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Introduction

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This text comprises a selection of papers that offers new insights into banking business models, risks and regulation proposals in the aftermath of European financial crises. It investigates the main issues affecting the business of banking nowadays such as low interest rates and non-performing loans. The combined effect of low to negative interest rates and weak economic growth has encouraged banks to shift their business towards new areas, less related to interest rates, that financial markets and institutional investors are evaluating. Contributions also

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offer new insights into topics not yet fully investigated by the literature such as banks' short-selling bans after Brexit, the European Deposit Guarantee Scheme and banks' risk appetite framework.

These chapters were originally presented as papers at the annual conference of the European Association of University Teachers of Banking and Finance (otherwise known as the Wolpertinger Conference) which was held at the University of Verona, Italy, at the beginning of September 2016.

In particular, the second chapter, "Interest Rates and Net Interest Margins: The Impact of Monetary policy," by Paula Cruz-García, Juan Fernández de Guevara, and Joaquín Maudos, examines the determinants of bank's net interest margin, focusing on the effect of interest rates, and thus monetary policy decisions. The analysis is carried with a panel of banks from 32 OECD countries over the period 2003–2014. The results show a quadratic relationship between net interest margins and interest rates, implying that the variation of the latter (and therefore monetary policy) has a greater effect when interest rates are low. An important implication of economic policy regarding the results obtained is that there is a trade-off between economic growth and financial stability associated with the impact of expansionary monetary policy when the level of interest rates is very low. As a result, if the current scenario of low and even negative interest rates persists for much longer in certain countries (such as in the Eurozone), it will have a negative effect on bank profitability and consequently on financial stability.

Chapter 3, "The Swedish Mortgage Market—Bank Funding, Margins and Risk Shifting", by Viktor Elliot and Ted Lindblom analyzes the Swedish mortgage market, especially focusing on bank funding, margins, and risk shifting. It discusses the move from mortgage-backed bonds to covered bonds regime in Sweden and its implications for bank's profitability and risk-taking. This chapter concludes by offering a discussion about the risk of a new financial crisis in Sweden.

In Chap. 4, "Incapability or Bad Luck? Testing the "Bad Management" Hypothesis in the Italian Banking System" by Fabrizio Crespi and Mauro Aliano, by using specific evidences from the Italian banking sector and following a microeconomic approach, the authors test the "bad management" hypothesis first introduced by Berger and

Deyoung (1997), which suggests that poor managerial practice causes an increase in problem loans after a lag. This chapter gives a contribution to the existing literature in this field; in that, it investigates nonperforming loans (NPLs) and other soured loans jointly. Their results confirm the "bad management" hypothesis, in that they discover a positive (lagged) relation between the value of past due/overdrawn loans and NPLs which, in a management perspective, indicates the incapability of the credit manager to anticipate or to recover (at least partially) problematic credits.

The fifth chapter, "Why Do US Banks React Differently to Short Selling Bans?" by Daniele Angelo Previati, Giuseppe Galloppo, Mauro Aliano and Viktoriia Paimanova, is about short-selling ban which caught high attention of policy modeling in different countries. This work is one of the first to explain the evidence of different bank price reactions in terms of country and stock market conditions, and to consider both stock price reaction and risk side. All in all, their findings suggest that the impact of the ban on the overall market efficiency is heterogeneous and, in most cases, modest for the countries analyzed. Indeed, you either do not observe any improvements or they are only short-lived. This chapter checks the short selling response of US banks, listed in the SP500 in 2008. For the first time, we document that banks react to ban restrictions differently, mostly because of their variety in terms of fundamental factors (balance sheet indicators). Considering that, US banks show different reactions to the ban on short selling. Policy makers should decide which of firm characteristics are better to choose and whether interventions are effective on the market.

Chapter 6, "Reputational Risk in Banking: Important to Whom?" by Ewa Miklaszewska and Krzysztof Kil, aims to examine the relevance of reputational risk for banks and the incentives to manage it. The efforts to manage reputational risk as a self-standing type of risk, and not within an operational risk framework, are quite recent. Consequently, in the empirical part of this chapter, the authors propose a methodology to measure reputational risk, based on the bank stakeholders' perspective.

Chapter 7, "The Business Model of Banks: A Review of the Theoretical and Empirical Literature" by Stefano Cosma, Riccardo Ferretti, Elisabetta Gualandri, Andrea Landi, and Valeria Venturelli considers that the business model (BM) has become a key concept in banking literature. The topic's relevance is due to the impact of the crisis on bank profitability and risk levels, leading to new challenges for bank managers, analysts, and regulators. This chapter deals first of all with the definition of BM in the management literature; afterward the focus is on bank business model (BBM) and the business model analysis (BMA) literature, also considering the nexus with bank diversification. The point of view of supervisory authorities is critically analyzed with specific regard to BMA embedded in the Supervisory Review and Evaluation Process (SREP).

Chapter 8, "On European Deposit Guarantee Schemes" by Milena Migliavacca, aims to provide a dynamic overview of the Deposit Protection Schemes (DPSs) across the EU28. Using data gathered by the World Bank's Bank Regulation and Supervision Surveys, the analysis critically systematizes the different features that shape the national DPSs' design. Finally, this study highlights the area where legislative intervention is most needed in order to reach a full-fledged European Deposit Insurance Scheme (EDIS).

Finally, Chap. 9, "A Technical Approach to Deposit Guarantee Schemes" by Francesca Arnaboldi, fits within the debate on deposit guarantee schemes in the European Union, currently under revision, investigating the changes proposed by directive 2014/49/EU of the European Parliament and the Council and regulated by the European Banking Authority. For Italian banks, new rules introduce risk-based contributions to be paid ex ante to the national deposit guarantee scheme. The framework proposed by the European Banking Authority results in a better classification for Italian banks, which requires lower payments to the scheme. Concerns are raised about the effectiveness of the European Banking Authority guidelines.