Discussion of paper in the session on "Access to finance"

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SAFE — LEIBNIZ INSTITUTE
Sustainable Architecture for Finance in Europe

A fascinating line-up of papers

Who owns Europe's firms?

   Examines integration using firm-level ownership data

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Institutional mobility in global capital markets

   Cooperation of regulators enhances cross-border M&A activity

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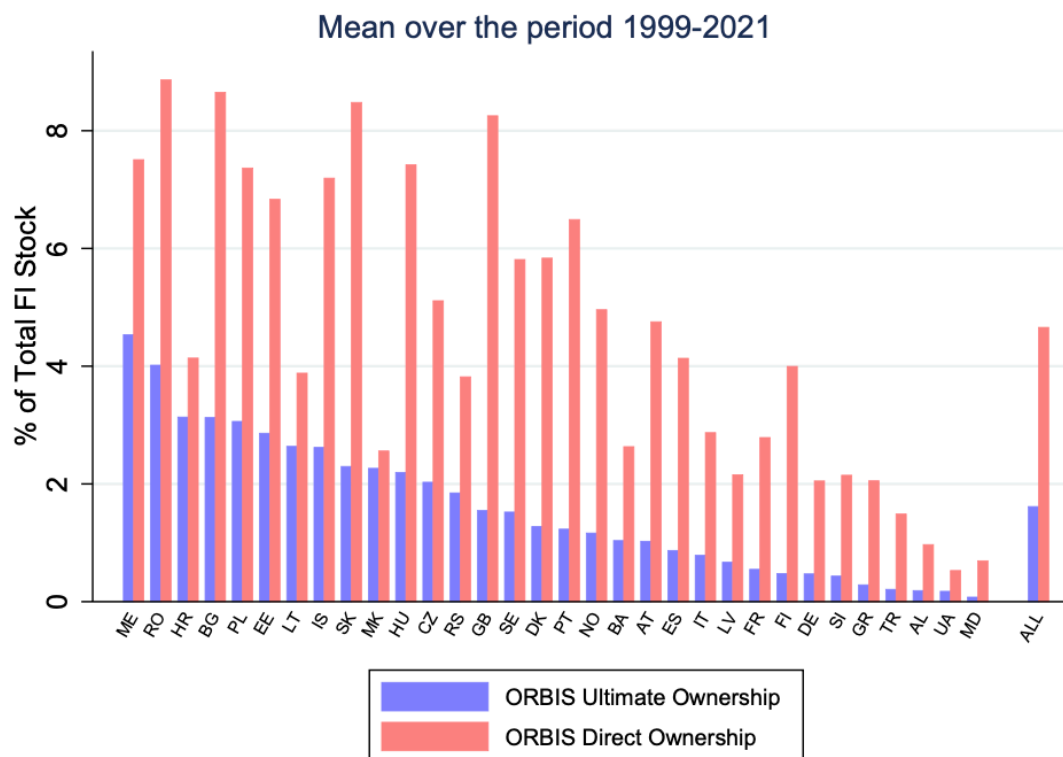Mandatory corporate law as an obstacle to VC contracting in Europe

    Many subtle legal constraints, esp. "legal culture"

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Mandatory corporate law as an obstacle to VC contracting in Europe

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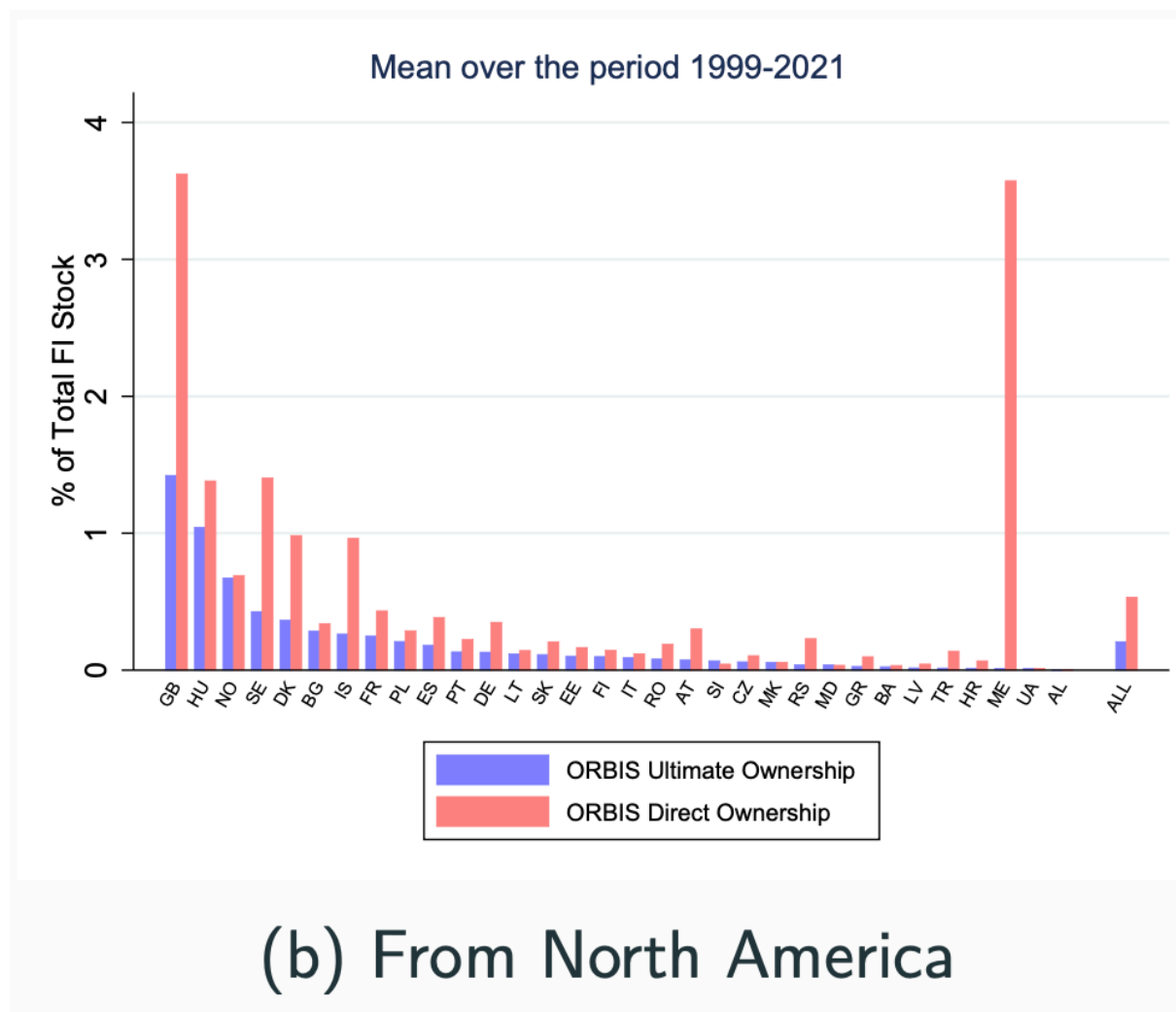
(an application to banking)

Who owns Europe?

There are fewer European foreign owners with ultimate control

(a) From Western Europe

This is not the case for US foreign owners

Mean over the period 1999-2021

ORBIS Ultimate Ownership
ORBIS Direct Ownership

(b) From North America

Risk-sharing is poor, better if US foreign owner with control

$$\Delta \tilde{c}_{c,t} = \alpha_i + \beta \Delta \tilde{y}_{c,t} + \varepsilon_{it}$$

0.67

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$$\Delta \tilde{c}_{c,t} = \alpha_i + \beta_1 \Delta \tilde{y}_{c,t} + \beta_2 (\Delta \tilde{y}_{c,t} \times \mathsf{FI}_i) + \varepsilon_{it}$$

negative for US investors who are ultimate owners

Institutional mobility in global capital markets

Does joining a multi-lateral cooperation agreement among market supervisors enhance M&A activity?

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Nice econometric set-up

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TABLE 1—MATRIX OF CROSS-BORDER M&A

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Cooperation and having asset assets in host country are complements

Mandatory corporate law as an obstacle to venture capital contracting in Europe: Implications for markets and policy making

Europe lags behind in VC financing
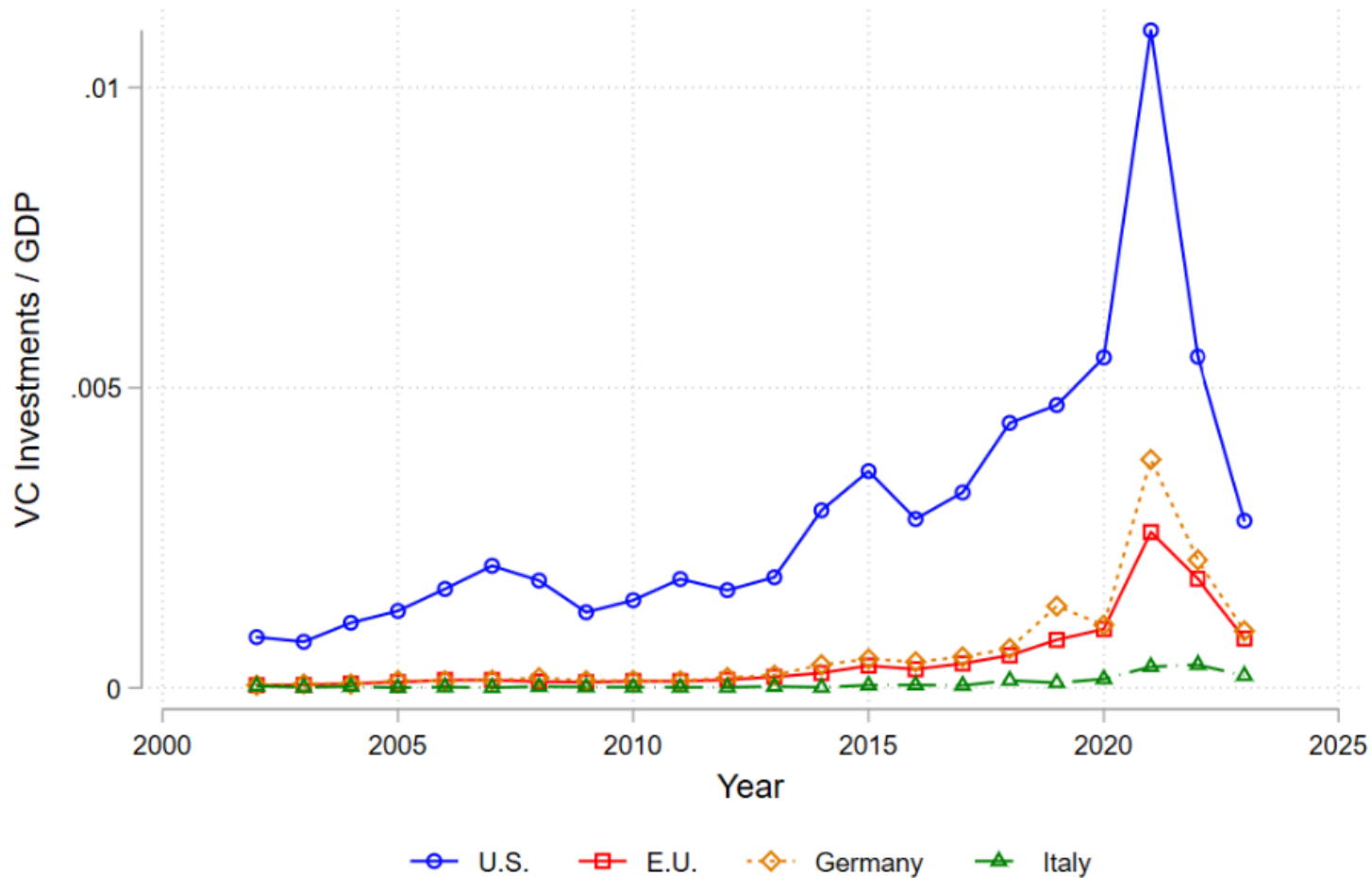
Growth requires flexibility that EU national law does not grant

VC financing → imperfect information, high risk, specific human capital

Requires tailor-made solution "private ordering"

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Isolate VC contracting or create a separate model

A wish list

Why exactly does control matter and not just mere ownership?

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Quantify the cost/benefit of suboptimal VC contracting in Europe?

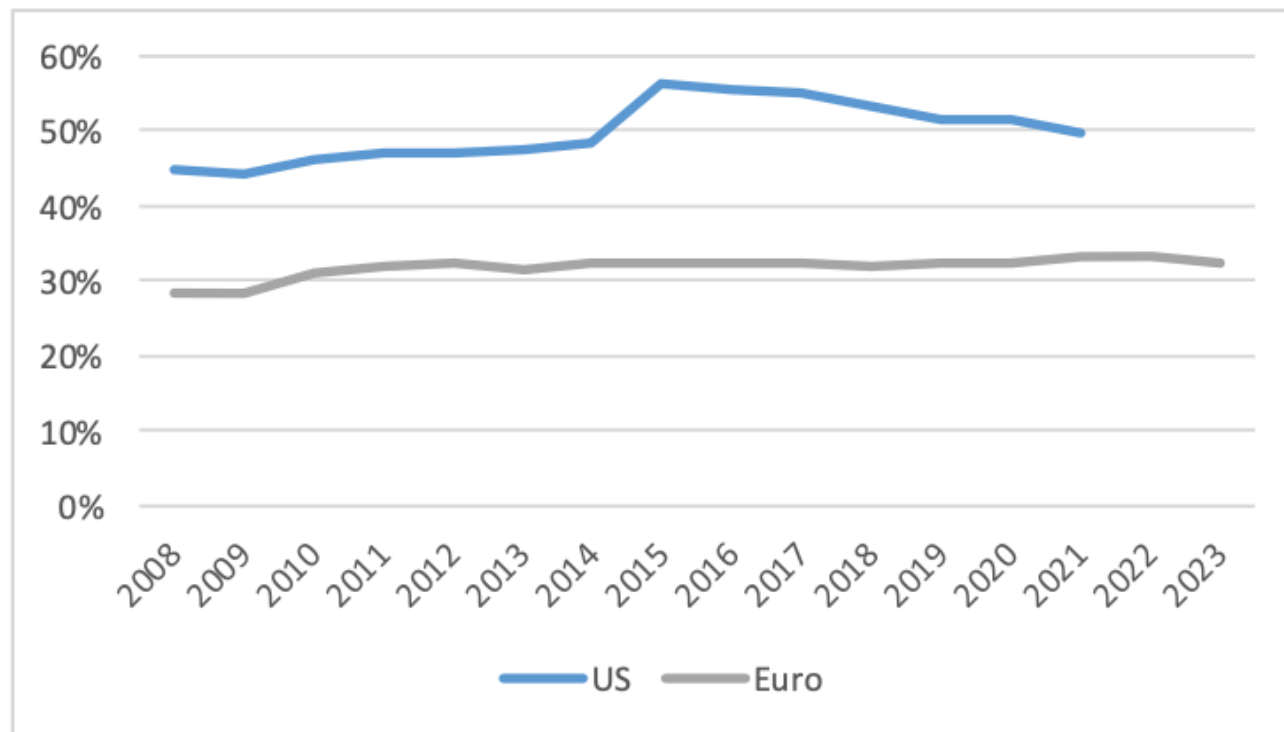Imperfect law vs. too little finance: what is the causality?

Competitiveness of EU banks (Heider et al., 2005)

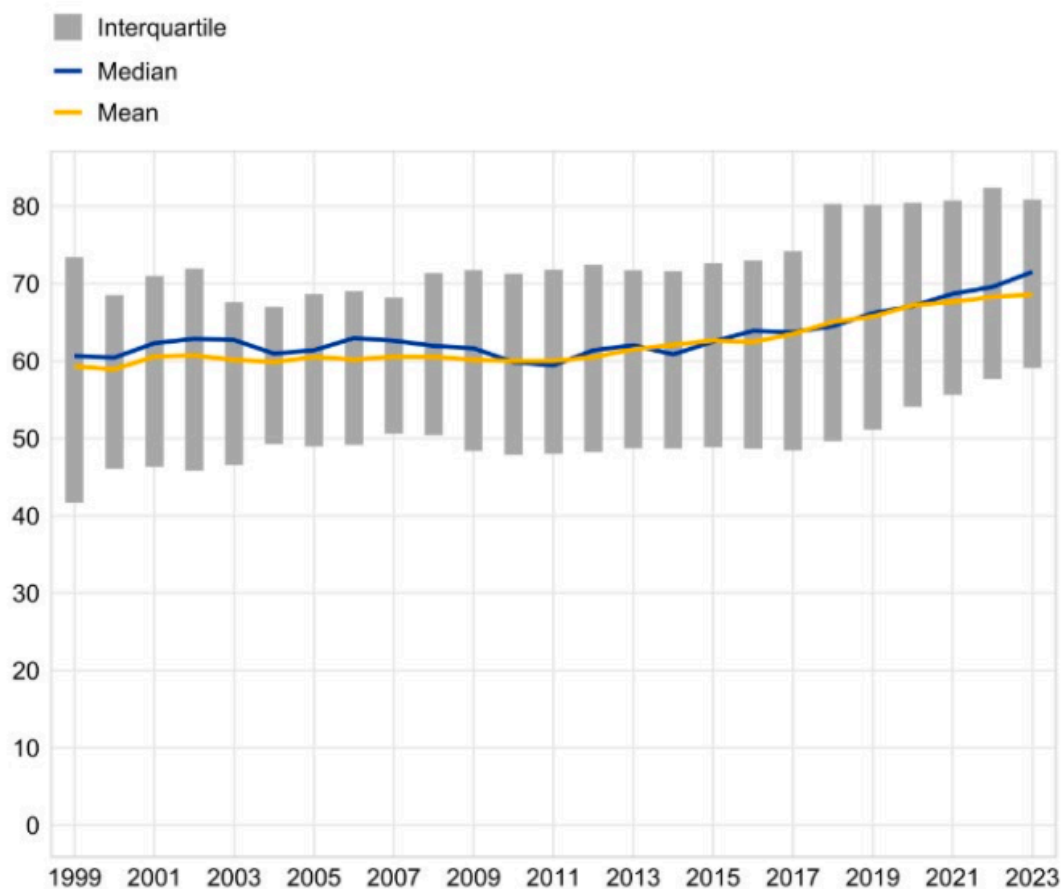# EU banking sector appears more competitive than US

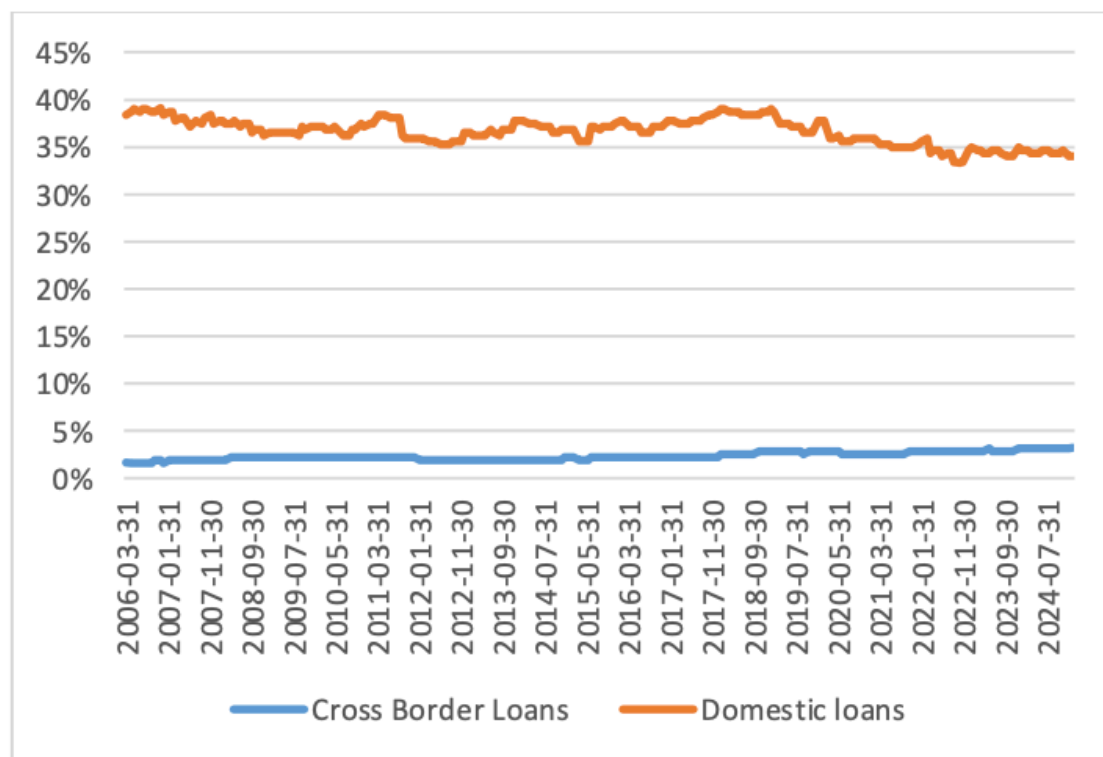**Figure 9:** Share of assets held by the five largest banks, in %

But is not at the national level

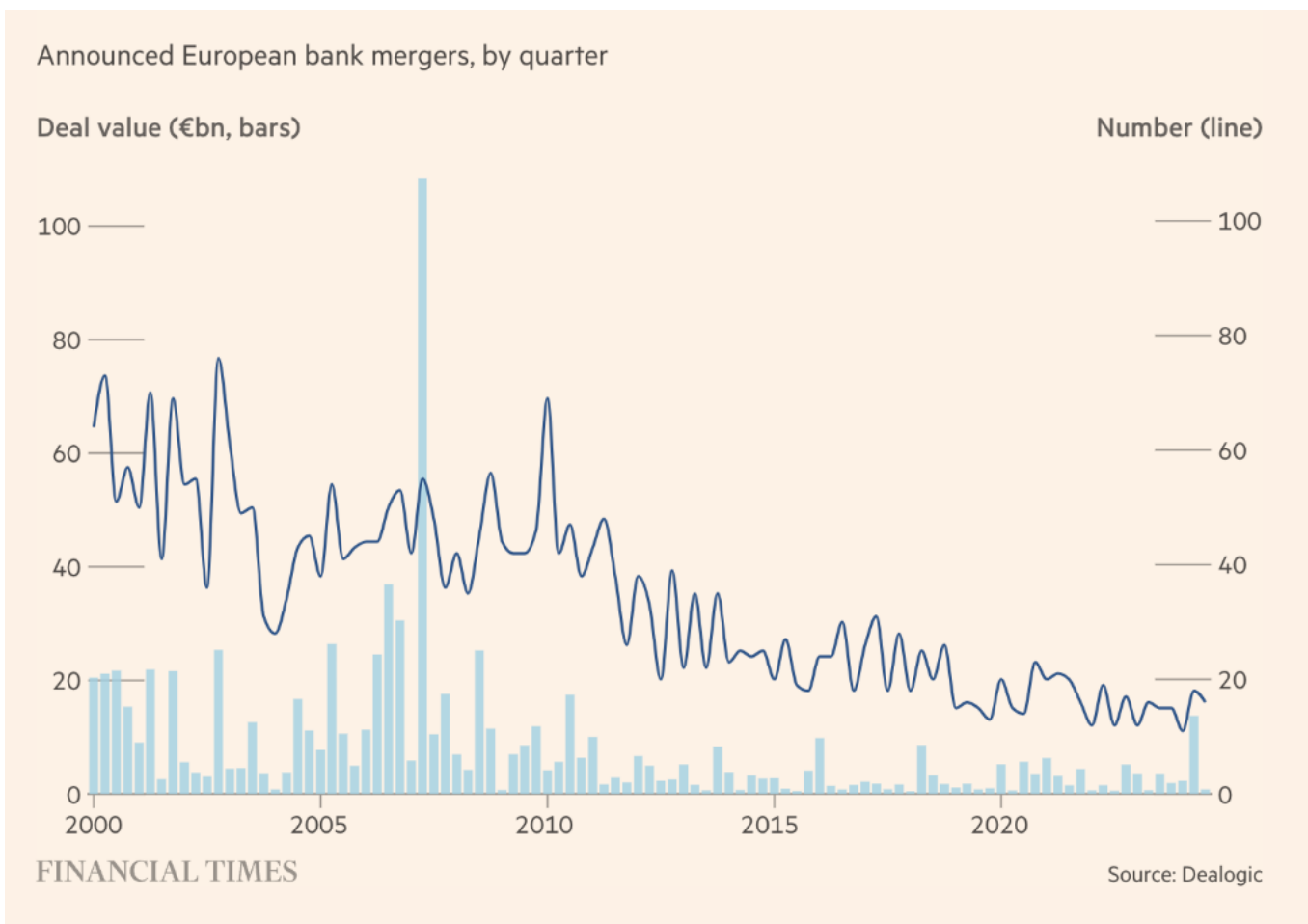Figure 10: Share of assets held by the five largest banks by euro area country, in %

And there is little integration

Figure 11: Loans to households and corporates in the euro area as % of total assets: domestic vs. cross border loans

European banking M&A never recovered after GFC

Announced European bank mergers, by quarter

Deal value (€bn, bars)

Number (line)

FINANCIAL TIMES

Source: Dealogic

Rules are clear for M&A but politics gets in the way

Olaf Scholz says Germany opposes a Commerzbank takeover

Italian lender raised its stake in German rival from about 9 per cent to 21 per cent through derivatives

UniCredit on Monday said it had taken a position in a further 11.5 per cent of Commerzbank's shares
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