Corporate governance and intra-group transactions in European bank holding companies during the crisis

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Abstract
In this chapter we study the intra-group transactions between the parent bank and its foreign subsidiaries in European Union (EU) countries during the crisis. We use hand-collected data from annual statements on related party transaction and find that they may create a serious problem for the stability of the foreign banks' subsidiaries. Moreover, as some of those subsidiary banks were large by assets in some of the member states the related party transactions with the parent bank created a serious threat to the host countries' financial system stability. We attribute this transaction to the weak governance in foreign subsidiaries. We suggest improvements in governance as well as greater disclosure of related party transactions in bank holding companies in Europe.

Keywords
Multinational banks Corporate governance Internal bank markets Crisis G21 G28 G38

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