



“Stock price reactions to information about top managers”

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STOCK PRICE REACTIONS TO INFORMATION ABOUT TOP MANAGERS

Abstract

This article uses an event study to investigate the response of a bank's stock price to information related to these banks' top managers. In the first event, the Vice Chairman of the founding board of Asia Commercial Bank (ACB) was arrested and the Chief Executive Officer (CEO) of this bank was summoned by the police for questioning. The second event related to the immediate resignation of the Chairman of the Board of Directors of Sacombank (STB) after he received a summons from the investigating police agency. Both of these events happened in Vietnam. The research results showed that unanticipated events (the first event) caused the share prices of both banks to react more strongly, and the impact time was longer than the second event. The first event resulted in the cumulative abnormal returns of ACB and STB being -23.6% and -9.1%. The second event has been found to be directly related to STB, but does not significantly affect this stock, but has a significant effect on the abnormal return of ACB ($AR(1) = -4.6\%$). Asymmetric information, inattention and investor fear of event-related losses may explain this phenomenon.

Keywords

abnormal returns, asymmetric information, inattention, top managers, event study

JEL Classification

G01, G14, G21, G40

INTRODUCTION

Information related to top managers of a business always attracts the public's attention, especially investors, because it can affect their asset value. Previous research has shown that top management changes (Warner et al., 1988), a CEO's misbehavior (Worthen & Tam, 2010), and announcing about bankruptcy (Lang & Stulz, 1992) significantly affect stock prices.

Asia Commercial Bank (ACB) and Sacombank (STB) are known as the fourth and eighth largest private banks in Vietnam (Duy & Minh, 2012; Minh & Mair, 2012). In 2012, both banks were faced with events involving their own top managers. These are: the fact that the founder and investor of ACB was arrested and the bank's CEO was questioned by the investigative agency on August 20, 2012 (Anh & Chi, 2012); and the event on November 1, 2012, when the Vietnamese police summoned the Chairman of the Board of Directors of STB for questioning (Nhung & Mien, 2012). These are unexpected and unprecedented events for banks in Vietnam.

Up to now, in Vietnam, research on stock price response has mainly combined all types of corporate information disclosures (Hoang et al., 2020), and more recently, a study on the impact of investor sentiment on stock returns (Phuong, 2021a). Vietnam's stock market is still quite young, so research on top managers of listed companies in this country is still relatively limited. Therefore, this



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article will fill this gap by examining the response of ACB and STB share prices to the two top managers of these two banks in 2012.

The results of this study not only provide empirical evidence of how well a bank's share price responds to an event directly related to it, but also specify the timing of the effects of these events on the stock price. In addition, the study shows the impact of these events on the share prices of other banks in the same group. Finally, the paper also explains how the ACB and STB react to each event, comparing the impact of each event to each stock.

1. LITERATURE REVIEW

Top managers are a group of individuals holding the positions of the Chief Executive Officer (CEO), Chairman of the board, or Chairman/Vice Chairman of the Board of Founders. For listed companies, top management typically consists of two individuals: the Chairman of the Board of Directors and the CEO (Warner et al., 1988).

Unanticipated events on the stock market are based on the idea of an information published in the press that could affect stock prices. It may be information that has not been previously known to the market or information that is foreseen before the time of official announcement.

Previous studies using an event study method have provided empirical evidence that company scandals have a negative impact on stock prices. These scandals can be an announcement of bankruptcy (Lang & Stulz, 1992), accounting fraud information or the announcement of an earnings report adjustment (Kuhn & Ashcraft, 2003), a change in the top managers of the company (Warner et al., 1988), and CEO inappropriate behavior (Worthen & Tam, 2010).

Lang and Stulz (1992) studied 59 bankruptcy notices of companies of various industries in the United States from January 1970 to December 1989. The results show that when a company in the industry is announced bankrupt, the weighted portfolio of the rest of that industry falls by 1%. Lang and Stulz (1992) conclude that in general, bankruptcy notices will pass through and influence competition within the industry. In particular, companies with high levels of debt are most negatively affected, in contrast, industries with high concentrations and companies with low leverage react positively to the bankruptcy's an-

nouncement of a competitor.

To find a link between a company's stock returns and changes in top management, Warner et al. (1988) studied 269 NYSE and AMEX listed companies in 1962. Using the event research approach to the logit model, Warner et al. (1988) found an inverse relationship between the probability of a board change and the performance of a holding company. However, when shared performance is extremely good or bad, the logit models are unpredictable. This means that stock prices have no response to top management's announcement. Worthen and Tam (2010) pointed out the embarrassing behavior of a CEO exposed in the press in 2010 that led to the resignation of this leader and the share price of Hewlett-Packard Co. 8.30% decrease.

During the period November 1, 1995 to December 31, 1999, Palmrose et al. (2004) studied 403 events related to the types of regulatory announcements published on the US stock market. Three types of modifiable claims (Palmrose et al., 2004) include adjustments to earnings on financial statements, earnings forecast adjustments, and analyst buying and selling price forecasts. Palmrose et al. (2004) showed a 9% decline in extraordinary returns in two days after the event date. Adjustment notices related to financial reporting fraud made earnings even more negative.

Agrawal and Chadha (2005) studied 318 US public companies and revised the incomes and governance characteristics of these firms. The results show that the higher probability of the earnings report adjustment is for companies that the family CEO founded, the lower probability of adjustment in companies with a board of directors, or the audit committee has an independent director with financial expertise. The results of Agrawal and

Chadha (2005) are consistent with the view that independent directors with financial expertise are valuable in monitoring a company's financial reporting practices.

The bad news of a bank also caused the stock price of the banking industry to be negatively affected to different levels. Lamy and Thompson (1986) studied the impact of a 1982 bank bankruptcy event of Penn Square in Oklahoma on US banks. The bad news caused the banking sector to return abnormally to negative levels of about 1% on the day Penn Square closed. Lamy and Thompson (1986) argued that although Penn Square was only an average bank, its bankruptcy had a negative impact on the entire banking industry due to market concerns about its relationships with other banks. Using a sample of 112 US banks, Grammatikos and Saunders (1988) show that in 1987, information on Citicorp's non-recoverable debt from the Latin America area increased only with very negative effects, negligible for the margins of the banks in the sample.

Asymmetric information, inattention and investor fear are often used to explain the response to unforeseen events. Fast and accurate information is a huge advantage when participating in the stock market. Information asymmetry exists when different groups of investors possess different levels of information. Therefore, to solve the problem of asymmetric information, companies need to improve the efficiency of information disclosures (Brown & Hillegeist, 2007; Heflin et al., 2005). Inattention is often related to limited cognitive resources (Kahneman, 1973), especially for individual investors. Due to limited resources, individual investors often have slow access to information and limited information and skills, so they often react poorly to information. For example, if the earnings report deadline is too long, the investor's limited attention to post-earnings announcement will be stronger than average (Chan et al., 1996), when available many companies publish their financial statements on the same day, stock prices react lower on this date and are more reactive in the future (Hirshleifer et al., 2009). Concerning investor fears, Huang and Wang (2017) claim that when investor fears increase, they react faster to bad news than good news, and when their fears subside, they react more quickly to the good news.

2. METHOD

To investigate the responses of ACB and STB to each event, the event research method of McWilliams and Siegel (1997) is used. According to McWilliams and Siegel (1997), the factors that need to be determined when using this method are event date, event window, abnormal return calculation, test statistics, calculation of cumulative abnormal returns and test statistics. Therefore, these factors will be detailed in the research methodology section.

2.1. Event date

In 2012, in Vietnam, there were two scandals about the banking industry involving senior leaders of large banks.

The first scandal occurred on the evening of August 20, 2012. The vice chairman of the founding council of ACB was arrested, and the general director of this bank was invited by the police for questioning (Anh & Chi, 2012). According to the 2011 ACB annual report, the founding council was established by the General Meeting of Shareholders to advise the Board of Directors and the Board of Management in the process of bank management and administration (ACB, 2011). On August 23, 2012, the Executive Director of ACB resigned, and on the evening of the same day he was arrested and detained for willful violation of the State's regulations on economic management, causing serious consequences (Hoa, 2012). It can be said that within a few days, two senior leaders of ACB were arrested, and all time was at night when the stock market was no longer trading. Therefore, this article will use August 21, 2012 as the event date for three reasons. First, since the time of detention of bank leaders is regular in the evening when the stock market is no longer trading, the reaction of the stock price will be reflected on the next trading day. Second, on August 20, 2012, ACB's CEO was invited to question by the police and he was officially arrested on August 23, 2012, so the scandalous news about him was partially reflected in the stock price in the period between these two dates. Third, to reflect the reaction of stock prices to the ACB bank-related event at the end of August 2012, the event window should widen longer after August 23, 2012.

The second scandal in the Vietnamese banking industry in 2012 occurred more than two months after the first. On November 1, 2012, the Chairman of the Board of Directors of STB was summoned by the Vietnamese police investigation agency. On November 2, 2012, according to the resolution of the Board of Directors of STB, the Chairman of the Board of Directors of this bank resigned his position (Chi & Lan 2012; Chi, 2012), and on November 4, 2012, the media reported that this former leader had returned home after being summoned by the investigative agency (Tuoitre, 2012). Therefore, the second event used in this article is November 1, 2012.

Event date: Select the time when the two events occurred. This section article describes the evolution of two events so that readers can understand the psychology of investors when the information is released.

2.2. Event window

The two events are separated by more than two months, so to separate the impact of each event on the stock price, the article will choose the distance between the two event windows not too close together. This method was used by Phuong (2021b, 2021c) when studying the impact of the COVID-19 pandemic on the stock price response in the Vietnamese stock market. Therefore, both events in this post are used 10 days before the event and 10 days after the event occurred, so the event window period is [-10; 10]. Using this event window, it is possible to check the stock price's response to each event and compare two events with each other.

Event window: Select a time period to quantify the impact of each event on the stock return of the two banks involved.

2.3. Calculation of abnormal returns and test statistics

To calculate the abnormal return, the rate of return for each share on date t must be calculated as follows:

$$R_{it} = \alpha_i + \beta_i R_{mt} + \varepsilon_{it}, \quad (1)$$

where R_{it} is the rate of return for stock i at date t , $i = ACB; STB$; R_{mt} is the rate of return of the market portfolio at day t , using the VNIndex as a proxy for the overall market portfolio; α_i is the intercept of stock i ; β_i is the systemic risk of stock i ; and ε_{it} is the error term, with $E(\varepsilon_{it}) = 0$.

Using 250 observations before starting the event window to regress the OLS (using equation (1)) will determine the coefficients α_i and β_i for each share of ACB and STB.

Based on these results, it is possible to calculate the daily abnormal return for each company:

$$AR_{it} = R_{it} - (\alpha_i + \beta_i R_{mt}). \quad (2)$$

AR is the abnormal return calculated by the real return minus the expected return. It represents the return stock i earned after adjusting the "normal" return process. Statistical testing is done with each abnormal return of each stock. If the test is statistically significant for abnormal return at any date, stock i has reacted to the emergence of new information.

2.4. Calculation of cumulative abnormal returns and test statistics

To calculate the cumulative abnormal return, the standardized abnormal return must be determined as follows:

$$SAR_{it} = AR_{it} / SD_{it}, \quad (3)$$

with

$$SD_{it} = \left(S_i^2 \frac{1 + 1/T (R_{mt} - R_m)^2}{\sum_{t=1}^T (R_{mt} - R_m)^2} \right)^{0.5}, \quad (4)$$

where S_i^2 is the residual variance from equation (1) for stock i ; R_m is the average return of the VNIndex calculated over the estimation period; T is the number of days in the estimated period.

The standardized abnormal return is used to calculate cumulative abnormal returns:

$$CAR_i = (1/\sqrt{k}) \sum_{t=1}^k SAR_{it}, \quad (5)$$

where k is the event window, $k = [-10; +10]$.

Statistical testing is done for each cumulative abnormal return of each stock. If the test is statistically significant, the cumulative abnormal return is different from the expected value. In other words, information on an event significantly affects a stock's value.

3. RESULTS

Figures 1 and 3 show that cumulative abnormal returns of ACB and STB plummeted when the first event was announced, but the magnitude of the declines of the two stocks was different. From the event date to August 23, 2012, STB's cumulative abnormal return was $CAR(0;2) = -8.9\%$ and $CAR[-10;2] = -17.9\%$ then recovered again; and until August 29, 2012, the lowest cumulative abnormal return of this stock is $CAR(0;6) = -9.1\%$ and $CAR[-10;6] = -18.1\%$. The reaction of ACB's price to the first event is much stronger than that of STB.

From the event date to August 23, 2012, ACB's accumulated abnormal profit was $CAR(0;2) =$

-13.6% and $CAR[-10;2] = -21.6\%$ and then recovered to $CAR(0;3) = -9.8\%$ on 24/8/2012 with $CAR[-10;3] = -17.7\%$, but then fell to the lowest on August 28, 2012 with $CAR(0;5) = -23.6\%$ and $CAR[-10;5] = -31.6\%$. A comparison of the cumulative abnormal returns of ACB and STB shows that both stocks plummeted through August 23, 2012 and recovered on August 24, 2012 and fell for a second session in the event window. In both phases, ACB suffered much more than STB.

Figures 2 and 4 show cumulative abnormal returns for ACB and STB for the second event. For STB, the cumulative abnormal returns were less than zero from October 18, 2012 ($t = -10$), before the second event was announced, and the continuous decline until November 15, 2012 was -9.7% . For ACB, the lowest cumulative abnormal returns on November 2, 2012 were $CAR[-10;2] = -8.8\%$ and $CAR(0;2) = -3.4\%$ then quickly recovered to $CAR[-10;7] = -3.4\%$ and $CAR(0;7) = 0.8\%$ on November 12, 2012. It can be seen that for the second event, ACB had a strong reaction but al-

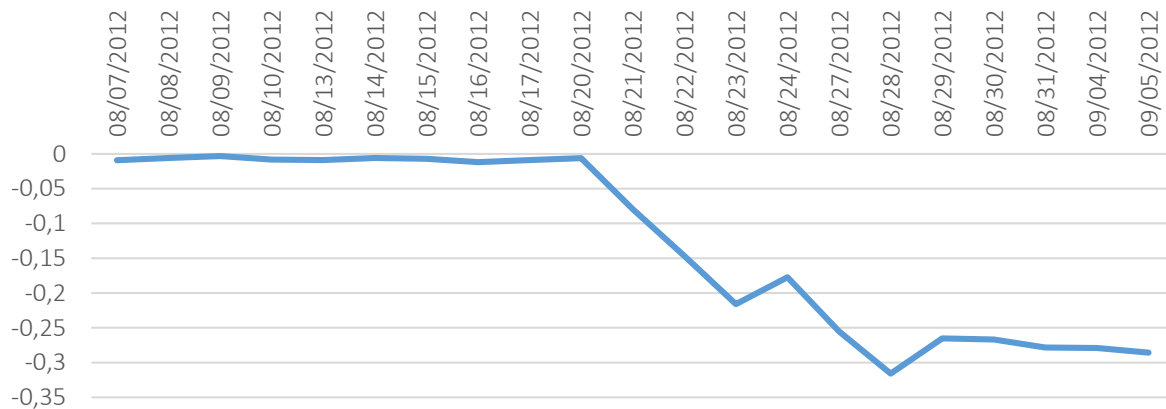


Figure 1. ACB's CAR [-10;10] for the first event in 2012

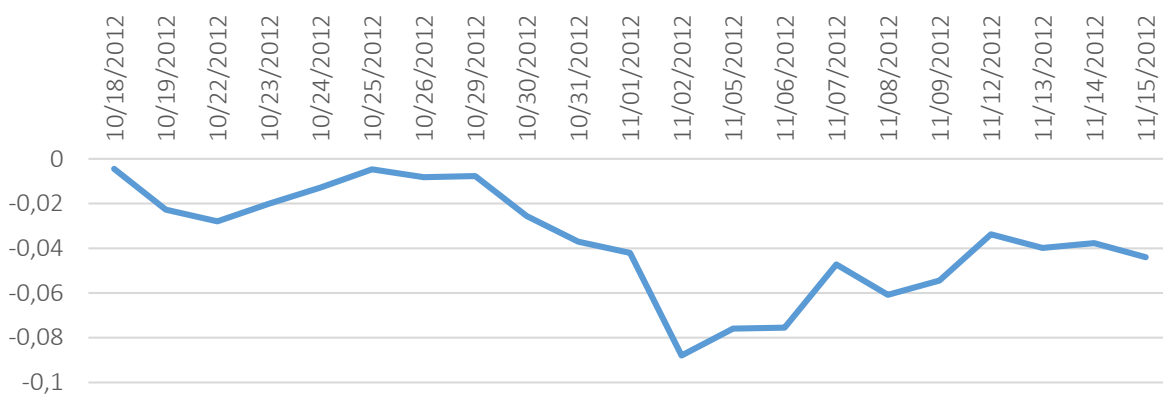


Figure 2. ACB's CAR [-10;10] for the second event in 2012

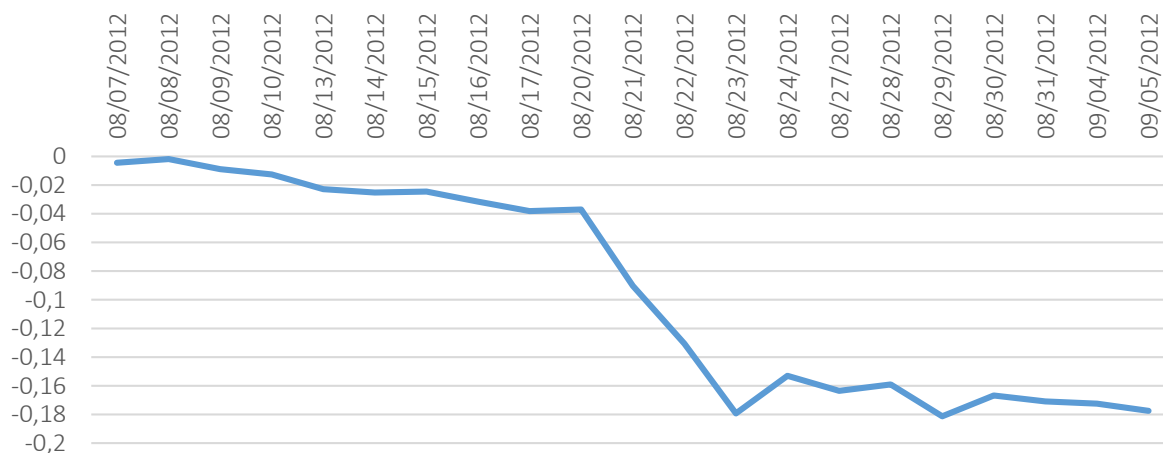


Figure 3. STB's CAR [-10;10] for the first event in 2012

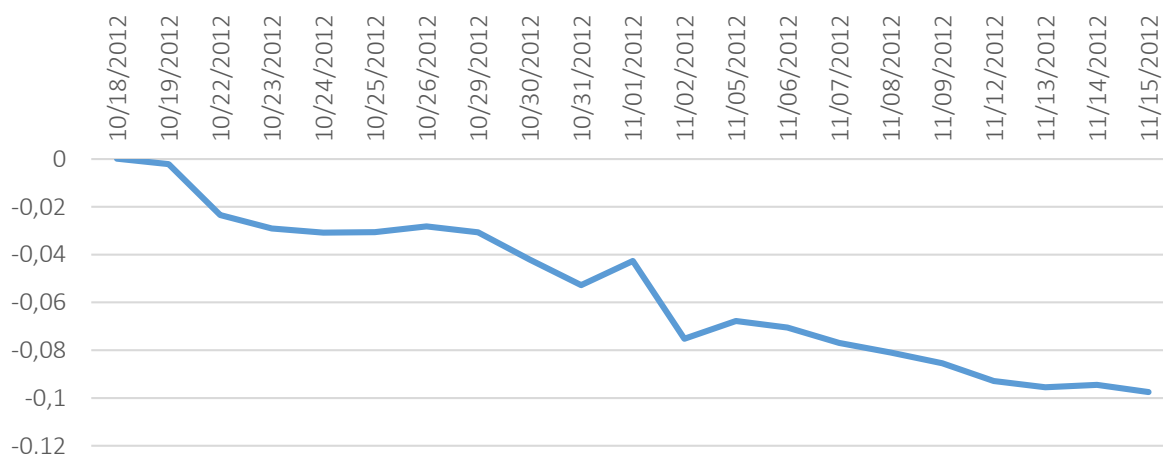


Figure 4. STB's CAR [-10;10] for the second event in 2012

so quickly recovered, STB was not as strong as ACB but decreased slowly throughout the entire window.

3.1. The first event related to ACB

The fact that ACB's Vice Chairman of the Founding Council was arrested and the CEO was invited to work with an investigation agency on the same day affected the bank's share price.

At the event date, ACB's abnormal return was -7.3%, STB's was -5.3%, and both were statistically significant. This shows that the information released on August 21, 2012 is only about ACB stock but has affected the stock price of not only this bank's stock but also STB's stock price.

After the event date, the abnormal returns of ACB for a value greater than zero on day $t = 3$ (AR = 3.9%) and $t = 6$ (AR = 5.1%) are statistically significant, and in the event window, this stock's abnormal returns are less than zero. Specifically, at date $t = 4$, the abnormal return of ACB is -7.8%, with the greatest absolute value and is statistically significant. Meanwhile, on day $t = 1, 2, 5$, abnormal returns are negative and have absolute value less than 7%. Except for the cumulative abnormal returns at date $t = 1$, which is not statistically significant, the remaining days after August 21, 2012 of ACB's cumulative abnormal returns are statistically significant at 1%. After the event date, ACB's cumulative abnormal returns are all negative, with $CAR(0; 5) = -23.6\%$ being minimum in the event window. This indicates the infamous news about top managers of ACB that caused the bank's share price to plunge.

Table 1. Results of abnormal returns and cumulative abnormal returns of ACB

Source: Author's calculations.

t	August 21, 2012				November 1, 2012			
	t		[-t; 0]		t		[-t; 0]	
	AR	t-test	CAR	t-test	AR	t-test	CAR	t-test
-10	-0.009	-0.512	-0.006	-0.109	-0.004	-0.210	-0.037	-0.662
-9	0.003	0.175	0.003	0.056	-0.018	-0.859	-0.033	-0.614
-8	0.003	0.163	0.000	-0.003	-0.005	-0.244	-0.014	-0.286
-7	-0.005	-0.284	-0.003	-0.065	0.008	0.370	-0.009	-0.195
-6	-0.001	-0.038	0.002	0.046	0.007	0.341	-0.017	-0.392
-5	0.003	0.166	0.003	0.068	0.008	0.381	-0.024	-0.612
-4	-0.001	-0.067	0.000	-0.008	-0.004	-0.165	-0.032	-0.914
-3	-0.005	-0.271	0.001	0.030	0.001	0.026	-0.029	-0.941
-2	0.003	0.170	0.006	0.229	-0.018	-0.845	-0.029	-1.175
-1	0.003	0.154	-	-	-0.011	-0.537	-	-
t	t		(0; t]		t		(0; t]	
	AR	t-test	CAR	t-test	AR	t-test	CAR	t-test
0	-0.073	-4.091***	-	-	-0.005	-0.235	-	-
1	-0.067	-3.759***	-	-	-0.046	-2.158**	-	-
2	-0.069	-3.858***	-0.136	-5.397***	0.012	0.564	-0.034	-1.356
3	0.039	2.152**	-0.098	-3.161***	0.000	0.022	-0.033	-1.092
4	-0.078	-4.347***	-0.176	-4.916***	0.028	1.328	-0.005	-0.147
5	-0.060	-3.377***	-0.236	-5.911***	-0.014	-0.638	-0.019	-0.475
6	0.051	2.820***	-0.186	-4.242***	0.006	0.299	-0.012	-0.287
7	-0.002	-0.095	-0.187	-3.964***	0.021	0.973	0.008	0.177
8	-0.011	-0.635	-0.199	-3.933***	-0.006	-0.286	0.002	0.044
9	-0.001	-0.039	-0.200	-3.721***	0.002	0.102	0.004	0.082
10	-0.007	-0.369	-0.206	-3.647***	-0.006	-0.297	-0.002	-0.035

Note: *, **, and *** are significance at the 10%, 5% and 1% levels, respectively.

Table 2. Results of abnormal returns and cumulative abnormal returns of STB

Source: Author's calculations.

t	August 21, 2012				November 1, 2012			
	t		[-t; 0]		t		[-t; 0]	
	AR	t-test	CAR	t-test	AR	t-test	CAR	t-test
-10	-0.004	-0.210	-0.037	-0.562	0.000	0.007	-0.053	-0.788
-9	0.002	0.119	-0.033	-0.522	-0.002	-0.108	-0.053	-0.833
-8	-0.007	-0.333	-0.035	-0.596	-0.021	-1.006	-0.051	-0.845
-7	-0.004	-0.176	-0.028	-0.511	-0.006	-0.264	-0.029	-0.523
-6	-0.010	-0.490	-0.025	-0.480	-0.002	-0.083	-0.024	-0.457
-5	-0.002	-0.116	-0.014	-0.306	0.000	0.010	-0.022	-0.464
-4	0.001	0.036	-0.012	-0.283	0.002	0.114	-0.022	-0.523
-3	-0.007	-0.340	-0.013	-0.348	-0.002	-0.118	-0.025	-0.670
-2	-0.007	-0.314	-0.005	-0.186	-0.011	-0.537	-0.022	-0.737
-1	0.001	0.052	-	-	-0.011	-0.505	-	-
t	t		(0; t]		t		(0; t]	
	AR	t-test	CAR	t-test	AR	t-test	CAR	t-test
0	-0.053	-2.547*	-	-	0.010	0.477	-	-
1	-0.040	-1.923*	-	-	-0.033	-1.537	-	-
2	-0.049	-2.325**	-0.089	-3.010***	0.007	0.352	-0.025	-0.838
3	0.026	1.252	-0.063	-1.734*	-0.003	-0.128	-0.028	-0.758
4	-0.010	-0.500	-0.073	-1.752*	-0.006	-0.303	-0.034	-0.808
5	0.004	0.210	-0.069	-1.473	-0.004	-0.191	-0.038	-0.808
6	-0.022	-1.059	-0.091	-1.778*	-0.005	-0.213	-0.043	-0.825
7	0.014	0.693	-0.076	-1.383	-0.007	-0.351	-0.050	-0.897
8	-0.004	-0.199	-0.081	-1.365	-0.003	-0.122	-0.053	-0.882
9	-0.002	-0.075	-0.082	-1.312	0.001	0.048	-0.052	-0.816
10	-0.005	-0.241	-0.087	-1.321	-0.003	-0.141	-0.055	-0.818

Note: *, **, and *** are significance at the 10%, 5% and 1% levels, respectively.

After the events related to ACB, STB's share price was also impacted by abnormal returns and cumulative abnormal returns. STB has abnormal returns $AR(1) = -4\%$, $AR(2) = 4.9\%$, and cumulative abnormal returns $CAR(0; 2] = -8.9\%$, $CAR(0; 3] = -6.3\%$; $CAR(0; 4] = -7.3\%$; $CAR(0; 6] = -9.1\%$, both are statistically significant. This shows that, despite the scandalous news related to the ACB, this information also negatively affected the stock price of the STB.

3.2. The second event related to STB

Neither the abnormal returns, nor the cumulative abnormal returns of STB were statistically significant in the event window from $[-10; 0]$ to $[-10; 10]$, when the November 1, 2012 event was announced. However, this event gave abnormal ACB returns as $AR(1) = -4.6\%$ and statistically significant at 5%. This result is quite interesting as the news released on November 1, 2012 is directly related to the STB's top management, but it has a negligible effect on the stock but a significant impact on ACB's stock.

4. DISCUSSION

4.1. The first event related to ACB

A scandalous event involving two senior ACB leaders caused both ACB and STB share prices to plummet. This is reflected in abnormal returns and cumulative abnormal returns.

If we compare the impact of the first event on the stock prices of the two banks, then starting from August 21, 2012, the price of ACB was affected more strongly and had a longer lasting effect than that of STB.

4.1.1. About the level of impact

STB's abnormal returns are highest on the event day when $AR(0) = -5.3\%$ and statistically significant 10%, the rest of the stock's abnormal returns are lower than 5%. Abnormal returns of ACB are most negative on day $t = 4$ with $AR(4) = -7.8\%$, followed by day $t = 0$ with $AR(0) = -7.3\%$, on the rest of the days, abnormal returns of this stock are

all lower than 7%. It is clear that ACB's price has a stronger negative impact than STB's price.

4.1.2. About impact time

The statistically significant return of ACB in the period from $t = 0$ to $t = 6$ is greater than the period from $t = 0$ to $t = 2$ of STB's stocks. Similarly, ACB's statistically significant cumulative abnormal returns from $CAR(0; 2]$ to $CAR(0; 10]$ were longer than STB's stock, which was only statistically significant at $CAR(0; 6]$.

ACB's stock is negatively affected both in magnitude and duration, compared to STB stock, which is logical and is explained by three reasons. First, the first event was directly related to ACB's top management, while STB was only indirectly affected by this event. Therefore, the abnormal returns $AR^{ACB}(0) = -7.3\% < AR^{STB}(0) = -5.3\%$. Secondly, after the event date, ACB price continued to be negatively affected by the news of the arrest of the bank's chief executive, so investor fear increased as concerns about negative news related to ACB have not yet stopped. Hence, ACB's abnormal returns was -7.8% on day $t = 4$, while the price of STB started to recover from day $t = 3$. ACB's price decreased by 23.6% ($CAR(0; 5]$) was much stronger than with a decrease of 9.1% for STB ($CAR(0; 6]$). Third, STB's leadership quickly announced the ownership ratio of ACB's vice chairman of the founding board of this bank's shares, so it solved the issue of asymmetric information and lack of investor attention. Before the arrest, the market believed that the vice chairman of the founding council of ACB was a major shareholder in many banks in Vietnam (Tien, 2012). Therefore, as soon as information related to the ACB top management was disclosed, the CEO of STB promptly confirmed that the arrested leader does not currently hold the bank's shares (Tien, 2012). The confirmation of STB's leadership helped this stock quickly return to normal status as it has solved the original concerns of shareholders holding this stock.

4.2. The second event related to STB

The news of the resignation of the Chairman of the Board of Directors, coinciding with the date of his invitation to work by the investigating authority,

had a negative impact on ACB's stock, but did not have a significant impact on the stock of STB – an interesting finding of this study.

This result can be explained by the fact that the size of STB is smaller than that of ACB, and also by the psychological reaction of current shareholders of these two banks.

For STB's shareholders, the news of the resignation of STB's Chairman of the Board of Directors was not surprising to the bank's shareholders because his foreseen decision was mentioned in the discussion in Annual General Meeting (AGM) of Shareholders on May 26, 2012.

In addition, after the AGM, this leader authorized the management of STB's vice chairman of the Board of Directors cum General Director (Chi & Lan, 2012).

When STB announced that STB's Chairman of the Board of Directors was invited to work by the investigating agency, they also announced that the bank had a new chairman of the Board of Directors and that his 9 months 2012 business results still has a pre-tax profit of VND 2,200 billion (Chi & Lan, 2012; Chi, 2012). It is the proactive in disclosing information that has helped STB's shareholders to have a more stable sentiment, avoiding the

opposite choice due to asymmetric information and lack of attention caused when receiving information on November 1, 2012.

For ACB's shareholders, it is possible that investors have tacitly linked the November 1, 2012 event with earlier information about the CEO of ACB that was initially invited to work with the investigating agency and then he was detained. Besides, it is possible that investors have faced information asymmetry issue and limited attention to event about STB. Since the decision to resign from the position of the Chairman of the STB's Board of Directors was shared directly at the bank's AGM, but was not recorded in the minutes, investors who were not present at this meeting might not know this information. Moreover, the price of ACB dropped 23.6% over the week, as the first event seems to still haunt ACB shareholders so much that they reacted more quickly and decisively to the new scandalous news. These reasons explain why the price of ACB decreased by 4.6% for information related to STB top management on November 1, 2012. However, when the media confirmed that the former Chairman of the Board of Directors of STB had returned home after working with the investigating agency, the abnormal return of ACB was greater than zero, but was not statistically significant.

CONCLUSION

To explore how stock prices react to top management-related announcements, the study uses two events related to the ACB and STB that occurred in 2012. On August 20, 2012, the vice chairman of the founding council of ACB was arrested, and the bank's chief executive was invited to work by the police. On November 1, 2012, the Chairman of the Board of Directors of STB was invited to work with the investigating body. The results showed that the first event had a significant negative impact on the abnormal returns and cumulative abnormal returns of both ACB and STB. Specifically, the abnormal return is -7.3% for ACB and -5.3% for STB at the event date, the cumulative abnormal return is -23.6% for ACB at CAR (0; 5] and -9.1% for STB at CAR (0; 6]. An interesting finding of the study is that while the second event is directly related to STB, it has no significant effect on the abnormal returns and cumulative abnormal returns on this stock. On the contrary, it made ACB's abnormal return of -4.6% at AR (1). This can be explained by asymmetric information and limited attention paid to STB, as well as investors' fear of losing money at a previous ACB event.

This paper mainly focuses on the responses of ACB and STB to information directly related to the top management of these two banks and the impact of the two events on each bank. Since the banking industry is an industry that accounts for a large proportion of the market capitalization of the Vietnamese stock market, the next line of research can expand this study by considering the impact of events similar in size to banking or inter-sector spreads.

AUTHOR CONTRIBUTIONS

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