JOURNAL OF GOVERNANCE AND REGULATION

VOLUME 1, ISSUE 2, 2012

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CORPORATE REPORTING, SECURITY REGULATION AND TRADING ON THE KUWAITI STOCK EXCHANGE (KSE) – INSTITUTIONAL IMPLICATIONS FOR RESEARCH 7

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The regulation of equities trading in Kuwait over the period from 1983 to 2011 is documented in this paper. An eclectic approach has resulted in overlapping responsibilities for the three main regulatory and supervisory bodies. Regulation appears to be responsive to market crises. As a result, regulations have tended to change with market conditions. Kuwaiti accounting and auditing requirements are also reviewed. The institutional setting in Kuwait has a number of implications for capital market based research. Informational inefficiency precludes research that relies on the assumption that security price reflects firm value.

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Brendan Lambe

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Alessandro Carboni, Andrea Carboni

The cash-CDS basis and its implication for market strategies and price discovery, together with the role of credit risk common factors are analysed. A positive net income is derived with a negative basis, once funding costs are considered. There exists an arbitrage opportunity for Greece in 2010, with a negative basis of more than 100 bp. Our comparison with three different basis shows that while converging markets seem adopt the same strategy, in particular for Portugal, Ireland and Greece. Results for price discovery show that the CDS market moves ahead the bond market. Finally, our empirical analysis shows that the global risk factor contributes to increase the basis, while the banking sector vulnerability proxy offers a negative contribution.

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Scott A. Beaulier, Peter J. Boettke, Leonid A. Krasnozhon

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Marcela Giraldo

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José Vaz Ferreira

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Kevin A. Diehl

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