

The Economic Impact of Merger Control:

What Is Special About Banking?*

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Abstract

There is a long-standing debate about the special nature of banks. We identify legislative changes strengthening competition policy in industrial countries, analyze their impact on banks and non-financial firms and explain the reactions observed with institutional features that distinguish banking from non-financial sectors. Covering nineteen countries for the period 1987 to 2004, we find that banks are special in that a more competition-oriented regime for merger control increases banks' stock prices, whereas it decreases those of non-financial firms. Moreover, bank merger targets become more profitable and larger. A major determinant of the positive bank returns is the opaqueness that characterizes the institutional setup for supervisory bank merger reviews. Thus strengthening competition policy in banking may generate positive externalities in the financial system that offset inefficiencies introduced through supervisory policies. Legal arrangements governing competition and supervisory control of bank mergers may therefore have important implications for real activity.

Keywords: specialness of banks, mergers and acquisitions, competition policy, legal institutions, financial regulation.

JEL codes: G21, G28, D4.

I. Introduction

A widely held view among academic researchers, policy makers and market practitioners is that “banks are special”. Dewatripont and Tirole (1994), Goodhart et al. (1998) and Herring and Litan (1995), for example, list three reasons why banks deserve a unique regulatory treatment. First, the banking sector is described as prone to instability, and an extensive literature has analyzed the individual and systemic fragility of banks. Diamond and Dybvig (1983), Chari and Jagannathan (1988), or Allen and Gale (2000), among others, model the fragility of the banking sector while Aharony and Swary (1983), Docking et al. (1997) or Slovin et al. (1999) empirically analyze bank contagion phenomena. Second, informational asymmetries between the buyers and sellers of financial services are often substantial. As a result consumer protection regulation and conduct of business rules may play a greater role than is the case in many other sectors (Allen and Santomero (2001)). Third, the key role the financial sector plays in the economy has led many governments to intervene in banking to pursue broader social objectives. One example is the direction of credit to favoured sectors (Bertrand et al. (2006)) and another is the introduction of anti-money laundering rules to fight criminal activities (Takats (2006)).

The potential instability, the information asymmetries and the desire for public intervention brought about cautious or even negative attitudes towards competition in this sector. Keeley (1990), for example, argues that competition from capital markets has the potential to destabilize banks, while Hellman et al. (2000) provide a model in which regular capital requirements do not suffice to remove risk-taking incentives originating from bank competition. Gan (2004) gives an example of the relationship between

competition and stability during the Texan real-estate crisis of the 1980s.

Recent work, however, has started to question the idea that banking competition is something baneful. Boyd and De Nicrolo (2005) recently show that the effect of increased competition on banking stability could go either way. Beck et al. (2006), studying a large cross-country panel, find that less restricted and more open banking systems have a lower probability of a systemic crisis, while Claessens and Laeven (2005) document, using a panel of 16 countries, that financially dependent industries grow faster in countries with more vigorous banking competition. So, there are arguments in favor and against the view that the typical beneficial effects of competition are present in banking or that banking is special in that competition leads to adverse outcomes.

The present paper attempts to shed some new light on the debate about the specialness of banks by looking at the role legal and other institutional arrangements play in governing the review of mergers and acquisitions (M&As). We ask whether changes in the legal setup for competition policy have the same or differential effects on banks and non-financial firms and why. More specifically, we first analyze changes in market valuations of banks and firms in response to the recent general strengthening of competition aspects in merger reviews. Second, we use balance-sheet information to study the characteristics of merger acquirers and targets before and after legislative amendments. Finally, we try to explain the differences in the reaction of individual bank stocks with institutional features of the merger review process specific to the banking sector. Indeed, because of the sector specialness bank mergers are also subject to a supervisory review, exhibiting institutional features unknown in more regular sectors.¹

¹ See e.g. the “Core Principles for Effective Banking Supervision” issued by the Basel Committee on Banking Supervision (1997). Core principles 4 and 5 state that supervisors must have the authority to review and reject

By investigating the specialness of banks from this angle, we study an area of public policy that has generated major policy debates and media headlines recently, but may have attracted scant academic attention. Take key takeover battles that occurred in Europe in 2005 as a prime illustration of the main considerations of our analysis. In the beginning of 2005, the Dutch bank ABN AMRO and the Spanish bank *Banco Santander Central Hispano* were bidding for the Italian banks *Banca Antoniana Popolare Veneta* (*Antonveneta* or BAPV) and *Banca Nazionale del Lavoro* (BNL), respectively. In these episodes it was widely perceived that the Italian supervisory authority did not take a fully impartial attitude between the foreign and domestic bidders, supposedly for prudential reasons. This gave some advantages to the domestic bidders *Banca Popolare Italiana* (BPI, formerly *Banca Popolare di Lodi*) and *Unipol*, respectively.

[FIGURE 1 ABOUT HERE]

Figure 1 focuses on the events related to the *Antonveneta* case and plots the cumulative abnormal returns on the Italian bank stock index during 2005. On February 8th, 2005, the EU Commissioner for the Internal Market, Mr Charlie McCreevy, publicly warned the Governor of the Banca d'Italia, Mr Antonio Fazio, not to block foreign bank takeovers (see the most left-hand side vertical arrow). Following this warning, the Italian bank stock index started a remarkable trend upwards. While the increase in cumulative abnormal bank stock returns came to a halt in mid 2005, the intervention of Minister President Silvio Berlusconi, criticizing the *Banca d'Italia* Governors' handling of the case and asking for his resignation in September 2005, led the index to resume its steady climb. The resignation of the Governor and head of the supervisory authority, on December 19th, and

any changes in bank ownership or to establish criteria for reviewing major acquisitions or investments by a bank.

the passage of a law in the Italian Parliament that transferred the responsibility for competition reviews of bank mergers from the supervisor to the Italian antitrust authority, two days later, marked the poignant closures of the run-up.

The visual impression of the Italian bank stock prices reacting to the identified events is broadly corroborated by the event study reported in the table at the bottom of Figure 1 (Appendix 1 provides more details on the key events).² The Commissioner's clarion call in early February gave a signal to investors that bank merger policy in Italy would ultimately change. After temporary setbacks, change arrived with the introduction of a law, strengthening competition considerations in bank merger reviews, and a new top management for the supervisor in December 2005. Overall, it seems that the pressures on the supervisory authority led investors to think that the implied or emerging constraints on prudential policy would increase the value of listed Italian banks.

Given that over the last decades a much greater orientation towards competition policy could be observed in industrial countries more generally, the question arises if bank stocks also rallied in other countries, and if so, why? And if and why this effect is confined to banks? (Notice that the returns shown in the figure are net of what is explained by the market as a whole.) The paper aims to answer these questions.

We collect a unique data set on legislative changes affecting the review of mergers and acquisitions (M&As) in 19 industrial countries (United States, Canada and seventeen European countries) between 1987 and 2004. The data set covers both the introduction of competition laws and competition authorities (both in banking and other sectors) as well as

² We regress daily bank stock index returns on a constant, daily market index returns, and event period dummies. The estimation period starts on March 16th, 2002, and ends on March 15th, 2006.

changes in the relative responsibilities of competition and supervisory authorities in bank merger reviews.

Our analysis finds striking differences between the impact of legislative changes on banks and firms. First, legislative changes strengthening competition policy decrease the valuations of firms, but increase the market valuations of banks. The decrease in valuations of firms is expected: a more astute competition policy and more intense competition should lead to the erosion of profits. On the other hand, a merger review policy oriented more towards competition has a special and non-standard positive effect on banking stocks. This is further confirmed in a before-after analysis of the acquirers and targets involved in bank mergers. In particular, target banks not only grow in size but also become more profitable after the legislative changes. The cross-section analysis of the cumulative abnormal bank stock returns identifies the variables that drive the positive reaction. We pay particular attention to the different regulatory framework faced by banks and non-financial firms, namely that bank mergers are not only subject to competition reviews but also to supervisory reviews. The less transparent the supervisory reviews in a given country are (e.g. when an informal notification to the supervisor is required before the formal and publicly known one or when the supervisory decision is not published) the higher the valuation gains of banks.

Our results show that the effects of the reorientation of the legal and institutional environment towards more competition in banking will be heavily influenced by the supervisory regime. In particular, supervisory reviews of bank mergers are often guided by other objectives and approaches than competition reviews. They typically focus on the

soundness and stability of the new entity created.³ Moreover, supervisory intervention occasionally promotes specific mergers in order to save weak or failing banks.⁴ As a result, these interventions are usually not driven by competition and efficiency considerations. And this may be even more so in less transparent supervisory systems. Investors will penalize banks for these sources of inefficiency with a lower valuation. As competition reviews gain importance and as the supervisory setup becomes more transparent, the room for less efficiency-oriented transactions vanishes and bank valuations may increase.

In other words, the strengthening of competition policy seems to generate important positive externalities in the financial system that limit supervisory discretion in determining merger outcomes and thereby offset the inefficiencies introduced through the supervisory policies. More generally, legal arrangements governing competition and supervisory control of bank mergers seem to have important implications for bank and firm performance in the economy.

The rest of the paper is organized as follows. We review the related literature in Section II and provide details on the past and existing institutional arrangements in Section III. In that section we also present the results of an empirical analysis of the effects of the

³ The Second Banking Directive in the European Union states that national bank supervisors “shall refuse authorization (of mergers; insertion by the authors) if, taking into account the need to ensure the sound and prudent management of a credit institution, they are not satisfied as to the suitability of the ... shareholders” (European Council, 1989, article 5). The US Bank Merger Act stipulates in paragraph 1828 that “In every case, the responsible agency shall take into consideration the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served” (see also the Bank Holding Company Act, paragraph 1842). The Federal Reserve Board considers particularly capital adequacy, but also asset quality, earnings performance and other aspects under this provision. The Basel Committee core principle 5 refers to the requirement that “banking supervisors have the authority to establish criteria for ... ensuring that corporate affiliations or structures do not expose the bank to undue risks or hinder effective supervision”. The core principles list ownership structures; operating plan, systems of control and internal organization; fit and proper tests of directors and senior managers; and financial projections including capital as aspects to be considered in this regard. Overall, practice has shown that the room for interpretation in this area can be very wide.

⁴ A OECD report on the so-called “Failing Firm Defense” documents a few such cases (OECD, 1996, CLP Report 96 (23), p. 69f.).

legislative changes that strengthen competition policy. We study both the effects on stock market valuations of banks and (non-financial) firms and analyze how the characteristics of bank acquirers and targets are affected by the changes. In Section IV we investigate how the stock market valuations of individual banks are explained by institutional and policy features characterizing merger reviews in the various countries. We conclude in Section V.

II. Related Literature

In addition to the general discussion on the specialness of banks and the value of competition in banking, our work is related to a number of strands in the literature. First, our paper is connected to research dealing with the causes and consequences of banking consolidation (see Berger et al. (1999) for a detailed survey). With the available data it seems hard to identify efficiency gains in bank mergers, except for gains in mergers among relatively small banks (Berger and Humphrey (1991) and Wheelock and Wilson (2001)) or efficiencies obtained in risk management (Hughes and Mester (1998)). On the other hand, the consequences of consolidation are sharper in focus. Consolidation may soften competition and loan shrink supply (unless accompanied by *de novo* bank entry as documented by Berger et al. (1998)), modify individual and aggregate liquidity (Carletti et al. (2006)), and increase bank riskiness (Boyd and Runkle (1993), Demsetz and Strahan (1997)). However this literature has so far mostly overlooked the effects of (changes in) the merger review procedures on the consolidation process (except for a discussion in Carletti and Hartmann (2003)), an issue this paper addresses.

Second, our paper fits in a literature that deals with the effect of financial regulation on banks and real activity. Kim and Santomero (1988) and Rochet (1992), among others, analyze how capital requirements affect the behavior of banks. They show, *inter alia*, that

inaccurate risk weights distort banks' investment decisions. Merton (1977) argues that deposit insurance may cause moral hazard and excessive risk-taking and Demirguc-Kunt and Detragiache (2002) for example provide empirical evidence of such effects. Blum and Hellwig (1995) model how capital requirements may amplify business cycles, an issue recently gaining prominence in relation to the implementation of the Basel II capital standards (Kashyap and Stein (2004)). Jayaratne and Strahan (1998), Demirguc-Kunt et al. (2004), and Guiso et al. (2006) provide evidence that too restrictive banking regulations can lead to substantial costs in terms of growth and welfare, while Barth et al. (2006) document that banking regulation in its implementation and supervisory interventions are not seldom the cause of substantial inefficiencies in financial systems, in particular in developing countries. Also this literature has not yet addressed the effects of the arrangements for supervisory reviews of bank mergers highlighted in this paper.

Finally, a by now vast literature addresses the role of the legal architecture for the functioning of financial systems. In their seminal work La Porta et al. (1997, 1998) have illustrated the influence of legal origins, formalism, and enforcement problems on the structure and efficiency of a financial system (also Djankov et al. (2003) and Djankov et al. (2006)). While Rossi and Volpin (2004) show that legal origin and shareholder rights influence the volume of M&As (across all sectors) and the direction of cross-border deals, the impact of changes in competition policy on merger activity, despite its importance, has not yet been investigated.

III. The Impact of Changes in Competition Policy

Our point of departure is a fundamental policy shift observed in many industrial countries over the last decades, i.e., the introduction or strengthening of general

competition policy. Such a shift is by definition mostly exogenous to changes or policies in any individual sector,⁵ and hence particularly attractive for analyzing the specialness of banks. Moreover, the literature – as cited above – has brought up a number of reasons why competition may play a different role in banking than in other sectors. We focus in particular on market concentration. Ongoing consolidation renders it particularly important and the competition reviews of M&As are complemented in banking by supervisory reviews (see section IV). The ultimate objective of the present section is therefore to find out whether banks are affected differently or in the same fashion as other firms by general changes in competition control of M&As.

A. Competition Control of Mergers and Acquisitions

In most countries formal competition policies conducted by specific authorities are a relatively recent phenomenon. In stark contrast to the United States, where competition policy started with the 1890 Sherman and 1914 Clayton Acts, and Germany, where it was formalized with the *Gesetz gegen Wettbewerbeschaenkungen* in 1958, most countries did not introduce competition control until the early 1990s. In all cases, the introduction of competition control constituted a significant change for the countries involved.

The main objective of controlling M&As from a competition perspective is to prevent excessive market concentration. The concern is that concentration could lead to a substantial lessening of competition or the creation (or strengthening) of a dominant position, which would increase prices and reduce consumer welfare through market power.

⁵ The introduction of competition policy itself could be driven by developments in the domestic or neighboring economies. In addition, the timing of the introduction of competition policy is possibly determined by country size (Forslid et al. (2005)). However, we study the differential effect on the banking sector within a relatively short time frame.

To avoid this from happening competition authorities tend to apply a number of criteria to review merger proposals. The most frequently used competition criteria include the degree of concentration of the relevant markets (measured through either parties' combined market share or the Herfindahl-Hirschman index),⁶ the possibility of entry and the presence of potential entrants, and the evolution of the market and of the parties' market shares in the years before the proposed transaction. In some countries it is also evaluated whether efficiency gains, e.g. through scale, would offset any price impacts of an increase in concentration (the so-called efficiency defense). An important factor is also whether other than competition criteria can or have to be taken into account. In particular, the competition laws of countries often contain a provision that allow the competent authorities to weigh competition considerations against other presumed social or political benefits, such as the preservation of employment, technical achievements or certain services in a specific region. A related issue is the so-called failing firm defense, which is sometimes based on competition grounds and sometimes on social benefits. In the financial sector, e.g., some competitive disadvantages are sometimes accepted in order to prevent a costly bank failure through a merger.

In countries with developed competition regimes, policies tend to be conducted by a separate competition authority. The strength of the competition authority in taking merger decisions varies across countries. In some countries the antitrust authority or the courts can take the decisions alone. In other countries the decision-making power is shared with other authorities, such as multiple antitrust authorities or the ministry of finance. Again in other

⁶ There is ample empirical work on the impact of bank market concentration on bank loan and deposit rates. Berger et al. (2004), Gilbert and Zaretsky (2003) and Degryse and Ongena (2006), for example, review recent methodologies and results. Most studies find a positive / negative impact of market concentration on loan / deposit rates, though the magnitude of the effect varies widely.

countries ministries or special sector regulators, such as sometimes the case in banking, are in charge. The strength of the responsible authority is also influenced by the fact whether another authority can intervene, take over the review process or overturn decisions.

A last component of the competition policy regime is the process of merger reviews. In most countries they follow similar steps in that a merger is notified to the competent authority (if large enough),⁷ then it is decided whether the case has the potential to raise competition concerns and if this is the case the specific transaction is reviewed. Basically in all countries this process tends to be highly transparent in that the decisions reached are made public.

In many countries competition policy was rather dramatically strengthened during the last three decades in its objective, criteria, authority and/or process design. We study now these particular moments of change.

B. Data, Institutional Variables and Events

We use the event study approach to analyze the effects of the introduction and strengthening of competition policy (henceforth, “changes (in competition policy)”) in industrial countries. In order to identify the events, we collect detailed information on the legislative changes affecting the setup for competition reviews of M&As in the European Union (EU) and 18 individual countries: the United States and Canada, 14 EU countries, including Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Netherlands, Portugal, Spain, Sweden, and the United Kingdom, and two non-EU countries, Switzerland and Norway. We focus on the time period January 1, 1987 to July 1, 2004 during which most of the changes occurred.

⁷ In some countries notification is voluntary, but the competition authority can unravel a case *ex post* if it turns out to create a dominant market position.

We relied on multiple sources. In a first step, we obtained and analyzed the exact text of all relevant legislation and regulation to identify the changes that took place over time. In a second step, we read the many reports on merger control publicly available on the internet to fix our interpretation of the events (Appendix 2 contains a comprehensive list). Finally, we directly contacted knowledgeable representatives of the various institutions dealing with merger control across all countries (Appendix 3 contains the list of agencies we contacted). We engaged these contacts, often in multiple and prolonged written and verbal conversations, to confirm our understanding and “coding” of the data, to seek clarifications and corrections and to identify the most important aspects of merger control in practice.

A key contribution of the paper is to aggregate the information we collected and to construct various indexes capturing the crucial dimensions of the competition control of mergers and acquisitions (and of the supervisory control in the banking sector, as we will describe in more detail below). Four dimensions (which we formulate as the answers to four questions) shape the merger policy regime of any country:

- What assessment criteria are used in competition control?
- Who is (are) the decision-making agency(ies) for competition control?
- Can a third agency intervene in the process to replace / overturn the decision-making agency(ies)?
- Is merger notification mandatory above (statutory) thresholds?

We construct the four variables labeled *Competition Criteria*, *Competition Enforcer*, *Competition Overturning*, and *Mandatory Notification* respectively with answers to the questions ranging between 0 and 1, with higher values corresponding to a more competition-oriented design and implementation of competition control. Our ranking of the

answers reflects the simple idea that the merger review is more-competition oriented (at least from an *ex ante* perspective) when it has the single, narrower objective of preventing restrictions of competition, it is enforced by a single, independent agency, no other agency can intervene in the process and notification is mandatory. We report the coded answers to the questions at the beginning and at the end of our sample period in Table 1.

[INSERT TABLE 1 ABOUT HERE]

The table shows the heterogeneity of the competition policy across the different countries and the high number of changes that occurred over time.⁸ The changes in any of the four variables across the sample period define our set of events. Note however that for simplicity the table reports the answers to the questions only at the beginning and end of our time sample, thus underestimating the number of changes that occurred.

C. Dating

The precise dating of the changes in competition laws regulating the control of mergers and acquisitions across the sample countries, combined with information on stock prices, are the main ingredients of our empirical investigation. Figure 2 displays the main steps in most legislative procedures and the corresponding dates we use in our study.⁹ We divide

⁸ The precise institutional arrangements in some countries differ slightly for the banking sector, again attesting to the specialness of the sector. However, the changes during our sample period were almost always introduced simultaneously across all sectors, with the exception of changes that were introduced in France, Netherlands and Portugal. However, none of these cases turn out to be relevant for our analysis. In France the banking sector was perceived to be subject to the competition control of mergers and acquisitions according to the Competition Law of July 1977 until the Supreme Court stated on May 16, 2003 that the banking sector was not subject to any competition control (we return to this case later in the paper). In the Netherlands, the Competition Act of 22 May 1997 did not apply to the banking sector (art. 32) but only temporarily for two years (art. 107.3). In Portugal merger control was introduced in all sectors except banking with the decree-law n. 428/88 of 19 November 1988. Bank mergers and acquisitions became subject to control only with the law 18/2003 approved in date April 10, 2003, which substantially reformed the merger control also for all the other sectors after a new, independent authority was created. However, for lack of readily accessible stock market data we drop the 1988 event and include only the 2003 sector-wide event.

⁹ The legislative steps in Figure 2 reflect the general procedure. In practice the procedure may vary slightly across countries. For example, in some countries (such as Finland) the approval of the Head of State is not required. These differences do not affect our analysis.

the legislative process in three phases: approval, publication and implementation. *Approval* refers to the date of approval by either the Parliament or the Head of State. When available, we collect from our sources and contacts the earliest date in the official approval process. For example, in a bi-cameral parliamentary system we use the first date when one of the chambers approves the law. *Publication* refers to the date when the legislation is published in the country's official journal; and *Implementation* is the official date when the legislation enters into force. The process leading up to implementation varies substantially across countries and type of legislation. In general, a law comes into force either after a certain (fixed) time period starting from the day when it is published or following a decree implementing it. In the latter case, the process may contain more uncertainty, as some aspects of the control regime may be specified in the implementing decree only.

[INSERT FIGURE 2 ABOUT HERE]

To capture the earliest time investors can reasonable be expected to infer that legislation will change and how, we study the stock price reaction around the earliest official date we have information about. We consolidate the dates in this way for obvious reasons. The process of legislative codification varies substantially across countries. In some countries the *official date* of a law is the approval date (typically the approval by the Head of State), in other countries it is actually the publication or even the implementation date. Not taking these differences across countries into consideration, one risks analyzing investors' reactions to widely divergent information sets. By focusing on the earliest official date with information context, we aim to harmonize the information investors have about the outcome of the legislative process across countries. Thus, we complement the 16 approval dates with 4 publication dates to obtain 20 *Event* dates.

Once the event dates are selected, we analyze the impact of the changes not only on the event dates themselves, but also during a reasonable period preceding them. We are aware most major legislation is typically prepared in parliamentary committees before it is brought to a chamber floor, hence the preceding period captures the investors' potential reaction to the entire political debate and process preceding and surrounding any important committee work (party manifestos, government agreements, public lobby group endorsements, etc.). Furthermore, as the process of codification unfolds differently in each country, we believe it is also crucial to analyze not only the impact during the period following the event dates but also the periods surrounding the other dates we identified in the legislative process. In particular, we also analyze the stock price reactions around the 20 implementation dates to capture investors' possible reactions to "last-minute details" that are specified in the implementation process of legislative changes (such as the precise mandates, chairmanship and membership of committees and institutions, operational regulations, etc.).

D. Event Study Methodology

How do changes in laws governing competition policy affect the market valuations of both firms and banks? To try to answer this question we start by employing daily sector and total market price indices for the 18 countries and the EU-15 region and the Morgan Stanley All Country World Index from *Datastream*.¹⁰ The data runs from January 1, 1987 to July 1, 2004, the period for which we analyzed the institutional changes. The indices capture all listed firms in the respective category and are value-weighted.

¹⁰ The bank indices have the *Datastream* code BANKSCC, where CC stands for the respective two-digit country code. The non-financial sector indices have the code TOTLICC. The total market indices are labeled TOTMKCC.

We estimate daily abnormal returns using standard market model regressions. We regress the daily returns for index j , r_{jt} , on a measure of the market return, r_{mt} , and two event dummies, δ_t^{before} and δ_t^{after} , that take the value of one when day t is inside the event windows $[-\tau, 0]$ and $[1, \tau]$ respectively, and zero otherwise:

$$r_{jt} = \alpha_j + \beta_j r_{mt} + \gamma_j^{before} \delta_t^{before} + \gamma_j^{after} \delta_t^{after} + \varepsilon_{jt}, \quad (1)$$

$$t = -250-\tau, -249-\tau, \dots, 249+\tau, 250+\tau.$$

Our two event windows contain between 5 and 241 trading days, i.e., we vary τ between 2 and 120. The coefficients γ_j^{before} and γ_j^{after} measure daily abnormal returns during the event periods before and after the event. The market model is estimated over a period starting $(-250-\tau)$ days before the event and ending $(250+\tau)$ days after the event.¹¹

For the results reported in the paper, we *a priori* choose to use the value-weighted index of all stocks in the country as a proxy for the market return, by itself or in combination with the EU-15 Market Index, and the Morgan Stanley All Country World Index.

For each event the cumulative abnormal returns (CARs) are the estimated coefficients $\hat{\gamma}_j^{before}$ and $\hat{\gamma}_j^{after}$. For each event we estimate daily abnormal returns for both the domestic index of non-financial institutions (“firms”) and the domestic bank index (“banks”). We calculate the average and standard deviations of the CARs across the set of events and perform a standard t-test to assess statistical significance. We also report the number of positives and negatives and perform a standard sign test.

The independence of the events could be a potential concern. However, employing a Kolmogorov-Smirnov Goodness-of-Fit test we cannot reject the null hypothesis that the

¹¹ We *a priori* choose for a long estimation window around the event, as we are concerned about the impact of the changes in regulation on market risk (Grout and Zalewska (2006)). We check the robustness of the results to alternative estimation windows, the $(-250-\tau, \tau)$ window for example, and time-varying market betas.

exact event dates (reported later) are uniformly distributed across the entire sample period. We also regress the CARs on various specifications including a time trend, and again we cannot reject the null hypothesis that the coefficients on the trend variables are equal to zero.

We further assess the difference between the CARs of both indices by simply performing a t-test assuming unequal variances and a sign test based on the number of differences that are positives or negatives. Finally, we perform the more general Fisher's exact probability test of independence to detect differences between firms and banks in the signs of their reaction.¹²

E. Wealth Impact of Changes in Competition policy

The results of the event study for the stock indexes of firms and banks averaged across events are reported in Table 2. For brevity, we report only various windows within the interval [-120,120] around the changes in control as identified by the earlier defined Event and Implementation dates.

[INSERT TABLE 2 ABOUT HERE]

We immediately note two striking features of Table 2. First, most of the significant results lie in the windows before and including the event date. This should not come as a surprise given our dating strategy. As described before, we select the earliest available date of the legislative process as the event date, so that the most significant reaction is expected to occur immediately before and on this date. Alternatively, the fact that investors appear to react most strongly in these windows confirms the accurateness of our dating strategy.

¹² See NIST/SEMATECH (2006), for example, for details on the Kolmogorov-Smirnov Goodness-of-Fit test and Preacher and Briggs (2001), for example, for details on the Fisher's exact probability test of independence.

Second, there is still some significant reaction in the windows preceding and including the implementation date, although much less than for the event dates. This can also be easily understood since, as already mentioned, implementation in some cases removes lingering doubts about the introduction and actual *modus operandi* of the new piece of legislation. Thus, the overall results show that investors anticipate and immediately react to the outcomes of the legislative changes so that no further effects are present after the event and the implementation dates.

The changes in competition policy have important economic effects for both the real and the banking sector. Changes in competition policy lead on average to a decrease in non-financial firms' stock prices and to an increase in banks' stock prices. The difference between these banks and firms reactions is positive and highly significant (we report significance levels for both standard t-tests and sign tests). The difference is also economically relevant, reaching the value of 1.1%*, 3.3%** , 7.6%*** and 11.1%*, respectively for the 2, 20, 60 and 120 day windows before and including the event date.¹³ Both the sign test on the differences and the more general Fisher's test of independence indicate that firm and bank stocks differ in the direction of their reaction.

The impact around the implementation of changes in competition policy is weaker. Excess returns on firm stocks before implementation are negative but only marginally statistically significant, and neither bank stock returns nor the differences between banks and firms, though consistently positive and economically relevant before implementation, are statistically significant.

We report the results by event in Table 3 for the 2, 20 and 60-day windows before and including the event date.

[INSERT TABLE 3 ABOUT HERE]

As the sign tests already indicated, almost all events lead to a decrease in firms' stock prices and to an increase in banks' stock prices. Concerning banks, we notice a negative effect of the changes in competition policy only for the European Union, the Netherlands and Sweden.¹⁴

F. Robustness

Before trying to explain this remarkable differential impact of the introduction and strengthening in competition policy on firm and bank stocks, we subject our findings to a variety of robustness checks. We report key results in the lower three panels in Table 2. We first report results using (1) the value-weighted index of all stocks in the country in combination with the EU-15 Market Index, and (2) the Morgan Stanley All Country World Index as proxies for the market return. Results are almost unaffected. We also check our key results using reasonable combinations of the domestic, EU-15, and world indices with the MS All Country Non Financial Index and the MS All Country Bank Index. Results are again almost unaffected and we choose not to report these results.

¹³ As in the tables, *** means significant at the 1% level, ** at the 5% level, and * at the 10% level.

¹⁴ Possible explanations can be found in the institutional details in each of these countries. The negative effect for the European Union can be explained by the possibility that exists for states to use prudential rules as legitimate interests. Hence states can interfere with the decisions of the Commission and pursue objectives other than competition and efficiency (art. 21(3) of the Council Regulation N. 4064/89 and subsequent modifications). Portugal attempted to use this possibility to prevent a foreign takeover in the much-debated Champalnaud - Santander case in 1999. The negative reaction of banks' stock prices in the Netherlands may be due to the (possibly unexpected) delay of two years in the introduction of the competition control in the banking sector relative to the other sectors (art. 32 and 108.3 of the Competition Act approved in date March 20, 1997). The delay prolonged the influence of the Minister of Finance on the concentration of economic power in the banking sector according to the Act on the Supervision of the Credit System of 1992 until January 2000. The negative response of banks' stock prices in Sweden may be more closely related to the interaction between competition and supervisory control. As we will explain more in detail below, supervisory decisions are transparent in Sweden and informal notification is not coded in the regulation. This leaves little scope in theory for the potential positive externality of competition control on supervisory control. The negative result may indicate the investors' anticipation of the strict application of competition control in light of the oligopolistic structure of the Sweden banking sector. It is curious to note an insignificant effect of the

Next, we alter our estimation window. In particular we estimate the beta coefficients using only pre-event stock returns. Again, results are unaffected and we choose not to report these findings.

We also investigate the exceptional case in France in which competition control in banking was *unexpectedly weakened* as the result of a court ruling on May 16th, 2003. Given the extraordinary and judicial character of this case we choose not to include it in our original set. The impact on firm and bank stock prices is reported on the bottom of Table 2. The results corroborate our findings so far: the 3-day firm and bank CARs in the interval [-2,0] equal 0.11** and -0.77***, respectively, and bank CARs following the event are negative, economically relevant, though never more than marginally significant.

Finally, we also turn to individual bank stocks (we return to using individual bank stocks in Section V), though *a priori* we choose to assess sector indices for reasons of coverage, selection, and relevant value weighing. We again estimate a market model employing the value-weighted index of all stocks in the country as a proxy for the market return.

Averaging across the banks within each country and then across events we obtain average CARs for the [-60,0], [-20,0] and [-2,0] windows of respectively 4.28%**, 1.17%, and -0.03% for the changes in competition policy events. Averaging across the 323 individual bank stocks the average CARs equal respectively 1.95%**, 0.59%, and 0.14%* for the same set of windows.

To summarize, firms stocks decrease and bank stocks increase in anticipation and upon the approval of changes strengthening competition policy. We now study what types of mergers actually take place before and after the implementation of the changes.

events also in other countries, like Finland and Norway, similarly characterized by a transparent supervisory control regime.

G. Mergers and Acquisitions Before and After the Changes

We study a comprehensive merger date set to analyze whether the implementation of changes in competition policy affected the characteristics of the M&A transactions. We start from *SDC Platinum* data and complement it with additional bank merger and acquisitions records obtained from competition and supervisory authorities in the sample countries. This allows us to increase the number of records for bank mergers by more than 10% in the event countries. The augmented data set contains in total 15,148 bank M&A records and 101,441 firm M&A records for the 18 sample countries and the EU during the period January 1st, 1990 to June 1st, 2004.¹⁵

We analyze whether the changes in competition policy have any impact on the characteristics of both acquires and targets in terms of size (Common Equity and Total Assets) and profitability (Net Income, and, more precisely, Acquirer Net Income/Common Equity). We focus the analysis on three different intervals, i.e., 250, 750 and 1,500 days, before and after the implementation of changes in competition policy (we also look around the event dates, results are similar); and to ensure comparability of the results, we drop implementation dates for which our data set does not provide full coverage either before or after the date.

We test the difference in characteristics between before and after for banks and firms and between the two groups. To control for country specific time trends (for example, without market entry early mergers may increase the size of subsequent merger parties) we assess the significance of these differences by comparing the actual differences with a

¹⁵ For reasons of coverage we start the sample on January 1st, 1990. All implementation dates, except the one following the July 17th, 1989, event in Spain, fall within this range.

distribution of differences drawn randomly with replacement within the sample period (we draw a 100 times).

[INSERT TABLE 4 and 5 ABOUT HERE]

The results are, we believe, very revealing, and tabulated in Tables 4 and 5. While the characteristics of M&As among firms are not altered much as a result of the changes in competition policy, the characteristics of banks engaging in M&As differ quite dramatically. As Table 4 shows, after the implementation of the changes in competition policy, firm acquirers tend to decrease in size and profitability although the results are not always significant in the different intervals and across the different characteristics. However, as is clear from Table 5, the bank targets increase significantly in both size and profitability. Depending on the interval being studied, bank targets double to triple in common equity and total assets. The increase in bank target net income is also quite striking, varying from 200% and 300% depending on the interval. This suggests bank targets grow significantly in both size and profitability after the implementation of the changes in competition policy, although the increase in profitability cannot be fully disentangled from a pure size effect (the results on target net income/common equity are indeed not significant, but this may be due to the data coverage problem).

We further study but do not tabulate the changes in other deal characteristics. Not surprisingly, the value of the transaction in bank M&As doubles, but the percentage of the shares that is acquired and the percentage shares owned after the deal seem mostly unaffected.

Overall it seems that the introduction and the strengthening of competition policy “encourages” bank M&As with larger and more profitable target banks, while leaving the

firm M&As mostly unaffected. The result for bank M&As surprises, as competition policy should reduce the size of mergers, as is the case for firms, not increase it. Thus, the analysis of the characteristics of M&As again provides indications of the specialness of the banking sector.

How to square this increase in bank target size in the years around the implementation of the changes in competition policy with the positive excess returns on bank stocks in the days preceding and upon their approval? Target excess returns are typically lower for larger deal sizes (see Andrade et al. (2001)), suggesting that investors do not react to the expected increase in target size, but purely to the increased likelihood that banks of a certain range of size and profitability become potential targets.

One straightforward interpretation of these results is therefore that competition policy has a positive externality on the overall control of M&As in the banking sector. Having a more transparent, market-oriented control seems to “free” a certain type of banks that may have had more difficulties to merge when only the supervisory control was in place. To investigate whether this is the main explanation of the investors’ positive reaction to regulatory amendments in the banking sector, we next analyze how banks’ individual CARs respond to some characteristics of the supervisory control controlling for other bank characteristics.

IV. Explaining the Special Effect on Banks

We now turn to explaining the differential effects between firms and banks in terms of both the results of the event study, and the changes in the type of M&As before and after the regulatory amendments. Why do banks react differently? What are the factors pushing up their stock prices? As for the other sectors, the introduction of competition policy in the

banking sector should prevent excessive market power, thus reducing future monopoly profits and stock prices. Why does the same not happen in the banking sector? Why do bank targets grow in size and profitability? What is “special” here?

A. The Control of Mergers and Acquisitions in the Banking Sector

Competition policy in the banking sector may equal to other sectors or differ from them. In most cases competition control of mergers was introduced in an environment where financial regulation and supervision already existed. So, competition reviews have to be “conform” with supervisory reviews. Importantly, the introduction of competition policy makes a bank merger subject to two review processes, possibly introducing dialectics between the agencies enforcing the two. The balancing of objectives is often explicitly reflected in the “resolution of conflicts”, the procedure each country follows when the two reviews lead to different outcomes. In general, the resolution procedure may require that bank mergers can be implemented only if they pass both reviews, or the procedure may stipulate that in case of conflict a third agency (typically a ministry) takes the final decision weighing the arguments put forth in both reviews.

To tackle these questions, we regress the individual bank CARs on key institutional variables describing the supervisory and competition policy regime and other variables related to bank characteristics. Before reporting the results, we discuss below our economic hypotheses and the variables used to test them.

B. Interaction Between Regulators

We surmise that the procedural independence and transparency of the supervisory process already in place may as a consequence be relevant for the investors’ assessment. We construct a variable *Supervisory Opaqueness* that combines the information we

collected on the opaqueness of the supervisory process. In particular, the variable measures both the requirement of informal notification of the supervisory agency (before formal notification) and the private nature of its formal decisions.

The first dimension, *Supervisory Informal Notification*, captures the possibility that the supervisory control precedes, at least at an informal level, the competition control. To the extent that mergers can be blocked or at least discouraged during this phase, this variable indicates the potential for the supervisory control to have exclusive power over bank merger decisions.

The second dimension, *Supervisory Formal Decisions Public*, can be seen as the degree of transparency of the supervisory decisions, and therefore as a proxy of the discretion which can be used in the supervisory process. If the decisions following a formal supervisory control are public, the discretion of the supervisory process should be reduced. This may also facilitate balancing competition and stability considerations in merger decisions in that a third agency (e.g., a Ministry) or generally the public can appropriately weight the arguments put forward in both reviews. Overall then the fact that decisions are public increases the transparency of the regulatory process and therefore the predictability of the outcomes. In this respect, we note that whereas the competition review process is typically very transparent and ends with public formal decisions in all countries of our sample, the decisions on supervisory controls are public only in a few countries (Finland, Norway, Sweden, the US, and to some extent in Canada and the UK). We provide more details on combination of these two dimensions in the *Supervisory Opaqueness* variable and its summary statistics in Table 6. Higher values for this variable indicate more opaqueness.

[INSERT TABLE 6 ABOUT HERE]

To control for the independence and focus of the decision-making agency(ies) for supervisory merger and acquisition control we rely on the variables *Supervisory Enforcer* and *Supervisory Focus*. These variables take values between zero and one depending on the existing supervisory arrangement with higher values indicating more independence and focus.

Finally, we include two controls capturing the magnitude of the changes in competition policy, i.e., the change in *Antitrust Enforcer in Banking* and the change in *Overturning in Banking*.

To conclude, all the considerations above suggest that the stock prices of banks should increase at the announcement of changes in the competition policy when both the supervisory and the competition controls are important in the merger decisions, that is when there is room for conflict between the two controls and for a potential balance of the different objectives of the two controls.

C. Other Issues

To assess the robustness of our results, we include in our cross-sectional analysis several explanatory variables capturing other potential explanations for the positive reactions of banks CARs to the regulatory amendments. Banks can benefit more from a more competition-oriented control of M&As if they can claim more than non-financial firms that the merger leads to important efficiency gains (through economies of scale, for example) that exceed the welfare losses due to the increase in market power. We include the variable *Efficiency Defense* that equals one if efficiency gains are explicitly considered in the merger review across the various countries as a factor mitigating anticompetitive effects,

and zero otherwise captures if efficiency gains.¹⁶ Also, we interact this variable with a measure of bank size ($\log(\text{Bank Assets})$) to analyze whether larger banks benefit more from a more efficiency-oriented review.

The introduction or the strengthening of competition policy could also act as a collusion-enhancing device, in particular in an oligopolistic sector. If competition control prevents external growth for the few large banks operating in the market, the changes in competition policy can act as a signal of “stability” in the competitive structure of the sector, sustain more easily collusive behavior, and hence consistently with investors’ expectations result in higher future profits. To capture this effect, we interact *National Markets* and *C3*. The first variable refers to the geographical definition of the markets used in the competition reviews in the various countries, while the second variable is a simple measure of the level of concentration in the banking sector. Taken together, these two variables are indicative of the stringency of merger control and thus of the potential for collusive agreements.

Finally, banks could simply benefit indirectly from the introduction of or the strengthening of merger control in the other non-financial sectors. For example, if merger control imposes “binding” limits to firms’ external growth, firms are obliged to expand through greenfield investments rather than through M&As. To the extent that this leads to greater leverage for firms and thus more borrowing, banks could benefit in terms of higher profits from interest income. But all banks given their focus or quality may be equally placed to benefit from these new opportunities. Alternatively, firms may need advice and expertise to comply with the newly introduced or changed merger control. To the extent that banks provide this service, they could benefit in terms of higher fees. We test these

¹⁶ Merger policy can also be implicitly and informally consistent with the efficiency defense, a scenario not captured by our variable but only documented so far for the US (DeYoung (1991)).

two possibilities by including the variables *% Interest Income/Assets*, *% Operating Income/Assets* and *% Non Performing Loans/Assets* interacting them with $\log(\text{Bank Assets})$ as a measure of bank size.

D. Results

[INSERT TABLE 7 ABOUT HERE]

Table 7 reports the various specifications. *Supervisory Opaqueness* plays a key role in explaining the excess returns on individual bank stocks. The coefficient on this variable in Model III, for example, suggests that the introduction of competition control in a country with supervisory informal notification in the law, for example, results in an excess return on individual bank stocks that is one percent larger than the excess return in a country without notification ($= (1 - 1/3) * 1.50$). This basic finding holds when opaqueness is interacted with bank assets and after including all the control variables introduced before (sample sizes vary according to the availability of data). Stocks of medium-sized banks almost always gain the most ground upon the changes in competition policy, presumably because investors expect these banks to be the most likely targets that are still acceptable to the newly introduced or strengthened anti-trust enforcer in banking.¹⁷

In addition to Supervisory Opaqueness, only the coefficient on the variable *Efficiency Defense* has a consistent (negative) sign and magnitude, but it is only marginally significant. Having efficiency gains being considered explicitly as a factor mitigating anticompetitive effects reduces bank stock returns, specifically for the small banks for which these gains are likely to be elusive and the possibility of defense only weakens

¹⁷ Excess stock returns in a three-day window around the merger announcement of acquirers are typically close to zero while returns on target stocks can be around 10% to 20% (Andrade et al. (2001) for a review). The largest banks are likely to be either acquirers or targets unacceptable to the antitrust enforcer when approached by another large bank.

competition policy. None of the coefficients on the other variables turns out to be significant or economically relevant.

We subject our results to a number of straightforward robust checks (we choose not to tabulate). The results for a wider eleven-day event window, for example, though less statistically significant in general, broadly confirm the three-day window findings. Next we investigate if the results are robust to our *ad hoc* assignment of values to the competition variables in the model. While we surmise our ordinal rankings adequately capture our priors about the contours of competition control, we cannot know if our assignment of cardinal values equidistantly is actually appropriate. Hence, we square and (in another set of specifications) take the square root of all competition variables. Results are mostly unaffected.

V. Conclusion

In the last two decades competition policy has been substantially strengthened. We use this exogenous policy change to identify differential reactions of banks and non-financial firms to them, which are informative about the widely discussed issue whether banks are “special” compared to other firms in the economy.

We first document the legislative changes governing competition reviews of mergers and acquisitions in a sample of nineteen industrial countries over the period 1987-2004. We construct an event study around the announcements of such changes. We find that banks’ stock prices react positively to the announcement of a change in competition policy, while those of non-financial firms react negatively. The special bank stock reactions are further underlined by a balance-sheet analysis of merger targets and acquirers before and after the legislative changes.

We explain the differential response of these sectors with a positive externality that the strengthening of competition policy can exert on the banking sector. Indeed taken together the results emerging from a cross-sectional analysis suggest that the differential responses of banks and firms to the announcements of legislative changes in competition policy can be explained, at least in part, by the specific institutional environment of the banking sector. In particular, we document features of the supervisory framework that already existed before the introduction of the competition review, which may lead investors to value banks lower than otherwise the case.

The focus on stability, ill-defined “sound and prudent” management provisions, an affinity for avoiding or deferring bank failures (Kroszner and Strahan (1996) and Brown and Dinc (2005)), and a penchant for confidentiality may not allow efficient restructuring and consolidation to take place in the banking sector. In such an environment, the typical negative reaction to the introduction of strong competition control for mergers (because it implies lower future rents and profits) may be offset by the positive effects of a better balancing of the above aspects with competition and efficiency considerations. The overall positive reaction of banks’ CARs suggests that these considerations seem to play an important role in investors’ evaluations.

The great significance of a variable combining mandatory notification of merger proposals with the publication of the decisions by the competent authorities in the cross-section indicates that the transparency of the merger review process is a particular important feature in the positive externality that competition policy can exert in banking.

The introduction of an independent and transparent control reduces the discretion of the regulatory process and enhances the efficiency of envisioned bank M&As. In particular,

more profitable target banks can be engaged presumably leading to more efficient combinations. Investors seemingly anticipate this outcome when competition control is introduced.

Our argument does not imply that supervisory control is bad *per se* or that it is generally badly implemented.¹⁸ Rather, our results suggest that the objective of “sound and prudent management” pursued with the supervisory control may – by focusing more on stability – not necessarily help for efficiency and value-enhancing decisions. One cannot achieve two objectives with one instrument.

An important area for future research is to assess the stability implications of the more competition oriented reviews in the banking sector. As the present study only focused on efficiency effects, this extension of our line of research could allow for an overall welfare evaluation of the policy changes observed. It would also add to the active debate about whether there is a trade-off or complementarity between competition and stability in banking.

¹⁸ Neither can one infer from our results that competition policy is always and everywhere “wholesome” and never swayed by institutional or political agendas (Duso et al. (2006), Aktas et al. (2006)).

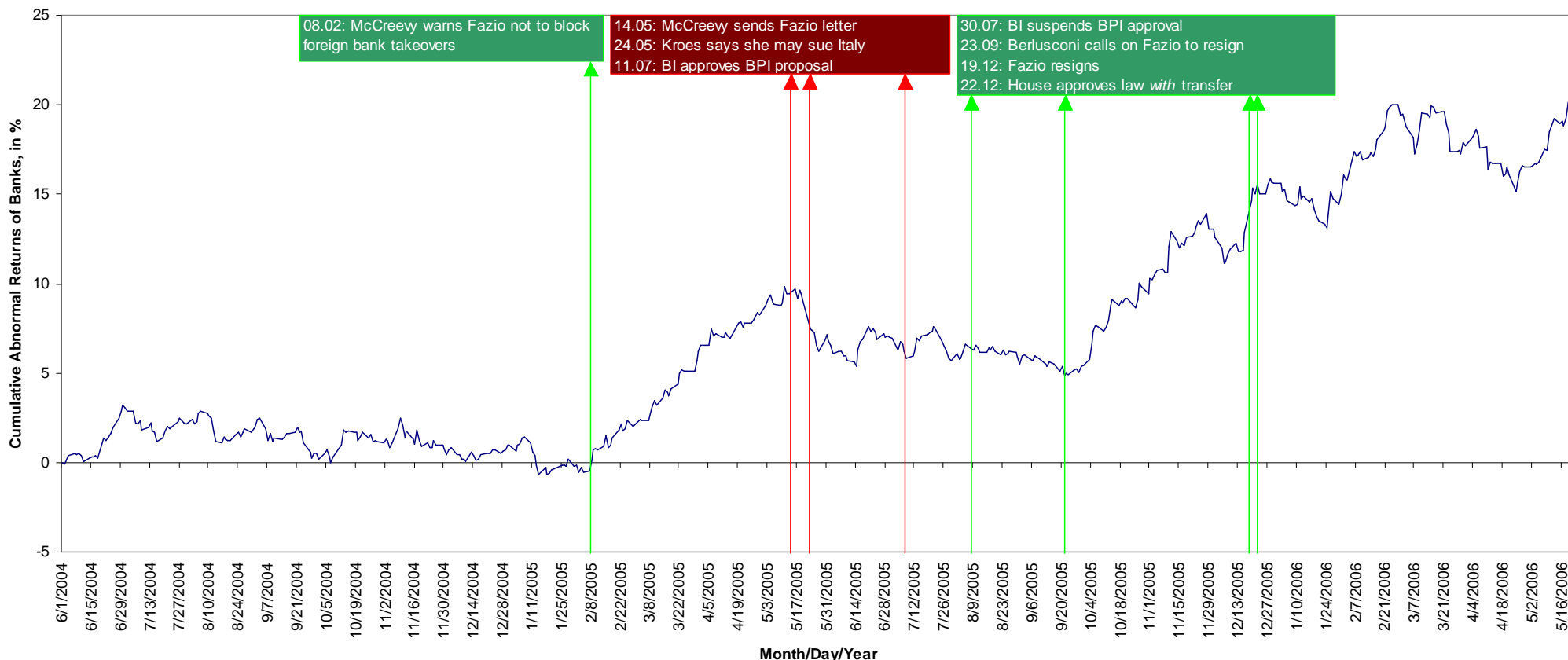
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FIGURE 1. RECENT EVENTS IN ITALY AND CUMULATIVE ABNORMAL RETURNS ON ITALIAN BANK STOCKS

The figure reports the cumulative abnormal returns of Italian bank stocks while the panel below reports the percentage cumulative abnormal returns (CARs) for all exchange-listed banks in Italy (All Banks), the *Banca Popolare Italiana* (BPI), and *Banca Antoniana Popolare Veneta* (BAPV). Excess returns are estimated using the value-weighted Italian country index in the market model around the announcement of the indicated events. The first cell lists the CAR, the second the significance levels. The reported significance levels are based on standard t-tests. *** Significant at the 1% level, ** significant at the 5% level, and * significant at the 10% level.



Event	Date	CAR(0, 2)			CAR(0, 20)			CAR(0, 60)		
		All Banks	BPI	BAPV	All Banks	BPI	BAPV	All Banks	BPI	BAPV
1 McCreevy warns Fazio not to block foreign takeovers	8-Feb-05	1.21	0.54	0.79	3.23	-1.53	10.47 *	10.62 **	-5.38	25.54 ***
2 Banca d' Italia aproves proposal of BPI to acquire control of BAPV	July 11, 2005	0.92	4.23	-0.77	-0.04	2.58	-8.18	-5.40	47.93 **	-27.57 *
3 Banca d' Italia suspends proposal given to BPI	July 30, 2005	0.03	-3.11	-0.45	0.59	-7.51	3.87	5.87	-58.15 ***	28.29 *
4 Berlusconi calls on Fazio to resign	September 23, 2005	0.05	-1.27	-0.94	4.89 *	-25.73 ***	4.04	6.59	-3.23	-8.12
5 Fazio resigns / House approves law with transfer	December 19-22, 2005	1.67 *	11.02 ***	-0.92	0.31	17.17 **	-1.65	5.03	28.64 **	-7.37

FIGURE 2. TIME LINE OF THE LEGISLATIVE PROCEDURE AND EVENTS

The figure reports the various steps in the procedure creating the competition control laws and the corresponding events used in this study. The boxes list the type of event and between parentheses the number of events.

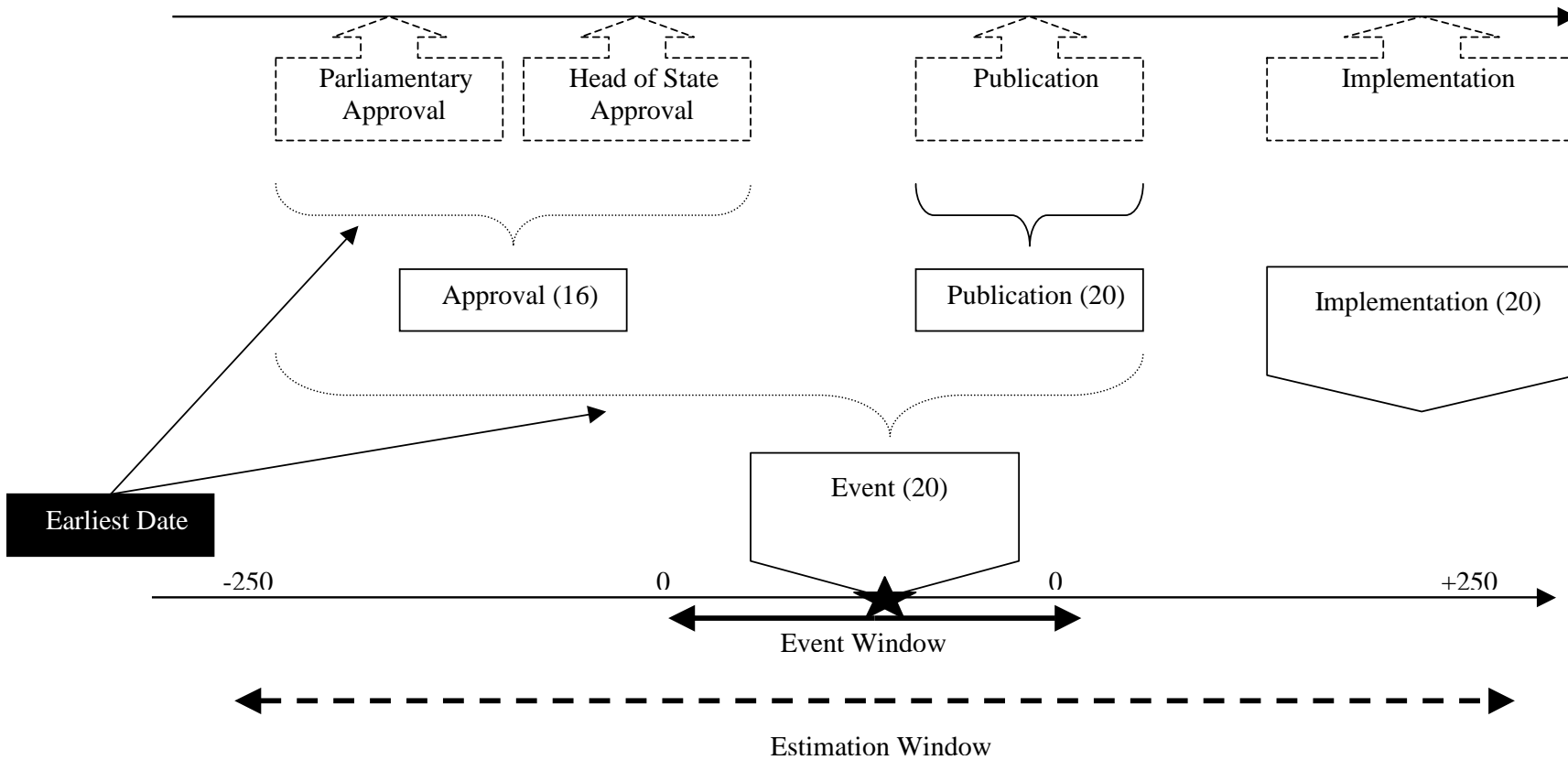


TABLE 2. CUMULATIVE ABNORMAL RETURNS FOR FIRMS AND BANKS AROUND CHANGES IN COMPETITION CONTROL

Percentage cumulative abnormal returns (CARs) for exchange-listed firms and banks are estimated around the announcement of changes in competition control using the value-weighted country (European, world) index in the market model. The first row in each cell lists the CAR averaged across events while the second row reports (in italics) the number of positive versus (“:”) the number of negative CARs. The reported significance levels are based on standard t-tests (for the differences assuming unequal variances) and sign tests. The third row in the difference cells reports the difference between bank and firm positives and firm and bank negatives and the significance level of the Fisher’s exact test of independence assessing the number of firm positives/negatives versus bank positives/negatives (one-sided).

Change in Control (Number of Cases)		[-120,0]	[-60,0]	[-20,0]	[-2,0]	[1, 2]	[1,20]	[1,60]	[1,120]
Country Market Index									
<i>Event (20)</i>	Firms	-2.8 *	-2.5 **	-1.0 **	-0.3	-0.1	-0.2	-0.9	-1.7
		<i>6:14 *</i>	<i>6:14 *</i>	<i>6:14 *</i>	<i>5:15 **</i>	<i>10:10</i>	<i>9:11</i>	<i>10:10</i>	<i>8:12</i>
	Banks	8.3	5.0 *	2.3 *	0.8	0.1	-0.7	1.7	8.5
Banks \ Firms		<i>13:7</i>	<i>13:7</i>	<i>14:6 *</i>	<i>16:4 ***</i>	<i>11:9</i>	<i>11:9</i>	<i>10:10</i>	<i>11:9</i>
		11.1 *	7.6 ***	3.3 **	1.1 *	0.2	-0.5	2.6	10.2 *
		<i>13:7</i>	<i>13:7</i>	<i>14:6 *</i>	<i>15:5 **</i>	<i>12:8</i>	<i>11:9</i>	<i>10:10</i>	<i>11:9</i>
<i>Implementation (20)</i>	Firms	-0.9	-1.2 *	-0.6 *	-0.2 *	-0.1	0.1	-0.1	0.2
		<i>10:10</i>	<i>7:13 *</i>	<i>6:14 *</i>	<i>10:10</i>	<i>8:12</i>	<i>10:10</i>	<i>6:14 *</i>	<i>12:8</i>
	Banks	5.4	3.4	1.6	0.7	0.6	3.2	1.7	2.3
Banks \ Firms		<i>10:10</i>	<i>12:8</i>	<i>13:7</i>	<i>9:11</i>	<i>11:9</i>	<i>12:8</i>	<i>10:10</i>	<i>8:12</i>
		6.3	4.6	2.2	1.0	0.6	1.1	3.3	2.1
		<i>10:10</i>	<i>11:9</i>	<i>14:6 *</i>	<i>10:10</i>	<i>12:8</i>	<i>11:9</i>	<i>13:7</i>	<i>8:12</i>
	0:0	5:4	8:8 **	-1:-1	3:3	2:2	4:4	-4:4	
Country & European Market Index ^{EU}									
<i>Event (20)</i>	Banks \ Firms	10.9 *	8.3 ***	3.6 **	1.2 *	0.2	-0.3	3.2	9.8 *
		<i>12:8</i>	<i>13:7</i>	<i>14:6 *</i>	<i>16:4 ***</i>	<i>12:8</i>	<i>14:6 *</i>	<i>12:8</i>	<i>14:6 *</i>
<i>Implementation (20)</i>	Banks \ Firms	7.2	5.2	2.5 *	1.0	0.6	1.5	4.1	1.7
		<i>8:12</i>	<i>12:8</i>	<i>13:7</i>	<i>10:10</i>	<i>12:8</i>	<i>11:9</i>	<i>13:7</i>	<i>8:12</i>
World Market Index									
<i>Event (20)</i>	Banks \ Firms	7.9	6.9	4.3	1.0 **	0.3	-0.2	2.4	10.0 *
		<i>10:10</i>	<i>13:7</i>	<i>14:6 *</i>	<i>13:7</i>	<i>12:8</i>	<i>11:9</i>	<i>13:7</i>	<i>13:7</i>
<i>Implementation (20)</i>	Banks \ Firms	4.1	4.6	2.9 *	1.2 **	0.7	1.1	3.5	1.3
		<i>8:12</i>	<i>11:9</i>	<i>15:5 **</i>	<i>12:8</i>	<i>10:10</i>	<i>12:8</i>	<i>13:7</i>	<i>7:13</i>
Case Weakening Competition Control France, May 16th, 2003									
	Firms	-1.20	-0.23	-0.17	0.11 **	0.02	0.24	-0.08	1.11
	Banks	6.25	0.40	-0.01	-0.77 ***	-0.14 *	-2.42	-1.91	-12.07

*** Significant at the 1% level, ** significant at the 5% level, and * significant at the 10% level. ^{EU} World Market Index in case of an EU event.

TABLE 3. CUMULATIVE ABNORMAL RETURNS FOR FIRMS AND BANKS AROUND CHANGES IN COMPETITION CONTROL, BY EVENT

The percentage cumulative abnormal returns (CARs) for exchange-listed firms and banks are estimated prior to the announcement of changes in competition control using the value-weighted country (European) index in the market model. The table lists countries, event dates, and the CARs for three representative event windows. The reported significance levels are based on standard F-tests of the summation of the estimated coefficients on the event dummies (country), standard t-tests for the averages and sign tests for the medians.

		Firms			Banks		
		(-60,0)	(-20,0)	(-2,0)	(-60,0)	(-20,0)	(-2,0)
Austria	January 1, 1993	-5.3	-4.2	-3.6 ***	7.7	7.6	10.1 ***
Belgium	August 5, 1991	0.6	-0.1	0.0	-2.6	-0.5	0.5 ***
Denmark	May 26, 2000	-3.3	-0.7	-0.1	17.7	3.0	0.6
EU	December 21, 1989	-1.0	-0.4	-0.1 ***	2.7	-0.1	-0.3 ***
Finland	April 30, 1998	0.4	0.1	0.2 ***	6.2	0.5	0.1
France	May 15, 2001	0.2	0.1	-0.1 *	2.3	-2.1	1.1 ***
France	August 1, 2003	-0.2	-0.6 *	-0.1 ***	-2.4	1.1	0.5 ***
Greece	March 8, 1991	-3.0	-2.4	-0.2	1.0	0.8	0.3 ***
Ireland	April 10, 2002	-19.7 **	-4.7 ***	-0.5 ***	27.4 **	5.4 **	0.5 ***
Italy	October 10, 1990	-6.2 ***	-1.2 *	-0.3 ***	6.7 *	0.0	0.2
Netherlands	March 20, 1997	-0.5	0.4	0.6 ***	-1.6	-2.8	-1.0 ***
Norway	June 9, 1993	-3.2	-0.3	-0.1 **	28.5	0.2	0.7
Norway	March 2, 2004	1.6	0.3	0.0	-12.6	-2.4	0.1
Portugal	April 10, 2003	3.0	3.8 *	-0.2 **	-7.7	-8.0 *	0.3 *
Spain	July 17, 1989	2.3	0.4	0.1 ***	-1.5	0.2	-0.1
Spain	April 16, 1999	-8.4 **	-5.8 **	-1.8 ***	15.6 **	10.5 **	3.1 ***
Sweden	December 17, 1992	-1.9	-0.2	0.1	14.0	14.3	-3.0 ***
Sweden	April 1, 2000	-2.1	-1.0	0.0	-7.3	7.0	0.4
Switzerland	October 6, 1995	-2.0	-1.5	0.0	2.8	4.7	0.2 ***
UK	November 5, 2002	-1.6	-2.7 ***	-0.6 ***	4.0	6.7 *	1.5 ***
	<i>Average</i>	-2.5 **	-1.0 **	-0.3	5.0 *	2.3 *	0.8
	<i>Median</i>	-1.8 *	-0.5 *	-0.1 **	2.7	0.7 *	0.3 ***

*** Significant at the 1% level, ** significant at the 5% level, and * significant at the 10% level.

TABLE 4. ACQUIRING BANKS AND FIRMS BEFORE AND AFTER CHANGES IN COMPETITION CONTROL

The table reports characteristics of acquiring banks and firms engaged in merger and acquisition activity around the date of implementation of the changes in competition control. The reported significance levels are based on the distribution of 100 draws of random event dates.

			Banks			Firms			Banks \ Firms
			Before	After	Diff.	Before	After	Diff.	
Acquirer Common Equity (\$ mil)	1 Year	Obs.	18	27		1,081	1,203		
		Mean	16,261	16,142	-119	1,722	2,026	304	-424
		Median	13,464	13,264	-200	164	141	-23	-176
		St. Dev.	(15,023)	(14,416)		(6,459)	(13,259)		
	2 Years	Obs.	18	32		1,412	1,538		
		Mean	16,024	9,855	-6,169 ***	1,899	1,877	-22 **	-6,147 ***
		Median	20,104	7,316	-12,788 **	188	189	1	-12,789 **
		St. Dev.	(6,129)	(7,201)		(5,482)	(10,601)		
	4 Years	Obs.	4	37		1,385	2,463		
		Mean	3,914	6,970	3,056	1,585	1,524	-61 **	3,116
		Median	1,954	4,527	2,573	213	200	-13 ***	2,586
		St. Dev.	(5,311)	(5,458)		(4,226)	(6,084)		
Acquirer Total Assets (\$mil)	1 Year	Obs.	29	33		1,153	1,240		
		Mean	264,528	327,136	62,608	5,102	5,574	472	62,136
		Median	147,973	180,593	32,620	438	370	-68	32,688
		St. Dev.	(274,271)	(265,996)		(19,136)	(30,854)		
	2 Years	Obs.	36	38		1,532	1,611		
		Mean	302,131	278,051	-24,080	6,156	5,633	-522 ***	-23,558
		Median	179,204	180,108	904	519	527	8	896
		St. Dev.	(276,932)	(239,392)		(22,096)	(25,363)		
	4 Years	Obs.	22	44		1,527	2,575		
		Mean	105,220	190,382	85,162	5,390	4,634	-756 **	85,918
		Median	84,816	119,242	34,427	567	587	20	34,407
		St. Dev.	(129,315)	(182,203)		(21,169)	(16,571)		
Acquirer Net Income (\$mil)	1 Year	Obs.	30	37		1,167	1,269		
		Mean	1,667	1,801	133	173	166	-8 *	141
		Median	845	951	107	18	15	-3	110
		St. Dev.	(1,796)	(1,916)		(1,037)	(1,469)		
	2 Years	Obs.	38	42		1,560	1,641		
		Mean	1,658	1,204	-454	263	167	-96 ***	-358
		Median	876	895	18	24	23	-1 **	19
		St. Dev.	(1,574)	(964)		(1,030)	(1,359)		
	4 Years	Obs.	23	48		1,561	2,603		
		Mean	561	1,051	490	248	169	-78 ***	568
		Median	441	838	397	28	25	-3 ***	401
		St. Dev.	(549)	(789)		(981)	(891)		
Acquirer Net Income / Common Equity	1 Year	Obs.	18	27		1,080	1,198		
		Mean	0.19	0.13	-0.06 *	0.12	0.03	-0.09 *	0.03
		Median	0.17	0.14	-0.04	0.12	0.12	0.00	-0.03
		St. Dev.	(0.09)	(0.03)		(0.7)	(0.7)		
	2 Years	Obs.	18	32		1,409	1,531		
		Mean	0.19	0.14	-0.05	0.14	0.09	-0.05 ***	0.01
		Median	0.19	0.14	-0.05 *	0.13	0.13	0.00	-0.05 *
		St. Dev.	(0.04)	(0.05)		(0.52)	(0.52)		
	4 Years	Obs.	4	37		1,383	2,449		
		Mean	0.15	0.16	0.01	0.16	0.12	-0.04 **	0.05
		Median	0.16	0.16	0.00	0.15	0.13	-0.02 ***	0.01
		St. Dev.	(0.04)	(0.04)		(0.56)	(0.55)		

*** Significant at the 1% level, ** significant at the 5% level, and * significant at the 10% level.

TABLE 5. TARGET BANKS AND FIRMS BEFORE AND AFTER CHANGES IN COMPETITION CONTROL

The table reports characteristics of target banks and firms engaged in merger and acquisition activity around the date of implementation of the changes in competition control. The reported significance levels are based on the distribution of 100 draws of random event dates.

			Banks			Firms			Banks \ Firms
			Before	After	Diff.	Before	After	Diff.	
Target Common Equity (\$ mil)	1 Year	Obs.	33	46		389	530		
		Mean	1,628	2,933	1,305 **	464	451	-12 **	1,317 **
		Median	432	1,422	989 ***	53	18	-35 *	1,025 ***
		St. Dev.	(2,743)	(3,820)		(1,456)	(2,085)		
	2 Years	Obs.	61	56		415	445		
		Mean	1,405	3,148	1,743 **	723	796	72	1,671 **
		Median	650	1,591	941 ***	113	97	-15	957 ***
		St. Dev.	(2,908)	(3,894)		(2,159)	(2,862)		
	4 Years	Obs.	76	83		477	562		
		Mean	945	2,227	1,282 **	733	973	240	1,042 *
		Median	339	768	429	129	110	-20	448
		St. Dev.	(1,586)	(3,778)		(2,360)	(6,685)		
Target Total Assets (\$mil)	1 Year	Obs.	36	46		117	121		
		Mean	33,199	76,198	42,999 ***	1,228	1,518	290	42,709 ***
		Median	6,005	32,638	26,633 ***	278	237	-40	26,674 ***
		St. Dev.	(64,530)	(117,856)		(2,738)	(3,495)		
	2 Years	Obs.	69	58		204	224		
		Mean	29,377	81,038	51,661 ***	1,680	1,622	-58	51,719 ***
		Median	7,079	24,481	17,402 ***	284	295	11	17,392 ***
		St. Dev.	(82,505)	(122,946)		(3,989)	(3,799)		
	4 Years	Obs.	84	86		290	338		
		Mean	18,505	52,852	34,347 *	1,693	3,565	1,872	32,475 *
		Median	3,636	11,273	7,637	326	239	-87	7,724
		St. Dev.	(37,146)	(120,900)		(3,950)	(39,571)		
Target Net Income (\$mil)	1 Year	Obs.	36	46		628	783		
		Mean	150	332	181 *	3,060	401	-2,659	2,840 *
		Median	23	132	109 ***	13	8	-5	114 ***
		St. Dev.	(541)	(444)		(65,167)	(3,296)		
	2 Years	Obs.	68	58		1,042	935		
		Mean	94	333	239 **	2,127	703	-1,424 **	1,663 ***
		Median	32	119	88 ***	20	21	1	86 ***
		St. Dev.	(546)	(451)		(50,614)	(4,749)		
	4 Years	Obs.	82	86		934	1,434		
		Mean	53	215	162	521	396	-125	287
		Median	36	34	-3	26	18	-8 ***	5
		St. Dev.	(266)	(472)		(3,086)	(3,376)		
Target Net Income / Common Equity	1 Year	Obs.	32	45		357	460		
		Mean	0.03	0.06	0.03	0.79	0.68	-0.11	0.14
		Median	0.10	0.10	-0.01	0.14	0.17	0.03	-0.04
		St. Dev.	(0.41)	(0.34)		(1.79)	(1.72)		
	2 Years	Obs.	59	56		396	419		
		Mean	0.01	0.07	0.06	1.40	1.37	-0.03	0.09
		Median	0.08	0.10	0.02	0.30	0.24	-0.06	0.07
		St. Dev.	(0.37)	(0.3)		(2.24)	(2.25)		
	4 Years	Obs.	74	83		451	530		
		Mean	0.02	0.06	0.04	0.92	0.98	0.06 *	-0.02
		Median	0.08	0.10	0.02	0.17	0.19	0.02	0.00
		St. Dev.	(0.32)	(0.28)		(1.9)	(2.02)		

*** Significant at the 1% level, ** significant at the 5% level, and * significant at the 10% level.

TABLE 6. VARIABLES USED IN THE CROSS-SECTIONAL ANALYSIS OF INDIVIDUAL BANK CARs FOLLOWING CHANGES IN COMPETITION CONTROL

The table lists the variables that are used in the cross-sectional analysis to explain individual bank CARs.

		Mean	StDev	Min	Max	Obs
Supervisory Informal Notification	Is there any informal communication and/or notification between the supervisory agency(ies) and the parties before formal notification? <i>1=yes, formally in the law and mandatory; 2/3=yes, but only as common practise; 1/3=no notification; 0=no supervisory control</i>					
Supervisory Formal Decisions Public	Are supervisory decisions following formal notification public? <i>1=yes; 1/2=no; 0=no supervisory control</i>					
Supervisory Opaqueness	= Supervisory Informal Notification + (1 - Supervisory Formal Decisions Public)	1.04	0.23	0.5	1.66	323
Supervisory Enforcer	Who is (are) the decision-making agency(ies) for supervisory merger/acquisition control? <i>1= independent supervisor; 4/5=central bank; 3/5= independent supervisor and minister; 2/5=central bank and minister; 1/5=minister; 0=none, no supervisory acquisition control in banking</i>	0.44	0.38	0	1	323
Supervisory Focus	What assessment criteria are used in supervisory merger control? <i>1=only supervisory criteria (stability, soundness, prudence); 1/2=also other criteria; 0=none, no supervisory merge control in banking</i>	0.61	0.46	0	1	323
Antitrust Enforcer in Banking	Who is (are) the decision-making agency(ies) for competition control in banking? <i>1=antitrust authority or court; 4/5=multiple antitrust agencies; 3/5=antitrust and other agencies (e.g., minister); 2/5=only other agencies (e.g., minister); 1/5=sector regulator; 0=none, no competition control in banking</i>					
Change Antitrust Enforcer in Banking	The change in the variable Antitrust Enforcer in Banking	0.64	0.42	0	1	323
Overturning in Banking	Can a third agency intervene in the process to replace / overturn the decision-making agency(ies) in banking? <i>1=no overturning; 2/3=public (ex-post) overturning of case-specific decisions; 1/3= appropriation of decision-making power; 0=none, no competition control</i>					
Change Overturning in Banking	The change in the variable Overturning in Banking	0.45	0.45	-0.5	1	323
Efficiency Defense	Are efficiency gains explicitly considered as a factor mitigating anticompetitive effects? <i>1=yes; 0=no</i>	0.33	0.47	0	1	323
National Markets	Are relevant markets defined from a geographical point of view at least as national markets (i.e., no markets are local)? <i>1=yes; 2/3=possible, but not defined; 1/3=no; 0=no competition control in banking</i>	0.12	0.33	0	1	323
C3	Percentage assets of largest three banks in the national market	0.32	0.38	0	1	323
Bank Assets (in bln Euros)	of the individual banks	55.98	135.20	0.11	709.33	226
% Interest Income / Assets	of the individual banks	0.35	0.91	-0.09	5.33	226
% Operating Income / Assets	of the individual banks	1.07	0.90	-1.97	8.29	224
% Non Performing Loans / Assets	of the individual banks	1.43	1.25	-0.19	6.20	79

TABLE 7. CROSS-SECTIONAL ANALYSIS OF INDIVIDUAL BANK CARS FOLLOWING CHANGES IN COMPETITION CONTROL

The dependent variable is the three-day percentage cumulative abnormal return, CAR(-2,0), for exchange-listed banks estimated prior to changes in competition control using the value-weighted country index in the market model.

Model	I	II	III	IV	V	VI	VII
Supervisory Opaqueness	0.82 * (0.46)	1.31 ** (0.61)	1.50 ** (0.62)	58.29 ** (23.36)	73.31 *** (24.16)	86.77 *** (29.62)	82.88 *** (25.69)
Supervisory Enforcer	0.61 ** (0.28)	0.84 (0.57)	0.89 (0.58)	0.23 (0.38)	0.51 (0.59)	0.50 (1.17)	1.09 (0.94)
Change Antitrust Enforcer in Banking		-0.01 (0.38)	-0.12 (0.39)	-0.18 (0.32)	-0.28 (0.39)	-0.04 (0.88)	-0.62 (0.47)
Change Overturning in Banking		-0.29 (0.38)	-0.34 (0.39)	-0.51 * (0.29)	-0.25 (0.40)	0.05 (0.68)	-0.11 (0.44)
Efficiency Defense		-2.52 * (1.49)	-2.60 * (1.56)		-3.34 * (1.76)	-3.44 (3.84)	-2.18 (2.10)
National Markets * C3		0.12 (0.73)	0.15 (0.73)	0.39 (0.72)	0.30 (0.72)	2.27 ** (1.08)	0.54 (0.76)
log(Bank Assets)		0.55 (0.51)	0.02 (0.69)	8.19 *** (3.09)	9.26 *** (3.18)	9.96 ** (4.05)	10.81 *** (3.43)
log(Bank Assets) ²		-0.02 (0.02)	0.00 (0.02)	-0.25 *** (0.09)	-0.28 *** (0.10)	-0.26 ** (0.12)	-0.32 *** (0.10)
Supervisory Opaqueness * log(Bank Assets)				-7.17 ** (2.89)	-8.76 *** (2.97)	-9.29 ** (3.64)	-9.78 *** (3.14)
Supervisory Opaqueness * log(Bank Assets) ²				0.22 ** (0.09)	0.26 *** (0.09)	0.24 ** (0.11)	0.29 *** (0.10)
Supervisory Focus * log(Bank Assets)							-0.32 (0.20)
Supervisory Focus * log(Bank Assets) ²							0.02 (0.01)
Efficiency Defense * log(Bank Assets)		0.15 (0.09)	0.15 (0.10)		0.20 * (0.11)	0.24 (0.24)	0.13 (0.13)
% Interest Income * log(Bank Assets)			0.00 (0.00)		0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
% Operating Income * log(Bank Assets)			-0.99 (1.04)		-0.65 (1.04)		-0.78 (1.05)
% Non Performing Loans * log(Bank Assets)						0.70 (0.87)	
Constant	-0.98 ** (0.45)	-4.89 (3.99)	-1.20 (5.10)	-66.01 *** (25.03)	-77.03 *** (25.99)	-93.37 *** (33.19)	-89.44 *** (27.97)
Number of Observations	323,	226,	219,	226,	219,	79,	219,
Adjusted R-squared	0.03	0.06	0.07	0.08	0.10	0.25	0.11

*** Significant at the 1% level, ** significant at the 5% level, and * significant at the 10% level.

APPENDIX 1. LEGAL AND OTHER DEVELOPMENTS IN ITALY AND EUROPE IN 2005

BAPV: Banca Antoniana Popolare Veneta, Berlusconi: prime minister of Italy, BI: Banca d' Italia, BPI: Banca Popolare Italiana, Comm: Commissions, CONSOB: the stock market regulator, EC: European Commission, Fazio: former governor of the Banca d' Italia, Govt: Government, McCreevy is the European Financial Services Commissioner, Kroes is the European Competition Commissioner.

Law Transfer Competition Control

14.01: Govt proposes law WITHOUT transfer, but
Parliamentary Comm will add it

03.03: Lower House votes NOT to transfer

03.09: Govt proposes law WITHOUT transfer, but
Press expects Senate to add it

11.10: Senate approves law WITHOUT transfer

ABN AMRO versus BPI for BAPV

12.01: ABN Amro seeks new shareholder pact to
control BAPV

21.01: BPI seeks to split BAPV to acquire control

11.07: BI approves proposal BPI to acquire BAPV

25.07: Court confiscates shares of BPI & allies
CONSOB suspends BPI's bid

30.07: BI suspends BPI approval

01.08: House arrest for BPI top

23.09: Berlusconi calls on Fazio to resign

15.10: BI cancels BPI approval

19.10: ABN Amro wins bid

19.12: Fazio resigns

European Commission

08.02: McCreevy warns Fazio against blocking
foreign bank takeovers

12.02: Fazio says cross-border banking mergers can
be "difficult"

14.05: McCreevy sends letter with concerns

24.05: Kroes says she may sue Italy

22.12: Lower House approves law WITH transfer

23.12: Senate approves law WITH transfer

28.12: President approves law (published 12.01.06)

APPENDIX 2: PUBLICLY AVAILABLE SOURCES DEALING WITH COMPETITION CONTROL AND SUPERVISORY CONTROL OF MERGERS AND ACQUISITIONS IN BANKING

The table reports the sources we have used to collect the legal and institutional country characteristics on general competition control and supervisory control of mergers and acquisitions in banking. We report only documents and sources other than the laws.

Country	Source	Www
All	Getting the Deal Through, Merger Control	http://www.gettingthedealthrough.com/main_fs.cfm?book=MergerControl
	International Competition Network, Merger Review Laws, Related Materials, and Templates.	http://www.internationalcompetitionnetwork.org/mergercontrollaws.html
	OECD, Competition.	http://www.oecd.org/infobycountry/0,2646,en_2649_37463_1_1_1_1_37463,00.html
	OECD, Competition Law and Policy.	http://www.oecd.org/infobycountry/0,2646,en_2649_34685_1_1_1_1_1,00.html
	OECD, 1996, Failing Firm Defence, CLP Report, (96)23, Paris.	
	OECD, 1998, Enhancing the Role of Competition in Bank Regulation, DAFFE/CLP Report, (98)16, Paris.	
	OECD, 1999, Relationship between Regulators and Competition Authorities, DAFFE/CLP Report, (99)8, Paris.	
	OECD, 2000, Mergers in Financial Services, DAFFE/CLP Report, (2000)17, Paris.	
	OECD, 2002, The Role of Competition Policy in Regulatory Reform, DAFEE/CLP Report, (2002), Paris.	
	World Bank and International Monetary Fund, Global Banking Law Database.	http://www.gbld.org/
Austria	Global Competition Review, Austria	http://www.globalcompetitionreview.com/ear/eur_atr.cfm
Denmark	Global Competition Review, Denmark.	http://www.globalcompetitionreview.com/ear/eur_atr.cfm
EU	Ghezzi F. and P. Magnani, 1998, L'applicazione della disciplina antitrust comunitaria al settore bancario, in M. Polo (ed.), <i>Industria Bancaria e Concorrenza</i> , Il Mulino, 143-259.	
Finland	Finnish Competition Authority, Annual Reports, 2001, 2002, 2003.	
	Global Competition Review, Finland.	http://www.globalcompetitionreview.com/ear/eur_atr.cfm
France	Fried Frank, Client Memoranda, 2002, The New Features of French Antitrust Law by Eric Cafritz and Omer Tene.	http://www.ffhsj.com/cmemos/021102_newfeat.htm

	Global Competition Review, France: Merger Control.	http://www.globalcompetitionreview.com/ear/eur_atr.cfm
	Jurismag, 2001, Le magazine rédigé par des professionnels du droit, The New French Rules for Merger Control, by A. Condomines, Avocat à la Cour.	http://www.jurismag.net/articles/artiGB-concent.htm
	Practical Law Company, Global Council Web, Merger Control – France.	http://global.practicallaw.com/jsp/article.jsp?item=:1138832
	Olcay Miller, P., 2004, Authorisation of Bank Mergers—Recent French Experience, mimeo, Queen Mary and Westfield College.	
Germany	Global Competition Review, Germany.	http://www.globalcompetitionreview.com/ear/eur_atr.cfm
Ireland	Global Competition Review, Ireland.	http://www.globalcompetitionreview.com/ear/eur_atr.cfm
Italy	Bianco, M., F. Ghezzi, W. Negrini and P. Signorini (1998b), ‘Applicazioni della disciplina antitrust al settore bancario in Italia’, in M. Polo (ed), <i>Industria Bancaria e Concorrenza</i> , Bologna: Il Mulino, 329-374.	
Norway	Global Competition Review, Norwegian competition law: overview and recent developments.	http://www.globalcompetitionreview.com/ear/eur_atr.cfm
	International Law Office (ILO), Competition - Norway 1998, 1999, 2001, 2004.	http://www.internationallawoffice.com/lettersresults.cfm?Newsletters__WorkAreas=Competition
Portugal	Global Competition Review, Portugal.	http://www.globalcompetitionreview.com/ear/eur_atr.cfm
Spain	Banco de Espana, 2001, “Basic Regulatory Structure of the Spanish Banking System”, Annex I to Annual Report.	
Sweden	Global Competition Review, Sweden.	http://www.globalcompetitionreview.com/ear/eur_atr.cfm
	International Law Office (ILO), “Competition – Sweden”.	http://www.internationallawoffice.com/lettersresults.cfm?Newsletters__WorkAreas=Competition
US	Bianco, M., F. Ghezzi and P. Magnani, 1998a, “L’applicazione della disciplina antitrust nel settore bancario statunitense”, in M. Polo (ed), <i>Industria Bancaria e Concorrenza</i> , Bologna: Il Mulino, 143-258.	

APPENDIX 3. CONTACTED AGENCIES DEALING WITH COMPETITION CONTROL AND SUPERVISORY CONTROL OF MERGERS AND ACQUISITIONS IN BANKING

The table reports the agencies we would like to thank for helping us with the collection of the legal and institutional country characteristics on general competition control and supervisory control of Mergers and Acquisitions in banking. It is not our intention to implicate these agencies or their affiliated institutions and we consider all the remaining errors in the reporting as ours. For each country we order the contacts we had as follows: (1) the competition authorities, (2) the national supervisors and/or central banks, and if applicable (3) the European Central Bank.

Country	Agency
Austria	Cartel Court Federal Competition Authority (of Austria) Austrian Financial Market Authority (FMA) European Central Bank
Belgium	Federal Public Service Economy European Central Bank
Canada	Competition Bureau
Denmark	Danish Competition Authority Danish Financial Supervisory Authority
Finland	Finnish Competition Authority European Central Bank
France	Queen Mary and Westfield College European Central Bank
Germany	German Competition Authority Deutsche <i>Bundesbank</i> European Central Bank
Greece	Hellenic Competition Authority Bank of Greece European Central Bank
Ireland	Department of Enterprise, Trade and Employment Irish Competition Authority
Italy	Italian Competition Authority Bank of Italy
Netherlands	Netherlands Competition Authority Nederlandsche Bank
Norway	Norwegian Competition Authority Ministry of Finance Norges Bank
Portugal	Portuguese Competition Authority European Central Bank
Spain	Banco de Espana European Central Bank
Sweden	Swedish Competition Authority Finansinspektionen
UK	Office of Fair Trading Financial Service Authority European Central Bank
US	Federal Reserve Board