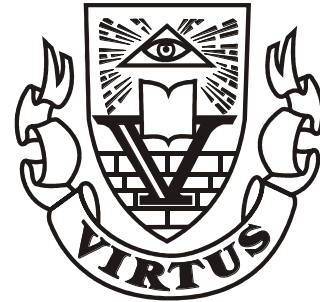


# RISK GOVERNANCE & CONTROL: Financial markets and institutions

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## CONTENTS



**Editorial** 4

**EVALUATING THE INVESTMENT DECISION-MAKING PROCESS  
FOR BUSINESS EXPANSION INTO AFRICA: A CASE STUDY** 7

*Jason Kasozi*

Africa is a potential domain for international business. However, numerous uncertainties characterize this environment and the challenge for multinationals remains the ability to assess the true value of an Africa-bound investment project. A telecommunications' survey was conducted on Siemens Southern Africa (Siemens) and Mobile Telecommunications' Network (MTN) and the following observations were made: (1) Approaches used by the businesses to value Africa-bound investments were not comprehensive and inclusive. (2) Neutrality existed to the suggestion that Africa is unique and that investment decisions should be customized to suit it. (3) Certain approaches used by the businesses were modified to suit pertaining investment circumstances thereby differing from literature, and (4), participants desired to learn new ways of improving this process suggesting dissatisfaction with the current norm. This paper presents the conflicting ideologies about the decision-making process for business expansion into Africa and suggests ways of improving the process.

**PREPARING FOR CREATIVE RESPONSES TO "BEYOND ASSUMED  
LEVEL" DISASTERS: LESSONS FROM THE ICT MANAGEMENT  
IN THE 2011 GREAT EAST JAPAN EARTHQUAKE CRISIS** 17

*Mihoko Sakurai, Jiro Kokuryo*

A survey of the municipal government ICT divisions during and after the 2011 Great East Japan Earthquake and Tsunami crisis reveals the need for creative responses for "beyond assumed level" disasters. Complexity and diversity of the damage were simply too great for any plans to assume. Resident needs toward the municipal governments were also diverse and changed quickly as the time went by. The research also indicates that there would be ways to strengthen the capabilities to execute such spontaneous responses.

**WHY PROTECT FINANCIAL MARKETS?** 25

*Maria Carapeto, Mauricio Acosta*

Results from the model show that netting provides a decrease in world counterparty risk of over \$17 trillion. Netting is thus a powerful tool available in the world markets to manage counterparty risk while decreasing systemic risk, and as such policies to facilitate and standardize netting procedures

across different jurisdictions should be encouraged. Moreover, results show that the use of central counterparties for settling the outstanding contracts would additionally decrease CCR by over \$2 trillion.

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**THE PORTFOLIO RISK MANAGEMENT AND DIVERSIFICATION BENEFITS FROM THE SOUTH AFRICAN RAND CURRENCY INDEX (RAIN) 40**

*F.Y. Jordaan, J.H. Van Rooyen*

This study attempts to explain the source of risk management and diversification benefits that investors may gain from the South African Rand Currency Index (RAIN) as it relates to an equity portfolio with stock market exposure (locally or international). These diversification benefits may result from the negative correlation between RAIN and the South African All Share Index (ALSI). To explain and fully exploit the benefits of RAIN, the main variables that represent South Africa's trading partner equity and bond markets movements, were identified. To account for the interaction of RAIN with the ALSI, the latter was firstly decomposed into its economic groups and secondly into its various sub-sectors. Various analyses were carried out to determine which variables describe the relationship between the ALSI and RAIN.

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**INTERACTION EFFECTS BETWEEN INTERNAL GOVERNANCE MECHANISMS ON THE COMPONENTS OF INITIAL RETURNS DURING THE IPO 61**

*Mediha Mezhoud, Adel Boubaker*

Our work provides an analysis of the interaction effects between internal governance mechanisms on the components of initial returns during the listing period. The application of multivariate regressions on a sample of 110 IPO French companies during 2005-2010, has allowed us to conclude that the different interactions between these mechanisms significantly influence the level of under / overpricing. Indeed, the positive relationship between internal governance mechanisms and overpricing reflects a substitutability relationship. In contrast, the complementarity effect comes from the negative relationship characterizing the combination of governance mechanisms and the underpricing. Thus, the interactions effects between institutional ownership, board structure and under / overpricing are not conforming to the existence of a complementarity or substitutability relationship between these variables given the absence of a significant combination between these variables.

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**THE EFFECT OF BANK MONITORING AS AN ALTERNATIVE OF CORPORATE GOVERNANCE MECHANISMS ON THE BORROWERS' FIRM VALUE: EVIDENCE FROM INDONESIAN LISTED FIRMS 73**

*Alexandra Ryan Ahmad Dina, Ancella Anitawati Hermawan*

The objective of this research is to examine the effect of bank monitoring as an alternative of corporate governance mechanisms on the borrowers' firm value. The strengths of bank monitoring on the borrowers are measured based on the magnitude of the bank loan, the size of the loan from banks with high monitoring quality, the length of a bank loan outstanding period, and the number of lenders. The research hypotheses were tested using multiple regression model with a sample of 230 companies listed in Indonesia Stock Exchange during 2009. The empirical results show that only the size of the loan from banks with high monitoring quality and the number of lenders significantly influences the borrowers' firm value. These findings imply that only banks with high monitoring quality could play an important role in the corporate governance and therefore increasing the firm value by their monitoring function. Furthermore, bank monitoring is less effective if a company borrows from many banks, and therefore decreasing the firm value.