exchange with significantly lower listing standards than NASDAQ and NYSE. One rationale is to encourage more listings in the U.S. and mitigate the flow of capital raising to competing jurisdictions such as AIM. This regulatory development is somewhat in contrast to other efforts in the U.S. over the past decade to improve market quality by discouraging fraud and unethical behaviour by increasing penalties and the scope of illegal activities, and encouraging whistle blowing by offering rewards to those that report fraudulent activity. There is a dearth of research on the ways in which such regulatory competition affects illegal activity and unethical behaviour.

Reports of fraud, particularly among individuals, funds and companies that act on behalf of other people, attract significant media attention and public outrage. Fraud within financial markets erodes investors trust, and in turn influences stock market liquidity and performance. Expected fraud is a risk that is priced in a well functioning market. Yet, are investors really aware of how common fraud actually is, and how different types of fraud differ across exchanges and across countries? Surprisingly, despite the widespread fascination with fraud and its well documented influence on stock prices, liquidity and market quality, there is little or no direct source of evidence on actual litigated cases of fraud that enable an investor to compare different jurisdictions, or even different exchanges within the same jurisdiction.

While there has been ample work on law and finance over the past decade, there has been comparatively little work on the intersection of ethics and fraud and the role of regulation in mitigating

fraud and encouraging ethical behaviour. We believe this gap needs to be filled in both academics and practice. Future investors will increasingly demand improved reporting of corporate governance standards and transparency. Regulators keep striving to improve fairness and information flows in marketplaces to keep up with investor demand. Yet there remain significant gaps in reporting standards and governance across exchanges.

This international conference will provide a timely debate on these important issues. The conference also encourages, but does not require, submission to the Financial Analysts Journal. Papers submitted to the Financial Analysts Journal would go through the normal review process.

RESEARCH QUESTIONS:

Some research questions that contributors to the conference might address are:

- Is fraud more common on different exchanges? If so, what types: earnings management, insider trading, market manipulation (wash trades, spoofing, marking the close, etc.), dissemination of false and misleading information, other?
- What are the causes of international differences in expected or detected fraud?
- What are the consequences of fraud and ethical standards, and do they differ across countries or exchanges?
- Can regulation be designed to improve ethical standards and corporate governance?
- How is fraud risk and ethics priced in markets?
- How does fraud risk affect corporate valuation?
- Are there differences in different types of fraud by exchange, such as insider trading, financial restatements, and trade-based market manipulation?
- Is fraud more common by listed companies or investors in shares of listed companies? What affects the differences?
- Is fraud more common among public or private firms? What affects the differences?
- What determines fraudulent conduct among fund managers and financial institutions? What forms of regulation and technology are most effective at mitigating and detecting such fraudulent activity?
- To what extent has the failure of regulation and reporting standards exacerbated the incidence of fraud and the recent financial crisis?
- What encourages the adoption of ethical standards and corporate social responsibility in public firms versus private firms?
- Related research questions on both publicly traded and privately held institutions are welcome.

PAPER SUBMISSION PROCEDURE:

Papers are to be submitted to:

CONTACT: Douglas J. Cumming

Email: dcumming@schulich.yorku.ca

With the subject heading: "CFA-FAJ-Schulich Conference on Fraud, Ethics and Regulation"

In your submissions, please indicate whether you want your paper to be considered for the Financial Analysts Journal.

PROGRAM COMMITTEE

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KEY DATES:

To aid in the development of papers, a two-day conference will be held at York University, Toronto, Canada on April 26-27, 2012. The conference will feature an evening reception on April 26 with a Panel session convened by the CFA Institute and the keynote speakers. Conference paper presentations will be on April 26 and 27 at York University.

Deadline for submission to the conference is January 15, 2012. Authors will be notified about acceptance to conference by February 15, 2012. Acceptance to the conference does not guarantee acceptance into the Financial Analysts Journal.