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in Business Information Processing

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# Enterprise Applications and Services in the Finance Industry

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Revised Papers

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# Preface

2008 was a disastrous year for the financial services industry. Like an earthquake that measured 10+ on the Richter scale, the industry and the markets were globally severely shaken—many financial institutions went bankrupt, were taken over or made use of massive state guarantees and equity injections. Governments all over the globe announced bank rescue packages in staggering heights. So, the traditional investment banking type of market structure and its dominance is gone—what’s next?

In these rough months it has become obvious how important a functioning financial system is in our globalized world with interrelated markets and industries. Unsurprisingly these eruptions have also hit the real economy and many countries are currently in a deep recession all over the globe. However, as a proverb has it: “If nothing is secure, everything is possible”. Maybe the current status of the financial markets allows for the introduction of better rules and regulations and is the starting point for a different sustainable development of financial systems and economies. Providing for new perspectives and insights, constructive but critical analysis, while being on the quest for truth is a primary task of research. Especially in times when policy and decision makers are looking for guidance, it is important that research provides for rigorous and at the same time relevant results.

This is also one objective of the workshop series on *enterprise applications and services in the finance industry* (FinanceCom). After three very successful workshops in Sydney (Australia), Regensburg (Germany, co-located with ECIS 2005), and Montreal (Canada, co-located with ICIS 2007), FinanceCom 2008 was held on December 13, 2008 in Paris in co-location with ICIS 2008. The workshop spans multiple disciplines, including technical, economic, sociological and behavioral sciences. It reflects on technologically enabled opportunities, implications and changes due to the introduction of new business models or regulations related to the financial services industry and the financial markets. The guiding theme of this workshop was concerned with innovations in the financial services industry. For too long, many industry participants have focused on product innovations with apparent results. Process innovations have been neglected but seem promising when it comes to the facilitation of economic growth in the financial services industry.

Therefore, *innovation* was also the topic of the invited keynote contribution by Maurice Peat from the Securities Industry Research Centre of Asia-Pacific (SIRCA). He suggested an agenda for the development of financial computing, which will support a broad view of financial innovation. This agenda involves both the support and enhancement of standards setting exercises and the adoption of service-oriented architecture (SOA) as the platform for a wide range of process innovations. The keynote at the workshop set the stage for the program

of the rest of the workshop day, which focused on three distinct but interrelated areas: (1) “Financial Markets and Customers,” (2) “SOA” and (3) “Regulation and Compliance.” The contents of these proceedings follow the workshop’s structure.

In the first part—after the keynote contribution—we have three contributions concerned with financial markets and the customers in these markets. First, Andreas Storckenmaier and Ryan Riordan look at the effects of the introduction of the NYSE Hybrid Market on market quality. Using an event study approach, the authors find evidence that trading costs were reduced and execution quality improved at the NYSE. Moreover, the importance of specialists and floor brokers was further downgraded. Second, Matthias Burghardt and Ryan Riordan study retail investor sentiment. They analyze the order flow based on a unique data set with 20.7 million transactions in bank-issued warrants from the European Warrant Exchange. They propose the construction of a retail investor sentiment index and find that retail investors are contrarian, that retail investor sentiment is an important part of the equity pricing process and that the proposed index is a good measure of the sentiment. Third, Dick Heinhuis and Erik J. de Vries propose a conceptual model that aims at explaining multi-channel customer behavior. They take the technology acceptance model as a starting point and extend their model with insights from expectation disconfirmation theory and customer choice theory.

In the second part of these proceedings, the focus is on SOA. First, Fethi Rabhi, Omer Rana, Adnene Guabtni, and Boualem Benatallah present a user-driven environment for financial market data analysis. Using a case study approach related to processing both news and financial market data, the authors introduce a software development environment which facilitates the analysis of large financial datasets by end-users. They also describe a prototype implementation that allows domain experts to compose components and services to build an application. Second, Daniel Beimborn and Nils Joachim try to get a hand on the determination of the business value of SOA and how it can be achieved. In their paper they present a conceptual model, which focuses on the impact of IT business alignment on the successful implementation of SOA, in terms of its business value. The findings suggest that the business strategy moderates the impact of SOA’s general potentials on its actual business value and that this relationship is further moderated by IT business alignment, which must be thoroughly considered by practitioners deciding on introducing SOA in their firm. Third, Haresh Luthria and Fethi Rabhi focus on the same issue but take a different perspective. In their contribution, they empirically examine the decision to adopt service-oriented computing as an enterprise strategy across 15 firms, and investigate the business drivers that influence this decision.

In the third part, the focus is on regulation and compliance issues. First, Jan-Helge Deutscher and Carsten Felden present a metamodel that allows constructions of specific model instances to support the measurement of successfully tracking IT governance-related objectives. This aim is accomplished by a model-based support of the operationalization and the analysis of defined objectives

in the manner of determining compliance degrees for companies. Consequently, Peter Gomber, Gregor Pujol, and Adrian Wranik look at how German financial institutions and online brokers fulfill the best execution requirements according to the MiFID. In their empirical investigation they conclude that although the minimum legal requirements have recognizably been implemented in nearly all policies, there is substantial heterogeneity between the policies of various investment firms. In the existing studies from the time before the MiFID was applicable, the best execution principles are most frequently named as a key differentiator or competitive factor. However, it turns out that the use of the policies as a competitive instrument cannot at present be recognized in a large majority of German financial institutions. The proceedings are concluded with a contribution by Kathrin Braunwarth, Hans Ulrich Buhl, Marcus Kaiser, Alexander Krammer, Maximilian Röglinger, and Alexander Wehrmann that looks at the EU Insurance Mediation Directive from a data quality perspective. The authors argue that the directive offers an opportunity to enhance the overall data quality of customer data and exemplify their arguments with a set of scenarios from the field of customer relationship management.

Besides the paper contributions, there were many interesting discussions that revolved around the financial crisis. It is still an open issue in this context, whether IT has had a neutral, amplifying, or moderating effect on the crisis. This is an issue that could not be addressed in the contributions at the workshop, since they were prepared largely before the financial crisis really started. However, this will surely be of interest in follow-up FinanceCom Workshops in the coming years. The next one is scheduled for 2010. Please refer to [www.financecom.org](http://www.financecom.org) to keep up to date.

Many people were involved in the preparation of this workshop. First of all I would like to thank John Barr, Jochen Dzienziol, Torsten Eymann, Michael Grebe, Terry Hendershott, Carsten Holtmann, Steffen Krotsch, Sven Laumer, Marco Marabelli, Daniel Minoli, Jan Muntermann, Dirk Neumann, Fethi Rabhi, Omer Rana, Stefan Sackmann, Matthias Tomann, Loredana Ureche-Rangau, Daniel Veit, Henning Weltzien, and Tim Weitzel for preparing more than 40 reviews within a tight time schedule. Based on these reviews, nine full contributions were selected for publication (as revised versions) in this volume.

Special thanks go to Andrea Carugati, who helped us a great deal in finding the right location in Paris. Moreover, we are indebted to Sophie Guiroy and her team at ESCP-EAP Campus Paris. Food, beverages, signposting, infrastructure—everything was perfectly organized and it was very nice to be co-located with six other pre-ICIS workshops. Thanks go also to Lisa Rucker and Lise Fitzpatrick who were, amongst others, in charge of the registration system. For the substantial support in taking care of the website and conference review system, I would like to empathically thank Georg Buss. Moreover, I would like to thank Nils Joachim for the preparation of the Workshop CDs and Stefan Luckner for assisting in the preparation of the local organization.

Finally, I would like to thank Ralf Gerstner from Springer for his excellent support in producing this proceedings volume. Last but not least I would like

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January 2009

Dennis Kundisch

# Organization

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