

Editorial

The European Working Group on Operational Research in Banking (Eurobanking) has been active for more than a decade after it was set up in Brussels in 1975. During this period the Working Group has pursued the purpose of favouring the exchange of ideas and experience between OR practitioners in banking (Eurobanking Constitution, article 1). The emphasis has been put on the stimulating effects of the papers and discussions at the meetings of the Working Group. In fact the presence of representatives of a large number of banks has ensured high-quality contributions to the discussions in the various workshops of the Eurobanking meetings.

Even though some papers presented at the meetings were published before, the Group did not pursue publication as a Group-activity. With the present issue "OR in banking" the activity of Eurobanking is shown to a large and qualified audience. The papers included in this issue were selected from the ones presented at the meetings of Athens (1983), Ashdown Park (1984) and Oslo (1985). A call for papers in March 1985 resulted in a total of 36 submissions. Four papers were excluded at that point because they had been published before. The other 32 papers were included in the refereeing process. In the course of the following 15 months over 100 referee reports were received, some 15 papers revised and 12 finally accepted. The average response time of the referees was less than 2 months, which facilitated our task considerably and enabled a rapid completion of this issue.

The papers address a wide variety of subjects. Even though it was not a specific goal, only two papers concern a similar subject while the other articles are devoted to different topics. The methodologies utilized are common to the OR field: linear programming, econometric methods and data analysis followed by simpler tools.

Now that our editorial work has come to an end, we think we have put together a balanced set of papers that offers insight into the application of OR in European banks (only one paper was produced in a non-European bank, but the author is

European). To achieve that goal we considered worthy of publication articles, that described how to solve managerial problems in an effective way, even though their mathematical content is simple.

The content of this special issue of EJOR witnesses the increasing spread of OR in most important banks in Europe to solve a wide variety of problems.

In the paper of Lazaros Mavrides (Morgan Guarantee Trust Company), "Development of the variable preferred stock market", some recent changes in the capital markets in the U.S.A. are outlined. The attention is focused on preferred stock instruments with a variable rate, expected to trace close to PAR (Price Adjusted Rate). A deep analysis of the PAR structure and the suggestion presented for improving it are intended to give the reader an idea of the room for OR applications in the capital market field.

A group of articles concern balance sheet management, a subject that has always drawn the interest of banks. In "A dynamic bank portfolio planning model with multiple scenarios, multiple goals and changing priorities" by Antti Korhonen (Postipankki) a complex model that includes all significant variables that affect the bank's activity is described. The economic development is taken into account by setting up alternative scenarios.

The models illustrated in the papers by Marisa Bedoni (Banca Commerciale Italiana) "Strategies simulation in an aggregate bank model", and Norbert Grubmann (Die Erste) "A strategic balance sheet simulation model" differ from the one by Korhonen as they are less complex and adopt "fundamental operations of arithmetics" as method of calculation. Nevertheless they offer top management a general view of the consequences of various strategies on the Balance Sheet and Profit and Loss Account.

Approaching more directly the operational fields of a bank's activity, are two papers that deal with lending. The first one by Brice G. Leibundgut (Credit Lyonnais) "Re-assignment of credit authorizations", faces the problem of assessing the risk for a customer or a group of customers with

several credit lines. The authorizations are re-assigned by linear programming techniques. The second paper by Ettore Pietrabissa (Banco di Sicilia) "Management of banks' international lending: Country risk analysis and country exposure measurement and control", examines a topic of international banking. Quantitative and qualitative methods are described and suggested to better follow the actual commitment of the bank to lending to countries.

The experience of branch planning in a major Greek bank is the content of the article by Gregory Eliopoulos and Andrew Kouzelis (National Bank of Greece) "Branch planning through decentralised marketing and regional analysis studies". The attention for the social and economic characteristics of single territorial areas combined with econometric procedures, enable a bank to establish its branches according to market potential.

The same topic is dealt with in the paper by Angela Sevosi and Marilena Troiani (Banco di Sicilia), who analyzed the banking system in Sicily from a geographical point of view. The result of this analysis is a subdivision of the island in geographical regions that is useful for the bank's decisions on branch planning and marketing.

A good example of exploiting the available data concerning corporate customers, that a bank can easily gather, is the study "Factor analysis and classification methods: An application to the study of corporate custom" by L. Martin and J. Payet (Credit Lyonnais). They use qualitative information to reveal significant aspects of every single firm. Applying factor analysis the authors elicit typologies and set up useful tools for the management of the whole set of customers.

In the paper by John Billington (Barclays Bank) the attention is focused on manpower planning, a topic of great interest for every bank. The model developed in Barclays Bank is described; the input required by the model and the output that can be obtained are also clearly illustrated in the article "Visual interactive modelling and manpower planning", that suggests a Visual Interactive Model (VIM) to provide results to the users. The fact that the Personnel Department can see on a screen the consequences of the assumptions it formulates, increases the involvement of this department as the user of the model.

The last two papers of the issue reflect new

aspects of a bank's activity. The study carried out by V.W. van Gijlswijk (Amrobank), "Evaluating the interest aspect of cash management", considers an important side of a service of increasing interest for large clients. A model that minimizes interest costs of liquidity deficits and maximizes the interest gains of liquidity surpluses is described. The unknown variables, the transactions in the money market, are determined by applying linear programming techniques.

Andrew Kouzelis (National Bank of Greece) deals with a current topic in his paper "On the determinants of ATM performance". Measuring the Automated Teller Machine's product by the number of transactions, the author bases his research on the bank's internal data. The results of applying regression analysis are interesting in a field in which little has been published so far.

We hope that our effort of putting together these papers is worthwhile especially in order to increase communication between scholars and OR practitioners working in banks. We believe that the results of this link will certainly be fruitful.

At the end of the task of preparing this issue, the editors want to address a moved thought to Norbert Grubmann. He came to an untimely death just a few days after finishing up the final version of his paper that he had presented successfully at the Eurobanking meeting 1985 held in Oslo. The nice friendship created during the editorial activity witnessed by many letters, made the news about his accident in the mountains more sad. He knew, even though not officially, that his paper would be published as it required only minor revisions: the referees suggested publication and editor and co-editor appreciated his article. Unfortunately it was not possible to announce personally to him that his contribution would be included in this special issue. On behalf of the Eurobanking Community, we want to thank his relatives and Die Erste Österreichische Spar-Kasse for permission to publish Norbert's paper as a tribute to his activities for OR in Banking.

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