

The Project's primary purpose is to examine the impact of the ownership structure on the systemic risk and the stability of the banking system in the EU.

Global financial crisis in 2008-2009 (GFC) demonstrated how important it is to examine the above relationship. Many banks experiencing financial difficulties were recapitalized or nationalized by the governments. The sovereign's increasing role in the financial sector fueled the debate on the purpose and consequences of ownership changes within the banking sector, in particular their impact on the sector's financial stability.

The main objective of the Project is to identify the direction and evaluate the magnitude of the impact of the ownership structure on the systemic risk, whilst controlling other macro-financial and banks-specific factors.

In the context of the objective and subjective scope of the Project and the outlined purpose, it is essential to find answers to the following research questions:

1. Is there a correlation between the ownership structure and financial condition of the banking sector?
2. Does presence of state-owned banks contribute to the build-up of the systemic risk and international transmission of financial shocks?
3. By demonstrating greater risk appetite during the crisis and post-crisis phases, are state-owned banks not bearing disproportionately high credit risk costs?
4. Does ownership structure impact the effectiveness of the resolution mechanism?
5. Does the presence of state-owned banks amplify sovereign-bank nexus phenomenon?

Basic research carried out within the Project will involve three key stages. In the first stage, the main research task will involve a baseline analysis of the current ownership structure in the EU member states and underlying causes of related changes over the last twenty years. At the second stage, multi-dimensional studies on the impact of ownership structure of banks on the stability of the banking sector will be conducted by means of an analysis of financial stability ratios and three econometric models. The third and last stage of the Project focuses on a qualitative analysis of bank resolutions undertaken in the EU and strives to deliver policy recommendations in relation to ownership changes taking place in the banking sector.

The Project tackles important subject in the context of substantial changes in the structure of the banking sector in the EU that may give rise to very serious consequences for the financial stability.

At present, there are no comprehensive quantitative and qualitative studies on the financial stability considering differences in the banks' ownership structure covering across the board foreign banks, domestic state-owned and private banks and cooperative banks. Moreover, to date, research focused primarily on efficiency and competition and, to a lesser extent, on the systemic risk and the financial stability. The findings of the Project will, therefore, constitute an important contribution to the development of financial sciences.