

Discussion of paper in the session on “Access to finance”

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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

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Mandatory corporate law as an obstacle to VC contracting in Europe

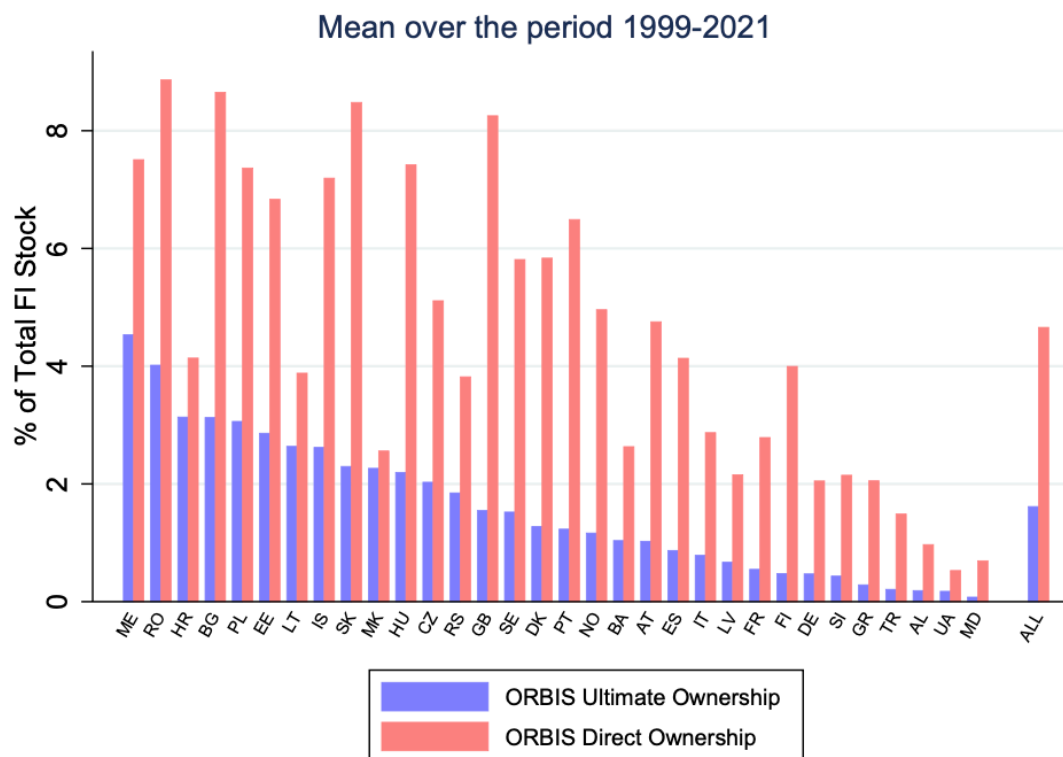
Many subtle legal constraints, esp. "legal culture"

(an application to banking)



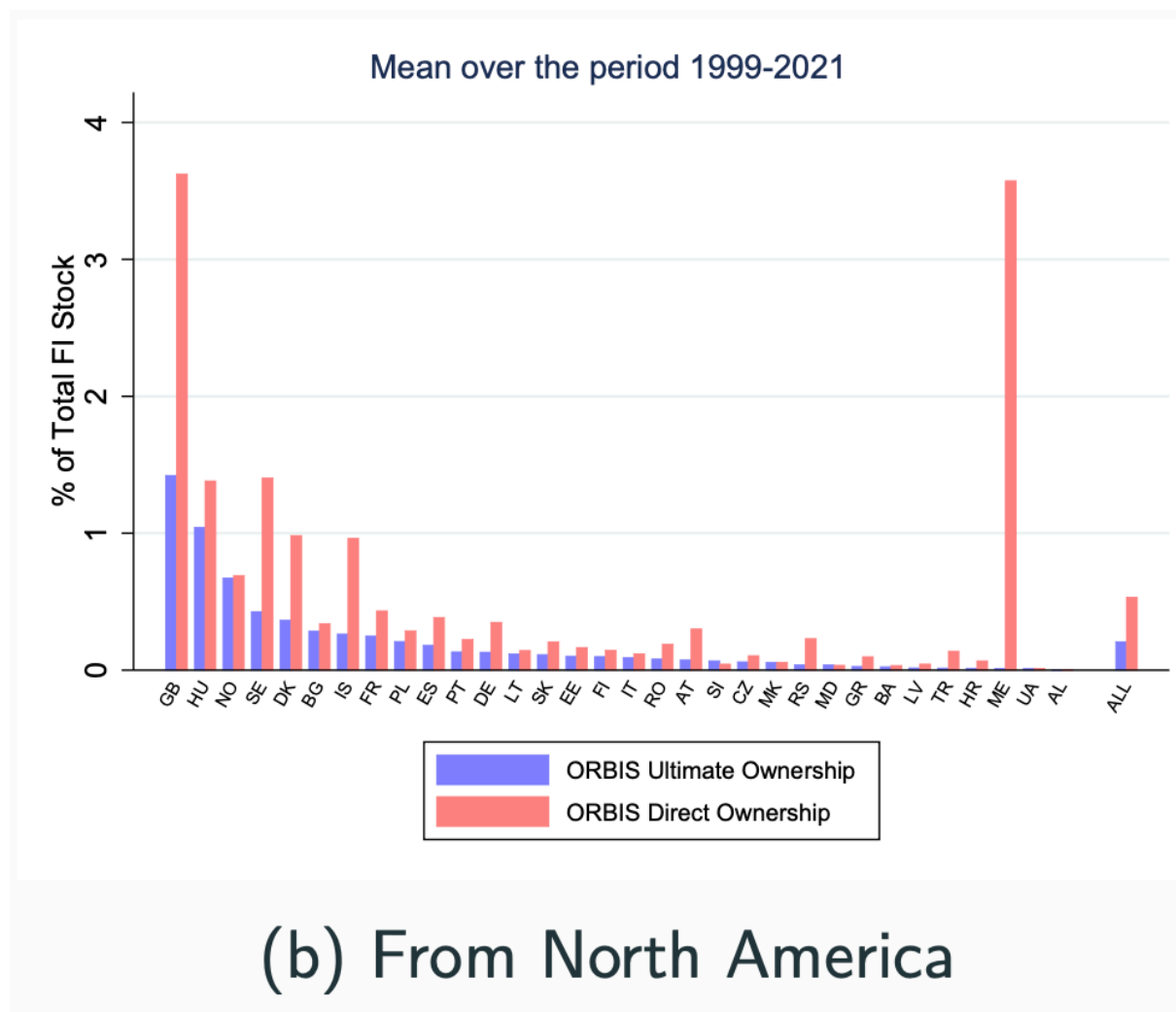
Who owns Europe?

There are fewer European foreign owners with ultimate control



(a) From Western Europe

This is not the case for US foreign owners



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

A red arrow points from the value 0.67 to the coefficient beta in the equation above.

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

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

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

$$y_{ijt} = \alpha_{it} + \alpha_{jt} + \alpha_{ij} + \beta D_{ijt} + \varepsilon$$

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	Acquire country	Target Country																									
		2002_AUS	2002_CAN	2002_GRC	2002_USA	2002_DEU	2002_ESP	2002_FRA	2002_GBR	2002_HKG	2002_IND	2002_ITA	2002_MEX	2002_ZAF	2002_BEL	2002_SWE	2002_ISR	2002_NOR	2002_JPN	2002_AUT	2002_BRA	2010_CHE	2010_KOR	2011_SWE	2012_IRL	2015_AUS	
2002_AUS			36,348	108	90,785	568	856	20,244	39,806	10,371	321	418	14,248	7,477	304	20,915		649	3,144	6,419	7	945	49	15,307	112		
2002_CAN	16,023				242,385	10,164	8,636	45,984	72,048	1,382	309	1,136	1,884	6,421	979	17	318	5,597	83	5,335	215	4,899	402	628	1	21,203	36,938
2002_GRC			128		4,102	6,046		4,566	1,859										1,793								
2002_TUR			26	2,998	3,464	209,655	5,505	276	676											417	146	877	5				
2002_USA	31,581	487,695	258			309,611	40,630	274,179	497,255	9,519	3,538	27,557	14,382	5,176	70,258	12,571	76,880		159,937	23,722	23,894	11,362	110,982	141,559	911	2,295	207,872
2002_DEU	185	9,938	37	64,320			4,164	44,428	209,376	2	940	34,420		1,682	6,754				1,393	2,615	1,878	6,291	1,725	709		6,431	
2003_ESP	741	488		5,140	65,664		15,894	10,133						52,350	472	220	978	113			6,110	758				564	
2003_FRA	962	30,990		32,309	34,693	21,211			34,274	19	98	14,936		1,698	6,921				931	955	14,484	1,264	3,777	5,017	112	137	25,057
2003_GBR	239,612	10,799	2,934	659,404	98,953	78,230	133,773			52,679	1,338	5,690		8,844	117,597	967	942		2,724	4,036	1,371	3,820	243,165	47,434	245	17,564	72,951
2003_HKG	1,536	775		4,310	160	3,480	51	36,608			531	4			72	7,433	3		7	24,259	2,146			3,528	15	2,060	
2003_IND		425		6,343	1,925		1,191	14,079		1					26	391				2,670	26	853	3,725	873	56	682	
2003_ITA				10,142	93,028	25,567	32,800	3,829							103		167			27	61	99	1,137	1,037		6,133	
2003_MEX		1,097		13,673		17,490	1,400	2,147												324	200	1,400			40	749	
2003_ZAF	111	2,588		3,025	155	15	230	14,467			11,958	262												1,113		1,650	
2005_BEL		2		2,707	3,819		53,954	793			190	22								5,617	15	20,438	3,821				
2006_DNK	1,286			6,504	143		121	16,266	64			7,582								2,672	193	30,657	1,167	95	30	205	
2006_ISR	39	358		45,341	856		302	45	63	917	482				8	2				2,695	2,956					1,762	
2006_NOR		267	1,533	16,250	429		6,474	4,891			512	153			451				62								

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negative, esp. for IOSCO MMoU and Poisson regression

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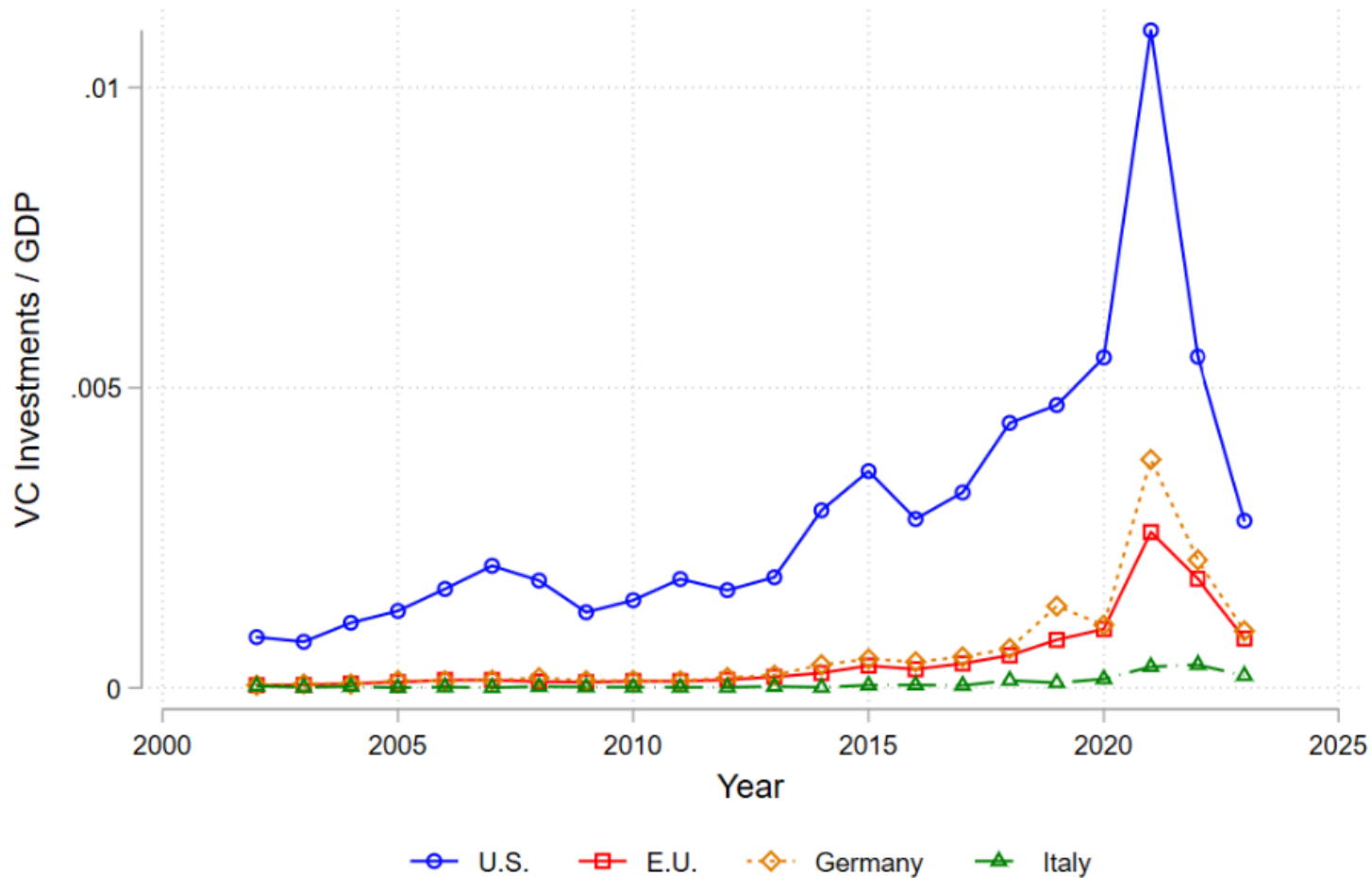
negative, esp. for IOSCO MMoU and Poisson regression

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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Notaries/insiders, using statutes all the way up to the constitution

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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?

A wish list



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Staggered treatments → treated become controls

What predicts cooperation?

A wish list



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What predicts cooperation?

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

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

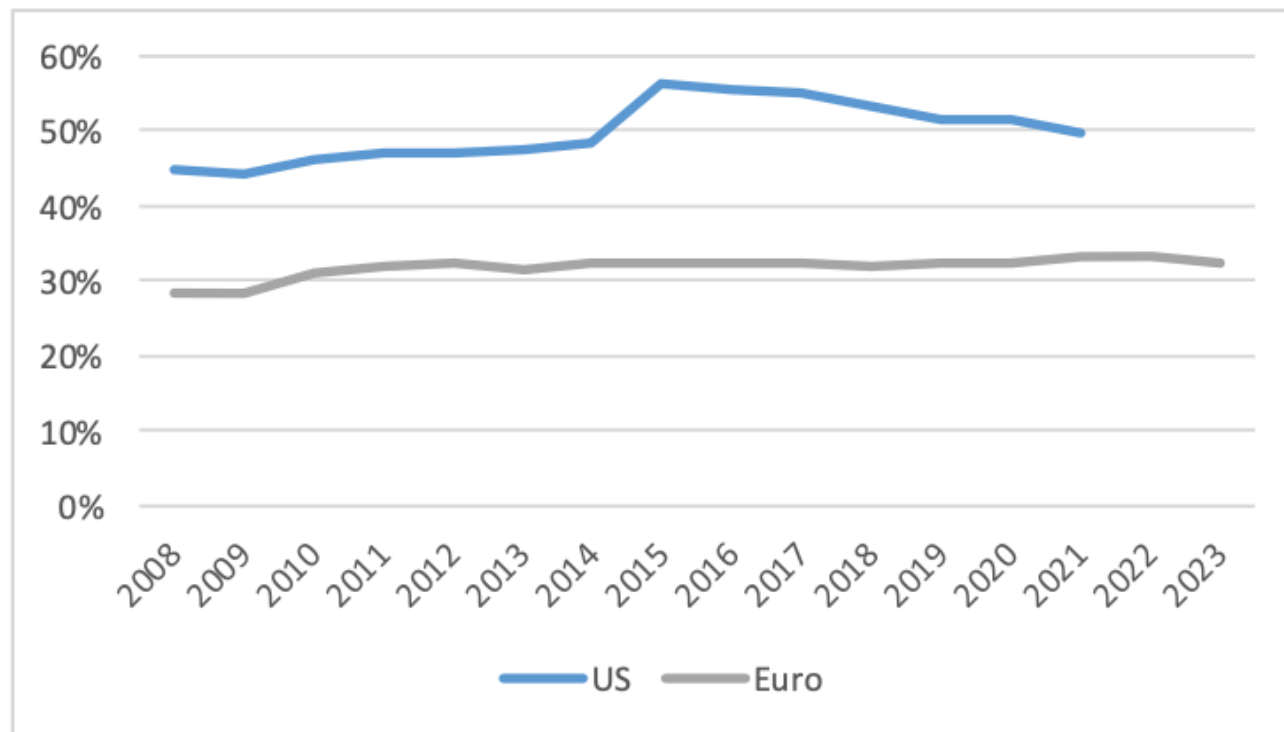


Competitiveness of EU banks (Heider et al., 2005)

EU banking sector appears more competitive than US

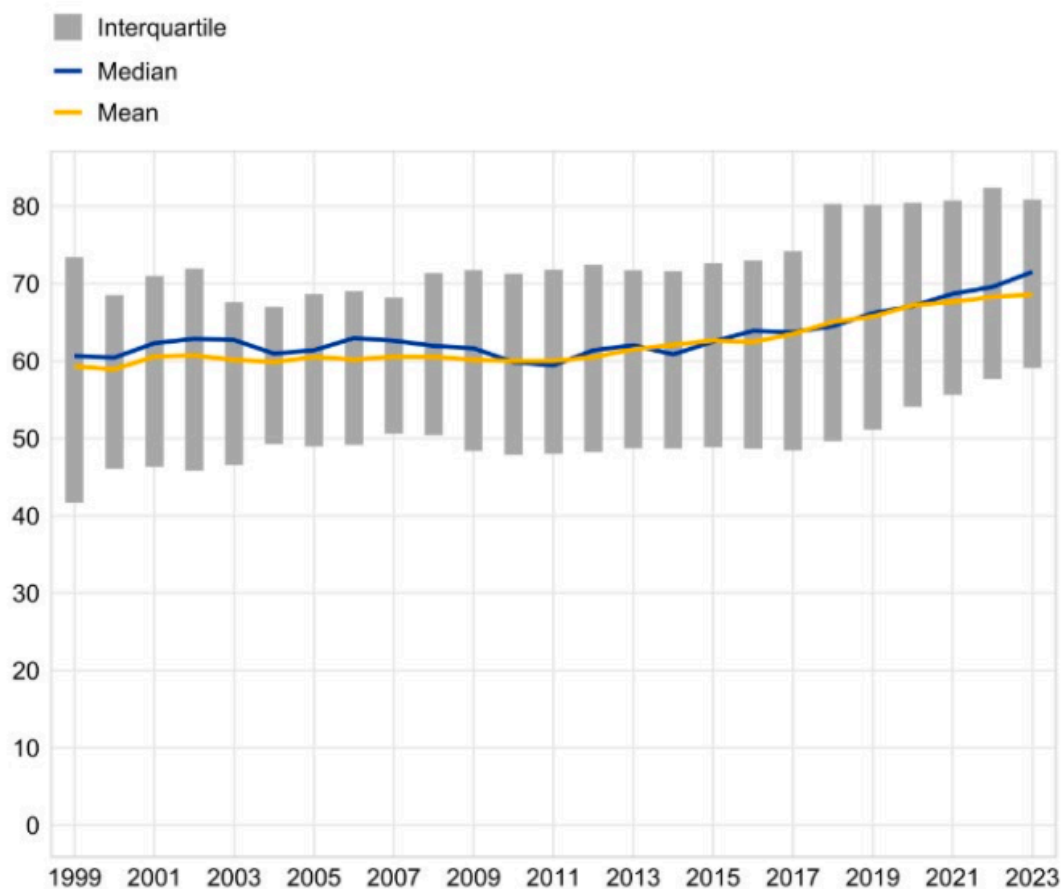


Figure 9: Share of assets held by the five largest banks, in %



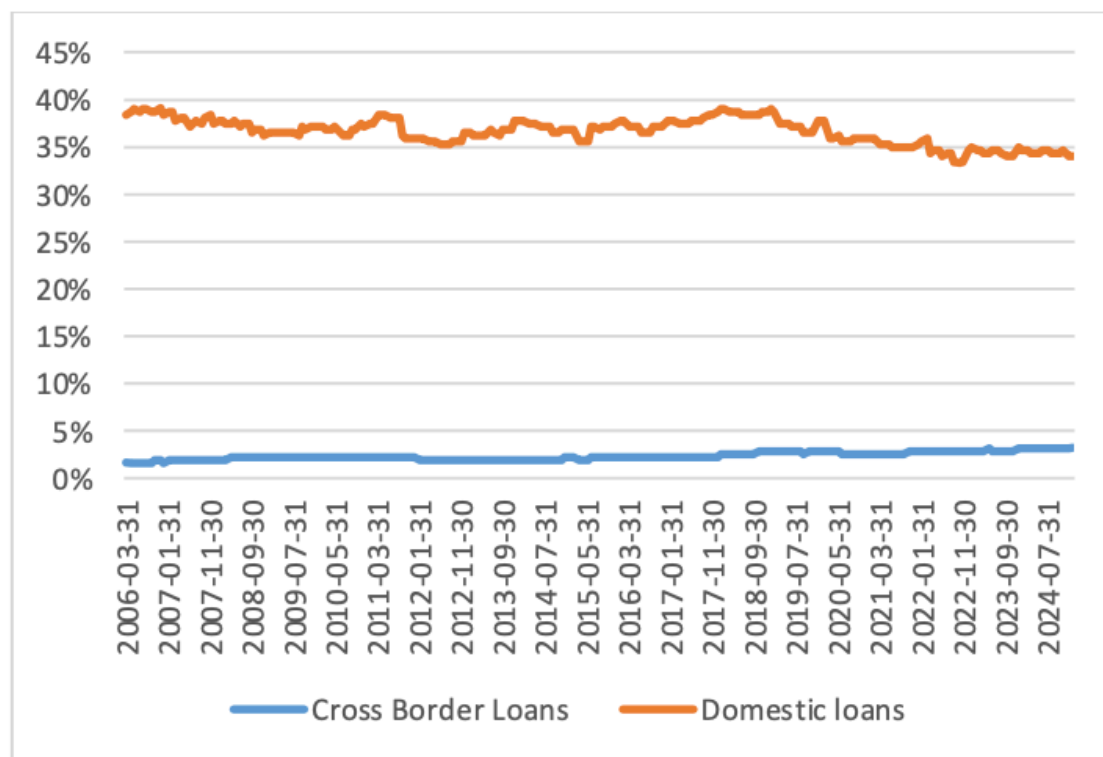
But is not at the national level

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

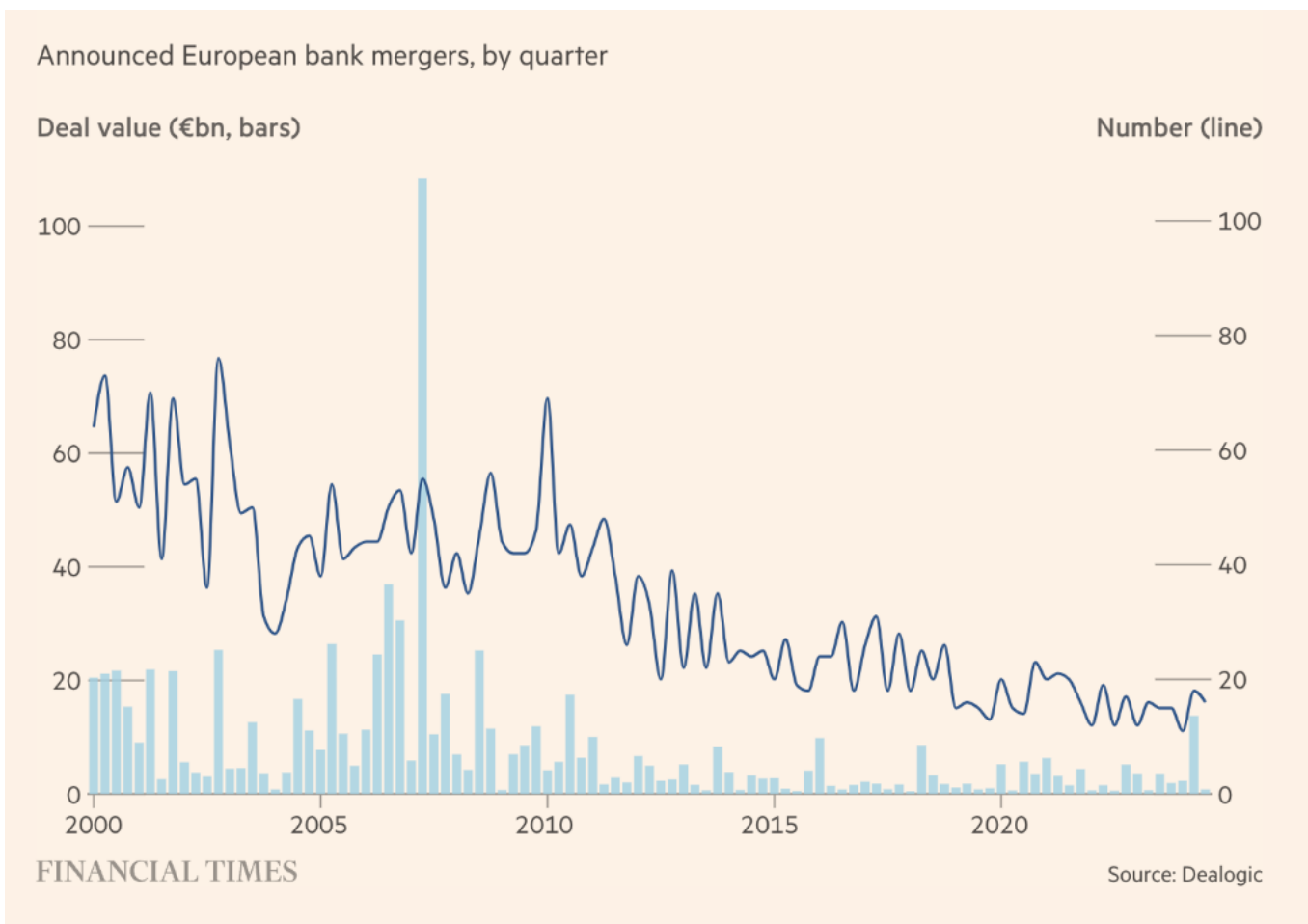


And there is little integration

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



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

Olaf Scholz says Germany opposes a Commerzbank takeover

S

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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