

Table of Contents

Preface: 4

I. The functional perspective of financial intermediaries 8

 1. The functional perspective versus the institutional perspective 8

 2. The functional theory of the financial system 8

 2.1 The conception of financial system 8

 2.2 The function of the financial system 9

 2.3 An overview about the recent change in the financial system 10

 3. The functional theory of the financial intermediaries 13

 3.1 Transaction, participation costs and financial intermediaries 13

 3.2 Asymmetric information and financial intermediaries 14

 3.3 The trading and management of risk 17

 3.4 The market incompleteness and financial intermediaries 19

 4. Conclusion 20

II. The special function and durable development of the bank industry 21

 1. The common elements affecting the transformation of the financial intermediaries 21

 1.1 The impacts of technology and financial markets 21

 1.2 Deregulation and globalization: the changes of the structure and competition 22

 2. Theoretical review: the special function of bank system 23

 2.1 The theory of the monetary circuit 24

 2.2 The financial institutions and the financial crisis 28

 2.2.1 The factors causing the financial crisis 29

 2.2.2 How does the bank system amplify the financial risk 30

 3. The bank industry and the economic growth: the overall correlation-ship 33

 4. Conclusion 36

III. Exploration on the bank transformation in U.S. and Germany 37

 1. The difference of the bank's organization between U.S. and Germany 37

 2. The development of institutional investor in U.S.A and in Germany 42

 3. The development of the bank industry and the tendency of institutionalization 45

 4. Bank's traditional business versus the non-traditional business 48

 4.1 The American Bank system—the way to the non-traditional business 49

 4.2 The universal banks in Germany—a way to transformation 51

 5. Conclusion 56

IV. Empirical investigation about the risk of the securities activities 57

 1. Theoretical argument on the impact of the non-traditional bank business 57

 2. The objective and the character of this chapter 59

 2.1 The brief introduction on bank risk 59

 2.2 The brief introduction about the objective and the structure of the empirical study 60

 3. Methodology 61

 3.1 Calculation of the dependent variables 61

 3.1.1 Two Factor Market Regression Model of bank stocks 61

 3.1.2 Calculate the coefficients $b_{1,t}$ and $b_{2,t}$ 65

 3.1.3 Calculate the Z-score of default risk: $Z_{j,t}$ 72

 3.1.4 Calculate the banks' profitability: $P_{j,t}$ 74

 3.2 Bank's risk exposure and their securities business 75

 3.2.1 Banks' involvement in securities business 76

 3.2.2 Model and control variables: 78

4. Data Sources	80
5. Empirical results	82
5.1 The second regression model: the relationship between the different bank risks and the different kind of bank businesses.....	82
5.2 Empirical results for all the 161 banks from U.S. Germany and Japan	83
5.2 Sub-sample empirical analysis.....	89
5.2.1 Sub sample analysis for U.S.....	89
5.2.2 Subsample analysis for Germany.....	90
5.2.3 Subsample analysis for Japan.....	92
6. Conclusion	93
V. The Efficiency promoting role of securities activities.....	94
1. Introduction.....	94
2. The concept of bank efficiency and econometric methodology	96
2.1 The concept of bank efficiency	96
2.2. Using the stochastic frontier approach to measure bank efficiency	99
6.2.3. Translog cost function	102
3. Data Sources	104
4. The efficiency promotion effects of the securities activities: empirical evidence.....	105
4.1. Efficiency estimation with Asset-Equivalent-Measure and Revenue-Based-Measure.....	106
4.1.1. Asset-Equivalent-Measure	108
4.1.2 Revenue-Based-Measure.....	109
4.2 Testing the significance of efficiency enhancement.....	111
4.3 Discussions about the empirical results	114
5. Conclusion	119
VI. The changes of the regulatory system	124
1. Introduction.....	124
2. The theory of the financial regulation	124
2.1 Rationale for the financial supervision.....	124
2.2 The traditional bank regulation system	127
3. The necessity for updating the old regulation system: Theoretical analysis	129
3.1 The drawbacks of old descriptive regulations.....	129
3.2 The drawbacks of the government safety network.....	131
3.3 The innovation, competition, economic efficiency and old bank regulation system	132
4. Understanding the bank regulation in Germany and in the U.S.A	134
4.1 The characters of German financial regulation after the Second World War	134
4.1.1 The influence of public sector.....	134
4.1.2 The preference for bank system	136
4.1.3 The regulatory biases for securities market.....	140
4.1.4 A special deposit insurance regulation and the other bank safety network	143
4.2 The change of the financial regulation system in Germany	146
4.2.1 The emphasis on financial markets	146
4.2.2 The deregulation process.....	147
4.2.3 Reform of the statutory pension system: the move toward a private and funded system	148
4.2.4. Integrating the former separated supervisory system into one umbrella.....	149
4.2.5 The change of the deposit insurance	150
4.3 The change of the financial regulation in U.S.A financial system	151
4.3.1 A brief historical backdrop of US bank regulation	151
4.3.2 Liberalization of Branching and Entry: approach to competition	152
4.3.3 The change of the regulation ideas.....	155
5. Conclusion: the question concerning the optimal supervision system.....	157