

**Annual Report (2001-2002)
of
K.J. Luke Chair's Office**

August 2002

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Annual Report (2001-2002) of K. J. Luke Chair's Office

I. Service: Outreach Activities

To strengthen working relations with public and private sector institutions, the K. J. Luke Chair has been continuing his outreach activities through the Asia-Pacific Financial Markets (FIMA) Research Center, for which he serves as Executive Director. Two major conference programs were organized during the academic year 2001-2002: (i) the **APEC/UH Special Conference on Corporate Governance** in July 16, 2002, in Tokyo, Japan; and (ii) the inaugural **PECC Finance Forum Conference** on August 12-13, 2002, in Honolulu, Hawaii.¹

The Luke Chair's policy research work has been continuing to meet the demand from multilateral financial institutions, including the Asian Development Bank Institute, International Monetary Fund, Organization for Economic Co-Operation and Development, and the Pacific Economic Cooperation Council, which is under the umbrella of the Asia-Pacific Economic Cooperation. His outreach activities are listed under the following four categories:

A. Conferences Organized

1. The APEC/UH Special Conference on Corporate Governance, July 16, 2002, Tokyo, Japan

The APEC/UH Special Conference brought together leading scholars in the area of corporate governance to share their research findings relevant to the corporate governance practices in the APEC region. A total of six academic papers on corporate governance issues in Japan, China, Korea, and Thailand were presented at this Special Conference that was organized during the APFA/PACAP/FMA Finance Conference on July 15-17, 2002. The Conference was organized in collaboration with the UH APEC Study Center, Hitotsubashi University of Japan, International University of Japan, Hong Kong University of Science and Technology, Korea Securities Research Institute, and the *Pacific-Basin Finance Journal*. The Conference was a huge success by attracting more

¹ The Center for Financial Research at Erasmus University of the Netherlands and the FIMA Research Center planned to co-host a two-day conference on the Post-WTO China in Financial Sector Reforms and Trade and Portfolio Performance Measure in Global Investment on March 21-22, 2002, in Rotterdam, Netherlands. Unfortunately, the first day of the conference on Post-WTO China had to be re-scheduled sometime in the future because of last minute scheduling conflicts of Dr. Supachai Panitchpakdi, Director-General designate of the World Trade Organization. Therefore, only the second day portion of the conference was held as planned under the sole sponsorship of the Erasmus University.

than 100 participants, the biggest number among any special sessions offered at the APFA/PACAP/FMA Finance Conference.²

2. PECC Finance Forum Conference: Issues and Prospects for Regional Cooperation for Financial Stability and Development, August 12-13, 2002, Honolulu, Hawaii

In collaboration with the Korea National Committee for Pacific Economic Cooperation (KOPEC), Chinese Taipei Pacific Economic Cooperation Committee (CTPECC), and the East-West Center, the inaugural PECC Finance Forum Conference was organized on August 12-13, 2002, in Honolulu, Hawaii. The first day was focused on the Scope for Regional Financial Cooperation and the second day was devoted to the Challenges of Regulatory Reforms for Financial Institutions Development.³

The conference was attended by 43 delegates representing 15 PECC member countries including: Australia, Brunei, Canada, Chile, China, Chinese Taipei, Hong Kong, Japan, Korea, Malaysia, New Zealand, Peru, Singapore, Thailand, and United States of America. Major multilateral financial institutions also participated in the Conference. They are: Asian Development Bank, Bank for International Settlements, International Monetary Fund, Organization for Economic Co-Operation and Development, and World Bank. The report of the PECC Finance Forum will be submitted to APEC Finance Ministers when they meet in Los Cabos, Mexico, on September 5-6, 2002.

B. Out-Reach Activities within the Academic Community

1. 2002 APFA/PACAP/FMA Finance Conference

The FIMA Research Center was one of co-sponsors of the 2002 APFA/PACAP/FMA Finance Conference held in Tokyo, Japan, on July 15-17, 2002. At the request of the International University of Japan, the organizer of the Conference, the Luke Chair helped Dr. Takato Hiraki, Program Chair of the Conference, in organizing special sessions and fund-raising activities with Japanese financial institutions (Tokyo Stock Exchange, Daiwa Securities Co., Ltd., Toyo Keizai Inc., and Japanese Securities Dealers Association). The Conference was the joint annual meeting of the Asia-Pacific Finance Association (APFA) and the Pacific-Basin Financial Management (PACAP) Society in collaboration with the U.S. Financial Management Association. It was attended by 320 participants from the academia and the securities industry of Asia-Pacific countries, the United States, and Europe.

² The APEC/UH Special Conference Program is attached to this report as Appendix A.

³ The PECC Finance Forum Conference Program is attached to this report as Appendix B.

Three leading academicians delivered their keynote addresses at this conference: (i) Stephen Brown of New York University (on Japanese mutual fund performance); (ii) Edward Kane of Boston College (on global deposit insurance scheme); and (iii) Jay Ritter of the University of Florida (on behavioral finance). All three papers are scheduled to be published in a special issue of the *Pacific-Basin Finance Journal* in 2003.

2. The Establishment of the Asian Finance Association

As a board member of the PACAP Society and the 7-member Working Committee for Consolidation, the Luke Chair spearheaded the establishment of the Asian Finance Association (AsFA) and the dissolution of the PACAP Society to facilitate the consolidation of the Society and the APFA. At the AsFA's inaugural general membership meeting that was held during the APFA/PACAP/FMA Finance conference, the establishment of AsFA was approved. All members of the AsFA will become subscribers of *the Pacific-Basin Finance Journal* (PBFJ) and *the International Review of Finance*. In his capacity of Chief Editor of the PBFJ, the Luke Chair will continue to serve on the AsFA's Board.

C. The Asian Shadow Financial Regulatory Committee

The Luke Chair and Professor Benink A. Harald of the Rotterdam School of Management of Erasmus University have been working for the creation of the Asian Financial Regulatory Shadow Committee. Professor Harald was instrumental in creating the Latin American and Japanese counterpart committees. These committees are modeled after the U.S. Shadow Financial Regulatory Committee, which is charged to identify and analyze developing trends and ongoing events that may affect the efficiency and safe operation of sectors of the financial services industry; to explore the spectrum of short- and long-term implications of emerging problems and policy changes; to help develop private, regulatory and legislative responses to problems that hinder efficiency; and to assess and respond to proposed and actual public policy initiatives with respect to the impact on the public interest.⁴

The Luke Chair was invited to participate in the Joint Meeting of Shadow Financial Regulatory Committee to be held in Washington, D.C., on October 5-7, 2002. This meeting will be participated by the Shadow Committee members from the U.S., Europe, Latin America, and Japan. As part of his effort of creating the Asian Shadow Committee, the Luke Chair met Professor Mitsuhiro Fukao of

⁴ The U.S. Shadow Financial Regulatory Committee is composed of: George Kaufman (Loyola University); Robert Litan (Brookings Institution); George Benston (Emory University); Charles Calomiris and Franklin Edwards (Columbia University); Scott Harrington (University of South Carolina); Richard Herring (University of Pennsylvania); Paul Horvitz (University of Houston); Hal Scott (Harvard University); Kenneth Scott (Stanford University); and Peter Wilson (American Enterprise Institute).

Keio University and Takatoshi Ito of the University of Tokyo in April this year to discuss Japan's representation in the Asian Financial Regulatory Shadow Commission. Dr. Fukao is a founding member and the leader of the Japanese Financial Regulatory Shadow Committee and Dr. Ito serves on the Japanese Shadow Committee.⁵ Both of them will represent Japan on the Asian Shadow Committee.

The following individuals have been identified as potential committee members:

- China: To be identified
- Hong Kong: Dr. Leslie Young of the Chinese University of Hong Kong or Dr. K. C. Chan of Hong Kong University of Science & Technology
- Indonesia: Dr. Mari Pangestu, Executive Director, Center for Strategic & International Studies
- Japan: Dr. Mitsuhiro Fukao, Professor of Economics, Keio University; and Takatoshi Ito, Professor of Economics and Director of Research Center for Advanced Science and Technology, University of Tokyo
- Korea: Dr. Soo-Gil Young, Vice Chair of Korea National Committee for Pacific Economic Cooperation
- Malaysia: Dr. Sie An Lin, former Deputy Governor of Bank Negara Malaysia
- Philippines: Dr. Ma. Corina Gochocco-Bautista, Professor of Monetary Economics, University of the Philippines
- Singapore: Dr. Siow Yue Chia, Chairman, Institute of South East Asian Studies and National University of Singapore
- Taiwan: To be identified

⁵ The Japanese Shadow Committee consists of 8 members: Mitsuhiro Fukao, Keio University (Chair); Akiyoshi Horiuchi, University of Tokyo; Takeo Hoshi, University of California at San Diego; Kazuhito Ikeo, Keio University; Mitsuru Iwamura, Waseda University; Hideki Kanda, University of Tokyo; Yutaka Kosai, Toyo Eiwa Jogakuin University; and Yuri Okina, Japan Research Institute.

Thailand: Dr. Pakorn Vichyanond, Senior Fellow, Thai Development Research Institute

D. Speeches/Lectures Delivered

In the aftermath of the September 11 terrorists attack, the Luke Chair reduced the number of overseas trips.

- Public Lecture for Malaysian Securities Commission, July 26, Kuala Lumpur, Malaysia

At the invitation of the Malaysian Securities Commission (SC), I delivered a lecture, entitled “The Creation of a Regional Bond Market: Can the Tokyo Market Lead?” on July 26 at the SC Auditorium. Approximately 100 people participated in the lecture. They are SC staff members, local securities industry executives, and academicians.

- International Symposium on Industrial Development and Enterprise Reform in China, August 18-20, 2001, Nanchang, China

Topic: “China’s WTO Entry and Its Financial Markets Reforms”

The Symposium was hosted by Jianxi University of Finance and Economics and the China Society for Promotion of Industrial Economic Research and Development of Beijing, China.

- International Monetary Fund/Hitotsubashi University Conference on Designing Financial Systems in East Asia and Japan: Toward a Twenty-First Century Paradigm, September 24-25, 2001, Tokyo, Japan

Topic: Further Development of the Japanese Government Bond Market

I also served as a commentator to Professor Mitsuhiro Fukao’s (Osaka University) paper on “Financial Deregulations, Weakness of Market Discipline, and Market Development: Japan’s Experience and Lessons for Developing Countries.”

- OECD’s 4th Round Table on Capital Market Reforms in Asia, April 9-10, 2002, Tokyo, Japan

Topic: The long-term underperformance of initial public offering and season equity offering firms on the U.S. market.

- Japan's Financial Services Agency Tokyo Seminar, April 11-12, 2002, Tokyo, Japan

Topics: a. Post-WTO Financial Market Reforms in China
 b. Post-Big Bang Reforms in the Japanese
 Government Bond Market.

- China Securities Regulatory Commission/Organization for Economic Cooperation and Development International Roundtable on Securities Markets in China, June 6-7, 2002, Shanghai, China

Topic: Development of the Chinese Government Bond Market

- Special Lecture for BAPEPAM (Capital Market Supervisory Agency) of Ministry of Finance, July 3, 2002, Jakarta, Indonesia

Topic: Earnings Management of U.S. Listed Companies in connection with Initial Public Offerings (IPOs) and Seasoned Equity Offerings (SEOs)

- Special Lecture for JSX (Jakarta Stock Exchange), July 2, 2002, Jakarta, Indonesia

Topic: The Impact of Trading Methods on Market Volatility and Liquidity

II. Academic Research Activities

As his involvement in the Ph.D. program intensified, the Luke Chair allocated more than 50% of his time for pure academic research work, while guiding seven Ph.D. students from the departments of finance and economics for their research work. His immediate goal is to make the Ph.D. program recognized globally for its research activities focusing on Asian financial markets.

The Shanghai University of Finance and Economics (SUFU) appointed the Luke Chair a non-resident visiting professor of finance for the period from May 2002 to April 2004. A special ceremony was held to mark this occasion with SUFU faculty and students present. Afterward, the Luke Chair delivered a lecture entitled "Long-Term Underperformance of New Issues: Is Earnings Management the Villain?"

The Luke Chair's academic research work comprises preparation, presentation, and publication of academic papers, and capital market policy research reports. In addition, his academic activities include external refereeing

service, supervision of Ph.D. dissertations, and service for academic meetings. His academic activities during the year are listed below:

Articles and Reports Published

- “The Wealth Effect of Foreign Investor Presence: Evidence from the Indonesian Stock Market,” (co-authored with Mamduh Hanafi) forthcoming in *Management International Review*.
- “A Retrospective Evaluation of the Pacific-Basin Finance Journal: 1993-2002,” (co-authored with Kalok Chan and G. Andrew Karolyi), forthcoming *Pacific-Basin Finance Journal*.
- “Further Reforms after the BIG BANG: The Japanese Government Bond Market” in *Designing Financial Systems in East Asia and Japan* (Tokyo, Japan: Hitotsubashi University, 2002).

Special Policy Research Reports

- “Japan” in *Government Bond Market Development in Asia* (Edited by Yun-Hwan Kim) (Manila, Philippines: Asian Development Bank, 2001), 78-93.
- “A Review of New Issues Puzzles,” April 2002, for the Organization for Economic Co-Operation and Development.
- “The Development of the Chinese Government Bond Market,” June 2002, for the Organization for Economic Co-Operation and Development.

Presentation of Academic Papers

- “Decomposing Overnight Price Reversals: Implications for Trading Strategies,” (co-authored with Pin-Huang Chu and Robin K. Chou) presented at the 2002 APFA/PACAP/FMA Finance Conference, July 15-17, 2002, Tokyo, Japan.
- “The Impact of Interbank and Capital Market Competition on Relationship Banking Exposure: Evidence from the Japanese Credit Market” (co-authored with Donald R. Fraser, G. Hwan Shin), presented at the APEC/UH Special Conference on Corporate Governance on July 16, 2002, Tokyo, Japan.
- “The Wealth Effect of Foreign Investor Presence: Evidence from the Indonesian Stock Market,” (co-authored with Mamduh Hanafi), presented at the PACIBER Annual Meeting on July 12, 2002 in Bali, Indonesia.
- “Investor Demand for IPOs, and Aftermarket Performance: Evidence from Hong Kong Stock Market,” (co-authored with Sumit Agarwal and Chunlin

Liu), presented at the Global Finance Conference, May 27-29, 2002, Beijing, China.

- “Earnings Management During Distinct Periods of Capital Demand: Evidence from Japanese Banks,” (co-authored with Sumit Agarwal, Souphala Chomsisengphet, and Chunlin Liu), presented at the Global Finance Conference, May 27-29, 2002, Beijing, China.

Newspaper Columns

- “Back to Basics: Indonesian Capital Market Reforms” in *Honolulu Star-Bulletin* (August 9, 2002).
- “Can We Ask for a Level Playing Field in the Post-WTO China?” in *Honolulu Star-Bulletin* (March 15, 2002).
- “Is Hong Kong’s Currency Board System in Trouble?” in *Honolulu Star-Bulletin* (February 22, 2002).
- “Where is the U.S. Leadership in East Asia?” in *Honolulu Star-Bulletin* (February 8, 2002).
- “Can a Weakening Yen Help Japan?” in *Honolulu Star-Bulletin* (January 11, 2002).
- “Who is the ultimate loser in the Hynix fiasco?” in *Honolulu Star-Bulletin* (December 14, 2001)
- “Private Entrepreneurs in the Chinese Communist Party?” in *Honolulu Star-Bulletin* (September 7, 2001)
- “Tokyo Market Slump May Bring Devastating Consequences” in *Honolulu Star-Bulletin* (August 10, 2001).
- “Foreign Listing in China Raises Issues” in *Honolulu Star-Bulletin* (July 27, 2001).

Invited Presentation of Academic Papers

- “Earnings Management in Relation to U.S. Market New Issues Market,” presented at the Gadjadara University Faculty of Economics, July 8, 2002, Yogyakarta, Indonesia.
- “Long-Term Underperformance of New Issues: Is Earnings Management the Villain?” presented at the Shanghai University of Finance and Economics, May 10, 2002, Shanghai, China

- "Taxes, Keiretsu Affiliation, and Income-Shifting," (co-authored with Jeffrey Gramlich and Piman Limpaphayom), presented at the Erasmus University Research Seminar (March 2002).

Papers under Review

The following papers are at the second or third stage of the review process by leading academic journals in the areas of finance and accounting:

- "Taxes and Horizontal Corporate Group (Keiretsu) Affiliation: Empirical Evidence from Japan," (co-authored with Piman Limpaphayom)
- "The Impact of Daily Price Limits on Information Asymmetry, Order Imbalance, Noise and Informed Trading: Empirical Evidence from the Kuala Lumpur Stock Exchange," (with Soon-Huat Chan and Kenneth Kim)
- "A Re-Visit to Interest Rate Parity Theorem with Transaction Costs" (co-authored with Rosita P. Chang, Sang-Hyop Lee, and Sean F. Reid)
- "Shareholder Oversight and the Regulatory Environment: The Japanese Banking Experience," (co-authored with Kenneth Kim and Sang-Hyop Lee)

Papers Completed

- "Earnings Management During Distinct Phases of Capital Demand: Evidence from Japanese Banks," (co-authored with Sumit Agarwal, Souphala Chomsisengphet, and Chunlin Liu).
- "Macroeconomic Factors, Asset Pricing Anomalies, Investment Horizons, and Stock Returns," (co-authored with Pin-Huang Chou, Wen-Shen Li, and Jane Sue Wang).
- "Decomposing Overnight Price Reversals: Implications for Trading Strategies," (co-authored with Pin-Huang Chu and Robin K. Chou)
- "Investor Demand for IPOs, and Aftermarket Performance: Evidence from Hong Kong Stock Market" (co-authored with Sumit Agarwal, and Chunlin Liu).

Papers under Progress

- "The Role of Security Analysis in Japan" (co-authored with Hoje Jo and Moon H. Song)

- “Are Foreign Investors More Informative? An Examination of The Price Movement in The Jakarta Stock Exchange” (co-authored with Mamduh Hanafi)
- “Price Discovery Process on Regular Trade and Cross Trade Markets: Empirical Evidence from the Jakarta Stock Exchange,” (co-authored with Rosita P. Chang and Mamduh Hanafi).
- "An Examination of the Volatility Behavior and Daily Price Limits: The Korean Experience," (with Kee-Hong Bae).
- “Is the NASDAQ Market More Liquid than It Appears to Be?: A Study of Excess Market Depth” (with C. J. Wang)

Academic Paper Review

1. Journal of Financial Markets
2. Review of Financial Studies
3. Journal of Financial Research
4. International Economic Journal

Service for Academic Meetings

Review Committee, The Fourteenth APFA/PACAP/FMA Annual Meeting and the Fourth Annual Meeting of the Pacific-Basin Financial Management Society, July 15-17, 2002, Tokyo, Japan.

Academic Journal

The Luke Chair has been serving as Editorial Board Member for

Multinational Business Review (1992-present);
Yonsei University Journal of Management (1996-Present);
Financial Review (1998-Present); and
Gadjah Mada University International Journal of Business (1999-Present)
 Yonsei University Journal of Management (1996-Present);
Financial Review (1998-Present);
 Gadjah Mada University International Journal of Business (1999-Present); and
Journal of Accounting, Management, and Economic Research (Journal Riset Akuntansi, Manajemen, Ekonomi) (2002-Present).

III. Teaching Activities

A. Ph.D. Seminar Course: FIN 702 “Asian Finance”

With the introduction of the CBA Ph.D. Program in International Management (Finance), the Luke Chair designed and taught FIN702 “Asian Finance,” a Ph.D. level seminar course. This was offered over two semesters, Fall 2001 and Spring 2002. This course covered a wide range of research topics including:

- a. Market Microstructure (Trading Methods, Volatility, Liquidity, Autocorrelations, Tick Limits, Price Clustering)
- b. Circuit Breaker System (Margin Trading, Short Sales, Price Limits, Trading Halts)
- c. Asset Pricing Models
- d. Return Anomalies
- e. Stock Market Liberalization
- f. Investment Strategies
- g. Bank Financing and Capital Market Financing
- h. Relationship Banking
- i. Firm Diversification and Focus
- j. Relation between Cash and Derivatives Markets
- k. Corporate Governance
- l. Ownership Structure
- m. Capital Structure Theory
- n. Agency Theory
- o. Initial Public Offerings and Seasoned Equity Offerings
- p. Foreign Exchange Market Equilibrium

He has been serving as advisor to Ph.D students in finance and economics area, providing strong support in the College’s effort in strengthening its Ph.D program.

B. Master of Science Program in Finance

The Luke Chair has spearheaded the Finance Department’s effort in creating a one-year M.S. Program in Finance focusing on Asian finance with the combination of financial engineering. The proposed program has been unanimously approved the CBA faculty and goes through the University level approval process. See Appendix C for an “Outline of the MSF Program.”

The following 27 leading members of business, academia, and government are serving as the members of the MSF Advisory Board.

1. Mrs. Lilia Bautista, Chairperson, Securities and Exchange Commission, Philippines
2. Dr. William Barclay, Senior Vice President, Chicago Stock Exchange, USA
3. Dr. Paul Brewbaker, Senior Vice President and Chief Economist, Bank of Hawaii, USA

4. Mr. Steven R. Champion, Executive Vice President and Chief Investment Officer, Bank of Hawaii, USA
5. Mr. Nattapol Chavalitcheevin, President, Thai Bond Dealing Center, Thailand (to be confirmed)
6. Mr. Sean C. Chen, Chairman, Taiwan Stock Exchange
7. Dr. Paul C.H. Chiu, Chairman of the Board, Grand Cathay Securities Company, Taiwan
8. Mr. Jaw-Chyuan Chu, Chairman, Securities and Futures Commission (to be confirmed)
9. Mr. Mark Dickens, Member of the Commission and Executive Director, Securities and Futures Commission, Hong Kong
10. Mr. Xiqing Gao, Vice Chairman, China Securities Regulatory Commission, China (to be confirmed)
11. Mr. Erry Firmansyah, President Director, Jakarta Stock Exchange, Indonesia
12. Mr. Herwidayatmo, Chairman, Capital Market Supervisory Agency, Ministry of Finance, Indonesia
13. Ms. Angela Isaac, Executive Vice President, Bank of Hawaii, USA (to be confirmed)
14. Mr. Hong-Wen Jian, Chairman, China Securities Association (to be confirmed)
15. Dr. Edward J. Kane, Cleary Professor in Finance, Boston College, USA
16. Mr. Yung-Joo Kang, Chairman & CEO, Korea Stock Exchange, Korea
17. Mr. Thomas A. Kloet, Chief Executive Officer, Singapore Exchange Ltd., Singapore
18. Dr. Glenn K. Miyataki, President, Japan-American Institute of Management Science, USA
19. Dr. Jeong Yeon Lee, Visiting Scholar, East-West Center, USA
20. Mr. Kittiratt Na-Ranong, President, Stock Exchange of Thailand (to be confirmed)
21. Mr. Ho-Soo Oh, Chairman, Korea Securities Dealers Association, Korea
22. Mr. Robert C. Pozen, John Olin Visiting Professor, Harvard Law School and former president of Fidelity Management & Research Company
23. Ms. Cecile B. Saavedra, Managing Director, Asia-Pacific Standard & Poor's Credit Market Services, Singapore
24. Dr. Chaipat Sahasakul, Secretary General, Office of the Agricultural Futures Trading Commission, Thailand
25. Dr. Prasarn Trairatvorakul, Secretary-General, Securities and Exchange Commission, Thailand
26. Dr. Donald R. Van Deventer, President, Kamakura Corporation, USA
27. Dr. C. Scott Wo, Chief Investment Officer, CS Wo & Sons, USA

C. Coordinator for Ph.D. Program (Quantitative Area Track)

With the re-design of the existing CBA Ph.D. Program, the Luke Chair has been serving as the coordinator for the quantitative area track and as an advisor to Ph.D. students in the areas of Accounting, Finance, and Economics.

The Luke Chair has been serving as a graduate faculty member in Economics since October 1999.

He has been serving as advisor for the following Ph.D. students:

- Greg Stone (Finance)
- Crystal Xiaopei Chen (Finance)
- Tony Tang (Finance)
- Judy Christensen (Finance)

IV. **Asia-Pacific Financial Markets (FIMA) Research Center**

The Center, since its establishment in December 1999, has been instrumental in facilitating the Luke Chair's outreach and research activities. Under the leadership of the Luke Chair and Professor Rosita P. Chang, co-Executive Director, the FIMA Research Center has been expanding and promoting the Center's activities through the Center's web site and the K. J. Luke Working Paper Series.

Board of Governors of the FIMA Research Center

Since the formation of the Center, the following 29 members are now serving on the Board of Governors.

1. Mr. Ali Abdul-Kadir, Chairman, Securities Commission, Malaysia
2. Mr. Junji Asano, President, Toyo Keizai Inc., Japan
3. Mrs. Lilia Bautista, Chairperson, Securities and Exchange Commission, Philippines
4. Mr. Nattapol Chavalitcheevin, President, Thai Bond Dealing Center, Thailand (to be confirmed)
5. Mrs. Regina Chen, Chairman, Taiwan International Securities Corporation
6. Mr. Sean C. Chen, Chairman, Taiwan Stock Exchange
7. Mr. Paul Chow, Chief Executive Officer, HSBC Asset Management Hong Kong Ltd.
8. Mr. Mark Dickens, Member of the Commission and Executive Director, Securities and Futures Commission, Hong Kong
9. Mr. Erry Firmansyah, President Director, Jakarta Stock Exchange, Indonesia

10. Mr. Lawrence Fok, Chief Operating Officer, Stock Exchange of Hong Kong
11. Mr. Xiqing Gao, Vice Chairman, China Securities Regulatory Commission, China (to be confirmed)
12. Mr. Ramon T. Garcia, President, Philippine Stock Exchange
13. Mr. Mohd. Azlan Hashim, Executive Chairman, Kuala Lumpur Stock Exchange, Malaysia
14. Mr. Herwidayatmo, Chairman, Capital Market Supervisory Agency, Ministry of Finance, Indonesia
15. Mr. Fortune Ju, President, Taiwan Stock Exchange Corporation
16. Mr. Yung-Joo Kang, Chairman & CEO, Korea Stock Exchange
17. Mr. Tatsuhiko Kawakami, President and CEO, Daiwa Institute of Research, Ltd.
18. Mr. Thomas Kloet, Chief Executive Officer, Singapore Exchange Ltd.
19. Mr. Warren K. K. Luke, Chairman and CEO, Hawaii National Bank
20. Dr. David McClain, Dean and the First Hawaiian Bank Distinguished Professor of Leadership and Management, College of Business Administration, University of Hawaii
21. Dr. Charles E. Morrison, President, East-West Center
22. Mr. Yannes H. Naibaho, Chairman of Indonesian Association of Securities Companies
23. Mr. Kittiratt Na-Ranong, President, Stock Exchange of Thailand (to be confirmed)
24. Mr. Atsuo Nishihara, Managing Director, Tokyo Stock Exchange
25. Mr. Ho-Soo Oh, Chairman, Korea Securities Dealers Association
26. Mr. Mitsuo Sato, Senior Advisor to Dai-ichi Life Research Institute and former president of the Asian Development Bank
27. Mr. Jin-Seok Suh, Executive Vice Chairman, Korea Listed Companies Association
28. Dr. Prasarn Trairatvorakul, Secretary-General, Securities and Exchange Commission, Thailand
29. Mr. Alec Tsui, Commissioner, Shenzhen Stock Exchange, China

K. J. Luke Working Paper Series

The K. J. Luke Chair Working Paper Series is one of the most important tasks managed by the FIMA Research Center to disseminate academic and policy research papers to outside constituents. The FIMA Research Center responds to requests from individuals and institutions for hard copy versions of the working papers that are also readily available on its website:

Web pages for the FIMA Research Center

The website of the FIMA Research Center is continuously updated. It is designed to explain the purpose, programs offered, upcoming events, working

papers offered through the FIMA Research Center, and links to central banks, securities and exchange commissions, and multilateral financial institutions. Its address is (<http://www2.hawaii.edu/~fima/>).

The FIMA Research Center's brochure has been printed for distribution to all interested parties.

V. *Pacific-Basin Finance Journal*

The K. J. Luke Chair serves as Editor of the *Pacific-Basin Finance Journal*. Published five times a year, the Journal showcases the highest quality in theoretical and empirical research manuscripts on financial markets in the Asia-Pacific region. The following achievements are either forthcoming or were accomplished by the *Journal*:

1. Issues 9.3, 9.4, 9.5, 10.1, 10.2, 10.3 were published that included a Special Issue from selected papers of the 2001 PACAP/FMA Finance Conference held in Seoul, Korea, in 2001.
2. A Special Issue (Issue 10.4) in commemoration of Dr. Merton H. Miller's academic contributions to finance and economics is forthcoming. Dr. Miller is a Nobel Laureate in Economics in 1990. He served as an advisory editor of the *Journal* since 1993 and was actively involved in the study of Asia-Pacific financial markets. This Special Issue focuses on topics closely related to his research areas, including financial derivatives, corporate finance, and market microstructure relating to Asia-Pacific capital markets. **Dr. Richard Roll**, Allstate Professor of Insurance and Finance, University of California-Los Angeles, serves as the Guest Editor for the Special Issue in memory of Dr. Miller. Dr. Roll succeeded Dr. Miller as advisory editor of the *Journal*.
3. Two special issues are planned for volume 11. One issue for a special issue which will include keynote addresses, competitive research award papers, and the selected conference papers presented at the 2001 APFA/PACAP/FMA Finance Conference in Tokyo, Japan, in July. Another issue is built on the papers presented at the APEC/UH Special Conference on Corporate Governance.
4. Two students were selected as the recipients of the *Pacific-Basin Finance Journal* scholarships. They were ranked in the top-two among the Beta Gamma Sigma Finance Area Inductees in November 2001. They are
 - Ms. Gina Chung
 - Mr. Giorgio Caldarone
5. For more information on the Pacific-Basin Finance Journal, go to (<http://www2.Hawaii.edu/~fima/pbfj.htm>).

APPENDIX A

APEC/University of Hawaii Special Conference on Corporate Governance

July 16, 2002, Tokyo, Japan

**Co-Hosts: Asia-Pacific Financial Markets Research Center;
APEC Study Center of University of Hawaii;
International University of Japan;
Korea Securities Research Institute; and
Pacific-Basin Finance Journal**

Welcome Remarks: David McClain, Dean and the First Hawaiian Bank Distinguished Professor of Leadership and Management, College of Business Administration, University of Hawaii

Session No. 1

Session Chair: Akiyoshi Horiuchi, University of Tokyo

“A Review of Japan's Bank Crisis from the Governance Perspective”

Masaharu Hanazaki, Hitotsubashi University
Akiyoshi Horiuchi, University of Tokyo

Discussant: Richard Pettway, University of Missouri

"Corporate Governance and Firm Values in Japan: Evidence from 1985 to 1998"

Takato Hiraki, International University of Japan
Hideaki Inoue, NLI Research Institute
Akitoshi Ito, International University
Fumiaki Kuroki, NLI Research Institute
Hiroyuki Masuda, NLI Research Institute

Discussant: Jun-Koo Kang, Michigan State University

“The Impact of Interbank and Capital Market Competition on Relationship Banking Exposure: Evidence from the Japanese Credit Market”

Donald R. Fraser, Texas A&M University
S. Ghon Rhee, University of Hawaii
G. Hwan Shin, University of Texas at Tyler

Discussant: Masaharu Hanazaki, Hitotsubashi University

**APEC/University of Hawaii Special Conference
on Corporate Governance**

July 16, 2002, Tokyo, Japan

**Co-Hosts: Asia-Pacific Financial Markets Research Center;
APEC Study Center of University of Hawaii;
International University of Japan;
Korea Securities Research Institute; and
Pacific-Basin Finance Journal**

Session No. 2

Session Chair: Rosita P. Chang, University of Hawaii

"Shareholder Activism in Korea: An Analysis of the Effects of PSPD's Activities"

Sung Hoon Cho, Korea Securities Research Institute
Woon-Youl Choi, Korea Securities Research Institute

Discussant: Kenneth A. Kim, State University of New York-Buffalo

"Do Politicians Jeopardize Professionalism? Decentralization and the Structure of Chinese Corporate Boards"

Donghua Chen, Shanghai University of Finance and Economics
Joseph Fan, Hong Kong University of Science & Technology
T.J. Wong, Hong Kong University of Science & Technology

Discussant: Katsuyuki Kubo, Hitotsubashi University

"The Ownership Structure of Thai Firms after the Financial Crisis"

Anya Khanthavit, Thammasat University
Piruna Polsiri, Thammasat University
Yupana Wiwattanakantang, Hitotsubashi University

Discussant: Kiyoshi Kato, University of Tsukuba

Appendix B

PECC Finance Forum Conference

Issues and Prospects for Regional Cooperation for Financial Stability and Development

Hilton Hawaiian Village, Honolulu
August 11-13, 2002

PROGRAM

Sunday, August 11

- 19:00- **Welcoming reception and dinner, co-hosted by KOPEC and CTPECC**
■ Welcoming words by Chairs of KOPEC and CTPECC
■ Welcoming words on behalf of the Honorable Benjamin Cayetano, Governor of Hawaii, by Dr. Seiji Naya, Director, Department of Business, Economic Development and Tourism, State of Hawaii

Monday, August 12

Theme: Scope for Regional Financial Cooperation

- 08:30-08:40 **Opening Remarks**
■ Dr. Soogil Young, Coordinator of the Finance Forum & the Task Force on Financial and Monetary Cooperation (FMC); Vice-Chair, KOPEC
- Session 1 An Overview: *What are the issues?***
- Chair: Dr. Soogil Young, FMC Coordinator
- 08:40-09:40 Financial Liberalization and Economic Integration in East Asia
■ Prof. Yung Chul Park, Korea University
The Case for Regional Financial Cooperation in East Asia
■ Dr. C. Randall Henning, Institute for International Economics
- Whither Monetary and Financial Cooperation in Asia?
■ Prof. Barry Eichengreen, University of California, Berkeley
- 09:40-10:10 Comments
■ Dr. Il SaKong, Institute for Global Economics & the Emerging Markets, Eminent Persons Group on International Financial Architecture
■ Prof. Takatoshi Ito, University of Tokyo
■ Mr. Charles Adams, Regional Office for Asia and the Pacific, IMF

- 10:10-11:00 Discussion
- 11:00-11:20 *Coffee*
- Session 2 *ASEAN Plus Three Perspectives***
 - Chair: Prof. Wendy Dobson, FMC Research Counselor; University of Toronto
- 11:20-11:40 ASEAN Plus Three: Beyond the Chiang Mai Initiative
 ■ Dr. Pradumna B. Rana, Regional Economic Monitoring Unit, ADB
- 11:40-11:55 A Synthesis Review of ASEAN Papers
 ■ Dr. Latifah Merican Cheong, Bank Negara Malaysia
- 11:55-12:10 A Synthesis Review of Northeast Asian Papers
 ■ Prof. Takatoshi Ito, University of Tokyo
- 12:10-13:30 Discussion
 ■ Responses from Country Paper Authors
 - Indonesia: Dr. Muliaman D. Hadad, Bank Indonesia
 - Malaysia: Dr. Latifah Merican Cheong, Bank Negara Malaysia
 - Thailand: Dr. Ekniti Nitithanprapas, Ministry of Finance
 - Singapore: Dr. Ngiam Kee Jin, Institute of Southeast Asian Studies
 - China: Mr. Tian Guoli, China Cinda Asset Management Corporation
 - Japan: Prof. Takatoshi Ito, University of Tokyo
 - Korea: Dr. Yunjong Wang, Korea Institute for International Economic Policy
 ■ General Discussion
- 13:30-14:30 *Luncheon***
 ■ Hosted by Dr. Kihwan Kim, Chair of KOPEC
- Session 3 *Other PECC Economies' Perspectives***
 - Chair: Prof. Wendy Dobson, FMC Research Counselor
- 14:30-14:45 A Synthesis Review of Other Western Pacific Economies Papers
 ■ Dr. Gordon de Brouwer, Australian National University
- 14:45-15:00 A Synthesis Review of North and South American Papers
 ■ Dr. Randall Henning, Institute for International Economics
- 15:00-16:10 Discussion
 ■ Responses from Country Paper Authors
 - Hong Kong: Miss Annie Wu, Hong Kong Beijing Air Catering Co., Ltd.
 - Chinese Taipei: Dr. Julius Caesar Parrenas, Chinatrust Commercial Bank
 - Australia: Dr. Gordon de Brouwer, Australian National University
 - Canada: Prof. Wendy Dobson, University of Toronto
 - US: Dr. Randall Henning, Institute for International Economics
 - Chile: Dr. Sergio Lehmann, Central Bank of Chile
 - Peru: Prof. Alan Fairlie, Pontificia Universidad Católica del Perú
 ■ General Discussion
- 16:10-16:30 *Tea*

- 16:30-18:30** **Synthesis: Issues, Prospects and Implications for Regional Financial Cooperation**
- Lead Presentation: Dr. Soogil Young and Prof. Wendy Dobson
 - Comments/Suggestions
- 19:30- Reception and Dinner for participants and their spouses
- ***Hosted by Prof. S. Ghon Rhee, Executive Director, FIMA Research Center, University of Hawaii***

Tuesday, August 13

Theme: Challenges of Regulatory Reform for Financial Institutions Development

08:30-08:40 Opening Remarks

- Dr. David Hong, Coordinator of the Task Force on Financial Institutions Development (FID); Vice-President, Taiwan Institute of Economic Research

Session 1 An Overview: *What are the issues?*

- Chair: Dr. David Hong, FID Coordinator

08:40-09:40

Financial Restructuring in East Asia and the Remaining Challenges

- Mr. Peter Hayward, Monetary and Exchange Affairs Department, IMF

The Regulatory System for Banks in China: Roadmap for Reform

- Dr. Wang Haijun, China Cinda Asset Management Corporation

Strong Financial Systems: The OECD Approach and Its Relevance for Emerging Markets

- Mr. William Witherell, Director for Financial, Fiscal and Enterprise Affairs, OECD

09:40-10:25

Comments

- Prof. Yoon Je Cho, Sogang University
- Dr. James A. Hanson, Financial Sector Strategy and Policy Department, The World Bank
- Dr. Ngiam Kee Jin, Institute of Southeast Asian Studies, Singapore

10:25-11:20

Discussion

11:20-11:40

Coffee

Session 2 Risk Management and the Regulatory Systems

- Chair: Dr. David Hong, FID Coordinator

11:40-12:20

Risk Management and Pricing: Findings from the ABAC/PECC Symposium

- Mr. Ken Waller, Commonwealth Bank of Australia

Basel II and East Asian Economies

- Mr. Robert N. McCauley, Representative Office for Asia and the Pacific, Bank for International Settlements

12:20-12:50

Comments

- Prof. Stephen Y. L. Cheung, City University of Hong Kong
- Dr. Julius Caesar Parrenas, Chinatrust Commercial Bank

12:50-13:30

Discussion

13:30-14:30 Luncheon hosted by Dr. Jeffrey Koo, Chair of CTPECC

Session 3 Risk Management and Bank Ownership: Survey of East Asian Economies

- Chair: Prof. Kimball Dietrich, FID Research Counselor

- 14:30-14:50 Tentative Findings from the Survey on Risk Management and Bank Ownership
■ Dr. David Hong, FID Coordinator
- 14:50-15:50 Explanatory Comments on the Country Situations
■ Indonesia: Dr. Muliaman D. Hadad, Bank Indonesia
■ Thailand: Dr. Narongchai Akrasanee, Seranee Holdings Co., Ltd.
■ Chinese Taipei: Dr. Julius Caesar Parrenas, Chinatrust Commercial Bank
■ Korea: Dr. Baekin Cha, Korea Institute of Finance
- 15:50-16:10 *Tea*
- 16:10-17:00 Discussion
- 17:00-18:00 **Synthesis: Implications for National Policy, Regional Cooperation and Further Studies**
■ Lead Presentation: Dr. David Hong and Prof. Kimball Dietrich
■ Comment/Suggestions
- 18:00-18:30 **PECC Finance Forum: *What's Ahead?***
- Chair: Dr. Soogil Young, Coordinator of the Finance Forum
- 19:30- Aloha Reception and Dinner for participants and their spouses
■ Hosted by Dr. Charles Morrison, President, East-West Center

Appendix C

Outline of The Master of Science in Finance (MSF) Program

1. Major Focus

The focus of the Master of Science in Finance (MSF) Program is on Asian Finance with special emphasis on financial engineering and financial markets of the Asia-Pacific region.

2. Unique Characteristics of the MSF Program

- The MSF Program reflects the University of Hawaii's commitment to research and education activities focusing on the Asia-Pacific region and the College of Business's focus on international business and its desire to strengthen ties with the financial services industry of the U.S. and Asia-Pacific region.
- The University of Hawaii is the only academic institution in the world that offers an MS degree program focusing on Asian Finance.
- The Program is a "specialist" degree program with substantial synergy effects with the University of Hawaii's Japan-Focused MBA, China-Focused MBA, and Viet Nam-Focused MBA programs.

3. Potential Target Markets

The Program is designed for individuals who wish to pursue a finance career with financial institutions such as: capital market regulatory agencies, stock/futures/commodity exchanges, investment banks, commercial banks, securities companies, mutual funds, bond rating agencies, and other types of financial intermediaries. Since the MSF Program will benefit various organizations in the financial services industry that employs these individuals, the primary target market will be Asian, U.S., and European financial institutions with a strong desire to upgrade their mid-level managers' knowledge and skills in various finance functions.

4. AACSB Accreditation

Following the American Assembly of Collegiate Schools of Business (AACSB) standards for business accreditation, the MSF Program will require 11 courses totaling *30 credit hours*: *four* foundation knowledge-enhancing courses and *seven* finance area specialization courses.

5. Type of the Proposed Program

A Non-Thesis Plan B Degree Program

6. Planned Date of Program Initiation

Fall Semester, 2003

7. Anticipated Date for Granting First Degrees

August 2004

8. Program Structure

- Foundation Knowledge-Enhancing Courses

FIN670: Financial Statement Analysis & Valuation
FIN671: Economics of Financial Decision Making
FIN672: Quantitative Methods for Financial Decisions
FIN673: Financial Decisions & Valuation

- Finance Area Specialization Courses

FIN675: Securities Analysis
FIN676: International Finance
FIN677: Financial Derivatives & Risk Management
FIN678: Financial Engineering & Portfolio Management
FIN680: Special Topics in Finance*
FIN681: Seminar in Asian Finance
FIN682: Seminar in Asian Capital Market Issues & Regulation**

*Designated to be taught by a team of five leading academic researchers on selected topics relevant to Asian capital markets.

**Designated to be taught by a team of five senior executives of financial market regulatory agencies, stock/futures exchanges, investment banks, and other types of financial intermediaries from the U.S., Europe, and Asia-Pacific region.

- Course Sequence for the MSF Cohorts

Students will complete their course work over three semesters in a lock-step manner to maximize the effectiveness of teaching and learning experiences.

<u>Fall</u>	<u>Spring</u>	<u>Summer</u>
FIN670 (3)	FIN673 (3)	FIN676 (2)
FIN671 (3)	FIN675 (3)	FIN678 (3)
FIN672 (3)	FIN677 (3)	FIN680 (2)
FIN682 (1)	FIN681 (2)	FIN682 (2)
<u>10 credit hours</u>	<u>11 credit hours</u>	<u>9 credit hours</u>

Note: Figures in parentheses indicate credit-hours allocated

9. Expected Enrollment

<u>1st Year</u>	<u>2nd Year</u>	<u>3rd Year</u>	<u>4th Year</u>	<u>5th Year</u>
30	35	40	50	50

10. Admission Decisions

Admission decisions will be made based on: (i) Graduate Management Admissions Test (GMAT); (ii) working experience; (iii) performance in the last-two years of undergraduate programs of recognized academic institutions; (iv) two letters of reference; (v) a short essay on personal career goals; and (vi) on-campus or phone interviews.

11. Recruiting Strategies

- Strong synergy effects are expected with the existing MBA, Executive MBA, China-Focused MBA, and Japan-Focused MBA programs within the College of Business Administration.
- The FEI Department will take advantage of an existing network of financial institutions the Asia-Pacific Financial Markets Research Center and the Center for Japanese Global Investment and Finance have created so far.

Initial 2-years: Invitation Basis
3rd Year onward: Combination of Invitation basis and open enrollment

12. Faculty

UH Faculty

Rosita P. Chang (Ph.D., University of Pittsburgh)
Steve Dawson (Ph.D., University of Michigan)
Victor W. Huang (Ph.D., Georgia Institute of Technology)
Yang-Seon Kim (Ph.D., Michigan State University)
Eric Mais (Ph.D., University of South Carolina)
James Marsh (Ph.D., University of Chicago)
David McClain (Ph.D., MIT)
Mitsuru Mizawa (Ph.D., University of Michigan)
Lewis P. Freitas (Ph.D., Columbia University)
S. Ghon Rhee (Ph.D., Ohio State University)
Jack Suyderhoud (Ph.D., Purdue University)

Visiting/Adjunct Professors

Yakov Amihud (Ph.D., New York University), New York University
Paul Brewbaker (Ph.D., University of Hawaii), Bank of Hawaii [
Thomas Cargill (Ph.D., University of California at Davis), University of Nevada-Reno
Edward J. Kane (Ph.D., MIT), Boston College
Jeong Yeon Lee (Ph.D., University of Pennsylvania), East-West Center
Robert Jarrow (Ph.D., MIT), Cornell University
Michael Melvin (Ph.D., University of California-Los Angeles), Arizona State University
Robert C. Pozen (JD, Harvard Law School), Harvard Law School
Jay Ritter (Ph.D., University of Chicago), University of Florida
Donald R. Van Deventer (Ph.D., Harvard University), Kamakura Corporation
C. Scott Wo (Ph.D., University of California-Los Angeles), C. S. Wo & Sons

13. MSF Advisory Board

1. Mrs. Lilia Bautista, Chairperson, Securities and Exchange Commission, Philippines
2. Dr. William Barclay, Senior Vice President, Chicago Stock Exchange, USA
3. Dr. Paul Brewbaker, Senior Vice President and Chief Economist, Bank of Hawaii, USA
4. Mr. Steven R. Champion, Executive Vice President and Chief Investment Officer, Bank of Hawaii, USA
5. Mr. Nattapol Chavalitcheevin, President, Thai Bond Dealing Center, Thailand (to be confirmed)
6. Mr. Sean C. Chen, Chairman, Taiwan Stock Exchange

7. Dr. Paul C.H. Chiu, Chairman of the Board, Grand Cathay Securities Company, Taiwan
8. Mr. Jaw-Chyuan Chu, Chairman, Securities and Futures Commission (to be confirmed)
9. Mr. Mark Dickens, Member of the Commission and Executive Director, Securities and Futures Commission, Hong Kong
10. Mr. Xiqing Gao, Vice Chairman, China Securities Regulatory Commission, China (to be confirmed)
11. Mr. Erry Firmansyah, President Director, Jakarta Stock Exchange, Indonesia
12. Mr. Herwidayatmo, Chairman, Capital Market Supervisory Agency, Ministry of Finance, Indonesia
13. Mr. Hong-Wen Jian, Chairman, China Securities Association (to be confirmed)
14. Dr. Edward J. Kane, Cleary Professor in Finance, Boston College, USA
15. Mr. Yung-Joo Kang, Chairman & CEO, Korea Stock Exchange, Korea
16. Mr. Thomas A. Kloet, Chief Executive Officer, Singapore Exchange Ltd., Singapore
17. Dr. Glenn K. Miyataki, President, Japan-American Institute of Management Science, USA
18. Dr. Jeong Yeon Lee, Visiting Scholar, East-West Center, USA
19. Mr. Kittiratt Na-Ranong, President, Stock Exchange of Thailand (to be confirmed)
20. Mr. Ho-Soo Oh, Chairman, Korea Securities Dealers Association, Korea
21. Mr. Robert C. Pozen, John Olin Visiting Professor, Harvard Law School and former president of Fidelity Management & Research Company
22. Ms. Cecile B. Saavedra, Managing Director, Asia-Pacific Standard & Poor's Credit Market Services, Singapore
23. Dr. Chaipat Sahasakul, Secretary General, Office of the Agricultural Futures Trading Commission, Thailand
24. Dr. Prasarn Trairatvorakul, Secretary-General, Securities and Exchange Commission, Thailand
25. Dr. Donald R. Van Deventer, President, Kamakura Corporation, USA
26. Dr. C. Scott Wo, Chief Investment Officer, CS Wo & Sons, USA

14. Contact Office

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