

Derivative Usage, Ownership Structure, and Bank Value in European Countries

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Abstract : Using a sample of detailed ownership data of 1,032 listed commercial bank observations in 30 European countries from 2004 to 2010, we explore what categories of shareholder are more likely to use derivatives and how different types of owners affect the bank value. We find that a shift in equity from bank investors to either non-financial companies or institutional investors have increase incentives to use derivatives. Moreover, we have significant evidence that a shift in equity from bank investors to either family or manager shareholders who attend derivative activities will decrease bank value. However, a shift in equity from bank investors to non-financial companies who use derivative instrument will increase the bank value. Our results are also robustness to address for the potential endogeneity problems.

Keywords : derivative usage, ownership structure, bank value

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