

EDITORIAL

Dear readers!

We are pleased to present the second issue of the journal in 2018. The themes that this issue of the Journal welcomes are numerous and cover anti-money laundering regulation, pricing of brand extensions, ownership structure and credit ratings, effect of Basel III liquidity regulations on banks' profitability, debts and asymmetric information, differences and similarities between German and Chinese internal audit functions, influence of auditor rotation and non-audit services on earnings quality, audit quality and investor perceptions, and internal controls.

Pietro Pavone and Francesco Parisi deal with the issues of anti-money laundering and specifically analyzing the various issues related to the risk of money laundering and terrorist financing. In their paper, the issues related to the risk of money laundering and the actions taken by the management to monitor this risk are addressed. The theme is linked to the aspects of Italian legislation that recognized companies's autonomy on how to manage this risk with an effective internal control system. *Panagiotis Arsenos, Dimitrios Charamis and Alexandros Garefalakis* investigate the role of brand equity and the use of different pricing techniques on different products. The study is accompanied by an empirical analysis that indicates how the companies that have invested in marketing show a flexibility in the decision-making process of setting the price when they extend the brand. *Aws AlHares, Collins Ntim, David King and Ron Byrne* are responsible for analyzing the impact of the ownership structure on credit ratings in OECD countries by examining a panel of data from 200 companies in Anglo-American and European countries between 2010 and 2014. *Tafirei Mashamba* examines the liquidity requirements provided for in Basel III and the effects that are generated on banks' profitability. Contrary to common thought, the empirical analysis about a sample of banks operating in emerging markets shows that the profitability of banks increases, despite the increase in liquidity requirements. *Sabrina Khemiri, Souad Brinette, Ramzi Benkraiem and Anthony Miloudi* contribute to the existing literature by analyzing the behavior of a sample of French debtor companies. The authors analyze three types of debts. Specifically, they analyze bank debt, bond debt and convertible bonds. Empirical evidence highlights a hierarchy of debt explained by asymmetric information. *Marc Eulerich and Hans-Ulrich Westhausen* analyze the differences and similarities of how the internal audit function is organized and managed in German and Chinese companies. Different cultural aspects with respect to the elements of uniformity emerge from the research. *Patrick Velte and Thomas Loy* deal with the impact of the rotation of audit services offered by auditing firms on the quality of profits, on the quality of auditing and on the perception of investors. *Andreas G. Koutoupis and Evangelia Pappa* study the links between corporate governance and internal audit examining a sample of listed companies and concluding that the effectiveness of internal audit and risk management processes guide a careful governance system.

The topics in this issue are of extreme interest and they deal with important aspects in the corporate governance field. A strong point of the papers in this issue is represented not only by the presence of topics of great relevance, but also by a good methodological framework, characterized by clear research questions and supported by a careful analysis of the literature. Furthermore, for the most part of the works, there is an empirical analysis that lead to very interesting results. In particular, the topics dealt with can be grouped into three different macro areas of research: risk management in relation to company dynamics and performance, the ownership and financial structure of the companies, the role and characteristics of the internal audit within the overall system of internal audit.

The first section includes the contributions on anti-money laundering (*Pavone and Parisi*) and on the liquidity requirements provided for in Basel III (*Mashamba*). These issues were previously raised in *Ahmad, Ahmed & Badar (2017), Farooq and Satt (2014), Ho, Tower and Barako (2008), Mullineux (2011)*. While in the second line of analysis are included the contributions on the impact of the ownership structure on credit ratings (*AlHares, Ntim, King and Byrne*), on the analysis of the behavior of a sample of French debtor companies (*Khemiri,*

Brinette, Benkraimen and Miloudi) and on the role of brand equity and on the use of different pricing techniques on different products (Arsenos, Charamise and Garefalakis). This way the studies logically continued research thread initiated by Grove and Clouse (2017), Huse (2005), Nerantzidis, Filos and Lazarides (2012), Vargas-Hernández and Teodoro Cruz (2018). The third and last line of research present in the journal issue collects different contributions, including the analysis of the differences and similarities of how the internal audit function is organized and managed in German and Chinese companies (*Eulerich and Westhausen*), impact of the rotation of audit services which are offered by audit firms on the quality of profits, on the quality of auditing and on the perception of investors (*Velte and Loy*) and the links between corporate governance and internal audit through a sample of listed companies (*Koutoupis and Pappa*). Ackermann and Marx (2016), Drogalas and Siopi (2017), Koutoupis (2011), Meier, and Meier (2013) also paid attention to the mentioned issues in the past.

We hope that you will enjoy reading the journal and in future, you will contribute to studying the most important issues and best practices of governance and regulation!

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