The ongoing process of globalization and deregulation of financial markets initiated in the 1990s led to significant changes in the banks' ownership structure. In both developed and developing countries, the share of banks held by foreign owners grew, whilst the share of state-owned banks shrank. The global financial crisis of 2008 and 2009 caused that trend to reverse. As a result of the need to cover capital losses of the parent companies and owing to the duty to comply with the new stricter capital and liquidity requirements, some cross-border banking groups chose to focus on their home markets while scaling down operations outside their country of origin. Meanwhile, many banks undergoing financial difficulties were injected with capital or nationalized by the governments of individual countries.

The sovereign's increasing role in the financial sector fueled the debate on purposefulness and consequences of ownership changes within the banking sector, in particular their impact on the sector's financial stability. Cross-border banking proved to be a key channel transmitting the shock from the developed to the developing countries. On the other hand, certain countries in which the government held majority interests in banks of systemic importance swiftly overcame the crisis and enjoyed the benefits of the measures taken by state-owned banks to mitigate the effects of the crisis.

The phenomena observed during the global financial crisis confirmed that the ownership structure and business model impact the credit supply as well as performance of banks. In parallel, it has also led to a reexamination of risk evaluation practices and regulatory approach, with a growing interest in systemic fragility and macroprudential regulation. The global financial crisis has also shown that the regulatory framework that has been formulated and implemented before 2008 has relied to excessively on the monitoring of individual financial institutions. Unsurprisingly, it failed to capture the contribution of systemic risk, which is perceived to be the risk that is the outcome of collective behavior of financial institutions that have considerable effects on the real economy.

In the light of structural changes taking place in the banking system worldwide, the main objective of the project is to identify the direction and evaluate the magnitude of the impact of the ownership structure and bank's business model on its performance, lending behavior and finally systemic risk, whilst controlling other macro-financial and banks-specific factors.

Driven by the objectives, we have identified the following research tasks each corresponding to a work package in the planned project:

WP1: identify bank ownership and its interlinkages with performance and lending behavior

WP2: classify the existing bank business models and its impact on performance and lending behavior

WP3: examine the relationship between ownership, business models, and shock transmission

WP4: investigate the impact of banks ownership and business model on the bank's contribution to systemic risk

The realization of the project is especially important in the context of structural changes taking place in the banking system worldwide that may give rise to very serious consequences for stability of the financial system. The outcomes of our research project might turn out to be important in the context of designing new macroprudential regulations mitigating systematic risk.