efl quarterly 04|2014

AN E-FINANCE LAB PUBLICATION

efinancelab

at the HOUSE OF FINANCE

Global Legal Entity Identifier (Foundation)

Improving Job Performance in Mobile Work Environments through Mindful Organizing

The Development of German Installment Loans among the Elderly

Regulation impedes Investment Advice in Shares – A Survey

Deutsche Bank | Deutsche Börse Group | DZ BANK Gruppe | finanz informatik | IBM | T-Systems | 360T Trading Networks | Interactive Data

GOETHE UNIVERSITÄT FRANKFURT AM MAIN

TECHNISCHE UNIVERSITÄT DARMSTADT

Impressum

Redaktion
Prof. Dr. Peter Gomber
M. Sc. Jascha-Alexander Koch
Dr.-Ing. Christoph Rensing

Herausgeber
Prof. Dr. Wolfgang König
Vorstandsvorsitzender des E-Finance Lab
Frankfurt am Main e. V.
Prof. Dr. Peter Gomber
Stellvertretender Vorstandsvorsitzender des E-Finance Lab
Frankfurt am Main e. V.

Kontakt
info@efinancelab.com
www.efinancelab.com

Gestaltung
Novensis Communication GmbH
Bad Homburg

4. Ausgabe, 2014
Auflage 1.600 Stück

Copyright © by E-Finance Lab Frankfurt am Main e. V.

Printed in Germany
ISSN 1866-1238

Editorial

Global Legal Entity Identifier (Foundation)

Wolfgang König

Prof. Dr. Wolfgang König
Chairman of the E-Finance Lab
Goethe University Frankfurt am Main

Stable financial markets, transparent financial transactions, sound risk management in banks – these are all objectives towards which we in the E-Finance Lab as well as in the House of Finance and in the SAFE research program (Sustainable Architecture for Finance in Europe) aim to make a profound contribution. Therefore, it will come as no surprise that we are involved in one of the currently most ambitious international regulatory projects seeking to achieve these goals: GLEIS, the "Global Legal Entity Identifier System" recently pushed forward by the inaugural meeting of its same-named foundation (GLEIF), which I was able to attend as the German member of the Supervisory Board, which consists of 16 persons.

GLEIS is a Financial Stability Board (FSB) initiative endorsed by the G20 leaders. It involves "Legal Entity Identifiers" (LEIs), namely the 20-digit alphanumeric codes which will be assigned to the contracting parties of financial transactions, such as banks, investment funds, or asset managers, in order to enable clear and unique identification. In this way, transactions will become more transparent. In other words: the LEI System will lay the foundation to draw a global risk map that displays the transfer of risks between market actors, as identified by the LEIs.

Of course, particular large international organizations will have much more than just one LEI (otherwise we could not appropriately differentiate and aggregate systemic risks) – we expect thousands of legal entities that are to be provided LEIs in such houses. And the LEIs will be provided to the public free of property rights restrictions.

The benefit for regulatory authorities is obvious. The system will improve the detection of risks and, thus, ease supervisory tasks. Furthermore, it will simplify the collection, adjustment and transfer of data and therefore the contracting parties' controlling and accounting activities, which, in turn, will naturally lower costs for the financial services industry.

The implementation of the GLEIS regarding the organizational form of a Public-Private Partnership (PPP) has already begun. At present, there are about 300,000 LEIs in issuance, recognized by the Regulatory Oversight Committee (ROC), which includes the U.S. Commodity Futures Trading Commission, the Deutsche Bundesbank, and BaFin, Germany's financial regulator. If you want to trade derivatives in the European Union, LEIs are already required.

The architecture of the inaugural GLEIS will be a federative one, comprising a Central Operating Unit (COU) that – aside of regular business and reporting obligations of the foundation – ties databases of prospectively several tens of world-wide distributed Local Operating Units (LOUs) together via common communication standards, common file formats, and common process specifications. Moreover, common auditing standards and, in the end, some common way of developing the business have to be applied. Of course, there are still profound challenges to overcome, in particular in terms of quality management.

Jean-Claude Trichet, the former president of the European Central Bank, was already very early an emphatic supporter of these concepts and condensed in 2010 his thoughts in four short statements:

- Each one of us needs it.
- No one can do it for themselves.
- There can only be one of it; hence
- we must do it together.

And what are the benefits for research? Apparently, standardized data and standardized processes on global financial trade will provide researchers – and also practitioners in the field – new opportunities to analyze transactions and the transfer of risk. Scholars and management staff will be in a much better position to test and improve their assumptions, models, predictions, and warnings than without GLEIS. Hence, we consider our commitment to the GLEIF that is tasked with designing, implementing, and supervising the GLEIS not only as a contribution towards improving the regulation of financial markets but also towards advancing research on finance and IT.

Research Report

Improving Job Performance in Mobile Work Environments through Mindful Organizing

ORGANIZATIONAL MINDFULNESS (OM) SUPPORTS THE MANAGEMENT AND EMPLOYEES WORKING IN THE INCREASINGLY DYNAMIC WORK ENVIRONMENTS DRIVEN BY CLOUD COMPUTING OR MOBILE DEVICES. SPECIFICALLY, IN MINDFUL ORGANIZATIONS, SUCH AS FINANCIAL INSTITUTIONS, RELIABLE OUTCOMES ARISE FROM OM IN THE FACE OF COMPLEX INFORMATION SYSTEMS. HOWEVER, EXTANT IS RESEARCH HAS DISREGARDED THE MULTILEVEL STRUCTURE OF MINDFULNESS, ESPECIALLY THE IMPORTANCE OF MINDFUL ORGANIZING (MO) ON LOWER HIERARCHICAL LEVELS. BASED ON DATA FROM 256 USERS OF AN ORGANIZATION WIDE CLOUD-BASED DESKTOP-AS-A-SERVICE SYSTEM, WE FOUND A SIGNIFICANTLY POSITIVE INFLUENCE OF THE COMBINATION OF OM AND MO AS WELL AS DIFFERENTIAL EFFECTS FOR BOTH ON JOB PERFORMANCE.

Sabine Dernbecher

Marten Risius

Roman Beck

Introduction

Equipped with the necessary technologies for working independently from location, office hours, and devices, by 2015 the mobile workforce will represent almost forty percent of the world's working population. Especially in the dynamic financial services sector, organizations and employees are requested to work independently from time and place. Hereby, today's information technology (IT) industry carries out a profound shift towards a level of technology that is characterized by mobile devices, apps and cloud services. As a consequence, management and employees using these mobile technologies are confronted with increasingly decoupled working structures entailing requirements regarding their capabilities in mobile work, e.g., the decrease in the exchange of informal information due to a decline in face-to-face communication or globally distributed teams requiring a high degree of freedom to organize their work (Beck et al., 2011). One potential starting point to integrate these increasingly loose ties and to cope with the dynamic work environment is organizational mindfulness (OM) (Beck et al., 2011). Essentially, OM is reflected by cognitive processes within an organization of revealing and redirecting new events and their consequences. Specifically, mindfulness can contribute to handling the challenges of dynamic work by improving an employee's cognitive flexibility or by coping with the fading boundaries of an office environment through building situational awareness. As prior research has shown in a dynamic service industry context, mindfulness can increase job performance.

Existing studies on OM were conducted among top level managers and senior IT decision makers, such as CEOs, CIOs, or managing directors, while others investigated OM across project participants, such as project managers, developers, project team members and users. What is missing is a differentiation between the effects of OM depending on the hierarchical level of analysis. Thus, we argue for a more nuanced view regarding OM in IS research. Hereby, we understand OM as top-down processes in which leaders facilitate an enduring, mindful environment. In contrast, Mindful Organizing (MO) reflects the bottom-up processes, which emerge among employees who think and act in this work environment (Vogus and Sutcliffe, 2012). To investigate this assumption we study the distinguishable effects of OM and MO on job performance depending on the hierarchical level of employees in a Desktop-as-a-Service (DaaS) enabled mobile work environment.

Theoretical Background

The concept of mindfulness was initially established by Langer (1989) at the individual level. As a cognitive state of dynamic, rich awareness, mindfulness is based on continuously creating new categories, responsiveness to new information, and examining a perspective from multiple views. Primarily drawing on high-reliability organizations (e.g., nuclear power plants or aircraft carriers) mindfulness was transferred to the organizational level. Due to the criticality of errors and their consequences in highly reliable organizations, learning by trial and error is intolerable. In essence, instead of grounding their reliability on highly standardized routines, researchers argue that the reliability of organizations exhibiting mindfulness results from the stability in the cognitive processes of revealing and redirecting new events and their erroneous consequences. Mindfulness is generally characterized by five cognitive processes which can be subsumed under an organization's capability to discover and manage unexpected events: (1) preoccupation with failure, (2) reluctance to simplify interpretations, (3) sensitivity to operations, (4) commitment to resilience, and (5) underspecification of structures/deference to expertise.

Vogus and Sutcliffe (2012) reconcile extant literature on OM and elaborate on MO at a distinct hierarchical level of analysis. In so doing, they emphasize that a multi-hierarchical analysis is inevitable for an organizational phenomenon, such as OM, although prior research has focused on one hierarchical level at a time only. In particular, OM evolves from top-down processes in which leaders facilitate an enduring environment for thinking and taking actions, subsequently leading to strategic outcomes. On the contrary, MO as bottom-up processes can be allocated at the employees' level (also described as frontline level by Vogus and Sutcliffe (2012)), resulting in operational outcomes. Moreover, MO emerges from ongoing interactions among individuals and collectives as a dynamic, social process rather than being inherent to them. In this dyadic relationship, middle management serves as catalyst, translating and channeling OM to MO and vice versa. Accordingly, despite analyzing isolated hierarchical levels, research on mindfulness requires an integrative view across all organizational levels. Thus, we analyze the combined effectiveness (H1) and distinct impacts of OM (H2) and MO (H3) measured on different hierarchical levels on job performance (see Figure 1).

Empirical Study – Mindfulness in a DaaS working environment

We conducted a survey among 256 users of a DaaS system implemented in a German State Ministry of Justice in April 2013. As "reliability seeking" public organizations in an interactive complex environment, legal executive agencies have to avoid serious negative ramifications of errors when providing services to citizens. In essence, DaaS encompasses users remotely accessing a virtualized desktop environment via devices such as thin clients, whereas the data is centrally processed in a data center or cloud.

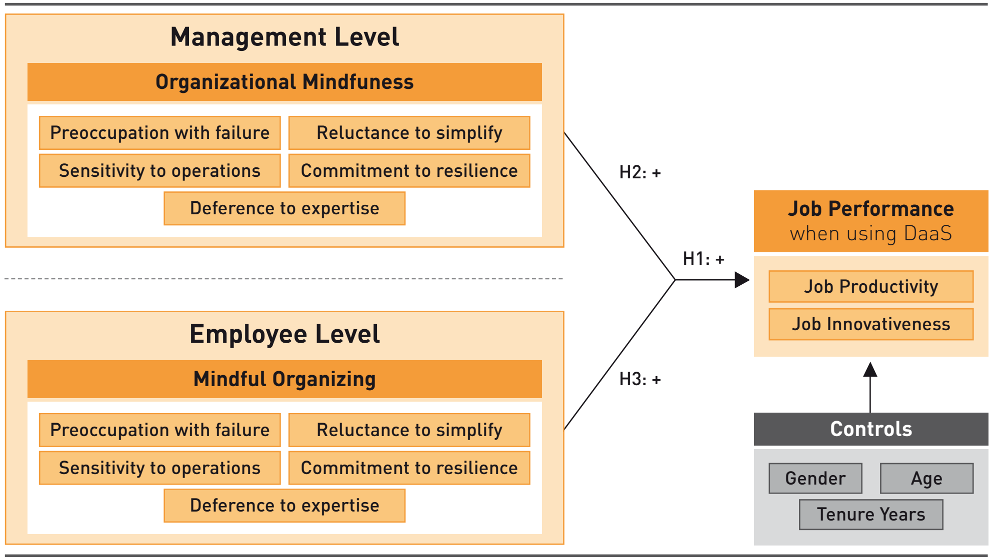

Figure 1: Research model for studying the effect of OM and MO on job performance

Analysis and Results

We conducted a linear stepwise regression to simultaneously test for the combined and distinct effects of OM and MO in the light of our categorical hierarchy. Supporting hypothesis 1, the combination of OM and MO explains a total of 21.3% of job performance variance ($F_{8,230,0.05} = 5.76$, $p < .01$). In line with hypothesis 2, we find a positive effect of top management OM on job performance that accounts for 3.9% of performance variance ($F_{8,230,0.05} = 3.03$, $p < .01$). As predicted by hypothesis 3, employees' MO also has significant explanatory power of job performance responsible for 17.4% of explained variance ($F_{8,230,0.05} = 9.23$, $p < .01$).

Conclusion

Grounded on questionnaire-based data collected from 256 users of an organization-wide DaaS environment, we conducted a multivariate stepwise regression. As a result, all our hypotheses were supported substantiating that (1) mindfulness contributes to achieving reliable, performant outcomes in a mobile work environment and (2) mindfulness should be differentiated by distinct hierarchical levels. Specifically, we found evidence that OM on the top-management level and MO on the employee level differentiated from each other have a positive significant influence on job performance related to DaaS use. Moreover, we demonstrated a highly significant positive influence of the combination of both constructs on job performance among users of DaaS.

Our study provides evidence that mindfulness is an efficient concept to overcome the obstacles of mobile work environments such as fading boundaries of time and place on management and likewise employee level. Therefore, organizations should not only establish mindfulness at top management level, e.g., for making decisions on IT innovations. Specifically, top management in turn should also endeavor in creating an environment of mindfully thinking and acting when using mobile IS at the employee level. Specifically, this could be done by implementing a feedback loop between the employees and the management. Employees at the frontline are more knowledgeable about the state of the system and can detect failures, while the management has the necessary discretionary competence to initiate appropriate measures.

References

Beck, R.; Schott, K.; Gregory, R. W.:
Mindful Management Practices in Global Multivendor ISD Outsourcing Projects.
In: Scandinavian Journal of Information Systems, 23 (2011) 2, pp. 5-28.

Langer, E. J.:
Minding Matters: The Consequences of Mindlessness-Mindfulness.
In: Berkowitz, L. (ed.): Advances in Experimental Social Psychology, pp. 137-173, Academic Press, San Diego, 1989.

Vogus, T. J.; Sutcliffe, K. M.:
Organizational Mindfulness and Mindful Organizing: A Reconciliation and Path Forward.
In: Academy of Management Learning & Education, 11 (2012) 4, pp. 722-735.

Research Report

The Development of German Installment Loans among the Elderly

ALMOST 20% OF THE GERMAN POPULATION CURRENTLY HOLDS A CONSUMER LOAN. DESPITE ITS OBVIOUS IMPORTANCE FOR A PRIVATE HOUSEHOLD'S BALANCE SHEET, WE KNOW SURPRISINGLY LITTLE ABOUT IT. ONE PURPOSE OF THIS STUDY IS TO GIVE AN OVERVIEW OF THE GERMAN CONSUMER/INSTALLMENT LOAN MARKET. WE COMPARED FIVE WIDELY ACCEPTED DATA SOURCES AND FOUND DIFFERENCES IN THE LOAN PARTICIPATION RATE, EVEN ON AN AGGREGATED NATIONWIDE LEVEL. IN A SECOND STEP, WE TRY TO FIND REASONS FOR EXTRAORDINARY HIGH GROWTH RATES AMONG SENIORS' DEBT PARTICIPATION RATES.

Philipp Blommel

Introduction

The global nutrition company Nestlé starts a health food segment especially for the elderly. The German retailer Edeka puts magnifying glasses on its shopping carts so seniors can read price tags and nutrition information of products. Firms do discover the "silver agers" as an important target group, but they do it slowly (Kapalschinski, 2011; Heide and Müßgens, 2012). Do banks also adapt to changing demographics? Are seniors themselves in need of financing (part of) their consumption?

We study the participation in the German consumer debt market (i.e., what percentage of the population holds an installment/consumer loan at a certain point in time) and we find that participation rates grew faster for older age groups than for the younger population. This could have various reasons: The growth could originate in a particular group of banks or single market players who put special effort in servicing senior citizens. The stronger growth for the elderly could also be driven by a certain loan type, e.g., car financing or smaller point-of-sale loans at retailers, such as electronic stores (hypothesis 1). Some lenders could have had policies in place which discriminated against age, but loosened these internal rules throughout the observation period (hypothesis 2). Decreasing pension income or financial trouble in general could lead to the necessity of financing a bigger portion of consumption (hypothesis 3) or the opposite could be true that especially the wealthier seniors take advantage of loss leaders (e.g., point-of-sale 0% financing) and therefore take debt without having the necessity for it (hypothesis 4).

Market overview

Before analyzing participation rates for separate age groups, we take a step back to get a general overview of the German consumer loan market. For this purpose, we compare five data sets which all provide information on households' debt holdings. The data is from the leading credit information bureau SCHUFA AG as well as from an undisclosed leading market research institute. The SCHUFA data set consists of information on every German citizen who has held at least one installment loan (mostly used as consumer loan) between 2000 and 2010. This data is matched with population data from the Federal Statistics Office, which allows us to calculate participation rates of granular groups with a common indication of gender, age and district ("Landkreis") in the respective year. The data of the market research institute is a survey-based household panel for the period 2005 to 2011. Besides socio-economic factors, the survey asks about holding consumer debt among other financial factors.

We compare these two data sets with three publicly available and commonly used data

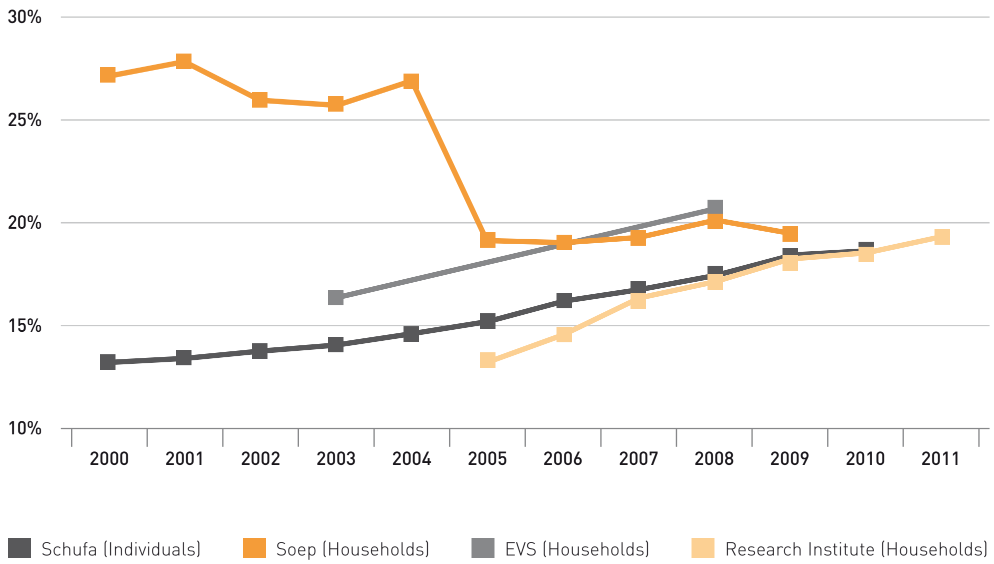

Figure 1: Consumer credits participation rate – data comparison

sources, which include information on German household debt, namely the absolute debt values in EUR of the German central bank Bundesbank, and the survey-based data of the DIW (SOEP data) and the Federal Statistics Office (EVS data). Calculating debt participation rates does not result in a consistent picture (Figure 1), e.g., SOEP estimates twice as many debt holders than SCHUFA in 2000. This huge gap between SOEP and the remaining data in 2000-2004 can most likely be explained by a survey change in 2005: The DIW started to use a more precise wording in its consumer debt question, which caused fewer panelists to include their mortgage in their answer to this question.

Therefore, neglecting SOEP data from 2000-2004, the remaining data shows quite homogenous growth trends over the observation period, even though still on different absolute levels, which can partially be explained by different scopes and definitions (e.g., consumer vs. installment loan). However, this common growth speaks for a general representativeness of the two main data sets.

Regional factors influencing debt frequency

To contribute to a general understanding of consumer debt usage in Germany, we also show how regional socio-economic differences influence the likelihood of having a loan. We estimate the debt participation rate of the aforementioned groups who are defined by common gender, age, district and year in an OLS-regression. The results show that age is highly significant for debt holding, which is in line with empirical studies on other countries and the widely accepted Life-Cycle Theory (Modigliani and Brumberg, 1954) as well as the Permanent Income Hypothesis (Friedman, 1958). Using debt financing is therefore most likely between the age of 30 and 49. Regional factors can also influence a person's likelihood of taking debt, e.g., a high unemployment rate has a statistically significant negative impact, while high (average) disposable income has a positive impact on the participation rate.

The regression analysis also shows strong time effects, i.e., the coefficients for year dummies are statistically significant and increase over time. This means that regional differences can only partially explain variations in debt participation and that unobservable factors, such as supply side effects, play a similar or even more important role. Regressing each age group separately reveals even higher time effects for older age groups up to the age of 60. This indicates that age groups' debt participation has grown with a different pace. This can also be seen in Figure 2, where compound annual growth rates (CAGR) of debt participation are compared for different age groups. The older an age group, the higher was the growth rate between the respective observation period (2000-2010 for SCHUFA data, 2005-2011 for data of the research institute). This holds also true when we control for the abovementioned socioeconomic regional factors in an OLS regression.

Possible Growth Drivers for Loans to the Elderly

What drives higher growth rates of seniors' debt participation? We test the following hypotheses to prove or to rule out possible reasons:

H1: Recently developed/stronger marketed loan types, such as point-of-sale loans, especially focus on an older target group.

H2: Some banks had discriminated against age, mainly because they see a high default risk among the elderly due to a higher death rate. The number of banks with such discrimination rules in place had decreased between 2000 and 2010 or banks relax the relevant rules, i.e., by applying a higher cut-off age.

H3: Poverty among the elderly increased and therefore older people with lower income and no wealth are mainly responsible for the growth.

H4: (opposite of H3): People who do not necessarily need debt financing due to own funds started to use consumption loans due to convenience, such as 0%-financing.

To test whether strong growth among the elderly can be narrowed down to a certain bank type (i.e., savings banks, co-operative banks, private banks, car banks, other banks) or a certain loan purpose (for this cause loan purpose is roughly estimated by loan amount; H1), we calculate separate growth rates per age group and per

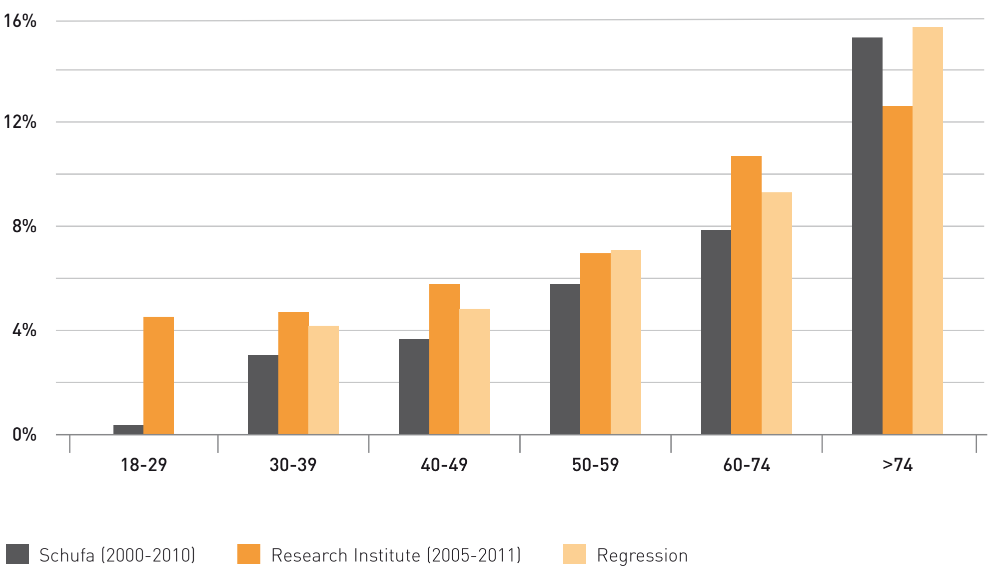

Figure 2: Compound annual growth rates of participation rates by age group

		Discrimination rule		
		Stopped	No change	Market
Banks (always active)		49	301	
in%		14%	86%	
CAGR 2000-2010		6.7%	5.2%	4.6%
% of new loans 2000		33.4%	51.1%	100%
% of new loans 2010		40.8%	53.9%	100%
% of new loans to seniors, 2000		31.8%	51.6%	100%
% of new loans to seniors, 2010		42.1%	52.5%	100%
CAGR 00-10	age 18-29	3.0%	1.9%	1.3%
	age 30-39	2.8%	1.4%	0.8%
	age 40-49	8.8%	7.1%	6.5%
	age 50-59	11.5%	9.7%	9.1%
	age 60-74	12.0%	9.5%	9.2%
	age >74	33.6%	17.3%	20.1%

Figure 3: Change of discrimination rules

bank type/loan amount. This would certainly not be sufficient to prove the hypothesis to be valid, but since all bank types and all loan amounts show the same growth rate pattern for age groups as the aggregate numbers do, it is a sufficient method to neglect the hypothesis.

For hypothesis 2, we use a similar rather unconventional but effective approach. To identify banks which had an "age discrimination rule" in place, i.e., they issued loans only to customers below a certain age, we subdivide the total number of new loans by bank, customer age and start date (month). Sudden "jumps" in the age of the oldest customers from one month to the other suggests an internal policy change of this particular bank. Doing that for the 350 biggest banks which were permanently active throughout the observation period results in a mixed picture (Figure 3): 49 out of 350 banks stopped or changed their cut-off age for loan customers. These banks gained market share among older but also younger customers.

The trend of increasing growth rates by age is particularly strong for the 49 policy changing banks (by definition). However, remaining banks, who never had or never changed a cut-off age, experienced growth rates with a similar relation to customer age as the overall market as well as the 49 banks above. Therefore, a trend of less age discrimination can be observed and certainly is one, but not the only growth driver for the elderly's loan participation.

If either hypothesis 3 or 4 are true, we assume that the correlation between income and debt would have changed over time and that this change has a higher (H3) or respectively lower (H4) magnitude for seniors. Econometrically speaking, based on a probit model with loan participation as the dependent variable, we test whether the interaction terms between household income and time are statistically significant and/or have higher/lower coefficients when looking at older households only. In a first step, we run the regression without interaction terms to validate the results in comparison to the abovementioned analysis with SCHUFA data. This analysis finds a statistically significant, hump-shaped relation between having consumer debt and household income as well as a negative correlation between having debt and holding financial assets (stocks, funds, and certificates). However, including interaction terms in a second regression does not produce any statistically significant coefficients. We therefore neglect hypothesis 3 and 4 as well. Neither the poor, nor the rich are particularly driving growth among the elderly's debt participation rate.

Conclusions

The test of four hypotheses rules out some obvious reasons for stronger growth of participation in consumer credits among the elderly and leaves us with no single decisive growth driver. The influence of decreasing age discrimination can be proved, but not quantified. Agarwal et al. (2008) similarly find a correlation between age and costs for different debt types and only propose possible reasons for it rather than proving one of them. They argue that finding such "intriguing correlations" can function as a trigger for further research on other data sets which then finds the reasons for such correlations. We view our study as a trigger to more research on the demand side and supply side dynamics in the consumer loan market.

References

Agarwal, S.; Driscoll, J.; Gabaix, X.; Laibson, D.:
The age of reason: Financial decisions over the lifecycle.
In: Proceedings of the American Law & Economics Association Annual Meetings, Columbia, US, 2008.

Friedman, M.:
The Permanent Income Hypothesis: Comment.
In: The American Economic Review, 48 (1958) 5, pp. 990–991.

Heide, D.; Müßgens, C.:
Jenseits des Jugendwahns.
In: Handelsblatt, January 8th, 2012.

Kapalschinski, C.:
Der Senioren-Kunde ist König.
In: Handelsblatt, October 11th, 2011.

Modigliani, F.; Brumberg, R.:
Utility analysis and the consumption function: An interpretation of cross-section data.
In: Kurihara, K. (ed.): Post-Keynesian Economics, pp. 388–436, Rutgers University Press, New Brunswick, 1954.

Insideview

Regulation impedes Investment Advice in Shares – A Survey

INTERVIEW WITH CHRISTINE BORTENLÄNGER

Dr. Christine Bortenlänger
Chief Executive
Deutsches Aktieninstitut e.V.

In the aftermath of the last financial crisis, regulation concerning equities investment advice was intensively discussed and once more intensified. In order to better ensure consumer protection, new security measures have been introduced by legislators. What have been the most relevant regulatory changes and what are their aims?

In 2010, the German legislator obliged banks to document investment advice by drawing up minutes. In case of dispute, these minutes shall provide the customer with evidence regarding the investment advice of the bank adviser. The client is not allowed to waive the obligation of the bank, which makes it a very strict requirement. Since 2011, banks are also required by law to provide their investment advisory clients with product information documents (PIBs) in relation to financial instruments they recommend to buy, i.e., for every single share. These documents shall describe the main characteristics of the financial instrument in a short, concise and understandable manner.

What do the regulatory requirements mean for financial institutions?

In order to comply with the requirement of providing investment advice minutes, financial institutions have to invest a substantial amount of financial and human resources into the respective processes. The formalized process to draw up the minutes is also very time-consuming. Consumers which frequently seek advice by banks have difficulties to see the benefit of the tedious documentation procedure. Not being allowed to waive the minutes, they often feel being patronized. Regarding the PIBs, it is expensive to issue respectively purchase those for every single share and they add only little benefit especially for smaller banks with a minor customer base.

Deutsches Aktieninstitut conducted a survey on the impact of the regulation. What was the survey setup and what were the key findings?

We sent out a questionnaire to 1,600 German banks of which 500 responded. Our survey focused on questions regarding the impact which regulation has on investment advice in shares. The main result was that every fifth bank abandoned its service regarding investment advice in shares. Two thirds of the banks reduced their investment advice in shares significantly. Regulation is also the reason why banks retreat from investment advice in other securities like bonds, investment funds and structured products. Among the different regulations, the participants of our survey considered the obligation to record the investment advice and the PIBs as the most critical.

Against this backdrop, what will be the consequences for the consumers?

Bank advice fulfills an important economic function. Clients are informed about the benefits of shares and shown how to handle the risks inherent to shares. Our study shows that regulation is the main reason why banks meet this function less efficiently. This will further decrease the potential interest in shares and share holdings among German retail investors, which is already low compared to other countries like the US or the United Kingdom. As Germans do not invest in asset classes like shares which are more profitable than other asset classes like, e.g. bonds, an opportunity for private wealth building is lost.

If you were asked to improve the regulatory setup, what would you suggest?

The regulation of investment advice must be readjusted in order to address the unintended consequences our study revealed. Experienced retail investors should be allowed to waive the documentation obligation. Other surveys indicate that many customers ask for that possibility. Furthermore, we propose to release the banks from the duty to prepare a product information document for every single share as the information provided by these documents are not really helpful for investors in their decision to buy shares of a company. Much more appropriate is the comprehensive information already provided by the issuer, by research providers, or by the media.

Thank you for this interesting conversation.

Infopool

News

E-Finance Lab Spring Conference 2015
The E-Finance Lab cordially invites you to its annual Spring Conference. The event will be held on February 10th, 2015, at Campus Westend of Goethe University Frankfurt and is organized by Prof. Gomber and his team (layer 2). Participants have the chance to discuss the topic "Liquidity, Transparency and Electronic Trading in Europe" with speakers from the academic and business world. In this context, we are proud to announce Hauke Stars, member of the executive board of Deutsche Börse AG, as our keynote speaker. Further already confirmed speakers include Rodrigo Buenaventura (European Securities and Markets Authority), Prof. Albert Menkveld (VU University Amsterdam) and Mark Hemsley (BATS Chi-X Europe). Please find further information on our website (http://www.efinancelab.de), where you can also register for the event. As always, participation is free of charge.

New member in the Board of the E-Finance Lab
We are happy to welcome Dr. Andreas Zubrod (Union Investment) as new member in the Board of the E-Finance Lab. He takes the place of Olaf Zeinitz in the board. We thank Olaf Zeinitz for his significant support and Dr. Zubrod for his engagement.

Prof. König appointed to the board of directors of the "Global Legal Entity Identifier Foundation"
Prof. König (layer 1) was appointed as the representative for Germany in the board of directors at the GLEIF foundation. He joins the board among 16 other directors spearheaded by former CTO of Interactive Data (EFL partner) Stephan Wolf. Three years ago, the foundation was proposed by the G20-chief of states and was officially founded on June 26th, 2014. The goal of GLEIF is to improve risk management in the financial industry by assigning unique identifiers to all financial institutions world-wide.

Two new Colleagues
In September 2014, Nico Wunderlich (layer 1, Prof. König's team) and Sascha Azimirad (layer 3, Prof. Skiera's team) joined the E-Finance Lab as new colleagues. Welcome!

Second season of "Deutschland lernt Sparen"
In September 2014, Andreas Hackethal (layer 3) published the second season of "Deutschland lernt Sparen" in cooperation with Frankfurter Allgemeine Zeitung. The ten new short videos intend to impart easy-to-understand finance knowledge about private investments and retirement savings.

Prof. Gomber to advise ESMA
For a second term, Prof. Peter Gomber (layer 2) has been appointed a member of the Secondary Markets Standing Committee Consultative Working Group (CWG) of the European Securities and Markets Authority (ESMA). The CWG has been formed to assist the Secondary Markets Standing Committee of ESMA in its work relating to the structure, transparency and efficiency of secondary markets for financial instruments, including trading platforms and OTC.

Selected E-Finance Lab Publications

Abou Nabout, N.; Lilienthal, M.; Skiera, B.:
Empirical Generalizations in Search Engine Advertising.
In: Journal of Retailing, 90 (2014) 2, pp. 206-216.

Benthaus, J.:
Making the right Impression for Corporate Reputation: Analyzing Impression Management of Financial Institutions in Social Media.
In: Proceedings of the 22nd European Conference on Information Systems (ECIS), Tel Aviv, Israel, 2014.

Dernbecher, S.; Risius, M.; Beck, R.:
Bridging the Gap – Organizational Mindfulness and Mindful Organizing in Mobile Work Environments.
In: Proceedings of the 22nd European Conference on Information Systems (ECIS), Tel Aviv, Israel, 2014.

Gomber, P.; Nassauer, F.:
Neuordnung der Finanzmärkte in Europa durch MiFID II/MiFIR.
In: Zeitschrift für Bankrecht und Bankwirtschaft, 26 (2014) 4, pp. 150-160.

Schöler, L.; Skiera, B.; Tellis, G. J.:
Stock Market Returns to Financial Innovations Before and During the Financial Crisis in the United States and Europe.
In: Journal of Product Innovation Management, 31 (2014) 5, pp. 973-986.

Schuller, D.; Siebenhaar, M.; Hans, R.; Wenige, O.; Steinmetz, R.; Schulte, S.:
Towards Heuristic Optimization of Complex Service-based Workflows for Stochastic QoS Attributes.
In: Proceedings of the 21th International Conference on Web Services (ICWS), Anchorage, USA, 2014.

Wenge, O.; Lampe, U.; Müller, A.; Schaarschmidt, R.:
Data Privacy in Cloud Computing – An Empirical Study in the Financial Industry.
In: Proceedings of the 20th Americas Conference on Information Systems (AMCIS), Savannah, USA, 2014.

Zimmermann, K.:
Price Discovery in European Volatility Interruptions.
In: EFMA 2014 Meetings, Rome, Italy, 2014.

For a comprehensive list of all E-Finance Lab publications see
http://www.efinancelab.com/publications

Infopool

RESEARCH PAPER: THE DECLINING ROLE OF NASDAQ MARKET MAKERS

In this paper, the author analyses the liquidity providing behavior of NASDAQ market makers. Therefore, he compares the behavior of market makers of two different periods, May/June 2004 and May/June 2010, using NASDAQ Trade and Quote Data (NASTRAQ) for 2004 and NASDAQ Total View-ITCH Data for 2010 to identify the market maker quotes. He finds that the market maker participation declined notably from 2004 to 2010. He shows that the number of trading days that the market makers quote at the inside bid/ask declined substantially and even the number of market makers declined. Finally, he points out that liquidity provision in less actively traded securities has declined less severe and he concludes that, here, the market makers still provide valuable services.

Egginton, J.
In: The Financial Review, 49 (2014) 3, pp. 461-480.

RESEARCH PAPER: CORPORATE SOCIAL RESPONSIBILITY, CUSTOMER ORIENTATION, AND THE JOB PERFORMANCE OF FRONTLINE EMPLOYEES

This study examines frontline employee responses to corporate social responsibility (CSR) using a multi-sourced data set of a Global 500 financial services company. The authors find that frontline employees identify with the organization (i.e., organizational identification) and with customers (i.e., employee-customer identification) as a function of how much the employees perceive management and customers (respectively) to support the company's CSR activities. However, these respective effects are stronger among employees for whom CSR is already tied to their sense of self (i.e., CSR importance to the employee). In addition, both organizational identification and employee-customer identification are related to supervisor-rated job performance; however, only the effect of employee-customer identification is mediated by customer orientation, suggesting that these two targets of identification manifest through distinct mechanisms. The research empirically addresses the open questions of whether and when CSR can yield observable changes in employee behavior and alerts researchers to a novel target of identification for frontline employees.

Korschun, D.; Bhattacharya, C. B.; Swain, Scott D.
In: Journal of Marketing 78 (2014) 3, pp. 20-37.

Electronic Newsletter

The E-Finance Lab conducts two kinds of newsletters which both appear quarterly so that each six weeks the audience is supplied by new research results and information about research in progress. The focus of the printed newsletter is the description of two research results on a managerial level – complemented by an editorial, an interview, and some short news. For subscription, please send an E-mail to eflquarterly@efinancelab.com or mail your business card with the note "please printed newsletter" to

Prof. Dr. Peter Gomber
Vice Chairman of the E-Finance Lab
Goethe University
Grüneburgplatz 1
60323 Frankfurt

The Internet-type newsletter uses short teaser texts complemented by hyperlinks to further information resources in the Internet. To subscribe, please send an E-mail to

newsletter@efinancelab.com.

Further information about the E-Finance Lab is available at www.efinancelab.com.

HOUSE OF FINANCE
Goethe-Universität Frankfurt

The E-Finance Lab is a proud member of the House of Finance of Goethe University, Frankfurt.
For more information about the House of Finance, please visit www.hof.uni-frankfurt.de.

THE E-FINANCE LAB IS AN INDUSTRY-ACADEMIC RESEARCH PARTNERSHIP BETWEEN FRANKFURT AND DARMSTADT UNIVERSITIES AND PARTNERS DEUTSCHE BANK, DEUTSCHE BOERSE GROUP, DZ BANK GRUPPE, FINANZ INFORMATIK, IBM, T-SYSTEMS, 360T, AND INTERACTIVE DATA MANAGED SOLUTIONS LOCATED AT THE HOUSE OF FINANCE, J. W. GOETHE UNIVERSITY, FRANKFURT.

For further information please contact:

Prof. Dr. Peter Gomber
Vice Chairman of the
E-Finance Lab
Goethe University
Grüneburgplatz 1
D-60323 Frankfurt am Main

Phone +49 (0)69 / 798 - 346 82
Fax +49 (0)69 / 798 - 350 07
E-mail gomber@wiwi.uni-frankfurt.de

Press contact
Phone +49 (0)69 / 798 - 338 74
Fax +49 (0)69 / 798 - 339 10
E-mail presse@efinancelab.com

or visit our website
http://www.efinancelab.com