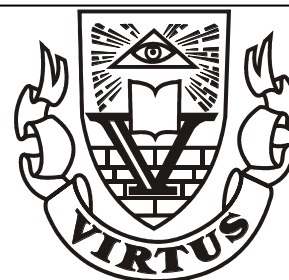


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“FAITHFUL MONEY” AS A NEW MONETARY CONCEPT OF THE ISLAMIC BANKING 7

Nesrin Benhayoun, James Fogal

Coinciding with the Great Recession, Islamic banks have grown rapidly and have crossed the significant milestone of increased wider acceptance at a global level. In part this is due to their unique behavior in considering both ethical and economic activities rather than focus of profit only. This presents a departure from the conventional finance systems based on the use of the interest and the time value of money. This has led to propose new pattern named 'Faithful Money' for valuation of money and for a performing monetary policy according to Islamic finance basics. This paper presents how following Islamic finance principles can offer substantive contributions to the economic and social development of the world by revealing the rational route to the vision of the highest good without the anathema of interests and debts' dependence and to embrace the goal to advance the needs of humanity as a whole.

COMMODITY RISK MANAGEMENT 11

Hilary Till

This article discusses the practical issues involved in applying a disciplined risk management methodology to commodity futures trading. Accordingly, the paper shows how to apply methodologies derived from both conventional asset management and hedge fund management to futures trading. The article also discusses some of the risk management issues that are unique to leveraged futures trading.

THE DYNAMICS OF DEFLATION IN A GROWING ECONOMY 19

Rui P. N. Santos

In this paper I study the behavior of prices in a growing economy in which the money supply is held constant. I show that with increasing levels of output, it is a natural outcome that prices of economic goods will decrease over time, which it is what we define as deflation. In this context, I study in particular the behavior of real and nominal incomes (wages and profits) over time, the evolution of nominal and real GDP and the effects of deflation on debt contracts. Specifically, I assess the common claims that deflation decreases incomes, postpone spending and favors creditors at the expense of debtors. I have found that none of these claims is supported by theoretical analysis in the case that price deflation is the consequence of economic growth with constant money supply.

DO HIGH LEVELS OF ANALYST FOLLOWING IMPROVE COMPANIES' CREDIT RATINGS: EVIDENCE FROM MENA REGION? 26

Harit Satt

All investors and stakeholders in general worry about the accuracy of both the financial information and the corporate governance, yet at different scales. Knowing that inadequacies exist in the financial information, would we be able to find some ways that would help us improve the credit rating of the firms? In order to answer this question, our research's aim is to define the impact of analyst following (analyst quest) on firm's credit rating throughout the period between 2002 and 2014. The research' results exhibit that the level of analyst following has a positive influence on firms' credit rating. However, this constructive influence occurs only when there is a significant degree of analyst following. Indeed, at a low analyst following, our results reveal a negative correlation between this factor and the firm's credit rating. Consequently, we end up concluding that a high degree of analyst following makes it difficult for insiders to miscommunicate the right information related to firm's value which reduces agency problems leading to a positive credit rating, thus a low cost of debt.

ASSESSING MANDATED CREDIT PROGRAMS: CASE STUDY OF THE MAGNA CARTA IN THE PHILIPPINES

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Ryan Jacildo, Niny Khor, Ruth Tacneng

We examine the effects of a mandated credit program to small and medium enterprises in the Philippines (Magna Carta Law) using a panel dataset compiled from official data published by the Bangko Sentral ng Pilipinas. The final sample of 109 financial institutions represented over 90% of total finance sector assets in the Philippines. We highlight three important findings. First, although the total lending levels to micro, small, and medium enterprises (MSMEs) grew slightly, the percentage shares of loans allocated to MSMEs declined drastically from a peak of 30% of total loans in 2002 to 16.4% in 2010. Second, following the upwards revision of the loan target (from 6% to 8%) for smaller firms in 2008, there was a sharp increase in noncompliance especially amongst universal and commercial banks. On the other hand, total loans to medium enterprises were still more than threefold larger than the targeted 2%. Third, there is an increased heterogeneity in optimal loan portfolio across banks. Most surprisingly, the absolute level of MSME lending by rural and cooperative banks declined since 2008.

CONSTITUENTS' FORMAL PARTICIPATION IN THE IASB'S DUE PROCESS: NEW INSIGHTS INTO THE IMPACT OF COUNTRY AND DUE PROCESS DOCUMENT CHARACTERISTICS

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Michael Dobler, Oliver Knospe

This paper adopts a multi-issue/multi-period approach to provide new insights into key determinants of constituents' formal participation in the due process of the International Accounting Standards Board (IASB). Based on an analysis of 8,825 comment letters submitted during the period 2006–2012, we find imbalances in the representation of constituents. Multiple regressions reveal that among various economic and cultural variables equity market capitalization and the society's level of individualism are the key drivers of the country-level of constituents' participation, and each variable has explanatory power over the other. The level of constituents' participation is positively associated with the number of input opportunities offered by a due process document but unrelated to the complexity of a standard-setting project. The results are robust across various sub-samples and to additional sensitivity tests. Our findings indicate threats to the input legitimacy of the IASB and suggest avenues to stimulate constituents' participation.

THE ARGUMENT FOR ROBUST COMPETITION SUPERVISION IN DEVELOPING AND TRANSITION COUNTRIES

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Frank Emmert

The article discusses first the differences between market economic models, socialist or planned economies, and economies controlled by monopolies or cartels, to make the case for competition supervision. Subsequently it argues for a broad approach to competition supervision - beyond a narrow view of antitrust law. The second part of the paper discusses monopoly or dominant position and the criteria to measure them. It reviews the reasons for merger control as a preventive step against monopoly or dominant position. Finally it discusses the issues related to collusion in the form of cartels and how to detect them. The third part of the paper focuses on the best ways for developing and transition countries to introduce or reinforce comprehensive competition supervision: Functioning institutions and how they have to be empowered and structured; priorities to be set; how competition oversight has to be embedded in the legal system, including court review; and why effective enforcement is so important and how it can be promoted. In an annex, provided online, there are links to some 75 countries which have newly introduced competition laws in the past 25 years and their legislative materials. Finally, there are links to another 30 countries which have substantially revised their legislative bases in the same time frame.

AUDITING VERSUS CONSULTANCY: A CRITIQUE OF THE EU LAW REFORMS ON THE NEW FORM OF AUDITING

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H. Kubra Kandemir

This paper argues that the new form of auditing introduced by the recent EU regulations is not problematic but creates issues that have to be taken into account by all interested parties. First, the expectations between the users of the financial reports and auditors are wider. Second, auditors' independence is damaged due to the long years of auditor tenure and dependence of non-audit fees generated from consultancy services that not related to audit. The recent law reforms issued by the European Commission has brought some important provisions in terms of filling the expectations gap, reinforcing auditor independence and reducing the familiarity threat. EU's relatively strict rules on provision of non-audit services and audit firm rotation are expected to have an important impact in the audit market. A critical analysis of the new EU law is submitted with some policy recommendations.