
The Newsletter of the EURO Working Group on Financial Modelling

NEWSFLOW

Number 36

Autumn 2007

NEWSFLOW

Editor

Hélène Molenaar
Erasmus University Rotterdam
Department of Finance, Room H14-01
P.O. Box 1738
3000 DR Rotterdam
The Netherlands

International Executive Committee

Jaap Spronk, Chairman, Erasmus University Rotterdam (The Netherlands)
Lorenzo Peccati, Vice-Chairman, Università Bocconi (Italy)
Richard Flavell (United Kingdom)
Peter Jennergren, Stockholm School of Economics (Sweden)
Otto Loistl, Institut für Finanzwirtschaft und Finanzmärkte (Austria)
Piera Mazzoleni, Università Cattolica del Sacro Cuore, Milano (Italy)
Matti Viren, Turku School of Economics and Business Administration (Finland)

Publication and Distribution Sponsors

EURO – The Association of European Operational Research Societies
Erasmus University Rotterdam

Subscription

Subscription is free for members of the EURO Working Group on Financial Modelling. See last page for information on membership.

Invitation to readers

Readers are invited to actively contribute to the newsletter. Examples are book reviews, announcements, opinions, lists of published papers, etc.

You can also find information about the Euro Working Group on the internet site

<http://www2.eur.nl/topics/finance/ewgfm/ewgfm.htm>

NEWSFLOW is published twice a year (Spring and Autumn) by the EURO Working Group on Financial Modelling under a grant from the Erasmus University Rotterdam. Circulation: over 400 to 38 countries.

Editorial

The Euro Working Group on Financial Modelling was founded in September 1986 in Lisbon, during the VIII Conference of the EURO – the Association of European Operational Research Societies. Since then, under the devoted and enthusiastic leadership of Jaap Spronk, the Group has organized forty meetings, none of them in Lisbon, or even in Portugal. We had to rectify this situation. Consequently, the Autumn 2007 meeting will be held in Portugal, from 8-10 November 2007!

Operational Research has for a long time been closely connected to Finance. The 1990 Nobel Laureate Harry Markowitz states in his autobiographic note: "I joined the RAND Corporation in 1952. Shortly thereafter, George Dantzig joined RAND. While I did not work on portfolio theory at RAND, the optimization techniques I learned from George (beyond his basic simplex algorithm which I had read on my own) are clearly reflected in my subsequent work on the fast computation of mean-variance frontiers... In 1989, I was awarded the Von Neumann Prize in Operations Research Theory by the Operations Research Society of America and The Institute of Management Sciences. They cited my works in the areas of portfolio theory, sparse matrix techniques and the SIMSCRIPT programming language". Another Nobel Laureate, William Sharpe, also recognizes the importance of his early work in the RAND Corporation in 1956, and the link with Operational Research. As he says, "RAND was an almost ideal place for anyone interested in performing research that was both aesthetically pleasing and also pragmatic. During this period path-breaking work in computer science, game theory, linear programming, dynamic programming and applied economics was being done". Moreover, you will certainly remember that Sharpe's initial work on CAPM was first published in *Management Science* in 1963. A subsequent paper was published in *the Journal of Finance*. This paper however had been initially refused by a referee!

The program of our meeting in Lisbon reflects these links between OR and Finance. It is a rich and interesting program, covering a great range of topics, from financial markets to credit risk, banking, behavioural finance, corporate governance, or volatility modelling. From the perspective of techniques, the arsenal is also wide-ranging: econometric models, stochastic and dynamic programming, neural networks, multicriteria decision analysis, and probability integral transformation, for example. Moreover, the list of participants also shows the capacity of the EWGFM to expand by continuously integrating new colleagues, new researchers in this area. New friends, I hope, after the 41st meeting. See you in Lisbon!

João O. Soares

Call for papers EJOR

Thus far, the European Journal of Operational Research has published a number of special issues on Financial Modelling:

Issue 74/2, edited by T. Martikainen, I. Virtanen and P. Yli-Olli;

Issue 91/2, edited by E. Castagnoli and J. Spronk. In 1998, the European Journal of Operational Research together with the EURO Working Group on Financial Modelling decided to start a more regular series of feature issues.

A feature issue on financial modelling is an issue of EJOR partly or wholly devoted to financial modelling. The intended frequency of these feature issues on financial modelling is once or twice per year.

Papers on financial modelling are solicited that help to solve financial-economic decision problems in practice. Papers may relate to new insights, both theoretical and empirical, into the environment in which decision makers operate new tools available to the decision makers and to the integration of these tools within frameworks for financial-economic decision-making. Papers that stimulate and strengthen the interaction between financial economic theory and the practice of financial decision-making will be especially welcome.

The first feature issue was published as Issue Volume 114, Number 2, April 16, 1999, and edited by J. Spronk. A stream of issues followed this; some of which have been published and the others will follow soon.

Authors who want to submit to the upcoming feature issue are kindly invited to submit four copies of their paper to the Guest Editor Financial Modelling:

Nico van der Wijst
The Norwegian University of Science & Techn.
Dept. of Managerial Economics &
Techn. Management
Alfred Getz vei 1
N-7034 Trondheim
NORWAY
Tel. + 47.73.597712
Fax + 47.73.593603
E-mail: Wijst@iot.ntnu.no

With respect to format and other requirements of submitted work, the authors are kindly referred to the Instructions to Authors, which can be found in every issue of EJOR. For the feature papers there is a separate board of editors, consisting of

Wolfgang Bühler, University of Mannheim, Germany

Erio A. Castagnoli, Università Luigi Bocconi, Italy

Michael A.H. Dempster, University of Cambridge, UK

Winfried G. Hallerbach, Erasmus University Rotterdam, the Netherlands

L. Peter Jennergren, Stockholm School of Economics, Sweden

Bjarne A. Jensen, Copenhagen Business School, Denmark

Jonathan S.H. Kornbluth, Hebrew University, Israel

John M. Mulvey, Princeton University, USA

Otto L. Loistl, Institut für Finanzierung und Finanzmärkte, Austria

Lorenzo Peccati, Università Luigi Bocconi, Milano, Italy

Matti Viren, University of Turku, Finland

Stavros A. Zenios, University of Cyprus, Cyprus

William T. Ziemba, University of British Columbia, Canada

Constantin Zopounidis, Technical University of Crete, Greece

Announcement

Interesting possibilities to publish your papers electronically, without losing your rights to submit these papers to journals:

www.ssrn.com

and

www.finance-research.net

Lisbon (Portugal) 8-10 November 2007

Website meeting (and call for papers):

http://www.escritadigital.pt/XLI_ewgfm/

Information

This meeting is organized by

João Soares: joaosouares@ist.utl.pt

Next meeting(s)

The 42nd meeting will be held in Stockholm, Sweden, from

15-17 May 2008

This meeting will be organized by Thomas Hartman
hartman@fek.su.se

2008

The Autumn 2008 meeting will be organized from 4-6 September 2008 in *London*.

The Spring 2009 meeting will be organized from 4-6 May 2009 in *Costa Rica*.

The Autumn 2009 meeting will be organized in Greece.

For more information about organizing a meeting, please contact Jaap Spronk (spronk@few.eur.nl) or H el ene Molenaar (molenaar@few.eur.nl)

Working Papers

ERIM

You can find publications of the Erasmus Research Institute of Management (ERIM) on the following website:

<http://www.fbk.eur.nl/ERIM>

ECFR

From the *Erasmus Center for Financial Research* (ECFR), Erasmus University Rotterdam, Room H11-01, P.O. Box 1738, 3000 DR Rotterdam, The Netherlands, some papers can be ordered:

For more information:

<http://www.ecfr.nl>

TINBERGEN INSTITUTE

For more information:

<http://www.tinbergen.nl/>

Please add other relevant sites if you want!

New Journal

Prof. Constantin Zopounidis announces the new Journal of Computational Optimization in Economics and Finance:

<https://www.novapublishers.com/catalog/index.php?cPath=125&sort=2a&page=3>

Also, there is a special issue on Banking Management:

<http://www.omegajournal.org/specialissues.html>

EURO Working Group on Financial Modelling

The EURO Working Group on Financial Modelling was founded in September 1986 in Lisbon. The primary field of interest for the Working Group can be described as “financial models that help to solve problems faced by financial decision makers in the firm, intermediaries and the investment community. From this the following objectives of the Working Group are distinguished:

- providing an international forum for exchange of information and experience on financial modelling;
- encouraging research in financial modelling (new techniques, methodologies, empirical studies, software, etc.);
- stimulating and strengthening the interaction between financial economic theory and the practice of financial decision making;
- cooperating and exchanging information with other universities and financial institutions throughout Europe.

It can be stated safely that the Working Group has become an established one. To give an idea: over 400 members, 41 international meetings and an own newsletter (*NEWSFLOW*) are three examples of the success until now.

Meetings

The meetings of the Working Group are organized twice a year, in April/May and in October/November. Earlier meetings were held in Belgium, Curaçao, Cyprus, Finland, France, Hungary, Italy, Lithuania, the Netherlands, United Kingdom, Germany, Greece, Croatia, Poland and Spain. There are now members in 34 countries spread over 4 continents. The meetings are attended by 80-100 members on average, most of them scientists but also representatives from the financial institutions, and are usually organized on Thursday, Friday and Saturday morning. The organizers are expected to schedule three types of sessions: a round table session with invited speaker(s), regular sessions with the presentation of refereed papers and balloon sessions in which unrefereed papers, new topics and ‘loose’ ideas can be discussed.

Newsletter

NEWSFLOW, the newsletter of the Working Group is published twice a year, about one month before each meeting. Newsflow is also published on the Internet site <http://www.eur.nl/topics/finance/ewgfm/ewgfm.htm>

It contains general information about the Working Group and the next meeting(s), letters from readers, announcements of financial seminars, calls for papers, a list of working papers, etc. For information about *NEWSFLOW* or for publication of your contributions please contact the editor: H el ene Molenaar, address below.

Membership

For information about membership of the EURO Working Group on Financial Modelling, you may write to:

H el ene Molenaar
Erasmus University Rotterdam
Finance Group, Room H14-01
P.O. Box 1738
3000 DR Rotterdam
The Netherlands
Phone: +31.10.4081282
Fax: +31.10.4089165
E-mail: molenaar@few.eur.nl