



## The BFF prize for best master thesis



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### ABSTRACT

**This is the speech given by Frank Lierman, Editor in Chief of *Bank-en Financiewezen/Revue Bancaire et Financière*, to announce the winners of the *BFF prize for best master thesis 2021-2022* during the event “*30 Voices on 2030: The Future of Financial Services*” at the National Bank of Belgium (30 November 2022).**

The celebration of 30 years of the Belgian Financial Forum (BFF) is a unique opportunity to launch the BFF prize for the best master thesis. Although there already are several prizes for best master theses, we are convinced that the BFF prize is quite unique due to its focus on financial and monetary topics. The Editorial Board of the *Revue Bancaire et Financière/Bank- en Financiewezen* took the initiative and delivered the jury. Each master thesis has been evaluated by at least one academic and one practitioner to obtain a balanced score, based on four **criteria**:

- topical relevance
- theoretical grounding
- empirical analysis
- relevance of results

We received 23 master theses coming from 7 Belgian universities. A very nice result for a first edition; especially because the minimum required entry level was a distinction grade. Many thanks to the promoters for encouraging their master students to participate. The theses we received were all high level and mainly written in English (18 out of 23). There were three dominating **topics**:

- asset management (7)
- banking (6)
- sustainability (5)



The BFF decided to reward two master theses, with a **first prize** for the thesis with the highest total score for the 4 criteria, and a **special prize** for the one with the highest score for theoretical grounding and relevance of results.

The **special prize** consists of a sculpture by a young Belgian artist, Matthieu Lobelle, offered by Bernice, an art rental studio and gallery for corporate and private clients, and the publication of a short version of the thesis in our Revue Bancaire et Financière/ Bank- en Financiewezen.

The winner in this category is the master thesis entitled “**The Capital/ CEO (Cost of Equity) Trade-Off in European Banks**” by **Louise Dillen and Adrine Torosyan**, both with a master’s degree in business engineering-Finance of the University of Ghent. Their promotor is Professor Rudi Vander Venet.

The jury was most impressed by the in-depth literature analysis, the huge data set, the comprehensible methodology set-up, and the clear policy implications.

The main messages of this master thesis are:

- The increased capitalization significantly lowers the cost of equity of a bank.
- The leverage ratio has a negative impact on the COE when the market is rising, and this effect is significantly higher when the market is falling. This indicates that the Basel III restrictions have their desired effect when the market is increasing, but increased capital requirements did not have an impact on the COE when market returns are negative.
- No significant differences could be found between commercial and investment banks in terms of how their COE reacts to higher capital requirements.

The **first prize** consists of a cheque of 2000 euro, a free training programme offered by the Febelfin Academy, and the publication of a summary of the master thesis in our Revue bancaire et financière.

The winner is: “**Global Stock Market Integration of Emerging Markets in a Globalizing World – Evolution and Impact of Globalization Sub-Categories**”, by **Louison Descy**, master’s in financial engineering at the Université catholique de Louvain La Neuve. The promotor is Professor Leonardo Iania.

The jury unanimously praised this thesis for its very high academic level, its topical relevancy, the very good empirical analysis, and the fact the obtained results confirm the expectations of increased interconnection. Based on the explanatory power of a multi-factor model the author empirically demonstrates an upwards trend in global stock markets’ financial integration in the Asian, EMEA and American emerging countries over the last three decades. The analysis of the 2008 crisis has shown that the contagion of a financial crisis decreases the markets’ integration. Financial and informational globalization positively and significantly influence the financial integration of emerging markets. Both local regulatory and global non-regulatory factors do have an impact.