

International Corporate Governance 2010 Exam

Monday, May 17, 2010

Exam time: 5 hours

Maximum score is 60 points. Minimum required to pass the exam is 30 points.
Avoid answers beyond two pages. Please write as clearly as possible.

1. Give an overview of patterns of corporate ownership structures around the world and the agency problems that they may be associated with. (La Porta et al., 1999) **(20p)**
2. The laws of most countries try to prohibit tunneling (minority shareholder expropriation). In all major legal systems, courts generally use two broad principles in dealing with tunneling: duty of care (refers to the responsibility of directors / controlling shareholders that are directors) and duty of loyalty (or fiduciary duty; addresses situations with conflict of interest). Discuss how the application of these two general principles tend to differ between civil law countries and common law countries and what implications such differences may have. (Johnson et al., 2000, "Tunneling") **(20p)**
3. Answer either 3a or 3b.
 - (a) Brav et al. (2008) analyze shareholder activism by hedge funds. Discuss characteristics of firms targeted by such activist shareholders (Brav et al., 2008).
 - (b) What are the arguments for permitting insider trading in a fast-developing economy characterized by numerous positive NPV projects, a lack of experienced outside analysts, and typically significant ownership stakes by insiders? On the other hand, why may prohibiting insider trading be optimal in an economy characterized by a separation between ownership and control, a sophisticated system of security analysts, and a mature investment climate in which projects typically return the average market rate? (Hu and Noe, 1997)

(20p)

Good luck!