

Ultimate Ownership and Bank Competition

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Abstract:

We document a secular increase of deposit account maintenance fees and fee thresholds with a new branch-level dataset, as well as substantial cross-sectional variation in these prices and in deposit rate spreads. We then examine whether variation in bank concentration helps explain the variation in prices. The standard measure of concentration, the HHI, is not correlated with any of the outcome variables. A generalized HHI (GHHI) that captures both common ownership (the degree to which banks are commonly owned by the same investors) and cross-ownership (the extent to which banks own shares in each other) is strongly correlated with higher maintenance fees, fee thresholds, and deposit rate spreads. We use the growth of index funds as a source of variation to suggest a causal link from GHHI to higher prices for banking products.