



Finance and Banking: New Perspectives

*A Conference Sponsored by the
Federal Deposit Insurance Corporation and the
Journal of Financial Services Research*



September 19-20, 2003

L. William Seidman Center Auditorium

3501 N. Fairfax Drive, Arlington, VA 22226-3500

Friday, September 19, 2003

8:00 – 8:45 *Registration*

8:45 – 9:00 Welcoming Remarks

9:00 – 10:30 **Session I: Bank Lending**

Session Chair: Mark Carey, Board of Governors of the Federal Reserve System

Tying Knots: Lending to Win Equity Underwriting Business

Steven Drucker, Stanford University and **Manju Puri**, Duke University

Credit Card Securitization and Regulatory Arbitrage

Charles Calomiris, Columbia University and **Joseph Mason**, Drexel University

A Theory of Procyclical Bank Herding

Viral V. Acharya, London Business School and **Tanju Yorulmazer**, New York University

Discussant: Andrew Winton, University of Minnesota

10:30 – 11:00 --- Coffee Break ---

11:00 – 12:30 **Session II: Deposit Insurance – Pricing**

Session Chair: Arthur Murton, FDIC

A General Martingale Approach to Measuring and Valuing Risk to the Deposit Insurance Funds

Robert Jarrow, Cornell University, **Rosalind L. Bennett**, FDIC, **Michael C. Fu**, University of Maryland, **Daniel A. Nuxoll**, FDIC, and **Huiju Zhang**, University of Maryland

Risk Assessment for Banking Systems

Helmut Elsinger, University of Vienna, **Alfred Lehar**, University of British Columbia, and **Martin Summer**, Oesterreichische Nationalbank

Risk-Neutralizing a Loss Distribution: Pricing the FDIC's Reinsurance Risk

Dilip Madan, University of Maryland and **Haluk Ünal**, University of Maryland

Discussant: George Pennacchi, University of Illinois

Friday, September 19, 2003, afternoon sessions

12:30 – 2:00 Luncheon Address: **Daniel Kahneman**, Princeton University

2:00 – 3:30 **Session III: Bank Supervision**

Session Chair: George French, FDIC

Optimal Supervisory Policies and Depositor-Preference Laws

Henri Pages, Bank of France and **Joao A.C. Santos**, Federal Reserve Bank of New York

The Role of Relative Performance in Bank Closure Decisions

Kenneth Kasa, Simon Fraser University and **Mark Spiegel**, Federal Reserve Bank of San Francisco

Using Securities Market Information for Supervisory Monitoring

John Krainer, Federal Reserve Bank of San Francisco and **Jose Lopez**, Federal Reserve Bank of San Francisco

Discussant: Eslyn Jean-Baptiste, Columbia University

3:30 – 3:45 --- Break ---

3:45 – 5:15 **Session IV: Risk and Bank Security Prices**

Session Chair: Mark Flannery, University of Florida

Bank Characteristics and Cyclical Variations in Bank Stock Returns

Lieven Baele, Ghent University, **Rudi Vander Vennet**, Ghent University, and **Astrid Van Landschoot**, Ghent University

Can Feedback from the Jumbo –CD Market Improve Bank Surveillance?

R. Alton Gilbert, Federal Reserve Bank of St. Louis, **Andrew P. Meyer**, Federal Reserve Bank of St. Louis, and **Mark Vaughan**, Federal Reserve Bank of St. Louis

Dynamic Depositor Discipline in US Banks

Kathleen M. McDill, FDIC and **Andrea M. Maechler**, International Monetary Fund

Discussant: Gurdip Bakshi, University of Maryland

6:00 – 7:30 --- Reception ---

Saturday, September 20, 2003, morning sessions

8:15 – 9:00 -- Coffee and breakfast –

9:00 – 10:30 Session V: Managerial Preferences and Bank Performance

Session Chair: Lemma Senbet, University of Maryland

Regulation, Subordinated Debt and Incentive Features of CEO Compensation in the Banking Industry

Kose John, New York University, **Hamid Mehran**, Federal Reserve Bank of New York, and **Yiming Qian**, University of Iowa

Managerial Incentives and the Efficiency of Capital Structure in U.S. Commercial Banking

Joseph P. Hughes, Rutgers University, **William W. Lang**, Federal Reserve Bank of Philadelphia, **Choon-Geol Moon**, Hanyang University, and **Michael S. Pagano**, Villanova University

Silent Large Shareholders and Entrenched Bank Management: Evidence from the Banking Crisis in Japan

Masahura Hanazaki, Hitotsubashi University, **Toshiyuki Souma**, Kyoto Gakuen University, and **Yupana Wiwattanakantang**, Hitotsubashi University

Discussant: Philip Strahan, Boston College

10:30 – 10:45 --- Break ---

10:45 – 12:00 Session VI: Invited Paper

Money in a Theory of Banking

Raghuram Rajan, University of Chicago

Saturday, September 20, 2003, afternoon sessions

12:00 – 1:00 --- Lunch ---

1:00 – 2:30 Session VII: Deposit Insurance – International Evidence

Session Chair: George Hanc, FDIC

The Political Economy of Deposit Insurance

Luc Laeven, The World Bank

Too-Big-To-Fail or Full Deposit Insurance: Evidence from Turkey

Zeynep Önder, Bilkent University and **Süheyla Özyıldırım**, Bilkent University

Applying Credit Risk Models to Deposit Insurance Pricing: Empirical Evidence from the Italian Banking System

Aurelio Maccario, Unicredit Banca Mobiliare, **Andrea Sironi**, Università Luigi Bocconi, and **Cristiano Zazzara**, University LUISS-Guido Carli

Discussant: Robert DeYoung, Federal Reserve Bank of Chicago

2:30 – 2:45 --- Break ---

2:45 – 4:15 Session VIII: Basel II and Beyond

Session Chair: Nenad Marinovich, Merrill Lynch

Loan Portfolio Quality and the Diffusion of Technological Innovation

Robert Hauswald, American University and **Robert Marquez**, University of Maryland

Evaluating Internal Credit Rating Systems Depending on Bank Size

Hergen Frerichs, Goethe-University of Frankfurt and **Mark Wahrenburg**, Goethe-University of Frankfurt

Benchmarking Asset Correlations

Alfred Hamerle, University of Regensburg, **Thilo Liebig**, Deutsche Bundesbank, and **Daniel Rosch**, University of Regensburg

Discussant: Rosalind Bennett, FDIC

--- Adjournment ---