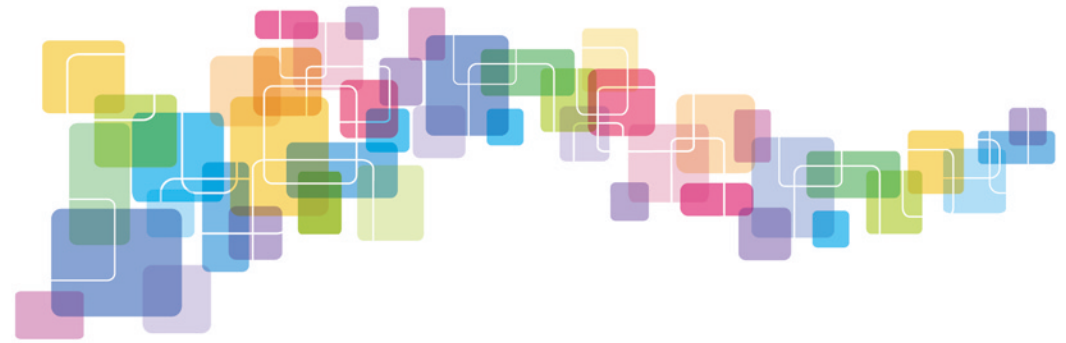


# APAD 2011

The Seventh Conference of  
The Asia-Pacific Association of Derivatives



August 25~26, 2011

venue : The Haeundae Centum Hotel, Busan  
Hosted by Korea Derivatives Association(KDA)

## Korea Derivatives Association

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## Greetings from the APAD 2011 Program Chair

Welcome to the seventh annual conference of the Asia-Pacific Association of Derivatives!

The previous APAD conferences have surely promoted research in the area of derivative securities markets and provided meeting opportunities for academicians, practitioners, and regulators in the Asia-Pacific region. At this APAD 2011 conference, we will continue our tradition, with a program featuring high-quality papers by researchers from different parts of the world.

As you all know, regulators all over the world face the challenges of devising new mechanisms for preventing the recurrence of financial crises such as the subprime mortgage credit crisis in 2008, which raised a number of important questions about the stability of financial companies, the vulnerability of the international financial system and the volatility of financial markets. In particular, Korean financial authorities are considering the introduction of key regulatory measures on derivatives products and markets, such as the inception of direct market access system and transaction taxes. There are genuine concerns, shared by many market participants, that such measures may hinder the future development of Korean derivatives markets. While a new regulatory framework is necessary to improve global derivatives market statistics and transparency, there are also risks of over-regulation. Certainly, regulatory complexity is not desirable. Financial regulation is a continuously evolving discipline that should not lose sight of the broader economic function of derivatives markets. The recent U.S. debt-ceiling problems and European sovereign debt crisis put into perspective the crucial and positive role that derivatives markets can play in an environment of increased uncertainty and higher volatility.

Therefore, I hope that this conference will provide all participants with a good opportunity to discuss important issues related to derivatives markets and financial crises, which constituted the theme of my brief mention. It provides a platform to share thoughts, communicate and cooperate with each other to promote the development of capital markets and contribute toward sustainable economic growth.

On behalf of all APAD members, I acknowledge the great sponsorship of the Korea Exchange, the Korea Financial Investment Association, the Korea Securities Depository, Hana-Daetoo Securities Co. Ltd and Daewoo Securities Co. Ltd for this conference.

Finally, please enjoy the conference and your stay in this charming Busan.

Moosung Kim., Ph.D.

Program Chair of the APAD2011 Conference  
President of Korea Derivatives Association

## Program of the Conference

### Thursday, August 25

13:30 ~	<b>Registration</b>
14:30 ~ 16:30	<b>Academic Session I</b> <i>Session 1 : KSD(Korea Securities depository)Session : Derivatives and Settlement</i> <i>Session 2 : Empirical Option Pricing</i> <i>Session 3 : Financial Theory</i>
16:50 ~ 17:50	<b>Keynote Speech by Tong Suk Kim (KAIST)</b> <i>Recent Financial Crisis and Derivativeness</i>
18:00 ~ 20:00	<b>Main Ceremony and Best Paper Award with Dinner</b>

### Friday, August 26

08:00 ~ 09:00	<b>Breakfast</b>
09:00 ~ 10:30	<b>Academic Session II</b> <i>Session 4 : Financial Econometrics</i> <i>Session 5 : Interest Rates</i> <i>Session 6 : Risk Management</i>
10:40 ~ 12:10	<b>Academic Session III</b> <i>Session 7 : Special Issues in Financial Engineering</i> <i>Session 8 : Hedging</i> <i>Session 9 : Volatility Forecasting</i>



## Academic Session I (14:30~16:30, August 25, 2011)

KSD(Korea Securities depository)Session :  
Derivatives and Settlement

Chair : Tong Suk Kim(KAIST)

Title	Author	Discussant
Pre-trade Transparency and the Information Content of the Limit-Order Book	Huu Nhan Duong(Univ. of South Australia) Petko S. Kalev(Univ. of South Australia) Yang Sun(Univ. of South Australia)	Doojin Ryu (Hankuk Univ. of Foreign Studies)
Low-Latency Trading and Refresh of Limit Order Book: Evidence from Taiwan Futures Market	Ming-Chang Wang (National Chung Cheng Univ.) Bang-Ying Chou (National Chung Cheng Univ.) Chun-Hao Chang (Nanyang Technological Univ.)	Petko S. Kalev (Univ. of South Australia)
The Price Discovery Puzzle in Offshore Yuan Trading: Different Contributions for Different Contracts	David K. Ding(Massey Univ.) Yiuan Tse (Univ. of Texas at San Antonio) Michael Williams (Univ. of Texas at San Antonio)	Baeho Kim (Korea Univ.)
The Implied Convenience Yield of Precious metals: Safe haven Versus Industrial Usage	Miehael T. Chng(Deakin Univ.) Grant Foster(Deakin Univ.)	Chae Woo Nam (Korea Capital Market Institute)

## Session 2: Empirical Option Pricing

Chair : Suk Jin Kim(Kyungpook National Univ.)

Title	Author	Discussant
Volatility Arbitrage around Earnings Announcements: Evidence from the Korean Equity Linked Warrants Market	Bok Baik(Seoul National Univ.) Hyoung-Goo Kang(Hanyang Univ.) Young Jun Kim(Seoul National Univ.)	Young-Min Choi (Seoul National Univ.)
The Formation of Volatility Expectations during Financial Crises: Evidence from Markov-regime Switches in Implied Volatility Indices	Kazuhiko Nishina(Osaka Univ.) Nabil Maghrebi(Wakayama Univ.) Mark J. Holmes(Wakayama Univ.)	Yuejin Huang (United International College)
Dividend-rollover Effect & the Ad Hoc Black-Scholes model	Youngsoo Choi (Hankuk Univ. of Foreign Studies) Steven J. Jordan (Econometric Studies) SoonChan Ok (Hankuk Univ. of Foreign Studies)	Bong Jun Kim (Gyeongsang National Univ.)
Relation between VIX's return and volatility: A behavioral explanation	Ju Xiang (Central Univ. of Finance and Economics)	Daehee Jeong (Korea Development Institute)

## Session 3: Financial Theory

Chair : In Joon Kim(Yonsei Univ.)

Title	Author	Discussant
Option-Implied Cost of Equity with Conditional Jump, Stock Valuation and Return Predictability	Yau Man Ze-To Samuel (Hong Kong Baptist Univ.)	Sun-Joong Yoon (Hallym Univ.)
Market Inefficiency and the Learning Curve: The Case of Sports Lottery Market	Joon Ho Hwang (Korea Univ.)	Young-Kyu Park (Catholic Univ.)
Strategic Asset Allocation: With Commodity Futures as an Asset Class	Yongyang Su (Hong Kong Baptist Univ.) Marco Lau Chi Keung (Hong Kong Baptist Univ.)	Uk Chang (Duk Sung Women's Univ.)
Volatility Dynamics of Indonesian Stock Market and Time-Varying CAPM	Kook-Hyun Chang (Konkuk Univ.) Sulung Liyu Adhi Kasari (Univ. of Indonesia)	Jang Woo Lee (Pusan National Univ.)







## Academic Sessions II (09:00~10:30, August 26, 2011)

### Session 4: Financial Econometrics

Chair : Chung-hun Hong(Kookmin Univ.)

Title	Author	Discussant
A Nonparametric Test of the Martingale Restriction : A New Approach	Biao Guo(Univ. of Nottingham) Qian Han(Xiamen Univ.) Doojin Ryu(Hankuk Univ. of Foreign Studies)	Eunyoung Kim (Pusan National Univ.)
Option Pricing under Stock Market Cycles with Jump Risks: Evidence from Dow Jones Industrial Average Index and S&P 500 Index	So-De Shyu (National Sun Yat-sen Univ.) Shih-Kuei Lin (National Chengchi Univ.) Shin-Yun Wang (National Dong Hwa Univ.)	Se Ryoong Ahn (Ajou Univ.)
Dynamic Implied Correlation Modeling and Forecasting in Structured Finance	Sebastian L��hr (Leibniz Univ. of Hannover) Olga Mursajew (Leibniz Univ. of Hannover) Daniel R��sch (Leibniz Univ. of Hannover) Harald Scheule (Univ. of Melbourne)	Won-Suk Liu (Seoul National Univ.)

### Session 5: Interest Rates

Chair : Kook-Hyun Chang(Konkuk Univ.)

Title	Author	Discussant
Pricing and Hedging the Smile with SABR : Evidence from the Interest Rate Caps Market	Tao L. Wu (Illinois Institute of Technology)	Gyoocheol Shim (Ajou Univ.)
The 10-Year Treasury Note Market	Christopher G. Lamoureux (Univ. of Arizona) George Theodorides (Cyprus International Institute of Management)	Kyu-Chul Jung (Korea Development Institute)
Macroeconomic factors and volatility of Treasury bond returns	Jingzhi Huang (Pennsylvania State Univ.) Lei Lu (Peking Univ.)	Young-Sik Kim (Seoul National Univ.)

### Session 6: Risk Management

Chair : Robert I. Webb (Univ. of Virginia)

Title	Author	Discussant
The Failure of Risk Management for Non-Financial Companies in the Context of the Financial Crisis: Lessons from Aracruz Celulose and Hedging with Derivatives	Rodrigo Zeidan (Univ. of Nottingham) Bruno Rodrigues (Brazilian Development Bank)	Ho Sun Lee (National Pension Research Institute)
Twin Crises, Foreign Currency Risk Management and Bank Value	Sungjae Kim (Louisiana State Univ.) Rajesh Narayanan (Louisiana State Univ.)	Joon Ho Hwang (Korea Univ.)
FX options hedging with comprehensive risk management	Liyan Han(Beihang Univ.) Libo Yin(Beihang Univ.)	Kyeong Tae Kim (POSTECH)
Extended Value at Risk Measure (EVaR) for Market Risk	Mo Chaudhury (McGill Univ.)	Bong-Gyu Jang (POSTECH)





## Academic Sessions III (10:40~12:10, August 26, 2011)

### Session 7: Special Issues in Financial Engineering

Chair : Hyeng Keun Koo(Ajou Univ.)

Title	Author	Discussant
Application of Flocking Mechanism to the Modeling of Stochastic Volatility	Shin Mi Ahn(Seoul National Univ.) Hyeong-Ohk Bae(Ajou Univ.) Seung-Yeal Ha(Seoul National Univ.) Yongsik Kim(Ajou Univ.) Hyuncheul Lim(Kookmin Bank)	Hyuntak Lee (POSTECH)
A Numerical Method for Option Pricing with Exit Probability	Hyong-Ohk Bae(Ajou Univ.) Yongsik Kim(Ajou Univ.) Hyun-Seok Roh(Ajou Univ.)	Seungkyu Lee (POSTECH)
Credit Risk with Selection of Effort and Volatility	Alain Bensoussan (Univ. of Texas, Dallas & Hong Kong Polytechnic Univ. & Ajou Univ.) Abel Cadenillas (Univ. of Alberta & Ajou Univ.) Hyeng Keun Koo(Ajou Univ.) Jaeyoung Sung(Ajou Univ.)	Seyoung Park (POSTECH)

### Session 8: Hedging

Chair : Tae-Hyuk Kim(Pusan National Univ.)

Title	Author	Discussant
Intra-day dynamic hedging and futures market volatility	Gerard L. Gannon(Deakin Univ.) Ruipeng Liu(Deakin Univ.)	Sol Kim (Hankuk Univ. of Foreign Studies)
The Relation among SPX Options, Variance Futures and VIX Futures	Yueqin Huang (United International College) Jin E. Zhang (United International College)	Hyoung-Goo Kang (Hanyang Univ.)
Time-varying Optimal Hedge Ratios : An Empirical Analysis	Kenneth James Newman (Deakin Univ.) Prasad S. Bhattacharya (Deakin Univ.) Harinder Singh (Deakin Univ.)	Joonhyuk Song (Hankuk Univ. of Foreign Studies)
Is It Useful to Consider the Traders' Rules for Pricing Option?: Evidence from Intraday Data	Sol Kim (Hankuk Univ. of Foreign Studies)	Youngsoo Choi (Hankuk Univ. of Foreign Studies)

### Session 9: Volatility Forecasting

Chair : Jong Yeon Choi(Hanyang Univ.)

Title	Author	Discussant
Liquidity Considerations in Estimating Implied Volatility	Rohini Grover(India Gandhi Institute of Development Research) Susan Thomas(India Gandhi Institute of Development Research)	Seong Ju Moon (Gyeongsang National Univ.)
The Information Content of Model-free Implied Volatility	Xin Cheng(Mckinsey and Company) Joseph K.W. Fung (Mckinsey and Company)	Chung-Hyo Hong (Kyungnam Univ.)
An Investigation of Relationship between KOSPI200 Index Return and Change of VKOSPI using High-Frequency Data	Debasis Bagchi (George College of Management Science)	Changjun Lee (Kwangwoon Univ.)
What Drives Linkages Between Ex Ante Volatilities Across Stock and Bond Markets	Yinggang Zhou (Chinese Univ. of Hong Kong)	Dongwoo Rhee (Samsung Asset Management)



## Conference Organizing Committee

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## Location Guide

### Airplane

About 30~40min, from Gimhae airport  
(By means of airport limousine)–Get off Centum Hotel stop.

### Train

About 30min, in subway from Busan Station(Subway Line No.1–Line 2)  
Get off Centum City Station–No.3 way out)

### Expressway

1. Seoul–Wondong IC(About 5 hrs, and 20min.)–BEXCO(About 20min.)
2. Massn/Changwon–Dongsea overpass(About 40min.)–BEXCO(About 50min.)

### Public Transportation

1. Subway : Get off Subway Line No.2 Centum City Station,  
and go to No.3 way out.
2. Bus : No. 5/5–1/36/38/40/63/100/109/115/181/20–1/139/1001

