

## The International Banking Library (IBL)

is a web-based platform for the exchange of research on cross-border banking. The IBL-Newsletter addresses researchers working on topics related to international banking, and provides the latest updates on new research and conferences in the field.

The fourth issue of 2017 features information on the transmission of intra-bank lending shocks, the potential danger of off-balance sheet derivatives and new insights on how to detect rising financial instability.

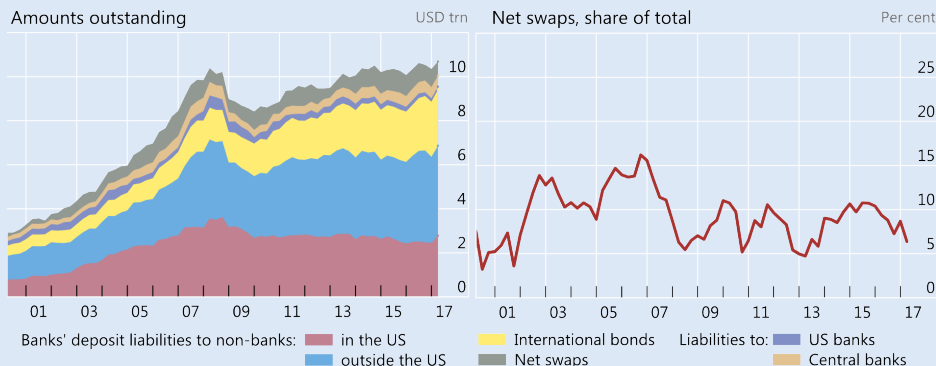
## FX swaps and forwards: missing global debt?

Borio et al. (2017) combine data from the BIS derivatives statistics, the international banking statistics and ad hoc surveys to get an overview of the size, distribution and use of outstanding FX swap and forward contracts. Although functionally equivalent to on-balance sheet secured debt, FX derivatives are held off-balance sheet in large volumes. This has significant implications for global financial stability. The graphs on the right depict the amounts outstanding as well as the share of FX swaps in total US dollar funding of non-US banks.

**Editors' Note:** If you found this newsletter in your junk-mail folder, please [contact](#) us to give us the chance to resolve the problem.

## US dollar funding of non-US banks: on- and off-balance sheet

Amounts outstanding in trillion USD (l.h.s.) and the share of net swaps in per cent (r.h.s.)



**Source:** Claudio Borio, Robert Neil McCauley and Patrick McGuire (2017). FX swaps and forwards: missing global debt? BIS Quarterly Review, September 2017. Graph 4, p. 46.

# At the Research Frontier

What's new in international banking?

Quarterly Selected Study

## The Editors' Pick

- **How Important is the Global Financial Cycle? Evidence from Capital Flows**

Eugenio Cerutti, Stijn Claessens and Andrew K. Rose  
NBER Working Paper No. 23699

- **The Complexity of Bank Holding Companies: A New Measurement Approach**

Mark D. Flood, Dror Y. Kenett, Robin L. Lumsdaine  
and Jonathan K. Simon  
OFR Working Paper No. 17-03

- **Interconnectedness of Global Systemically-Important Banks and Insurers**

Sheheryar Malik and Teng Teng Xu  
IMF Working Paper 17/210

### International Banking Conglomerates and the Transmission of Lending Shocks Across Borders

Reint Gropp and Deyan Radev – SAFE Working Paper No. 175

- **Research Question:**

What determines the **transmission of negative shocks** from parent banks to their foreign subsidiaries and through which **channels** are these shocks transmitted?

- **Data:**

Using **Bureau van Dijk's Bankscope** database, the authors compile annual bank-level data of the biggest commercial banks globally and examine 84 parents and 375 subsidiaries for the period 1997-2012.

- **Contributions and Results:**

**Solvency shocks** at the parent bank level show a **stronger transmission** to subsidiaries' lending compared to wholesale shocks. The shock transmission is determined by the **strategic role of the subsidiary** for the parent bank which results in a **locational pecking** order. Parent banks deplete own capital and liquidity buffers before transmitting shocks to subsidiaries.

# Articles and Posts

## Latest Updates

- **Going beyond the Big Mac index**

Couharde et al. (2017) compiled the EQCHANGE database which includes nominal as well as real effective exchange rates and equilibrium real exchange rates from over 180 countries going back to 1973.

- **Global Financial Stability Report October 2017**

The report points to the shift of financial risk to non-banks and warns of the increasing leverage of households, which pose a threat to financial stability.

- **How Policy Makers Can Better Predict a Downturn - and Prepare**

This IMF Blog post reveals a new tool to detect rising financial fragility. The financial condition index (FCI) helps assessing the probability of future economic contractions.

## Research Agenda

## Forthcoming Conferences

- **2018 WFA Meeting**

Del Coronado, June 17 - 20, 2018

Western Finance Association

Deadline CfP: **November 18, 2017**

- **2018 Napa Conference on Financial Markets Research**

Napa Valley, CA, March 23 – 24, 2018

Financial Management Association and UC Davis Graduate School of Management

Deadline CfP: **November 20, 2017**

- **1st Biennial Bank of Italy and Bocconi University conference on 'Financial Stability and Regulation'**

Rome, April 5 - 6, 2018

Bank of Italy and Bocconi University

Deadline CfP: **December 1, 2017**