RISK GOVERNANCE & CONTROL:
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EDITORIAL

Dear readers!

The recent issue of the journal is devoted to several risk governance issues.

W. Rossouw, J. Young found that market participants are currently unable to exploit price movement in a manner which results in returns that contest the notion of efficient markets. The methodology proposed, however, does allow the user to consistently achieve returns superior to that of a predetermined market benchmark. The benchmark price for the purposes of this study was the average price offered by the market over the contract lifetime, and as such, the efficient market hypothesis was successfully contested.

Lucia Dalla Pellegrina, Donato Masciandaro in their paper show how various types of institutions – public, political, legal, monetary – also seem to exert an unexpected effect on resilience.

Raffaella Scarabino examines the status of the principle of correlation between management power and risk in the context of the regulatory framework of Italian public companies, as it emerged after the enactment of above mentioned corporate law reform in 2003.

R Essel, F J Mostert focus on the improvement of financial decision-making concerning the sources, analysis and insurance flexibility of political risk factors. To achieve the objective of the paper, a literature study and an empirical survey, involving the agents of political risk insurance in South Africa, were undertaken. Due attention is paid to identifying the most important sources of political risk factors, as well as the analysis of the political risk factors by the underwriters concerned.

Doriana Cucinelli analyzes the type of relationship that exists between liquidity risk - measured with the liquidity coverage ratio and the net stable funding ratio - and the probability of default. The sample is composed of 575 listed and non-listed Eurozone banks and the methodology applied in the analysis is OLS regression based on panel data.

Dimas M. Widiantoro formulates the cause of agency conflict into three factors. The first one is agent unsatisfactory on the existing compensation system. The second is the high ratio of free cash flow in the company. The last is the absence of good monitoring on the company operation.

We hope that you will enjoy reading the journal and in future we will receive new papers, outlining the most important issues in the field of risk governance and best practices of corporate governance!

RISK GOVERNANCE & CONTROL: Financial markets and institutions

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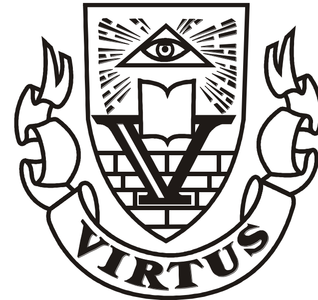

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Based on those three factors, this research aims to find a full perspective of these occurrences. One of the tools to investigate it is using EVA® as investigator tools, which is relatively new as a performance measurement in Emerging Market. The proxy variables on agency conflict are new investment ratio and total asset turn over. The control variables are dividend payout ratio and leverage.

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