Research Seminar Series

Thursday, March 26th 2009
Time: 16:00 – 18:00, Room 013

Seminar Title
“The Enigma of Non-Interest Income Convergence”

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Summary

Over the past quarter century, the great wave of financial liberalization, together with advances in information-processing-technology and finance theory, created severe competitive pressures on both the asset and liability sides of bank balance sheets and, on the positive side, allowed banks to create and sell more products and services. The banks responded strategically, by shifting away from traditional intermediation activities to trading and fee-earning activities, as well as to securitization. In this paper, we use recent advances in econometrics, and in particular the new panel convergence methodology developed by Phillips and Sul (2007), to explore whether the more-or-less common competitive pressures affected similarly the income composition of banks across the EU15 countries—an issue of profound interest for all interested parties. Our preliminary results indicate a strong, but not complete yet, convergence in the aforementioned composition.