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The House of Finance 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 research newsletter on a quarterly basis.

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POST-CRISIS INTERNATIONALIZATION OF SUPERVISION

The financial crisis has taught regulators and lawmakers a lot – not least that financial supervision needs to be much more integrated internationally. The crisis has brought financial supervisors of different countries closer together. Supervisory colleges, in which home and host country supervisors of international banking groups share information, exchange views and consult each other, existed even before the crisis. But now they are institutionalized, and cooperation has become much more intensive.

In the European Union the internationalization of supervision is very wide-ranging. But the EU also provides the legal framework which we do not have at the global level, of course. But even within Europe we run up against our own borders, for example, when branches of law are not harmonized and lie within the sole jurisdiction of Member States. There is also the question of burden-sharing. Supervisory measures in times of crisis are costly – and generally financed out of taxpayers' money, the spending of which is the prerogative of individual states only.

With its reform of the European supervisory architecture, the outcome of which is the European System of Financial Supervisors, the European Union has at any rate taken a first giant step – in the right direction. Supervision must not be tied to jurisdictions, for the firms in question are not either. In order to be able to function effectively, supervision must be international, or at least European.

In Europe we now have a hybrid supervisory system: although national supervisory authorities as a matter of principle still remain responsible for "their" firms – and that is the way it must be if only for the reasons stated above – there are now three European Supervisory Authorities (ESAs) with wide-ranging powers.

The ESAs radically change the way national supervisory authorities work. Subject to certain conditions, they may issue instructions to national authorities. If the latter fail to act on these instructions, the ESAs may, as a last resort, take decisions directly binding on firms, for example, if national authorities are not applying Community law or are not applying it correctly. If disaster should descend upon the financial markets again, the ESAs will also be involved in crisis management and "shall actively facilitate and, where deemed necessary, coordinate any actions undertaken by the relevant national competent supervisory authorities". Although many details still need to be spelled out, the means to act in a coordinated fashion – in crises but also especially before crises arise – are now available.

With the European Systemic Risk Board (ESRB) the EU has remedied another great deficiency that the crisis revealed, at least in Europe: undesirable macroeconomic developments that represented a risk not only to the stability of individual firms, but also to that of the whole financial system, could previously not be identified early enough – or even not at all if they arose beyond a country's own national borders. And even if these problems could at least be foreseen, the transmission from the macro to the micro level, the supervision of individual institutions, frequently did not work. It was therefore right to establish the ESRB as a European watchdog and to link its macroprudential oversight with the supervision of individual institutions.

The global responses to the crisis, as formulated by standard setters such as the Basel Committee on Banking Supervision, are being incorporated into the European legal framework and are as a result being given the binding nature that they just do not have globally. This framework is being fleshed out by technical standards, developed by the ESAs and adopted by the EU Commission, which are immediately applicable law in all EU Member States. The national supervisory authorities are collaborating on this major maximum harmonization project. They are doing this in the ESAs, which have been given a democratic organizational structure. The key decision-making bodies of the ESAs are the Boards of Supervisors, in which the national supervisory authorities are voting members. Until further notice, it is in these Boards that the course of European financial supervision will be set – a course that will hopefully be successful.

BaFin/Kai Hartmann Photography

Elke König
President, Federal Financial Supervisory Authority (BaFin)

DO INFORMATION RENTS IN LOAN SPREADS PERSIST OVER THE BUSINESS CYCLE?

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In this paper, we seek empirical evidence for information rents in loan spreads by analyzing a sample of UK syndicated loan contracts for the period from 1996 to 2005. We use various measures for borrower opaqueness and control for bank, borrower and loan characteristics and we find that undercapitalized banks charge loan spreads that are approximately 34 bps higher for loans to opaque borrowers. We further analyze whether this effect persists throughout the business cycle and find that this effect prevails only during recessions. However, we do not find evidence that banks exploit their information monopolies during expansion phases.

The costs of bank-borrower relationships have received scant research attention. We argue that the costs that are associated with lending relationships are economically significant. We show that capital-constrained banks exploit their information monopolies over borrowers that have high costs for switching lenders by charging higher loan spreads than their well-capitalized peers (the "weak bank effect"). This effect prevails only in recessions. However, we find evidence of the commitment of lenders to their borrowers during expansion phases.

UNIQUE DATA SET COMPRISED MAINLY OF PRIVATE FIRMS

Syndicated loans play a major role in corporate finance by providing access to a large quantity of capital that even exceeds the annual issuance volume of equity and bond markets. In our empirical analysis, we employ a data set of UK syndicated loan agreements for the time period 1996 to 2005. Because private companies in the UK are legally required to disclose their financial statements to the UK Companies House, this data set confers upon this study a notable advantage over prior research in this area. Information problems are typically greater for private firms, which constitute the majority of firms in our data sample. The theoretical models that provide the foundation for this study rely on the existence of private information that is not observable by outsiders; this assumption is particularly relevant for our sample. As a consequence, we are able to provide greater insight into the size of the informational rents that banks can earn in the syndicated loan market.

RELATIONSHIP LENDERS HAVE AN INFORMATION MONOPOLY OVER OUTSIDE INVESTORS

We seek empirical evidence for information monopolies, building on the theoretical models of Greenbaum et al. (1989) and Rajan (1992). These authors show that relationship lenders have an information monopoly over outside investors and that these monopolies effectively lock in borrowers and enable banks to extract monopoly rents. This information disparity stems from the uncertainty of outside investors in evaluating the quality of borrowers. We recognize two dimensions of

uncertainty: first, there is an adverse selection (winner's curse) problem. Second, there are external events that amplify the adverse selection component. We find that increased uncertainty arising from macroeconomic fluctuations is important to understanding bank behavior with respect to loan pricing when information problems are elevated.

Bank credit policies fluctuate during the business cycle, and they vary countercyclically. Evidently, there is some variation in the credit policies of banks, and a sharp tightening of credit standards in the early 1990s and 2000 overlaps with periods of economic contraction. Lending standards appear to vary for both small and large borrowers in a similar manner. This phenomenon is explained in the literature by the profit-maximizing behavior of banks rather than the carelessness of bankers. During recessions, the average quality of borrowers in the pool of credit applicants is low. Therefore, the costly screening process serves to identify high-quality borrowers from this pool. As there is a high probability that credit assessments turn out to be negative, the marginal benefit from screening is low and so is the intensity of screening, as well as lending volume, during these periods. If the economy improves, the average quality of borrowers improves as well, which increases the probability that credit assessments are positive. This, in turn, enhances the marginal benefit of screening by increasing the intensity of screening by banks.

However, beyond some point, the average quality becomes excessively high, the marginal benefits from screening decrease, and the screening intensity is again reduced. Credit standards are lax in good times; therefore, the default risk of the portfolios of banks increases. This concern is particularly relevant for poorly capitalized banks. If the bad loans that are extended in good times are defaulted during recessions, then these banks might suffer severely in terms of their capital, and this effect would compromise their financial stability. It is thus a natural question whether these banks price their loans differently compared with well-capitalized ones.

WEAK BANKS CHARGE HIGHER SPREADS TO BORROWERS WITH HIGH SWITCHING COSTS

Comparing borrowers with high and low switching costs, we find that undercapitalized banks charge higher loan spreads in loans to firms, who thus encounter high switching costs. This effect is shown to be statistically and economically significant. We find that information monopolies exist in periods of economic contraction: only weak banks raise their spreads above the level that is justified by the credit risk for borrowers with a high cost of switching lenders. This finding is consistent with reputation considerations and discretion in bank loan commitments. Ambiguity regarding borrower financial health, which is the initial motivation for information monopolies, also causes banks to renege in adverse situations. Banks place their reputations at risk by offering these loan commitments. Well-capitalized banks honor their commitments by choosing not to exploit their information monopolies and thus enhancing their reputation (and potentially increasing their future fee income). In contrast, preserving the financial health of weak banks outweighs the benefits of preserving their future reputations, and they charge their borrowers higher spreads. These results are robust to alternative proxies for bank and macroeconomic risk.

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REGULATION OF EXECUTIVE PAY IN GERMANY – PERSPECTIVES OF OPTIMAL CONTRACTING AND MANAGERIAL POWER

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Three years after the peak of the recent financial crisis, reforms to regulate executive compensation are beginning to take hold. Companies are fine-tuning their executive compensation programs and governance processes with a view to implementing recently legislated regulation. Therefore, it is time for an analysis of the functioning of this relatively new legislative framework.

Leaving regulatory changes aside, recent surveys of executive pay practices show clear evidence of companies focusing on a tightened link between compensation and performance. This is particularly well reflected by the development of performance-related salary in Germany over the years. After the amendment of the German Stock Corporation Act (1998) facilitating the capital increase and the redemption of shares for corporations, the percentage of variable pay rose from 16% to 70% in 2005. The pay tied to stock amounted to 20.8% of total compensation after the recent financial crisis in 2010 (see Figure 1). This development is in stark contrast to the composition of the much higher executive pay in the United States, where in 2010 stock-based pay comprised in total 51% (see Figure 2).

Despite these differences, there is evidence in both corporate governance systems of existing agency problems, because the ability of executives to extract high levels of compensation seems to decrease with a rising degree of ownership concentration. This evidence fits squarely with the so-called "managerial power" hypothesis that calls into question the functioning of contracting mechanisms in the area of executive compensation agreements and is concerned about the correlation between pay and performance.

BENCHMARKS

In the "Gesetz zur Angemessenheit der Vorstandsvergütung" (Law on the Appropriateness of Director Compensation) of June 18, 2009, the German legislator has tried to reconcile these two approaches. By referring

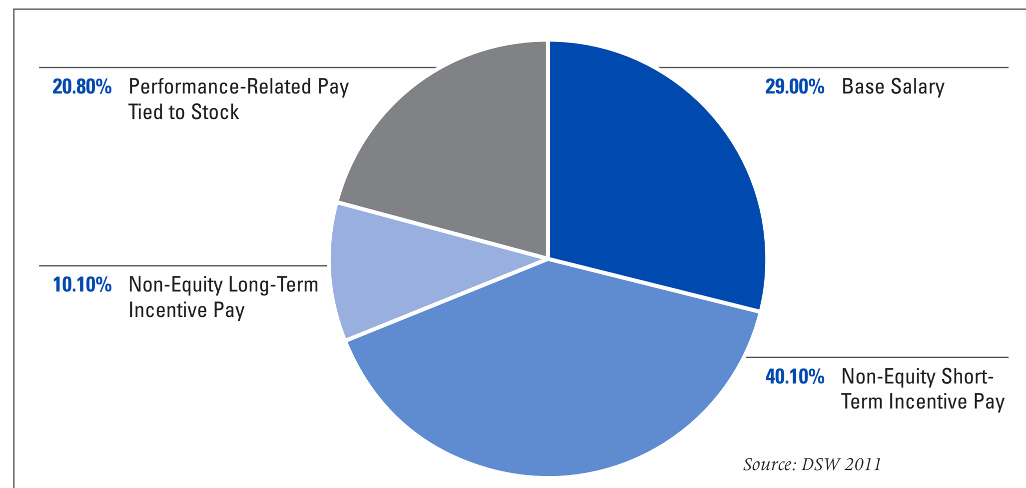

Figure 1: Executive Board Compensation of the DAX-Listed Companies in 2010

to the duties and performance of the members of the management board and to standard practice, the law draws on criteria usually underlying compensation agreements in labor markets, thus completing the parties' optimal contracting by compensating market weaknesses. At the same time, the criterion of standard practice integrates a vertical dimension according to the internal payment structure of the company. The latter, however, may have unwanted incentive effects because tournament theory has shown that pay differentials between job levels may influence employees' motivation and their level of effort.

PAY COMPONENTS AND INCENTIVE EFFECTS

In addition to these basic parameters, the amendment of 2009 tries to go even further, indicating relevant criteria for the composition of executive compensation and taking the sustainable development of the company's business as a guideline. Unfortunately, the law gives little guidance as to how to ensure a workable implementation. All the legislator does is indicate the time period to establish and verify sustainability by providing for a period of at least two years in § 87 (1) AktG that the assessment of performance should generally be based on. Such a one-size-fits-all approach does not, however, allow for the specific needs of different industries. In addition, the amendment of 2009 introduced extended holding periods of four years for stock options (§ 193 (2) AktG) in the interest of long-term behavioral control and in light of the widely spread criticism against adverse incentives created by stock options throughout the recent financial crisis.

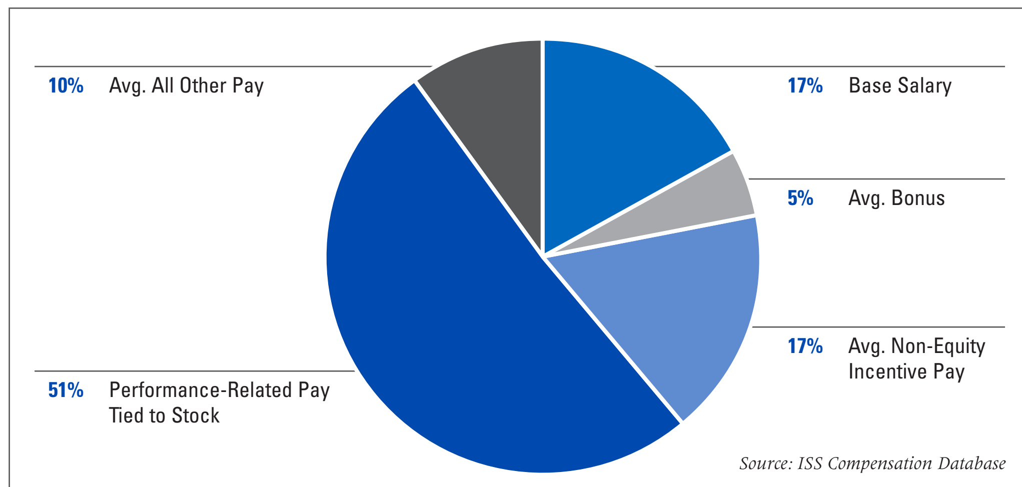

Figure 2: Top Five Highest-Paid Named Executive Officers (NEOs)

This regulatory approach obviously relies on an incentive effect flowing from variable and, particularly, share-related pay components. This assumption has been subject to growing criticism in light of the recent findings of empirical behavioral research. Empirical evidence of a high responsiveness of stock option pay for CEOs to stock price performance is not too convincing because – among other things – causality can hardly be proved. Considering the possible adverse effects of incentive pay on intrinsic motivation, one may conclude that the regulation of variable pay and the mandatory extension of the holding periods for stock options might be arbitrary and lacking in empirical basis. This finding seems to confirm the growing opinion in German legal debate that economists have failed to communicate convincingly their findings about the alignment between shareholder and executive interests in the regulation of executive pay.

SAY ON PAY

Despite its non-mandatory character, the now widely accepted advisory vote of the shareholder meeting introduced by the Amendment of 2009 can be considered best practice. Notwithstanding its non-binding effect, it may lead to greater sensitivity in remuneration matters, even though there is no evidence for a slowdown in the continued expansion of executive pay. However, practical experience in the U.K. indicates a growing dialogue between the board and institutional investors about compensation. The threat of shareholder outrage over executive compensation seems to be taken care of better than before.

In conclusion, the German regulation of benchmarks for reasonable compensation seems to rest on a close alignment of executive pay with market forces. There is, however, no empirical evidence for an actual alignment of the interests of management with those of shareholders. At the same time, the newly introduced advisory shareholder "say on pay" may help to reduce outrage costs, evidencing a certain legislative mistrust towards managerial power that may not be subject to market control.

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LINKING CUSTOMER AND FINANCIAL METRICS TO SHAREHOLDER VALUE

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Chief marketing officers are increasingly coming under pressure to show the positive impact of their marketing activities on company performance. To demonstrate this impact, they require models that link customer metrics to shareholder value. Similarly, investors and financial analysts that regard customers as the most important assets of a company have a great interest in the link between the value of these customers (current and future, as captured by customer equity) and shareholder value, here operationalized as market capitalization. Establishing this link would give them an alternative approach to company valuation that could circumvent many of the shortcomings in existing valuation approaches.

Existing models in marketing that link customer metrics to shareholder value disregard financial metrics, in particular companies' debt and non-operating assets (Gupta et al. 2004; Rust et al. 2004). In contrast, most discounted cash flow models in finance put little emphasis on customer metrics, such as the number of customers and their retention rates (for a summary, see Damodaran 2006). Thus, they provide little information about how improvements in marketing metrics, such as retention rates or cross-selling rates, impact shareholder value.

DESCRIPTION OF THE THEORETICAL FRAMEWORK

This article develops a new theoretical framework for customer-based valuation, which determines shareholder value and is grounded in valuation theory. Its basic idea is to use information about a company's customer base to determine the appropriate market capitalization. Figure 1 indicates that the theoretical framework for customer-based valuation consists of two core modules. Module 1 links customer equity to shareholder value and considers non-operating assets, debt and taxes. New, from a financial point of view, is that all operational, tangible (e.g. equipment, buildings) and intangible (e.g. brands, knowledge, patents) assets of the company are captured in customer equity, which summarizes the respective cash flows according to customers or customer cohorts instead of periods.

Module 2 calculates customer equity, here defined as the present value of all current and future customers. In its simplest form, customer equity equals the number of current and future customers times the average (net present) value per current and future customer. Ideally, the value per customer is calculated at the individual level, as is common in models with access to internal, proprietary information. However, valuation models that must rely on less informative or publicly available information generally require a compromise in the level of detail attained. Potential alternatives to individual customer valuation include grouping customers in period-based cohorts or in segments, such as end consumers versus business clients. This distinction offers greater predictive accuracy than an aggregated analysis. Moreover, it seems sensible to distinguish between current customers (certain, because they have already been acquired) and expected future customers, who entail uncertainty and are more likely to introduce larger errors into the model. The company also usually needs to invest more money to acquire them.

Customer equity must capture the present value of the revenues and costs of all customers. Whereas assigning revenues to customers is

relatively straightforward, assigning them costs is more complicated, because some indirect costs do not relate to the number of new or total customers. The identification of such indirect costs can account for decreasing marginal costs and economies of scale. Thus, in the theoretical framework, customer equity (before indirect costs) measures the present value of the difference between revenues from all customers and all customer-specific costs (i.e. profit contribution per customer), comparable to the customer equity metric commonly employed in previous research. However, this measure of customer equity does not account for indirect costs that can reduce shareholder value, so customer equity (after indirect costs) integrates the present value of all indirect (i.e. non–customer-specific) costs.

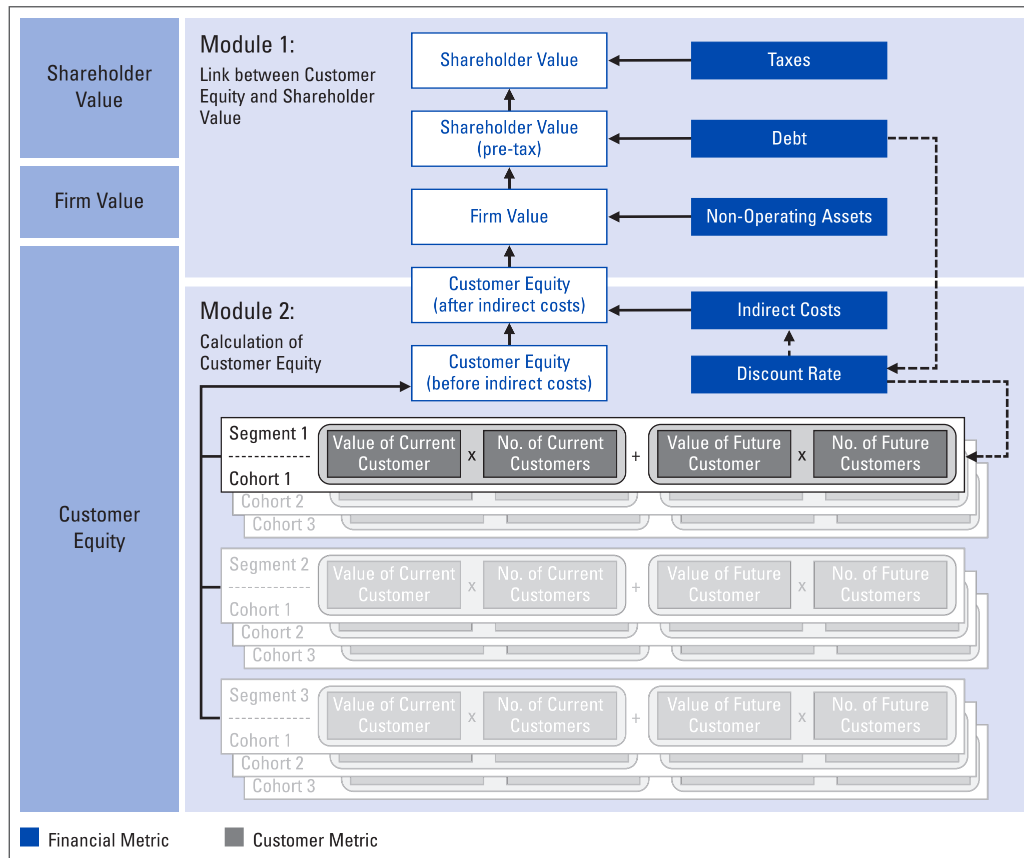

Figure 1: Theoretical Framework for Customer-Based Valuation

APPLICATION OF THE THEORETICAL FRAMEWORK

This article applies the above theoretical framework for customer-based valuation to two companies in the media and telecommunications industry (Netflix and Verizon) over six years to analyze the influence of customer and financial metrics on shareholder value. The results show that it predicts market capitalization very well, which should encourage the adoption of customer-based valuation as a decision-making tool in the marketing and the financial community. Longer time horizons seem more appropriate for calculating customer lifetime value or customer equity. The findings also challenge previous notions about the dominant effect of the retention rate and underline the importance of predicting the number of future acquired customers for a company. For companies whose value is largely driven by customers, information about their customer management activities and the corresponding customer metrics are material. We advise such companies to disclose their customer metrics to ensure their adherence to existing legal requirements and reduce information asymmetry.

LEVERAGE EFFECTS

This article also details how debt and non-operating assets introduce a leverage effect with potential consequences so severe, that not only investors and analysts, but also chief marketing officers must be aware of it. The average leverage effect in more than 2,000 companies across 10 years is 1.55, which indicates that a 10% increase in customer equity is amplified to a 15.5% increase in shareholder value. For the chief marketing officer of the average firm, this means that ignoring the leverage effect would lead him to underestimate the impact of marketing efforts on shareholder value by 55%. For investors and financial analysts looking at the average firm, failing to include the leverage effect leads to a substantial over-estimation of shareholder value by 35% on average.

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RECOMMENDATIONS FOR THE REGULATION OF SHADOW BANKING

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One major topic on the G-20 agenda is the prevention of new risks arising from shadow banking. In our memo for the G-20 summit in Cannes in November 2011 we suggest a stricter congruence between regulated financial territory and the business model of banks and other regulated financial institutions. We recommend imposing certain minimum regulatory restrictions on all major counterparties of regulated banks and other financial institutions.

The shadow banking system includes entities and activities that perform credit intermediation outside the regular banking system. Credit relationships exposing regulated banks to non-regulated, or less-regulated entities outside the regular banking system may contribute to systemic risk, as they imply maturity transformation or leverage, both of which may provoke a run on borrowers, possibly infecting the regular banking system. Even if there were no effect on systemic risk, the shadow banking system may serve to conduct regulatory arbitrage, thereby undermining the relevant regulatory principles of bank soundness, and diluting their intended effects.

The shadow banking system is related in several ways to the current financial crisis. For example, the securitization of subprime credit allowed overall mortgage lending to expand greatly, contributing to the rise in US housing prices. Similarly, the problems that emerged in the wholesale (interbank) repo lending market since the Lehman default were closely related to the use of securitized products as collateral, while the underlying special purpose vehicles relied on short-term funding from short-term money market funds.

From a regulatory viewpoint, there are therefore (at least) three economic reasons for being interested in shadow banking: shadow banking activities may contribute to systemic risk, they may allow for regulatory arbitrage, and they may pose an unnecessary, or undue risk to the consumer. In our view, it is imperative that new developments in the 'shadow' sectors of financial markets be continuously monitored (and understood). As shadow banking develops in reaction to constraints imposed on regular banking, the extension of regulation to non-regulated entities has to be weighed against the risks of new institutional forms arising in response to this regulatory initiative. In our memo, we make concrete suggestions for the introduction of regulation of shadow banking, for the handling of systemic risk and for further work on a comprehensive resolution regime covering cross-border banking.

THE DEMARCATION RULE

We recommend mandating the Financial Stability Board (FSB) to establish a qualified task force to assess the costs and benefits of an indirect approach to the regulation of shadow banking that would allow regular banks to enter into business transactions only with counterparties that are themselves regulated. This *demarcation rule* could be carried out in a) *a weak version* in which the counterparties need only be registered entities or b) *in a stronger version*, wherein the counterparties need to be properly regulated institutions themselves.

The weaker version of the demarcation rule resembles the *Legal Entity Identifier (LEI) Project* of the FSB. It will allow collecting information needed to map exposures between financial institutions and financial entities as well as the

hierarchical holding structures that may exist among these entities. Under the stronger version, shadow banking and regular banking would be treated alike. Feasibility of this rule requires a formal "accreditation" of potential counterparties by an international institution. Important for the implementation of a demarcation rule is a joint approach by all major financial centers, in particular the US and the UK. We propose to stick to the weak version of demarcation, as long as no international consensus on demarcation has been reached, and to move to a stronger version only in lock step.

RISK MAP

We recommend setting up a European institution comparable to the US Office of Financial Research. This institution should have the mandate and the resources for *data gathering* and *data analysis*, to map the financial exposures across and between institutions. The risk map project is endorsed by the European Central Bank and several other European institutions (e. g. the European Systemic Risk Board and the European Supervisory Authorities). The realization of the risk map project is the basis for any other regulatory project on systemic risk monitoring.

SYSTEMIC RISK CHARGE

The information contained in the risk map can be used to determine each entity's contribution to systemic risk. On that basis, shadow banking could be subjected to a systemic risk charge, with the intent of internalizing the externality (the contribution to systemic risk) and filling bank rescue funds. Such a (Pigou-) tax on shadow banks will also help avoid regulatory arbitrage.

BANK RESTRUCTURING REGULATION

Our final recommendation addresses the need to solve the "too-big-to-fail problem". There are three obstacles hindering restructuring legislation to be effective today: the lack of international coordination, the absence of a strategy on how to engineer the separation of a good from a bad bank, and the failure to render haircuts credible. We recommend setting up a task force with an intercontinental mandate to further the harmonization of regulation relating to the restructuring of defaulting banks. Second, a sufficiently staffed agency should preventively prepare for the resolution of systemically important institutions. Third, the role of haircut-takers needs to be assigned to particular investors and be communicated as such ex-ante. The obvious candidates for this role are life insurance companies and pension funds – both institutions have very long debt durations and are the least likely institutions to experience a run on their assets. Holding haircut-able bank debt is lucrative for these funds as the coupon of these instruments will be high.

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

SELECTED POLICY PLATFORM PUBLICATIONS

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THEORY NEEDS TO ADDRESS THE RIGHT KIND OF POLICY QUESTIONS

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Lars-Hendrik Röller is the Economic Advisor to Chancellor Merkel as well as G8 and G20 Sherpa. Previous positions include President of ESMT, Chief Competition Economist of the European Commission, Director at the Wissenschaftszentrum Berlin, Professor at Humboldt University and Professor at INSEAD, Fountainebleau. He is also a Past-President of the German Economic Association and the European Association for Research in Industrial Economics (EARIE). Röller holds a Ph.D. in Economics from the University of Pennsylvania, a Master of Arts in Economics, a Master of Science in Artificial Intelligence both from the University of Pennsylvania, and a Bachelor of Science in Computer Science from Texas A&M University.

Politicians often criticize academic advice to be too theoretical. Should economists take the political feasibility of their proposals into account when giving policy advice?

I do not think that academic advice is too theoretical. Often, theory is the best guide for policy. However, theory needs to address the right kind of policy questions. In the end, the relevance of a theory is whether is addresses a relevant question. This also applies to empirical academic research which can be very fruitful for policy as well. Taking political constraints into account is one way of making a theory, or an empirical analysis, ask the right kind of questions. When it comes to policy implementation, political, institutional and technical constraints are often decisive.

In the United States, it is common for academics to temporarily leave academia to serve in political functions. Would Germany also profit from such a regular exchange of experts between politics and academia?

Revolving doors can be an effective way to increase knowledge and experience on either side; government as well as academia. Governments can benefit from academics, while academia can benefit from having been exposed to a policy environment. Taking the government's perspective, there are primarily two channels through which academic economists have impact: either by having confidential input "inside" the house (for example the Chief Economist Team at the European Commission), or by public "external" advice through the media, think tanks or other academic institutions.

What do you consider to be the most pressing policy questions that economists should currently address in their research?

To my mind there is no most pressing policy question. Clearly, the financial and economic crisis has been dominating over the last couple of years. The crisis has shown the importance of institutional economics. However, there are many other policy questions ranging from labor market policies, financial market regulation, innovation, and regulatory issues in general. Understanding in these contexts how markets work, or why they don't work and what the role of government should be, remains a fundamental challenge.

Conference Announcement

STATE AID IN THE BANKING MARKET

Legal and Economic Perspectives

21 June, 2012, House of Finance

organized by the Institute for Monetary and Financial Stability and the Policy Platform at the House of Finance

Keynote Address

Joaquín Alumnia,
European Commissioner for Competition

Speakers

Prof. Dr. Daniel Zimmer,
University of Bonn & Monopolkommission

Athanasios Orphanides, Ph.D.,
former Governor, Central Bank of Cyprus

Prof. Dr. h. c. mult. Martin Hellwig,
MPI for Research on Collective Goods

Prof. Dr. Joel Monéger,
University Paris-Dauphine

SELECTED HOUSE OF FINANCE PUBLICATIONS

Bülbül, D. (2012)
"Determinants of trust in banking networks",
forthcoming in Journal of Economic Behavior & Organization

Cwik, T., Müller, G. J., Schmidt, S., Wieland, V., Wolters, M. (2012)
"A New Comparative Approach to Macroeconomic Modeling and Policy Analysis",
forthcoming in Journal of Economic Behavior and Organisation

Faia, E. (2012)
"Oligopolistic competition and optimal monetary policy",
forthcoming in Journal of Economic Dynamics and Control

Gomber, P., Pujol, G., Wranik, A. (2012)
"Best Execution Implementation and Broker Policies in Fragmented European Equity Markets",
International Review of Business Research Papers, Vol. 8., Issue 2, pp. 144-162

Haar, B. (2012)
"Binnenmarkt und europäisches Gesellschaftsrecht in der aktuellen Rechtsprechung des EuGHs",
forthcoming in Zeitschrift für Gemeinschaftsprivatrecht (GPR)

Haliassos, M. (Ed.) (2013)
"Financial Innovation: Too Much or Too Little?",
forthcoming in Cambridge, MA: MIT Press

Inderst, R., Ottaviani, M. (2012)
"Financial Advice",
forthcoming in Journal of Economic Literature

Kraft, J., Redenius-Hövermann, J. (2012)
"Zur Einführung einer gesetzlichen Geschlechterquote im Aufsichts- oder Verwaltungsrat einer SE",
Die Aktiengesellschaft, Vol 1+2, pp. 28-33

Marekwica, M., Maurer, R., Sebastian. S. (2011)
"Asset Meltdown – Fact or Fiction?",
Journal of Real Estate Portfolio Management, Vol. 17, pp. 27-38

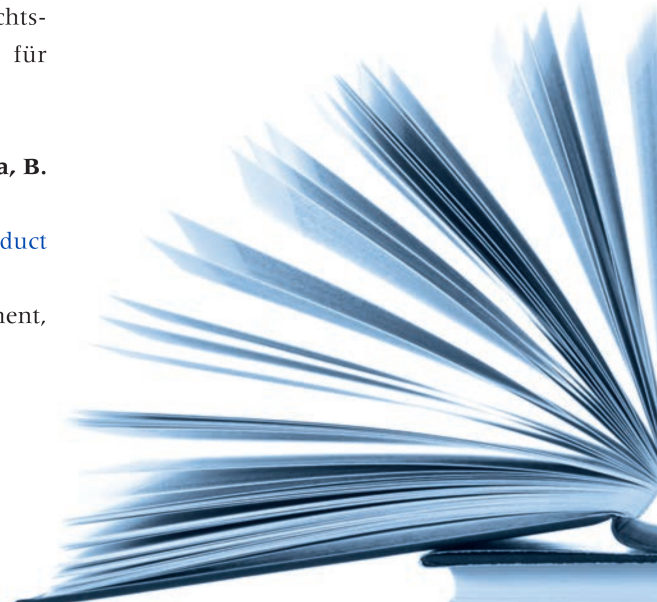
Prüfer, J., Walz, U. (2012)
"Academic Faculty Governance and Recruitment Decisions",
forthcoming in Public Choice

Siekmann, H. (2012)
"Die Legende von der verfassungsrechtlichen Sonderstellung des „anonymen" Kapitaleigentums",
in Sachs/Siekmann (Eds.): Der grundrechtsgeprägte Verfassungsstaat, Festschrift für Klaus Stern, pp. 1527-1541

Soukhoroukova, A., Spann, M., Skiera, B. (2012)
"Generating and Evaluating New Product Ideas with Idea Markets",
Journal of Product Innovation Management, Vol. 29 (1), pp. 100-112

Wandt, M. (2012)
"Prinzipienbasiertes Recht und Verhältnismäßigkeitsgrundsatz im Rahmen von Solvency II",
Peter Albrecht (Ed.), Mannheimer Vorträge zur Versicherungswissenschaft, Vol. 91

Wolf, M., Beck, R., Pahlke, I. (2012)
"Mindfully Resisting the Bandwagon – Reconceptualising IT Innovation Assimilation in Highly Turbulent Environments",
forthcoming in Journal of Information Technology (JIT)



NEW ENDOWED CHAIRS AT THE HOUSE OF FINANCE

Two new endowed chairs have been implemented at the House of Finance, both connected to the Department of Finance. The chairs are funded by the DZ BANK Foundation and the Helaba Landesbank Hessen Thüringen via the House of Finance Foundation.

Andreas Hackethal holds the new **House of Finance Endowed Chair of Personal Finance – supported by the DZ BANK Foundation.** The chair's prime focus fits the research interests of Hackethal, who previously held the Chair of Finance.

The **House of Finance Endowed Chair of Finance and Accounting – supported by the Helaba** will be held by Reinhard H. Schmidt until his retirement. Schmidt, formerly Professor of International Banking and Finance, has been teaching at Goethe University since 1991.

RAIMOND MAURER RECEIVES HONORARY DOCTORATE

FINEC, the St. Petersburg State University of Economics and Finance, has awarded an honorary doctorate to Prof. Raimond Maurer (Chair of Investment, Portfolio Management, and Pension Finance) at the House of Finance. FINEC is one of Russia's largest and most renowned universities for economics and finance. Maurer, who has been cooperating with FINEC researchers for 20 years, is only the 45th recipient of an honorary doctorate from the university in its 80-year history.

ING DIBA TO SUPPORT RETAIL BANKING AND MARKETING-RELATED ACTIVITIES

ING DiBa AG has agreed to support research activities at Goethe University in the area of retail banking and marketing via the provision of funding, data and expert knowledge. The majority of funds will be allocated to grants for doctoral students of the Graduate School for Economics, Finance, and Management at the House of Finance. "This support will help to expand our very successful research on solutions that improve the financial decisions of private households", said Andreas Hackethal, Dean of the Faculty of Economics and Business Administration, who himself conducts research on retail banking.

JAN PIETER KRAHNEN APPOINTED TO NEW HIGH-LEVEL EU EXPERT GROUP

Jan Pieter Krahnen has been appointed a member of the European Commission's new High-Level Expert Group on Reforming the Structure of the EU Banking Sector. The expert group, chaired by Erkki Liikanen, Governor of the Bank of Finland, was established in February 2012 by Michel Barnier, the EU Commissioner for Internal Market and Services. It will present its final report to the Commission by the end of summer 2012. Krahnen, the only German member in the group of nine, is "very honored" to have been selected. "This task is very exciting. We will tie together the multifaceted scientific questions raised by the financial crisis", he said. Krahnen is a co-director of the Center for Financial Studies and Professor of Corporate Finance at the House of Finance.

FRANKFURT FINANCE SUMMIT 2012

Featuring a great number of distinguished guests, lectures and panel discussions, the second Frankfurt Finance Summit was a huge success. This year, the event was held at Goethe University's Casino Building on March 20 and 21. The current economic situation in Europe provided the participants from academia, politics, regulators and industry with a broad range of topics connected to the overall theme "Regaining Systemic Resilience".

VOLKER WIELAND SUCCEEDS STEFAN GERLACH AT THE IMFS

Volker Wieland has taken on the Endowed Chair of Monetary Economics, formerly held by Stefan Gerlach, at the Institute for Monetary and Financial Stability (IMFS) at the House of Finance – Gerlach was appointed Deputy Governor of the Central Bank of Ireland in September 2011. Wieland previously held the Chair of Monetary Theory and Monetary Policy at the House of Finance. The IMFS is composed of six chairs of which three are financed by the publicly-funded German foundation Stiftung Geld und Währung – i.e. the Monetary Economics, Finance and Economics, and Money, Currency, and Central Bank Law chairs. The institute adopts an integrated, interdisciplinary approach to the economic and legal aspects of monetary and financial stability.

NEWS IN BRIEF

- **Brigitte Haar** has been invited to serve as a Bok Visiting International Professor during the 2012-2013 academic year by the University of Pennsylvania Law School. Every year, Penn Law invites several internationally recognized experts in international and comparative law from around the world to its premises in Philadelphia.

- **Wolfgang König** and his team have been elected to run a project on e-docs funded by the German Federal Ministry of Education and Research. For more efficient use of both physical and financial resources, they will develop standards that improve the electronic exchange of documents.

- For the third year in succession, the Commerzbank Foundation will be supporting the **Doctorate/Ph.D. program Law and Economics of Money and Finance** with a grant of €15,500. The grant enables the program director Brigitte Haar, as well as Roman Beck at the E-Finance Lab, to invite international faculty to help broaden the curriculum.

- **Yulia Plyakha** and **Grigory Vilkov**, House of Finance, and Raman Uppal, EDHEC Business School, have won first prize in S&P Indices' first annual SPIVA Awards program for their study on equal-weighted portfolios (see HoF Newsletter Q2/2011, pp. 4-5).

- The US Retirement Income Journal has listed a paper co-authored by **Raimond Maurer** as one of the top ten most significant academic studies on retirement in 2011 ("Optimal Portfolio Choice over the Life-Cycle with Flexible Work, Endogenous Retirement, and Lifetime Payouts", Review of Finance, May 2011).

QUARTERLY EVENT CALENDAR

JUNE

Saturday, 2nd 3 pm	**GBS Graduation** Executive Master of Finance and Accounting, Class of 2012
Monday, 4th 5 pm	**EFL Jour Fixe** **"Security Risks of Cloud Computing in Financial Services"** Speaker: Olga Wenge
Monday, 4th 7.30 pm	**ILF Guest Lecture** **"Bank Resolution Regimes: Ensuring Credibility"** Speaker: John Armour, Oxford University
Tuesday, 5th 12.15 – 1.45 pm	**Frankfurt Seminar in Macroeconomics** **"The Cyclicality of Productivity Dispersion"** Speaker: Matthias Kehrig, University of Texas
Tuesday, 5th 5.15 pm	**Finance Seminar** Speaker: Magnus Dahlquist, Stockholm School of Economics
Wednesday, 6th 6 pm	**ILF Panel Discussion** **"Bauen, Recht und Finanzen"**
Monday, 11th 5.30 – 7 pm	**CFS Lecture** **"Beyond Our Means: Why America Spends While the World Saves"** Speaker: Sheldon Garon, Princeton University
Thursday, 14th 12.15 – 1.45 pm	**Frankfurt Seminar in Macroeconomics** Speaker: David Lagakos, Arizona State University
Thursday, 14th 12 – 1 pm	**House of Finance Brown Bag Seminar** Speaker: Volker Wieland
Friday, 15th 8 am – 4.30 pm	**The ECB and Its Watchers XIV** Organization: Volker Wieland
Monday, 18th 9 am	**ILF Career Day**
Tuesday, 19th 8.30 am	**ILF Breakfast Series** **"Themen des Kanzleimittelstands"**
Tuesday, 19th 5.15 pm	**Finance Seminar** Speaker: David Yermack, NYU Stern
Thursday, 21st 2 pm	**House of Finance / IMFS Conference** **"State Aid in the Banking Market – Legal and Economic Perspectives"** Speaker: Joaquín Almunia, European Commissioner for Competition, Daniel Zimmer, University of Bonn, et al.
Friday, 22nd 1 pm	**Tagung** **"Was taugt der Wertpapierprospekt für die Anlegerinformation?"** Organization: ILF & Hengeler Mueller
Monday, 25th 5 pm	**IMFS Distinguished Lecture** Speaker: Jörg Asmussen, ECB
Tuesday, 26th 12.15 – 1.45 pm	**Frankfurt Seminar in Macroeconomics** Speaker: Zheng Liu, The Federal Reserve Bank of San Francisco
Tuesday, 26th 5.15 pm	**Finance Seminar** Speaker: Robert Kosowski, Imperial College London

JULY

Monday, 2nd 5 pm	**EFL Jour Fixe** **"Determinants and Consequences of the IT Department's Influence within the Firm"** Speaker: Tim Krämer
Tuesday, 3rd 5.15 pm	**Finance Seminar** Speaker: Alex Stomber, HU Berlin
Thursday, 5th 12.15 – 1.45 pm	**Frankfurt Seminar in Macroeconomics** Speaker: Thomas Cosimano, University of Notre Dame
Tuesday, 10th 5.15 pm	**Finance Seminar** Speaker: Anna Chernobai, Whitman School of Management, Syracuse University
Saturday, 14th 7 pm	**ILF Graduation**
Tuesday, 17th 8.30 am	**ILF Breakfast Series** **"Themen des Kanzleimittelstands"**

AUGUST

Monday, 6th – Saturday, 11th	**Ph.D. Program Law and Economics of Money and Finance Summer School** **"Law and Economics of Financial regulation"** Speaker: Martin Lodge, London School of Economics; Kai Wegrich, Hertie School of Governance; Charles K. Whitehead, Cornell University, Law School
Tuesday, 14th 8.30 am	**ILF Breakfast Series** **"Themen des Kanzleimittelstands"**
Monday, 20th – Friday, 31st	**ILF Summer School** **"Banking and Capital Markets Law"**

SEPTEMBER

Tuesday, 11th 8.30 am	**ILF Breakfast Series** **"Themen des Kanzleimittelstands"**
Tuesday, 11th 6 pm	**ILF Panel Discussion** **"Kartelle, Recht und Finanzen"**
Friday, 21st – Saturday, 22nd 9 am – 5 pm	**CFS Research Conference** **"Household Finance"** Organization: CFS, Einaudi Institute for Economics and Finance, National Bureau of Economic Research

Please refer to www.hof.uni-frankfurt.de/eventlist.html for continuous updates of the event calendar. Please note that for some events registration is compulsory.

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