

Difference Systems in Financial Futures Markets

THOMAS ERIC KILCOLLIN

First published: December 1982

<https://doi.org/10.1111/j.1540-6261.1982.tb03611.x>

ABSTRACT

Many financial futures markets allow substitutions for the par grade of security at delivery. Substitutes are deliverable at premiums or discounts—"differences" in commodities parlance—to the futures price. The rule that establishes these differences is called a difference system. This paper characterizes financial futures market equilibrium with yield-based difference systems and investigates particular systems in use. The major finding is that currently used difference systems effectively limit deliverable supply in the futures markets and lead to futures prices which understate the cash market price of the par security.

REFERENCES

1 M. Bailey. "Capital Gains and Income Taxation-. In Harberger and Bailey (eds.), *The Taxation of Income from Capital*, Washington: Brookings Institution: 1969.

| [Google Scholar](#) |

2 E. Elton and M. Gruber. "Marginal Stockholder Tax Rates and the Clientele Effect-. *Review of Economics and Statistics* 52 (February 1970), 64-70.

| [Google Scholar](#) |

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#).

[Manage Preferences](#)

[Accept All](#)

[Reject Non-Essential](#)

5 J. Lakonishok and T. Vermaelen. "Tax Reform and Ex-Dividend Day Behavior". *University of British Columbia Working Paper No. 790* (September 1981).

| [Web of Science®](#) | [Google Scholar](#) |

6 M. Miller and M. Scholes. "Dividends and Taxes: Empirical Evidence". *University of Chicago Working Paper* (1980).

| [Google Scholar](#) |

7 I. Morgan. "Dividends and Stock Price Behavior in Canada-. *Journal of Business Administration* 12 (Fall 1980), 91-107.

| [Google Scholar](#) |

8 A. Protopapadakis. "Some Indirect Evidence on Effective Capital Gains Tax Rates-. *Journal of Business* 56 (April 1983), 127-39.

| [Web of Science®](#) | [Google Scholar](#) |

9 Revenue Canada. *Taxation Statistics*. Ottawa: Supply and Services Canada, (197281).

| [Google Scholar](#) |

10 Revenue Canada. The Income Tax Act: Interpretation Bulletins. Interest and Dividend Income (January 1981), *Taxable Dividends* (June 1978), *Losses on Shares* (March 1979).

| [Google Scholar](#) |

11 J. Williamson. " Canadian Capital Markets. In *Proposals for a Securities Market Law in Canada*, Ottawa: Supply and Services Canada, 1979.

| [Google Scholar](#) |

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)

[Manage Preferences](#)

[Accept All](#)

[Reject Non-Essential](#)

ABOUT WILEY ONLINE LIBRARY

[Privacy Policy](#)

[Terms of Use](#)

[About Cookies](#)

[Manage Cookies](#)

[Accessibility](#)

[Wiley Research DE&I Statement and Publishing Policies](#)

HELP & SUPPORT

[Contact Us](#)

[Training and Support](#)

[DMCA & Reporting Piracy](#)

[Sitemap](#)

OPPORTUNITIES

[Subscription Agents](#)

[Advertisers & Corporate Partners](#)

CONNECT WITH WILEY

[The Wiley Network](#)

[Wiley Press Room](#)

Copyright © 1999-2026 John Wiley & Sons, Inc or related companies. All rights reserved, including rights for text and data mining and training of artificial intelligence technologies or similar technologies.

WILEY

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)

[Manage Preferences](#)

[Accept All](#)

[Reject Non-Essential](#)