

Internationalization of Banks

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European Cross-border Deals

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To Edoardo and Giovanni.

*“...fatti non foste a viver come bruti,
ma per seguir virtute e canoscenza”.*

D. Alighieri

FOREWORD

The events in Europe over the past twenty years have significantly affected the behaviour of banks within the region and, consequently, their approaches to internationalization. Systematically analyzing the reasons why banks internationalize helps to explain the choices they make in cross-border banking. The means by which banks internationalize or otherwise become global can be categorized by their investment approaches: either by investment *ex novo* or with the involvement of a local partner in the destination market.

This book examines both the equity and non-equity deals used by banks when entering a foreign country. Greater focus is usually given to equity deals, and there are only a few studies of non-equity deals, due to the difficulty in observing these deals. The description of European cross-border deals is made possible with data from Zephyr, which offer an interesting comparison between countries from Euro and non-Euro areas. The capital flows in arranging an alliance (merger, acquisition) or a strategic alliance (minority stake acquisition, joint venture) in Central East European Countries (CEECs) show a specific trend explained by the different aims of banks when they go abroad. Such a preference for destination markets within Western Europe rather than CEECs derives from the banks' needs. Given the rich literature on the latter geographic area, it is possible to draw conclusions on how the features of the banks that undertake cross-border deals and how the model, ownership and size of banks have an impact on the choice of partner. The dedication of a specific chapter to the cultural differences between the partner countries gives us the opportunity

to re-examine the distance between them as an issue that is more than merely geographic.

Opportunities from foreign countries have not been discussed in depth in the literature, other than a few studies on the entry determinants of the foreign banking sector. From the point of view of the processes affecting cross-border banking, the Banking Union and Capital Market Union have had a relevant effect after the birth of the Euro. These processes are finalized at financial integration and, consequently, greater integration of the banks themselves in the region. It is surprising that documents on financial integration set forth the aims of the European single market and relative financial integration without an assessment of the gaps in the markets involved. By illustrating the measures for assessing the degree of integration as the harmonization of banking structure variables, this book supplies an instrument for practitioners to understand the potential opportunities or the dissolution of the imperfections of markets.

In light of the recent crisis and the future challenges presented by fintech (financial technology), this book considers the many characteristics of this new context and the new paradigms of globalization in order to understand cross-border banking through equity deals in Europe.

Fordham University

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