HOUSE OF FINANCE
Goethe-Universität Frankfurt

Newsletter Q1

The House of Finance • 1st Quarter 2011

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IMPRINT

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DESIGN:
Novensis Communication GmbH
Bad Homburg

8th Edition
Number of Copies: 3.500

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Printed in Germany

NEWSLETTER SUBSCRIPTION

The House of Finance opened in 2008. It integrates Goethe University's interdisciplinary research on finance, monetary economics, and corporate and financial law under one umbrella. Ten academic research and training units work together in the House of Finance.

As part of its aim to disseminate research results and to promote an exchange between academics and practitioners, the House of Finance issues a newsletter on a quarterly basis.

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EDITORIAL

Ladies and gentlemen,
Dear friends of the House of Finance,

In 2010, the main topic of the year for EMU financial markets was the sovereign debt crisis. Despite the announcement of drastic consolidation measures, market participants lost confidence in the sustainability of public finances in Greece and Ireland, and to a lesser extent in Portugal and Spain as well. The risk premiums for the government bonds of these countries are still very high, in spite of the rescue operation orchestrated by the EU and the IMF.

Nevertheless, 2010 was also the bearer of some good news – first and foremost, the strong rebound in the world economy. At the end of last year, global industrial production already exceeded the level that it was at before the strong recession in 2008, while world trade was almost back at its pre-crisis level. Emerging markets, for which overall output in 2010 was already well above the 2008 level, continued to outperform advanced economies significantly.

So what lies ahead for 2011? Tackling the sovereign debt crisis will doubtless remain a major challenge throughout the year. However, credible headway on the consolidation front, coupled with the political moves that are likely to be taken at the EU summit in March in terms of strengthening the Stability and Growth Pact and shaping a future crisis resolution framework, are likely to help calm nerves in financial markets. This should help to coax risk premiums back down. Meanwhile, yields on German and US government bonds are likely to continue to creep up a little further.

A gradual return to normality within financial markets should favor further economic development. Or, to put it a little more clearly: I believe that financial markets are unlikely to be a major disruptive factor. Current economic indicators, such as purchasing managers' indices, generally point towards a continued upward trend for the global economy. Although the need for consolidation of public finances, together with moves to rein in private sector debt, will put a dampener on global growth momentum, monetary policy in the US, Europe and Japan will continue to have a stimulating effect. Furthermore, the ongoing economic catch-up process in emerging markets will reinforce the global recovery. All told, global output is expected to grow by just shy of 3.5% in 2011, compared with 4% last year.

No economic outlook would be worth its salt without at least a few words on the risks that exist: in addition to an escalation of the sovereign debt crisis (possibly associated with a renewed flare-up of the banking crisis), the biggest risks facing the economy and the financial markets lie, in particular, in a sustained surge in commodity prices, as well as in sharp exchange rate swings. Of these, commodity price-related risks are presently the most probable. These have to be watched closely, as they could undermine the strong economic momentum in major economies which is presently even outstripping earlier expectations.

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UNBIASED FINANCIAL ADVICE – WANTED BUT NOT FOLLOWED

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Using data from a field study, we are among the first to examine the demand side of financial advice and to show that an offer of free and unbiased financial advice is accepted by only 5% of the clients approached. Of those clients who accept the offer, only very few ultimately follow the recommendations made. Thereby, the paper contributes to the current discussion on consumer protection in the context of financial advice and questions the effectiveness of supply side solutions, since better information alone does not seem to improve the decision making of private investors.

There is a large and growing body of literature on household finance that documents that retail investors make serious investment mistakes. Next to financial education, default options or regulation (see Campbell 2006) on financial advice is another potential remedy for private households' investment mistakes. A survey of retail investors in Germany, for example, indicates that more than 80% of investors consult a financial advisor.

However, the literature also shows that the professional advice given to retail investors is often conflicting, and that retail investors who obtain such advice actually worsen their investment performance (see Inderst/Ottaviani 2009 and Bergstresser et al. 2010). An obvious supply side cure to improve portfolio efficiency and mitigate the investment mistakes of retail investors is to offer unbiased and theoretically sound financial advice that brings advisees closer to efficient portfolios. In other words, to speak colloquially: 'If you build it, they will come'.

WHICH CUSTOMERS FOLLOW ADVICE?

We test whether this supply side solution works. Can unbiased financial advice steer retail investors towards efficient portfolios? To answer this question, we work with one of the biggest brokerages in Europe which has several hundred thousand active retail customers. This brokerage started offering financial advice to about 8,000 of its customers, all of whom were chosen randomly, in 2010. The advice was free of charge for a limited period of time and, ex-ante, unbiased – it was generated from a commercial portfolio optimizer that improves portfolio efficiency. This advice was also sound as it substantially improved diversification.

As we have data on all the retail customers concerned, i.e. for those who accepted the advice and also for those who did not accept the advice,

including administrative data for the time before the advice was offered and for up to ten months thereafter, we can answer some key questions. How many and which types of customers accept the offer? If customers accept the offer, is the advice provided followed? Does portfolio efficiency improve for the average advisee who accepts the offer? Does portfolio efficiency improve for the average advisee who follows the advice given? Are those investors most in need of financial advice also the ones most likely to get it?

YOU CAN'T MAKE A HORSE DRINK

By answering these questions, we explore the demand side of financial advice. We link the recommendations of advisors with actual customer behavior after the advice has been given. Firstly, we find that only about 5% of clients (likely to be male, older, richer, more financially sophisticated, and also more likely to have a longer relationship with the brokerage) accept the offer for free and unbiased advice. Secondly, as regards those who accept the offer, the advice given is hardly followed. Thirdly, portfolio efficiency improves for the average advisee who follows the advice, and it would also have improved for those investors who accepted the general offer but did not then follow the recommendations made. Portfolio performance improves most for

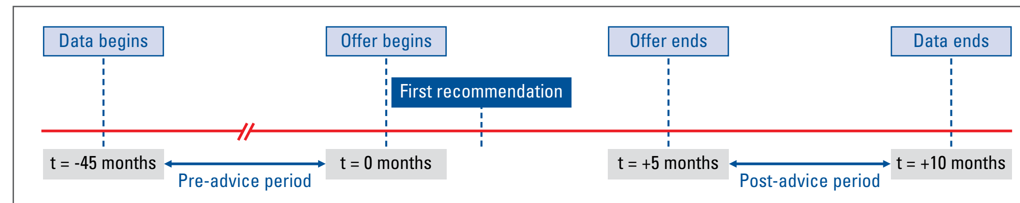

Figure 1: **Time Line.** The sequence of events in the field study (dates are of the beginning of the respective month)

less financially sophisticated investors. Fourthly, it seems that those investors most in need of financial advice are the ones least likely to get it and vice versa. Overall, our results imply that the mere availability of unbiased and theoretically sound financial advice is a necessary but not a sufficient condition for benefiting retail customers. So, as the saying goes: 'You can lead a horse to water, but you can't make it drink'.

These findings highlight that the optimization of investment decisions made by private investors is to a large extent a demand side problem, while regulators are currently focusing on the supply side. In the U.S., a new agency called the Consumer Finance Protection Agency was created under the financial reform bill (i.e. the Restoring American Financial Stability Act of 2010) to deal with mostly supply side problems. Likewise, the Markets in Financial Instruments Directive (MiFID) implemented in Europe aims to enhance protection of retail investors by increasing the transparency of financial products. Moreover, in Germany, the new Securities Trading Act forces financial services firms to disclose any fees (kickbacks, bonuses, etc.) related to a (potential) product sale. Yet, more information and disclosure is only valuable if customers are able to translate these into better investment decisions, which is found questionable by this study.

Our results apply not only to financial products but also to patients' adherence to medical advice, which has been shown to be below 25% (see Vermeire et al. 2001). This is because patients believe they know more than the doctor, are lacking social support, or are simply ignorant about what they are told. It is up to future research to identify the factors that prevent investors from following beneficial financial advice.

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The full article is available at:
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INSIDER TRADING IN EUROPE

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Insider trading has been quite a fascinating topic of legal and economic research, with the economic research on this issue being divided – insider trading is, on the one hand, considered to make a desirable contribution to market efficiency while, on the other, it is despised for undermining transparency within capital markets – and legal regulations unsure about which theory to follow.

WHAT'S WRONG WITH INSIDER TRADING?

Establishing precisely why we wish to prohibit insider trading is more difficult than it seems. At first glance, the underlying argument seems easy to grasp: the profit an insider makes is necessarily linked to a loss that someone else in the market incurs. Had the insider not traded, his counterparty would not have suffered a loss. Had he at least disclosed his inside information to the counterparty, the latter would have knowingly undertaken the risky transaction. Hence, insider trading should be made illegal, first and foremost for reasons of fairness. We find versions of the fairness argument in early decisions made by the U.S. Supreme Court, as well as in a recent decision of the European Court of Justice. This claims that "the purpose of the prohibition laid down by Article 2(1) of Directive 2003/62 is to ensure equality between the contracting parties by preventing one of them (…) who is (…) in an advantageous position vis-à-vis the other investors, from profiting from that information to the detriment of those who are unaware of it".

Looking closer, however, we find that there seems to be nothing unfair about insider trading. Henry Manne was arguably the first to forcefully present the argument that insider trading serves a useful function by quickly bringing new information to the market, and thereby moving the price of the affected security towards a level which would be justified if this information were to be publicly known. Refining his theory, economists have been arguing that the insider's counterparty only seems to unfairly lose money. On closer inspection, insider trading is a 'victimless crime', and arguably even represents a pareto efficient situation. The insider's counterparty receives the price it bargained for on the day concerned. As prices have not yet adjusted, the relevant security trades at a certain price and other counterparties selling – or buying – receive this very same price. Why, so the argument runs, should the counterparty enjoy the windfall profit from trading with an insider?

WHY DOES THE LAW PROHIBIT INSIDER TRADING?

European law has prohibited insider trading since 1989, first under regulation for insider trading, later under successor market manipulation regulation. What are the underlying goals of this regulation? Regulating insider trading, despite its alleged positive impact, has been advocated by a competing school of economic thought in order to secure highly liquid capital markets. Proponents of insider trading regulation have tried to prove that markets without efficiently enforceable legal rules against insider trading function less smoothly. Investors anticipate losses to insiders and consequently ask for higher bid-ask spreads, making transactions in such markets more expensive. This effect, combined with a loss of confidence within the market, leads – so the argument runs – to adverse selection, causing investors to leave the market entirely. It is along these lines that the European legislator passed the Insider Trading Directive and the later Market Abuse Directive. Insider trading is seen as a form of market abuse which needs to be proscribed in order to "ensure the integrity of Community financial markets". These are

seen to depend on smoothly functioning securities markets, on market integrity, and on public confidence in these markets.

WHAT IS THE INSIDER ACCOUNTABLE FOR?

If we join the European legislator in advocating insider trading regulation, this is only the start of trouble. Remember, most insider trading laws provide for criminal law sanctions. Consequently, legal drafting needs to pay meticulous attention to the wording of insider trading laws. The Market Abuse Directive prohibits an insider from using his information when making a relevant transaction. Now, when is an insider using inside information? To name some examples: I am clearly using inside information if I am a CEO of a bidder, about to launch a takeover, and stock up on the target's shares, expecting their price to go up. Am I also using inside information if I had entered into a contract to buy these particular shares long before I knew, or could have known, that the bidder would be going for a takeover? In other words: is the insider required to knowingly make use of inside information when violating the law or does the law content itself with the insider objectively being in possession of inside information.

U.S. securities law has addressed these questions under the 'use' or 'possession' approach, with the latter being advocated by the SEC and the former by most federal courts. In the case of the Spector Photo Group, the European Court of Justice dealt with precisely this issue under the Market Abuse Directive. The Court discussed the previous regulation's wording which had prohibited the insider from "taking advantage" of inside information, clearly reminding us of a "use" standard. By altering the wording of this regulation, so the Court argued, the lawmaker had wanted to move towards a "use" approach. Several arguments led the Court to the conclusion that there is a presumption of "use" built in the market manipulation regulation. The Court held that a person in possession of inside information and trading in the corresponding securities is presumed to have infringed the insider trading prohibition. The impact of this decision, both on German insider trading laws in general and on criminally sanctioning insider trading, remains to be seen.

INSIDER TRADING

A form of market abuse, undermining transparency within capital markets, that should be made illegal for reasons of fairness.

A desirable contribution to market efficiency, that serves a useful function by quickly bringing new information to the market.

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http://cmlj.oxfordjournals.org/content/5/4/452.full

LONG-RUN GROWTH EXPECTATIONS AND CURRENT ACCOUNT BALANCES

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At the meeting of G20 finance ministers in mid-February 2011, an agreement was reached on the monitoring of a number of indicators to reduce "excessive imbalances." By April, this agreement shall be completed by establishing "indicative guidelines against which each of these indicators will be assessed, recognizing the need to take into account national or regional circumstances." The goal of such a monitoring framework is to provide early warning signals to policymakers about the build-up of imbalances that could over time, if unchecked, lead to a repeat of the financial instability witnessed since 2007. Underlying the inclusion of current account balances in such an early warning system is the view that large current account imbalances among the main trading nations are a potential cause of financial instability. For example, William White, Chairman of the OECD's Economic and Development Review Committee, has pointed to "unprecedented spending excesses in many countries" and "global trade imbalances" as being among the root causes of the economic and financial crisis.

Yet, what exactly constitutes a current account 'imbalance'? The central message of the research reported here is that current account 'imbalances' are difficult to identify in real time. Any notion of current account 'indicative guidelines' needs to carefully balance the possible benefits from reducing instability in international lending relationships against the costs of impeding the flow of capital to its most productive destination. As we illustrate, in the specific case of the U.S. current account, what appears ex post as an excessive movement of the current account deficit from near zero in the early 1990s to about 6% of GDP in late 2005 and early 2006 can be explained by standard economic theory – i.e. as the rational response of households, firms and investors to sustained shifts in trend growth expectations of the United States vis-à-vis its main trading partners. Although, in hindsight, the growth prospects of the U.S. relative to the rest of the world call for a substantially smaller current account deficit, we argue that as of the early 2000s there were good reasons to believe that a U.S. current account deficit of 5% of GDP was not only sustainable, but, under plausible assumptions, even optimal.[1]

TIME-VARYING TREND GROWTH EXPECTATIONS

The first part of our argument is the observation that real-time perceptions of long-term growth prospects in developed economies can change over time. In the United States, these expectations shifted up substantially in the late 1990s. One important source for measuring these expectations is the *Survey of Professional Forecasters* conducted by the Federal Reserve Bank of Philadelphia. Although this survey usually focuses on expectations at shorter horizons, each February respondents are asked to also provide their expectations of various economic indicators over the next ten years. Between 1998 and 2001, these long-horizon expectations for labor productivity growth increased from 1.5% per year to 2.5%. Although a one percentage point change in growth expectations may seem modest, if sustained over a long period, the implications for future income are very large. When combined with the observation that growth expectations in the main trading partners of the U.S. were revised downwards slightly during the late 1990s as a consequence of the Asian Crisis of 1997-8, the increase in U.S. growth prospects relative to these other countries was in the

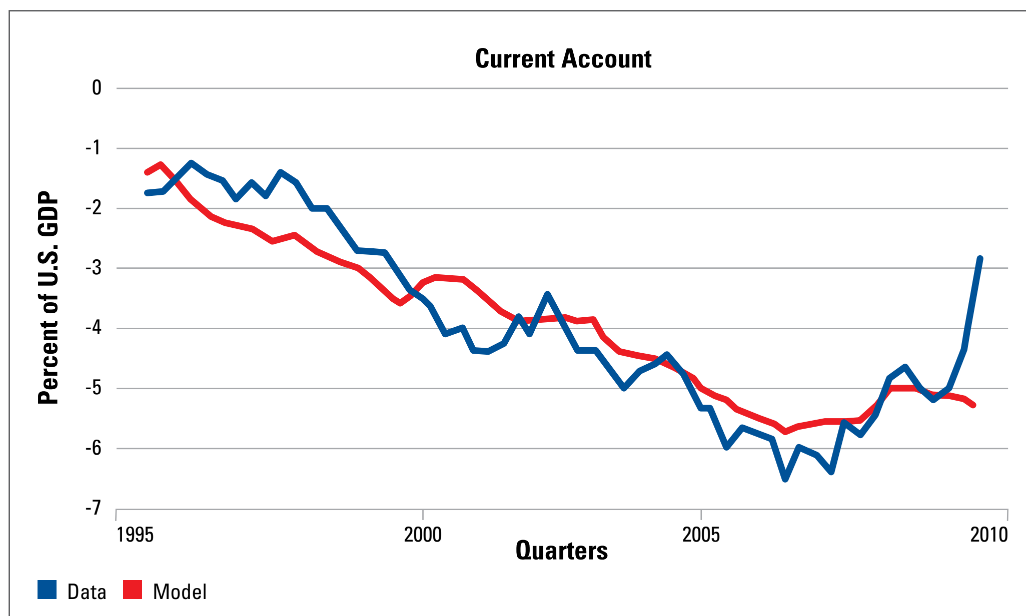

Figure 1: Actual and simulated U.S. current account surplus

order of one and a half percentage points. Since 2005, most of this increase in growth expectations has been reversed, largely due to the slower labor productivity growth observed in the U.S.

WHEN STANDARD ECONOMIC THEORY IS APPLIED

Clearly there seems to be a correlation over time between revisions to growth expectations in the United States relative to the 'rest of the world' and the U.S. current account deficit. But does this correlation imply causation? This is where we resort to the standard two-country model of modern macroeconomics for the study of growth and business cycles. The two countries are interpreted as being the United States and an aggregate of its main trading partners. Our main innovation is that workers, firms and investors do not know the true trend growth rate of the economy but have to estimate it from noisy data of observed productivity growth. This data is 'noisy' in the sense that most productivity increases are short-lived, but a small fraction is persistent and is, therefore, very important for expectations of future productivity and incomes. When we feed historical U.S. labor productivity data into our model, two things happen: first, the resulting trend growth estimates of our model agents look strikingly similar to those of the *Survey of Professional Forecasters*. Second, the graph shows that the optimal (by definition) consumption and investment choices of the model's agents lead to a deterioration in the U.S. current account deficit of nearly exactly the magnitude observed since the mid-1990s.[2] The logic here is simply that agents anticipate, rightly or wrongly, large future income gains and want to consume some of these right away, and thereby borrow from abroad.

THE RIGHT KIND OF TARGET

When faced with uncertain future growth (as well as demographic) prospects, it is difficult to quantify what exactly constitutes an appropriate current account balance for a country. In producing 'indicative guidelines' for current account balances, it will be important to go beyond fixed numbers and to also take into consideration factors such as whether these balances reflect an expansion in consumption or investment (as in the U.S. in the 19th century) and the extent to which they mirror an unusual allocation of resources between the non-tradable and tradable goods sectors.

1 *One example of large current account deficits that in hindsight have been judged benign are the U.S. current account deficits of the late 19th century. These have been estimated to be 13% of U.S. GNP during the 1860s, 4% during the 1870s, and 11% during the 1880s (Hakkio, 1995).*

2 *The simulation ends in mid-2009, when the U.S. current account deficit narrowed sharply due to the collapse in trade. Since then, the deficit has widened again to nearly 4% of GDP.*

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http://www.wiwi.uni-frankfurt.de/professoren/macro/people/HKL.pdf

PROPOSAL FOR A REORGANISATION OF THE GERMAN LANDESBANKS AND SAVINGS BANKS SECTOR

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Taken as a whole, Landesbanks and savings banks currently pose a considerable financial risk to the Federal Republic of Germany and the public budgets. We believe that, given the partly grave state of political disarray surrounding the bail-out and future structure of Landesbanks, an open and critical public debate on the future structure of this sector is necessary. Our Policy Platform White Paper "On a Fundamental Reorganisation of the Landesbanks and Savings Banks Sector in Germany" was written in an effort to start this debate.

SRIs	SZI	LFBs
Formed from: Merger of Landesbank segments with metropolitan area savings banks **Functions:** – Retail banking, mid- and large caps – Project financing and capital market business (client-focussed) – Municipal and real estate financing business **Owners:** Municipalities and municipal associations	**Formed from:** Integration of DekaBank, LBS, Landesbank segments, insurance companies **Functions:** Verbundbusiness for SRIs and non-SRI-integrated savings banks **Owners:** Holding owned by savings banks and savings banks associations	**Functions:** Development activities under "Agreement II", if necessary also for wind-down, dissolution, sale of non-sustainable segments of Landesbanks (e.g. agency within an agency) **Owners:** Federal States, but liability for legacies in keeping with ownership structures of the (former) Landesbank

Savings banks	
Non-SRI-integrated savings banks	
Functions: Retail / private banking, SMEs	**Owners:** Municipalities

At present, major segments of the Landesbanks sector have neither a sustainable business model nor economically viable income or balance sheet structures. Several Landesbanks have been kept afloat by substantial government support predicated on the "too big to fail" argument. At first glance, the municipal savings banks appear stable and seem to be unscathed by the crisis. However, even though their business model has weathered the financial crisis decidedly better than that of Landesbanks, it is not altogether free from weaknesses. The operating result is highly dependent on the maturity transformation and on the net result from own funds. Furthermore, savings banks – and hence their municipal owners – are indirectly owners of the Landesbanks via the regional savings banks associations and are thus proportionately liable for their losses. And they hold, to a large extent, claims against Landesbanks, with figures cited in the three-digit billion range. Should further write-downs on the values assigned to their ownership interests be required, the stability of numerous savings banks would be at risk.

Savings banks, Landesbanks and regional building societies are integrated via various support funds into a joint liability scheme. According to the current system, savings banks and Landesbanks are liable to one another. Following the abolition of state guarantees, the quality and economic performance of this protection scheme no longer meets the requirements. Neither the funding of guarantee schemes nor the guarantee pool is likely to be sufficient to bail out even a single larger Landesbank.

The foregoing considerations lead to the conclusion that a reform must encompass the entire "Landesbanks and savings banks" sector.

PRECONDITIONS OF A REFORM

Above all, a restructuring must lead to the development of a business portfolio that is sufficiently diversified, with corresponding profitability and a reasonable risk profile. In our view, a form of verticalisation is necessary for the restructuring of the sector. Savings banks provide a natural extension to Landesbanks through their private and corporate client business; they offer stable and competitive refinancing, by means of which liquidity and profitability may be improved. Conversely, the ties with Landesbanks enable savings banks to systematically expand in the upper medium-sized business sector and support companies through a growth and internationalisation process. A reform should also lead to financial institutions that are characterized by a clear strategic orientation that aligns with that of their owners. The institutions should be owned either by the municipalities and the savings banks associations or by the Federal States. Lastly, a politically viable reform should strengthen competition in the financial market.

THE PROPOSED MODEL

On the basis of the stated basic requirements we present a possible reform concept. The three components of our so-called tripartite model are:

1. A small number of *Sparkassenregionalinstitute* (SRIs) [regionally integrated public banks] which integrate savings banks and the Landesbanks' direct client business within a single metropolitan area. These financial institutions conduct their retail banking, project finance, capital market, municipal and real estate financing business, as well as special funds business for institutional investors. The SRIs transfer their Verbund business (joint business) to the SZI (see below). They are owned by municipalities and municipal associations.

2. One *Sparkassenzentralinstitut* (SZI) [national financial service institution] centrally providing the Verbund business for the savings banks and newly created SRIs. Its business includes proprietary and client securities business, syndicated lending, payment transactions, mutual fund offerings, closed funds and certificates, leasing and consumer loans as well as building society and insurance business. Regional building societies are integrated into the SZI in the same way as DekaBank and other banks with Verbund business. As a holding company, the SZI is the exclusive responsibility of the savings banks and savings banks associations.

3. The Landesbanks' parts for which integration into an SRI or the SZI is not a viable option can be streamlined down to activities approved under the Agreement II ("Verständigung II") and merged with the public sector development banks of the Federal States to form *Landesförderbanken* (LFBs) [state development banks]. The "competitive business" may be sold off, and the legacies may be transferred to a bad bank, which implements the orderly winding down as agency within an agency. Liability for the wind-down facility of the Landesbanks must be taken over by the legacy owners of the Landesbanks on a pro rata basis and cannot rest solely with the Federal States.

COURSE OF ACTION

In order to put the discussion on a socio-political legitimate track we recommend the establishment of a **government commission** with a corresponding mandate to develop a proposal ready for implementation with regard to the restructuring of the savings banks and Landesbanks sector. This proposal is to be submitted within a clearly established time frame and on the basis of a clearly defined government agenda.

The full article is available at:
http://www.hof.uni-frankfurt.de/policy_platform/Landesbanks_savingsbanks

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THE DODD-FRANK ACT LEAVES A LOT TO BE DESIRED

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Viral V. Acharya is Professor of Finance at New York University Stern School of Business. His research interests are in the regulation of banks and financial institutions, corporate finance, credit risk and valuation of corporate debt, and asset pricing with a focus on the effects of liquidity risk. He co-authored and co-edited the recently published book "Regulating Wall Street: The Dodd-Frank Act and the New Architecture of Global Finance", John Wiley & Sons, November 2010. On March 15 he presented the book at Goethe University.

Which are the most important improvements brought by the Dodd-Frank Wall Street Reform and Consumer Protection Act?

Viral V. Acharya: The Dodd-Frank Act is the most ambitious and far-reaching overhaul of financial regulation since the 1930s. It is highly encouraging that the purpose of the new financial sector regulation is explicitly aimed at identifying and dealing with systemically important financial institutions (SIFIs). And it strives to give prudential regulators the authority and the tools to do so. Requirement of funeral plans to unwind SIFI's should help demystify their organizational structure – and the attendant resolution challenges when they experience distress or fail. In the same vein the Volcker rule limiting proprietary trading investments of SIFIs provides a direct restriction on complexity and should help simplify their resolution. Equally welcome is the highly comprehensive overhaul of over-the-counter derivatives markets.

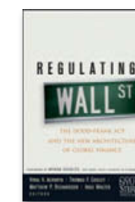
Which are the Act's worst flaws?

Viral V. Acharya: The Act requires over 225 new financial rules across 11 federal agencies. The attempt at regulatory consolidation has been minimal. More importantly, from the standpoint of providing an economically sound and robust regulatory structure, the Act has weaknesses on at least three important counts.

Government guarantees remain mispriced, leading to moral hazard. E.g. there are several large insurance firms in the United States that can – and did in the past – build leverage through minimum guarantees in standard insurance contracts. Were these to fail, there is little provision in the Act to deal adequately with their policyholders. Taxpayer bailout is the most likely outcome. These institutions remain too-big-to-fail and could be the centers of the next excess and crisis.

Individual firms are not sufficiently discouraged from putting the system at risk. Since the failure of systemically important firms imposes costs beyond their own losses it is not sufficient to simply wipe out their stakeholders. These firms must pay in advance for contributing to the risk of the system. Not only does the Act rule this out, it makes the problem worse by requiring that other large financial firms pay for the costs, precisely at a time when they likely face the risk of contagion from failing firms. This is simply poor economic design for addressing the problem of externalities. Equally importantly, certain pockets of shadow banking such as sale and repurchase agreements (repo) and money market funds are not adequately addressed.

The Act falls into the familiar trap of regulating by form, not function. The most salient example of this trap is the Act's overall focus on bank holding companies, after clarifying that non-banks may get classified as systemically important institutions too and be regulated accordingly. The story of the financial crisis of 2007–2009 was that financial institutions exploited loopholes in capital requirements and regulatory oversight to perform risky activities that were otherwise meant to be well-capitalized and closely monitored. To be fair, the Dodd-Frank Act does not ignore this in its financial reform. But the basic principle that similar financial activities, or, for that matter, economically equivalent securities should be subject to the same regulatory rules is not core to the Act.



"Regulating Wall Street: The Dodd-Frank Act and the New Architecture of Global Finance": www.wiley.com/buy/9780470768778

SELECTED HOUSE OF FINANCE PUBLICATIONS

Baums, T. (2011)
"Eigenkapital: Begriff, Aufgaben, Sicherung",
Institute for Law and Finance Working Paper No. 123, http://www.ilf-frankfurt.de/uploads/media/ILF_WP_123.pdf

Bienz, C., Walz, U. (2010)
"Venture Capital Exit Rights",
Journal of Economics & Management Strategy, Vol. 19, Issue 4, pp. 1071-1116

Cahn, A., Müchler, H. (2011)
"Die Verantwortlichkeit der Organmitglieder einer Sparkasse für den Erwerb riskanter Wertpapiere",
Festschrift Uwe H. Schneider, pp. 197-228

Christelis, D., Georgarakos, D., Haliassos, M. (2010)
"Stockholding: Participation, Location, and Spillovers",
forthcoming in Journal of Banking and Finance

Faia, E. (2011)
"Macroeconomic and Welfare Implications of Financial Globalization",
forthcoming in Journal of Applied Economics

Gomber, P., Gsell, M., Lutat, M. (2011)
"Competition among electronic markets and market quality",
forthcoming at the 14th Conference of the Swiss Society for Financial Market Research (SGF), Zürich

Haar, B. (2010)
"Konsolidierung des Binnenmarktes im europäischen Gesellschaftsrecht in der aktuellen Rechtsprechung des Europäischen Gerichtshofs",
Zeitschrift für Gemeinschaftsprivatrecht (GPR), Vol. 4, pp. 186

Hinz, O., Hann, I., Spann, M. (2011)
"Price Discrimination in E-Commerce? An Examination of Dynamic Pricing in Name-Your-own Price Markets",
Management Information Systems Quarterly (MISQ), Vol. 35, Issue 1, pp. 81-98

Kraft, H., Munk, C. (2011)
"Optimal Housing, Consumption, and Investment Decisions over the Life-Cycle",
forthcoming in Management Science

Kühn, C., Teusch, M. (2011)
"Optional processes with non-exploding realized power variation along stopping times are làglàd",
Electronic Communications in Probability, Vol. 16, pp. 1-8

Langenbucher, K. (2011)
"Zur rechten Konkretisierung angemessener Vorstandsbezüge",
Festschrift Uwe H. Schneider, pp. 751

Marekwica, M., Maurer, R. (2011)
"How unobservable Bond Positions in Retirement Accounts affect Asset Allocation",
OR-Spectrum, Vol. 33, pp. 235-255

Taylor, J. B., Wieland, V. (2011)
"Surprising Comparative Properties of Monetary Models: Results from a New Monetary Model Base ",
forthcoming in The Review of Economics and Statistics

Wiesel, T., Skiera, B., Villanueva, J. (2011)
"Customer Lifetime and Customer Equity Models for External Using Company-Reported Summary Data",
Journal of Interactive Marketing, Vol. 25, Issue 1, pp. 20-22

HELMUT GRÜNDL AND JAN PIETER KRAHNEN TO ADVISE EUROPEAN SUPERVISORY AUTHORITIES

Helmut Gründl, Professor of Insurance and Regulation and Managing Director of the International Center for Insurance Regulation (ICIR) at the House of Finance, has been appointed a member of the Insurance and Reinsurance Stakeholder Group of the European Insurance and Occupational Pensions Authority (EIOPA). EIOPA is part of the newly created European System of Financial Supervision (ESFS).

Jan Pieter Krahnen, Professor of Corporate Finance at the House of Finance and Director of the Center for Financial Studies, has been nominated a member of the Group of Economic Advisors for the Committee of Economic and Markets Analysis (CEMA) of the European Securities and Markets Authority (ESMA) – another part of the ESFS. CEMA provides economic expertise to ESMA by monitoring market developments, identifying risks and vulnerabilities, and providing impact assessments and cost-benefit analyses. The Group of Economic Advisors has been set up to help CEMA with risk identification and the development of relationships with academics and market participants.

CFS COLLOQUIUM – WOLFGANG SCHÄUBLE ON THE LESSONS TO BE LEARNT FROM THE FINANCIAL CRISIS

Wolfgang Schäuble, Germany's Federal Minister of Finance, gave a lecture on February 24 under the CFS Colloquium event series. Schäuble spoke about the lessons governments have to learn from the financial crisis. He made an appeal for a wiser financial market authority and better liability rules. He asked central banks to not only concentrate on the fight against inflation but also on securing financial market stability and on preventing financial bubbles. He further demanded the implementation of a global financial transaction tax. Europe should take the first step in this direction. Favoring non-European financial markets in doing so should not be taken as an excuse for inaction.

KENNETH ROGOFF WINS DEUTSCHE BANK PRIZE IN FINANCIAL ECONOMICS 2011

The Center for Financial Studies (CFS) at the House of Finance has awarded the Deutsche Bank Prize in Financial Economics 2011 to the US economist Kenneth Rogoff. "Kenneth Rogoff has not only contributed pioneering work of the greatest academic importance, he has also made his findings accessible to a broad public", said Jury Chairman and CFS Director Uwe Walz. The academic prize, sponsored by the Deutsche Bank Donation Fund, carries an endowment of €50,000 and is awarded biannually by the CFS in partnership with Goethe University Frankfurt. Josef Ackermann, Chairman of the Management Board and the Group Executive Committee of Deutsche Bank, will present the prize on September 22.

NEW ASSISTANT PROFESSOR TO JOIN THE DEPARTMENT OF CORPORATE AND FINANCIAL LAW

Isabel Feichtner, who studied law in Freiburg, Amsterdam, Berlin and New York, will be joining the Department of Corporate and Financial Law as an Assistant Professor. She holds an LL.M. from Cardozo Law School and a Ph.D. from Goethe University which was awarded the 2010 Baker & McKenzie Prize. Feichtner was previously a Senior Research Fellow at the Max Planck Institute for Comparative Public Law and International Law in Heidelberg. At Goethe University, she will teach students in the Law and Economics of Money and Finance Ph.D. program and conduct a research project on the transnational law of natural resources.

PETER GOMBER ELECTED MEMBER OF KEY FRANKFURT STOCK EXCHANGE BODY

Peter Gomber, Professor of e-Finance at the Faculty of Economics and Business Administration at Goethe University Frankfurt, has been elected a member of the Frankfurt Stock Exchange's Exchange Council. As controlling and supervisory body the Exchange Council is responsible for the appointment, dismissal and supervision of the management board.

STEFAN GERLACH TO ADVISE THE SWEDISH FINANCIAL SUPERVISORY AUTHORITY

Stefan Gerlach, Professor of Monetary Economics at the House of Finance and Managing Director of the Institute for Monetary and Financial Stability (IMFS), has been appointed Scientific Advisor to the Swedish Financial Supervisory Authority (Finansinspektionen or FI). FI supervises and monitors all companies operating in Swedish financial markets.

QUARTERLY EVENT CALENDAR

MARCH – APRIL

Date	Event
Monday, March, 28th – Friday, April, 8th 9 am – 6 pm	**ILF Spring School 2011** **"Unternehmensrecht in der Beratungspraxis"**
Wednesday, March, 30th – Saturday, April, 2nd	**Goethe Business School 4-Day Training** **"Financial Risk Management Part II"**
Monday, 11th 9 am – 6 pm	**IMFS Workshop** **"Recent Developments in Macroeconomic Policy"**
Monday, 11th 5 pm	**Prize Presentation** **E-Finance Lab: Selected Landmark in the "Land of Ideas"**
Thursday, 14th 12.15 – 1.45 pm	**Frankfurt Seminar in Economics** Speaker: Prof. Luca Gambetti, Ph.D., Universitat Autonoma de Barcelona
Tuesday, 26th 5.15 – 6.30 pm	**Finance Seminar** Speaker: Prof. Dr. Alexander Kempf, University of Cologne

MAY

Date	Event
Monday, 2nd 5 pm	**EFL Jour Fixe** **"Solvency and Liquidity during the 07-09 Financial Crisis"** Speaker: Jens Kruk
Tuesday, 3rd 5.15 – 6.30 pm	**Finance Seminar** Speaker: Prof. Michael Brennan, Ph.D., UCLA Anderson School
Friday, 13th 8 am – 5 pm	**House of Finance Conference** **"Regulation & New Market Order"**
Tuesday, 17th 5.15 – 6.30 pm	**Finance Seminar** Speaker: Prof. Anders Trolle, Ph.D., École polytechnique fédérale de Lausanne
Tuesday, 17th – Wednesday, 18th	**Conference** **"Banks' debt and monetary policy in the euro area"** Organisation: Prof. Ester Faia, Ph.D. and ECB
Wednesday, 18th	**IMFS Distinguished Lecture** Speaker: Anders Borg, Minister of Finance, Sweden Hess. Landesvertretung Berlin
Thursday, 19th 3 – 7 pm	**CFS Workshop**
Thursday, 26th 9 am – 6 pm	**ILF 3rd Corporate Finance Summit 2011**
Thursday, 26th 12 – 1 pm	**HoF Brown Bag Seminar** **"Fiscal Policy and Government Bond Spreads in the Euro Area"** Speaker: Prof. Thomas Laubach, Ph.D.
Monday, 30th	**CFS Presidential Lecture** Speaker: Prof. Dr. Josef Ackermann
Tuesday, 31st 5 pm	**CFS Colloquium** **"Finanzkrisen im historischen Rückblick und Lehren für die Zukunft"** Speaker: Prof. Dr. Michael Heise

JUNE

Date	Event
Wednesday, 1st	**Goethe Business School** **Goethe Full-Time MBA** **"Application Deadline – Round 3"**
Monday, 6th 5 pm	**EFL Jour Fixe** **"(Tax) Efficient Financial Advice – Myth or Truth"** Speaker: Lutz Horn
Tuesday, 7th 9 am – 5 pm	**ILF Career Day**
Thursday, 9th – Friday, 10th 9 am – 6 pm	**CFS Research Conference** **"Alternative Approaches to Modeling Systematic Risk"**
Friday, 10th 8.45 am – 6 pm	**CFS Research Conference** **"The ECB and Ist Watchers XIII"** Organisation: Prof. V. Wieland, Ph.D
Tuesday, 14th 12.30 pm	**CFS Colloquium** **"Resolving the Strains in Europe: Near-Term Measures and Long-Term Prospects"** Speaker: Charles H. Dallara, Ph.D., Institute of International Finance
Tuesday, 14th 5.15 – 6.30 pm	**Finance Seminar** Speaker: Prof. Alberto Plazzi, Ph.D., University of Lugano
Saturday, 25th 5.30 pm	**Goethe Business School Graduation** **"Executive MBA and Executive Master of Finance and Accounting, Classes of 2011"**
Thursday, 30th 12 – 1 pm	**HoF Brown Bag Seminar**

Please refer to www.hof.uni-frankfurt.de/eventlist.html for continuous updates of the event calendar.

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