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Analysis of Legal Framework of Self-regulatory Organizations in Iran' Capital Market with Comparative Study in the US Legal System

Ali Ansari¹, Mohammad Isayi Tafreshi², Seyed Milad Hossaini³

Abstract: In this paper, it's been tried to examine the legal framework of self-regulatory organizations in Iran and the US's capital markets and to clarify this matter in Iran and the US (as the innovator of self-regulation method in some way for setting rules and regulations), with emphasis on laws and practices. To achieve this purpose, we analyzed this matter from the most important angles; Therefore, in this paper we examined legal origin of self-regulatory organizations, their nature, the way they are formed, suspended and disbanded, the authority for regulating and making rules, adjudication and authorities investigating members' (regulatory and criminal) offences. Besides discussing the issues above in detail, we come to the conclusion that the US legal system in this context is similar to Iran, except for a few minor differences.

Keywords: *Devolving Powers, Law, Securities Market, Self-Regulation, Self-Regulatory Organizations (Sros).*

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The Legal Relationship between Special Purpose Vehicle and Investors in Lease (Ijāra), Interest Sale (Murabaha) and Profit Sharing (Mudarabah) Securities

Mahdi Bagheri¹, Ali Rafiee Moghaddam²

Abstract: Sukuk are of the new financial instruments which have been welcomed in Islamic countries. In the process of sukuk publication various institutions and individuals are involved which cause different legal relationships. Understanding the legal nature of these relationships is important to determine the legal rights and obligations of each party. One of the relationships that exists in all sukuk is the Special Purpose Vehicle (SPV) and the Investors relationship. SPV takes certain legal actions on behalf of investors and by using their money. The legal nature of this relationship is analyzable by varies contracts such a shire of persons, commissioning and attorney. The nature and the type of this article is analytical and descriptive and it has been conducted in library style and using electronic resources. In this article, after examining the probability of these contracts' governance over the mentioned agreement, we concluded that in present circumstances, the best option for governing this relationship is article 10 of the civil code.

Keywords: *Investors, Murabaha (Interest Sale) and Mudarabah (Profit Sharing) Securities, Special Purpose Vehicle (SPV), Sukuk, The Freedom of Contract Principle.*

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Study of Asymmetric Risk Premium in Value and Growth Stocks Based on P/E Ratio

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Abstract: In this thesis we predict asymmetric risk premium in both value and growth stock portfolios. There are two competing approaches to explain value premium: Market Over-reaction Hypothesis based on which agents overstate future returns on growth stock, and Rational Market Risk Hypothesis that says value stocks are inherently riskier than growth stocks. Rational Market Risk Hypothesis has two different explanations: Leverage Effect and Volatility Feedback. We use asymmetric GARCH-M model (whose codes are written by Dr. Shapoor Mohamadi, University of Tehran) to study which of these hypotheses can explain asymmetric risk premium in 6 portfolios (3 value and 3 growth stock portfolios). Using asymmetric QGARCH-M model, this paper tests the predictions of the two hypotheses. Also we examine whether returns exhibit a positive (negative) risk premium resulting from a negative (positive) shock and the relative size of any premium. The population of this study includes all stock companies and non-financial stock companies during 2002 to 2010. The results of this study confirm Volatility Feedback hypothesis. Further, the impacts for value stocks are more than that of growth stocks, and for negative shocks are more than that of positive shocks.

Keywords: *Asymmetric Risk Premium, Leverage Effect, Overreaction, Value and Growth Portfolio, Volatility Feedback.*

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Investigating the Relationship between Mutual Funds Flows and the Stock Index in Tehran Stock Market

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Abstract: The purpose of this study is to investigate the relationship between the mutual funds flows and the return of stock index using 65 mutual funds in the period of 2008 to 2011. In this study, the daily changes of the total number of units of mutual funds and the changes of the total values of units of mutual funds were considered as a criteria for the net of mutual funds flows. The results of Johansen test show that the series are integrated and there is a significant relationship between the total net of mutual funds flows and the index of Tehran stock market in a long term period. After running the Granger causality test, the results indicated that there is a mutual causal relationship between the total number of units of mutual funds and the index. The same relationship is seen between the changes of total values of units of mutual funds and the index.

Keywords: *Granger Causality Test, Mutual Funds, Stock Index.*

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Using MGARCH to Estimate Value at Risk

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Abstract: In this paper we compared multivariate GARCH models to estimate Value-at-Risk. We used a portfolio of weekly indexes including TEDPIX, KLSE, XU100 during ten years. To estimate Value-at-Risk, first we estimated CCC, DCC of Engle, DCC of Tse and Tsui, Dynamic Equi correlation models by OxMetrics. Then, optimum lags were estimated by minimizing the information criteria. To estimate VaR, the models accuracy was validated by using variance-covariance matrix. The results show that although CCC model estimates variance matrix better, Dynamic Equi correlation is preferable to estimate Value-at-Risk, employing more complete correlation matrix.

Keywords: *Conditional Dynamic Equi Correlation, MGARCH Models, Value at Risk.*

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Determining the Relationship between Credit Risk & Profitability in Iranian Banks

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Abstract: In this paper we analyze the relationship between credit risk & profitability in Iranian banks. The credit risk is measured by non-performing loans ratio & loan loss provision ratio. Also, the profitability has been measured by return on assets & return on equity. The survey data are from fifteen Iranian banks & credit institutes during the time period of 2003 to 2009. Results show that there is a significant negative relationship between credit risk & profitability. In other words, the increase in credit risk results in the increase in the costs of banks and therefore the decrease in their profitability. The results also imply that bank managers need to focus on monitoring and controlling the credit risk in order to maximize their profit.

Keywords: *Credit Risk, Loan Loss Provision, Non-Performing Loans, Profitability.*

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Study of Security Selection and Market Timing Abilities in Mutual Funds in Iranian Capital Market

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Abstract: This study is an attempt to apply the market timing and security selection models to evaluate the performance of Iranian mutual funds. The research shed light on the questions of ‘how successful are mutual funds in earning excess returns over those of the market?’ ‘Do the excess returns during research period have any meaningful trend for these financial intermediaries or is it the result of the ability for active management of portfolio?’ To answer these questions, a sample of 8 mutual funds were chosen to investigate the ability for active management, including market timing & security selection, based on Treynor-Mazuy & Henriksson –Merton model. The results indicated that there is no statistically significant market timing ability in any of these cases, and positive security selection is only observed in two mutual funds.

Keywords: *Active Management, Market Timing Ability, Mutual Fund, Performance Evaluation, Security Selection Ability.*

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Predicting Stock Price Movement Using Support Vector Machine Based on Genetic Algorithm in Tehran Stock Exchange Market

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Abstract: According to recent developments of predicting methods in financial markets, and since the stock price is one of the most important factors for investment decision-making, and its prediction can play an important role in this field, the aim of this study is to provide a model to predict the stock price movement with high accuracy. Accordingly, a hybrid model for predicting the stock price movement using Support Vector Machine (SVM) based on genetic algorithms is presented. Thirty companies from the top 50 companies in Tehran Stock Exchange in 2011 are selected as sample. Then, for each company, 44 variables have been calculated. These variables are the inputs of the hybrid model and are optimized using genetic algorithm. The results show that the hybrid model of Support Vector Machine based on genetic algorithms has better performance in predicting the stock price movement and it has a higher accuracy compared with the simple Support Vector Machine.

Keywords: *Genetic Algorithm, Predicting, Support Vector Machine, Stock Price, Technical Analysis.*

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