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## Evidence on the issuer effect in warrant overpricing

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The authors thank the Securities Industry Research Centre of Asia-Pacific and the Australian Stock Exchange for making available the data used in this research.

## Notes

<sup>1</sup> Institutional details described in this section about warrants and options traded on the ASX are taken from ASX ([2000](#)).

<sup>2</sup> Their other two proxies relate to whether trading was floor- or electronic-based and to whether options traders were obliged to make a market. Neither of these distinctions remain relevant in the prices tested in this study.

<sup>3</sup> Results are not sensitive to using the standard deviation over the past 30 days as an alternative measure of volatility. Both volatility measures are similar having a correlation of 0.91. The exponentially-weighted moving average model was chosen as it places higher weight on more recent observations and is therefore likely to be a better measure of current volatility.

<sup>4</sup>  $F = (S - d)(1 + r)^T$ , where  $S$  is underlying price,  $d$  is present value of cash dividends,  $r$  is interest rate and  $T$  is time to maturity.

<sup>5</sup> Volumes reported in the market have to be adjusted to be consistent. First the warrant volume is adjusted for the conversion ratio. Second the option volume is adjusted to recognise each contract is for 1000 shares.

<sup>6</sup> These series are quarterly. Since daily data are not available, the frequency is equal to five.



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