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This paper

• Considers global banking network dynamics
  – Model-free and data driven
  – Directed (lender=> borrower), nationality-based flows

• Very clear on network metrics and interpretations
  – Reasonable and appropriate

• Finds evidence of de-globalization
  – Connections with traditional global lenders have become sparser
  – Decreasing dependence on traditional lending countries
  – Increasing regionalization
Data

• BIS International Banking Statistics Consolidated Banking Statistics (CBS) data

• Highlight trade-off between overstating role of intermediate nodes (LBS) vs. overstating linkages for countries with a lot of foreign bank affiliates (CBS)

• Use bank-level data from Bankscope to supplement data
Network

• Network Built up/gleaned from data directly
• 29 reporting countries, <160 non-reporting countries, over 45 quarters
• How big an issue is missing data?
• Directionality of edges restricted to only core countries ($A_{ijt} = 0$ if $i$ is a non-reporting country)
• No path from peripheral countries to core countries, nor between two peripheries
• “Authority/hub measure is especially suitable [for networks] with clearly-defined country groups” – but this is an artifact of the way the network is constructed!
Add table to complement Figure 3

- Lower number and weaker strength of connections in crisis period
- Recent period has seen modest recovery of connections
- Weaker interconnectedness of European countries compared to 2006Q1
- Italy and Portugal pushed farther from the center of network
Suggestions and discussion

• Greater blurring of lines between bulge-bracket firms and smaller competitors?
• “Persistent decline of non-global European lenders’ importance in the network and the steady rise of lenders from other regions”
  – Implications for systemic risk/financial stability?
• Be more agnostic on interpretation of analysis
  – Causal direction/endogeneity
  – Regulatory changes that have mandated change in firm structure/reorganization
  – “borrowers have reduced their dependence on core global lenders” => “have been forced to reduce”?
• First paragraph of conclusion does not seem to match rest of paper
Minor comments

• Define LBS and CBS earlier
• Lot of slicing/dicing: Define different groups in one place
  – Core/Non-Global European/Non-Global RoW
  – Reporting/non-reporting
  – Traditional/non-traditional
  – Authority/Hub
  – AE/EM/Offshore/Peripheral
  – Cross-Border/Local
  – Continent-Regional/Subregional
  – etc…
• Some missing definitions
  – Forced-based algorithm
  – Fruchterman-Reingold algorithm
• Robustness to crisis definition (2008Q1 to 2009Q2)
Conclusions

• Very nice paper
• Data driven ⇔ data dependent
• Convincing evidence of de-globalization and shift toward increasing regionalization
• Role of changes in organizational structure (demand or supply story)