Financial Integration and Stability in Europe
Madrid, 30 November – 1 December 2006

Programme

Day I (Thursday, 30 November 2006)

8:30-9:00 Registration

9:00-9:30 Opening Remarks
Miguel Fernández Ordóñez (Governor, Banco de España)

9:30-11:15 Session I: Relationships Between Financial Integration and Stability
Chair: Fernando Restoy (Banco de España)

Iftekhar Hasan (Rensselaer Polytechnic Institute and Bank of Finland): Cross-Border M&As and Bank Stability: Evidence from the Bond Market
with Sungho Choi and Bill Francis (both Rensselaer Polytechnic Institute)

Gianni De Nicolò (International Monetary Fund): Economic Integration and Financial Stability: A European Perspective
with Alexander Tieman (International Monetary Fund)

Philipp Hartmann (European Central Bank): Financial Integration, Specialization, and Systemic Risk
with Falko Fecht (Deutsche Bundesbank) and Hans Peter Grüner (Mannheim University)

Discussant: Rafael Repullo (CEMFI)

11:15-11:45 Coffee break

11:45-13:30 Session II: International Financial Flows, Political Links, and Financial Fragility
Chair: Jose-Luis Malo de Molina (Banco de España)

Xiaoyun Yu (Kelley School of Business, Indiana University): Does Money Follow the Flag?
with Nandini Gupta (Kelley School of Business, Indiana University)

Jerry Parwada (University of New South Wales): Effect of Market Co-movements on International Mutual Fund Managers' Portfolio Holdings
with Eliza Wu (University of New South Wales)
Giuseppe Vulpes (UniCredit Group): Banking Integration and Co-movements in EU Banks’ Fragility 
with Andrea Brasili (UniCredit Group)

Discussant: Paul Ehling (BI Norwegian School of Management)

13:30-15:30 Lunch

15:30-17:15 Session IIIa: The Effects of Financial Modernisation and Development on Retail Financing 
Chair: Frank Packer (Bank for International Settlements)

Oren Sussman (Saïd Business School, University of Oxford): The Economics of the EU’s Corporate-Insolvency Law and the Quest for Harmonisation by Market Forces

Rocco Huang (University of Amsterdam and World Bank): Did Branching Deregulation Accelerate Growth?

Martin Brown (Swiss National Bank): Information Sharing and Credit Market Performance: Firm-Level Evidence from Transition Countries 
with Tullio Jappelli (Università di Salerno) and Marco Pagano (Università di Napoli Federico II)

Discussant: Mariassunta Giannetti (Stockholm School of Economics)

Session IIIb: Cross-Border Banking and Retail Integration [Room B] 
Chair: Reint Gropp (European Central Bank)

Giovanni Dell’Ariccia (International Monetary Fund): Risk and the Organization of Bank Foreign Affiliates 
with Robert Marquez (Arizona State University)

Iman van Lelyveld (De Nederlandsche Bank and Nijmegen School of Management): Internal Capital Markets and Lending by Multinational Bank Subsidiaries
with Ralph de Haas (European Bank for Reconstruction and Development)

Massimiliano Affinito (Bank of Italy): Does the Law of One Price Hold in Retail Banking? An Analysis of National Interest Rate Differentials in the Euro Area 
with Fabio Farabullini (Bank of Italy)

Discussant: Pierre Monnin (Swiss National Bank)

17:15-17:45 Coffee break

17:45-19:00 Session IVa: Market Discipline and Bank Risk 
Chair: Christian Laux (Center for Financial Studies and University of Frankfurt)

Xavier Freixas (University Pompeu Fabra): Book versus Fair Value Accounting in Banking, and Intertemporal Smoothing
with Dimitrios Tsomocos (Saïd Business School, University of Oxford)

Alfred Lehar (University of Calgary): Using Price Information as an Instrument of Market
Discipline in Regulating Bank Risk  
with Duane Seppi (Carnegie Mellon University) and Günter Strobl (University of North Carolina)  

Discussant: Javier Suárez (CEMFI)

Session IVb: Bank Mergers, Competition Policy, and Efficiency [Room B]  
Chair: Stefan Mittnik (University of Munich)  

Ignacio Hernando (Banco de España): *The Reaction by Industry Insiders to M&As in the European Financial Industry*  
with José Manuel Campa (IESE Business School)  

Steven Ongena (Tilburg University): *The Economic Impact of Merger Control: What is Special About Banking?*  
with Philipp Hartmann (European Central Bank) and Elena Carletti (Center for Financial Studies and Wharton Financial Institutions Center)  

Discussant: Jörg Rocholl (University of North Carolina at Chapel Hill)

21:00  
Dinner at the Casino de Madrid  

Dinner Speech: Integration, Supervision and Stability: Challenges from the FSC’s perspective  
David Vegara (Secretary of State and Chairman of the FSC)

Day II (Friday, 1 December 2006)  

9:15-11:00  
Session V: Policy Issues in European Banking  
Chair: Vítor Gaspar (Banco de Portugal)  

David Mayes (Bank of Finland): *Multiple Safety Net Regulators and Agency Problems in the EU: Is Prompt Corrective Action Partly the Solution?*  
with María Nieto (Banco de España) and Larry Wall (Federal Reserve Bank of Atlanta)  

Dirk Schoenmaker (Vrije Universiteit Amsterdam and Dutch Ministry of Finance): *Burden Sharing in a Banking Crisis in Europe*  
with Charles Goodhart (London School of Economics)  

Klaus Schaeck (University of Southampton): *Are More Competitive Banking Systems More Stable?*  
with Martin Cihák (International Monetary Fund) and Simon Wolfe (University of Southampton)  

Discussant: absent

11:00-11:30  
Coffee break

11:30-13:15  
Policy Panel: Financial Integration and Stability in Europe
Chair: **Alexandre Lamfalussy** (Former President of the European Monetary Institute)

Panellists:

- **Charles Goodhart** (Professor Emeritus of Banking and Finance, London School of Economics)
- **George Kaufman** (John F. Smith, Jr. Professor of Finance and Economics, Loyola University Chicago)
- **Matías Rodríguez-Inciarte** (Vice-Chairman, Santander Group)
- **Peter Nyberg** (Director General, Finnish Ministry of Finance)
- **Henk Brouwer** (Executive Director, De Nederlandsche Bank)

13:15-13:45  Closing Remarks
Chair: **José Viñals** (Deputy Governor, Banco de España)

*Gertrude Tumpel-Gugerell* (Board Member, European Central Bank)

13:45-15:45  Lunch