

**CORPORATE  
OWNERSHIP & CONTROL**

**КОРПОРАТИВНАЯ  
СОБСТВЕННОСТЬ И КОНТРОЛЬ**

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## EDITORIAL

*Dear readers!*

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

**Amani Khaled Bouresli and Wallace N. Davidson III** find that following an IPO, the CEO compensation structure on average becomes more pay and performance-sensitive, and the board of directors becomes more independent. Venture capitalist participation seems to positively influence these findings. However, these post-IPO changes do not lead to better short-run operating performance.

**Salim Chahine and Bassem Dagher** examine the risk management systems of Islamic banks in Lebanon. Using a survey technique, it shows the diversity of risks faced by Islamic banks. It also confirms the importance of good corporate governance as a tool which is associated with the implementation of best practices in risk management.

**Ayman E. Haddad, Wasim K. AlShattarat and Radhi M. Al-Hamadeen** examined the inter-temporal Dividend-Per-Share (DPS) behaviour. The estimated partial-adjustment-models included Lintner's (1956), Darling's (1957) and Brittain's (1966) models. The results reported from the partial-adjustment-models indicated that Lintner's model was the best-fit model for Jordanian firms. Previous dividends and current earnings had the most influence on the DPS inter-temporal behaviour, indicating that Jordanian firms follow a persistent dividend policy. While dividends are persistent, Jordanian firms smooth dividends less than their counterparts in developed markets.

**Manel Hadriche Sahnoun and Mohamed Ali ZARAI** study the impact of some attributes of auditor quality such as: auditor tenure, auditor industry specialist, auditor experience and the audit firm size on auditor auditee negotiation outcomes. For the entire sample of 81 Tunisians firms, our results indicate positive and significant relationship between auditor tenure, auditor experience and the extent to which the auditee agreed with the auditor over the financial reporting issues. On the other hand, the results indicate a positive but non significant relationship between the auditor industry specialist and the negotiation outcome. For the audit firm size, we find that auditees are more likely to agree with big 4 audits firms. Indeed, we find no significant relationship between importance, size and performance of the auditee and auditor auditee negotiation outcome.

**Emery A. Trahan** examines measures of the strength of mutual fund governance and the relation of these measures to fund performance. We utilize the Morningstar Stewardship Grade and its determining

factors to measure the quality of a fund's governance and the information ratio to measure risk adjusted performance. We find that strong corporate governance is associated with better risk-adjusted performance, after controlling for investment objective, expenses, and fund size. The key governance components related to performance are board quality, managerial incentives, and fees. Our results support the notion that, in the mutual fund industry, good governance is consistent with good performance.

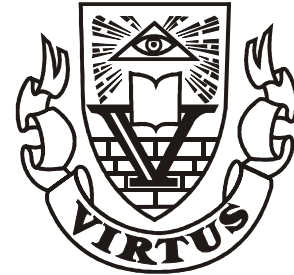
**Lin Xu-dong** obtained some conclusions about the relations between the first-best partial ownership and those parameters. In final, the interrelations between the first-best partial ownership and special investment efficiency are discussed, and it's pointed out that under the conditions of the same technical parameters, the investment efficiency in the case that the upstream firm belongs to public-company type is greater than that in the case of the owner-managed company type.

**A. Seetharaman, John Rudolph Raj and A.S. Saravanan** provide a platform for cheaper capital and solves many accounting related issues. Off balance sheet financing, particularly asset securitization, will continue to become the most dominant financing alternatives in view of its multi functional capabilities in solving financing requirement and hedging needs. Asset securitization has been widely applied by the emerging economies in helping them during the economic crisis. Securitization has also been a lifesaver for banks in helping them recapitalizing during financial crisis. Securitization to a certain extent has contributed to the disintermediation of commercial banks being a major provider of capital. Despite the significant benefits and impacts, asset securitization has also its flaws or weaknesses. A flaw in structuring the deal could be one of the contributory factors of a failed deal. It could also attract excessive abuse, which consequently will be catastrophic to the financial system. Thus, proper control and regulation of off balance sheet financing is inevitable.

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