

**CORPORATE  
OWNERSHIP & CONTROL**

**КОРПОРАТИВНАЯ  
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## EDITORIAL

*Dear readers!*

This issue of the journal is devoted to several issues of corporate governance.

**Shinya Kawamoto, Takashi Saito** examined cases of management buyouts (MBOs), which have been increasing rapidly in number since around 2000. First, an overview of MBO practices is provided, indicating the beginning of an increase in divestment-type MBOs as a new means to implement corporate restructuring. Subsequently, the factors used by Japanese companies to decide on whether to pursue divestment MBO were analyzed while particularly addressing the parent companies—the sellers of the business units. Results suggest the following factors leading to the parent company divestment of subsidiaries and business units through MBOs: 1) poor performance of the business of the parent company, 2) high debt-to-asset ratio (debt reliance) of the parent company, 3) wide diversification of parent company operations, and 4) active reorganization of the parent company's corporate group. The structure of corporate governance also affects MBO trends, indicating that 5) companies for which shareholding ratios of institutional investors and directors are high are more likely to implement a divestment MBO. Conversely, 6) companies that are protected by cross-shareholdings are less likely to implement corporate restructuring.

**Sandra Alves, Júlio Martins, Carlos Ferreira** investigate the determinants of stock options attribution. We hypothesize that the equity held by managers, the ownership concentration, the liquidity constraints, the firm risk and the firm size are related to the firm's attribution of stock options. Using a sample of 44 companies listed in Euronext Lisbon, we find that only equity held by managers and firm size are related to the firm's attribution of stock options, documenting a positive relationship for both.

**Elmo Tambosi Filho, Fabio Gallo Garcia, Joshua Onome Imoniana** write that the last decades, CAPM model has been of great interest in the scientific scene. Despite all the criticism, the improvement of the static CAPM, which has generated new dynamic models, provided investors with stronger guarantee through financial transactions. The CAPM and its static version were and are still very important in the financial scene. Nowadays, more sophisticated adaptations of the CAPM are found, which allow us to explain some matters in finance that had remained unqualified for a couple of time. Considering such discussion about the CAPM validity, this study aims to create a basis for reflection upon the conditional model, comparing it with the static one. In order to verify such facts, tests of conditional models are examined (with beta varying throughout the exercise), something uncommonly studied in the literature. Such

tests are suitable to incorporate variances and covariance that change at long run. Methodological wise, the study tested the conditional CAPM model borrowing a leaf from Jagannathan and Wang (1996) using macroeconomics and financial variables from the Brazilian, German and Argentinean markets. Also, the approach compared such results with the American figures. Based on our findings, there is evidence that the conditional CAPM of Jagannathan and Wang (1996) for the North American market is perfectly applicable to the Brazilian, Argentinean and German markets.

**Jung-Suk Yu, M. Kabir Hassan** re-examine the size of the underground economy in the U.S. between 1972 and 2006 after properly adjusting for several statistical issues relating to its estimation. The dynamic error-correction-based currency demand approach confirms that income tax rates have no contemporaneous effect on currency demand, but they have positive and significant effects with a one-period lag. In addition, we observe that the size of the underground economy in the U.S. has grown considerably during the post-1990 period from \$148.7 billion (3.4% of official GDP) in 1973 to \$691.2 billion (6.0% of official GDP) in 2006. We also find that misspecified models have a propensity for overstating the size of the underground economy. During recessionary periods, the underground and official economies move in a same direction, although the growth rates of the underground economy are more unpredictable than those of the official economy.

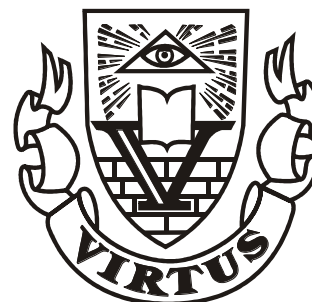
**Johan de Beer** says the introduction of single stock futures to a market presents the opportunity to assess an individual company's response to futures trading directly, in contrast to the market-wide impact obtained from index futures studies. The listed shares of thirty-eight South African companies were evaluated in terms of a possible volatility effect due to the initial trading of their respective single stock futures contracts. A GARCH(1,1) model established a volatility structure (pattern of behaviour) per company. Results, in general, showed a reduction in the level and changes in the structure of spot market volatility post single stock futures.

**Safieddine Bouali** shows that self-imposed discipline targeting fixed reinvestment rate under nonlinear adjustment speed can inject *itself* a "strange" dynamics to the firm, leading to critical losses and a bankruptcy threat. However, one way to reduce this instability is determining carefully the "normal" cash flow which does not trigger the payout.

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