

Accepted Manuscript

Costs and benefits of financial regulation: Short-selling bans and transaction taxes

Terje Lensberg, Klaus Reiner Schenk-Hoppé, Dan Ladley

PII: S0378-4266(14)00345-8

DOI: <http://dx.doi.org/10.1016/j.jbankfin.2014.10.014>

Reference: JBF 4590

To appear in: *Journal of Banking & Finance*

Received Date: 10 September 2013

Accepted Date: 31 October 2014



Please cite this article as: Lensberg, T., Schenk-Hoppé, K.R., Ladley, D., Costs and benefits of financial regulation: Short-selling bans and transaction taxes, *Journal of Banking & Finance* (2014), doi: <http://dx.doi.org/10.1016/j.jbankfin.2014.10.014>

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.

Costs and benefits of financial regulation: Short-selling bans and transaction taxes

Terje Lensberg^a
 Klaus Reiner Schenk-Hoppé^b
 Dan Ladley^c

Ms. Ref. No.: JBF-D-13-00999R2
 Revised version: August 28, 2014

Abstract

We quantify the effects of financial regulation in an equilibrium model with delegated portfolio management. Fund managers trade stocks and bonds in an order-driven market, subject to transaction taxes and constraints on short-selling and leverage. Results are obtained on the equilibrium properties of portfolio choice, trading activity, market quality and price dynamics under the different regulations. We find that these measures are neither as beneficial as some politicians believe nor as damaging as many practitioners fear.

Keywords: Financial regulation; portfolio management; market microstructure.

JEL classification: D53; G18; C63.

^aDepartment of Finance, NHH–Norwegian School of Economics, Helleveien 30, 5045 Bergen, Norway. E-mail: terje.lensberg@nhh.no.

^bLeeds University Business School and School of Mathematics, University of Leeds, Leeds LS2 9JT, United Kingdom, and Department of Finance, NHH–Norwegian School of Economics, Helleveien 30, 5045 Bergen, Norway. E-mail: k.r.schenk-hoppe@leeds.ac.uk.

^cDepartment of Economics, University of Leicester, Leicester, LE1 7RH, United Kingdom. E-mail: d.ladley@leicester.ac.uk.

Financial support by the European Commission under the Marie Curie Intra-European Fellowship Programme (grant agreement PIEF-GA-2010-274454) and the Swiss National Center of Competence in Research ‘Financial Valuation and Risk Management’ (NCCR FINRISK) as well as computing time from the Norwegian Metacenter for Computational Science (NOTUR) is gratefully acknowledged. Part of this paper was written during a visit to the Hausdorff Research Institute for Mathematics at the University of Bonn in the framework of the Trimester Program Stochastic Dynamics in Economics and Finance. We thank the reviewers for their helpful comments.

Download English Version:

<https://daneshyari.com/en/article/5088767>

Download Persian Version:

<https://daneshyari.com/article/5088767>

[Daneshyari.com](https://daneshyari.com)