

THE CHANGING GEOGRAPHY OF BANKING

ANCONA, SEPTEMBER 22-23, 2006

A conference organized by
The Department of Economics, University of Ancona

and co-sponsored by
The Italian Ministry of Education, University and Research
The Bank of Italy
The Italian Banking Association (ABI)
Banca Popolare di Ancona
The Review of Finance



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Objectives

Two contrasting trends have emerged from the intense integration and consolidation processes that have swept the European and U.S. banking industry in the 1990s: (i) the geographical diffusion of banking structures and instruments and (ii) the geographical concentration of banking power in few centres within each country. The first occurred through the lifting of geographical restrictions on banking activity, the opening of new branches and the expansion of impersonal methods to conduct business, such as internet-banking, home-banking or phone-banking, that all contributed to greatly reduce the operational distance between banks and local communities. The second was the mechanical consequence of the many mergers and acquisitions which have shrunk the number of banks, leading to the creation of large multi-bank holding companies. This, in turn, has brought about the geographical concentration of decisional centres and strategic functions of banks, which has greatly increased the functional distance between banks and local communities.

The aim of this conference is to investigate theoretically and empirically the effects that operational and functional distances from communities may exert on banks' lending decisions, efficiency and profitability and on local economic development. Areas of interest include the following:

- Banking consolidation and small business lending
- Transactional and relationship lending
- Credit scoring and soft information
- Distance and competition
- Bank organizational structure
- Banking and regional development
- Integration of European credit markets
- Cross-border mergers and acquisitions

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<http://geographybanking.univpm.it>

Facoltà di Economia "Giorgio Fuà"
Piazzale Martelli, 8 - 60121 Ancona

FRIDAY, SEPTEMBER 22, 2006

08.45 **Welcoming Remarks**

09.00 **Session 1**

THE ROLE OF DISTANCE IN BANKING / 1

Chair: **Pietro Alessandrini** (University of Ancona)

Favoritism or Markets in Capital Allocation?

- Mariassunta Giannetti (Stockholm School of Economics)
- Xiaoyun Yu (Indiana University)
- Discussant: **Matej Marinc** (University of Amsterdam, University of Ljubljana)

An Empirical Examination of the Growth in Out-of-Market Commercial Lending: The Changing Competitive Landscape and the Role of Asymmetric Information

- Kennet P. Brevoort (Federal Reserve Board of Governors)
- Discussant: **Giorgio Calcagnini** (University of Urbino)

10.30 **Coffee Break**

11.00 **DISTINGUISHED SPEAKER SESSION**

Introduction

- Michele Fratianni (Indiana University, University of Ancona)

Information Sharing between Banks: Theory and Evidence from Transition Countries

- Marco Pagano (University of Naples Federico II)

11.30 **Session 2**

MARKET STRUCTURE IN BANKING

Chair: **Fabio Panetta** (Bank of Italy)

What Borders are (likely) Made of? An Analysis of Banking Integration using European Regional Data

- Massimiliano Affinito (Bank of Italy)
- Matteo Piazza (Bank of Italy)
- Discussant: **Ron Martin** (Cambridge University)

Are More Competitive Banking Systems More Stable?

- Klaus Schaeck (University of Southampton)
- Martin Cihák (International Monetary Fund)
- Simon Wolfe (University of Southampton)
- Discussant: **Marcello Messori** (University of Rome Tor Vergata)

13.00 **Lunch**

14.00 **Session 3**

RELATIONSHIP LENDING

Chair: **Alberto Niccoli** (University of Ancona)

The Effect of Market Structure and Relationship Lending on the Likelihood of Credit Tightening

- Fabrizio Guelpa (Banca Intesa)
- Virginia Tirri (Banca Intesa)
- Discussant: **Arnoud Boot** (University of Amsterdam)

The Role of Collateral and Personal Guarantees in Relationship Lending: Evidence from Japan's Small Business Loan Market

- Arito Ono (Mizuho Research Institute)
- Ichihiro Uesugi (Research Institute of Economy, Trade and Industry)
- Discussant: **Zeno Rotondi** (Capitalia)

15.30 **Coffee Break**

16.00 **Session 4**

BANKING REGULATION

Chair: **Marcello Messori** (University of Rome Tor Vergata)

Regulation of Multinational Banks: A Theoretical Inquiry

- Giacomo Calzolari (University of Bologna)
- Gyongyi Loranth (University of Cambridge, CERF and CEPR)
- Discussant: **Donato Masciandaro** (Bocconi University)

Deposit Insurance Coverage, Ownership, and Banks' Risk-taking in Europe

- Apanard Angkinand (University of Illinois)
- Clas Wihlborg (Copenhagen Business School)
- Discussant: **Leonardo Gambacorta** (Bank of Italy)

20.00 **Reception and Dinner**

SATURDAY, SEPTEMBER 23, 2006

09.00 **Session 5**

THE ROLE OF DISTANCE IN BANKING / 2

Chair: **Ron Martin** (Cambridge University)

Banks, Distances and Financing Constraints for Firms

- Pietro Alessandrini (University of Ancona)
- Andrea F. Presbitero (University of Ancona)
- Alberto Zazzaro (University of Ancona)
- Discussant: **Gregory F. Udell** (Indiana University)

Distance and Information Asymmetries in Lending Decisions

- Summit Agarwal (Bank of America)
- Robert Hauswald (American University, Washington D.C.)
- Discussant: **Hans Degryse** (Tilburg University)

10.30 **Coffee Break**

11.00 **KEYNOTE SPEAKER SESSION**

Introduction

- Alberto Zazzaro (University of Ancona)

SME Lending: When Does Distance Matter?

- Gregory F. Udell (Indiana University)

11.30 **Session 6**

ORGANIZATIONAL STRUCTURE

Chair: **Arnoud Boot** (University of Amsterdam)

The Impact of Organizational Structure and Lending Technology on Banking Competition

- Hans Degryse (Tilburg University)
- Luc Laeven (World Bank and CEPR)
- Steven Ongena (Tilburg University)
- Discussant: **Fabio Panetta** (Bank of Italy)

Risk and the Organization of Bank Foreign Affiliates

- Giovanni Dell'Ariccia (International Monetary Fund and CEPR)
- Robert Marquez (University of Maryland)
- Discussant: **Alberto F. Pozzolo** (University of Molise)

13.00 **Lunch**

14.00 **Session 7**

MERGERS AND ACQUISITIONS

Chair: **Marco Pagano** (University of Naples Federico II)

The Effect of Cross-Border Bank M&As on Bank Risk: Evidence from Yield Spreads

- Sungho Choi (Rennselaer Polytechnic Institute)
- Bill Francis (Rennselaer Polytechnic Institute)
- Iftekhar Hasan (Rennselaer Polytechnic Institute)
- Discussant: **Riccardo Lucchetti** (University of Ancona)

Cross-border M&As in the Financial Sector: Is Banking Different from Insurance?

- Dario Focarelli (University of Rome "La Sapienza")
- Alberto F. Pozzolo (University of Molise)
- Discussant: **Gregorio De Felice** (Banca Intesa)

15.30 **Coffee Break**

16.00 **Session 8**

GEOGRAPHIC DIVERSIFICATION AND LOCAL CREDIT MARKETS

Chair: **Michele Fratianni** (Indiana University and University of Ancona)

Banking Activities and Local Output Growth: Does Distance from Center Matter?

- Suheyly Ozyildirim (Bilkent University)
- Zeynep Onder (Bilkent University)
- Discussant: **Riccardo De Bonis** (Bank of Italy)

Switching Costs in Local Credit Markets

- Guglielmo Barone (Bank of Italy)
- Roberto Felici (Bank of Italy)
- Marcello Pagnini (Bank of Italy)
- Discussant: **Fabrizio Mattesini** (University of Rome Tor Vergata)

17.30 **Conclusions**