

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.

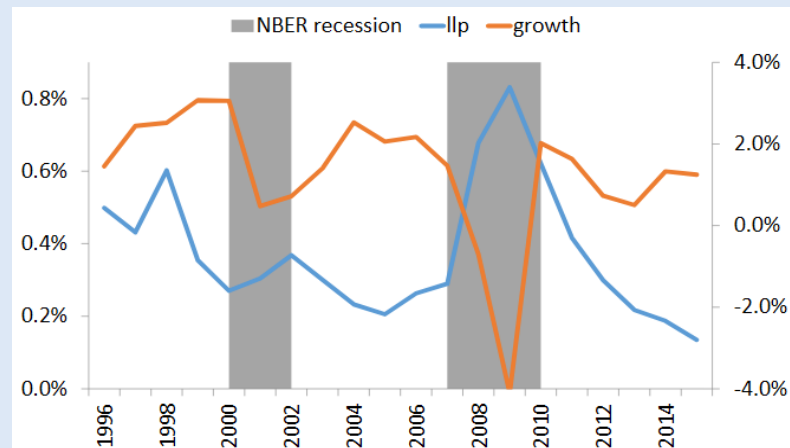
The third issue of 2019 features information about capital flows by nonbanks and about loan loss provisions by euro area banks.

The Procyclicality of Banking: Evidence from the Euro Area

Huizinga and Laeven (2019) investigate the procyclicality in the loan-loss provisioning of banks. For a panel of 16,701 banks from 32 countries over 1996-2015, they find that loan-loss provisioning procyclicality is more than twice as large in the euro area as in other advanced countries. The reasons are the higher procyclicality prior to the adoption of the euro and the divergent growth experience of European countries after the financial crisis.

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

Loan Loss Provisions and Economic Growth



The figure above depicts aggregated loan loss provisions to total bank assets of 16,701 banks from 32 countries, real GDP per capita growth and recessions according to NBER.

Source: Huizinga, Harry and Laeven, Luc (2019).

The procyclicality of banking: evidence from the euro area. ECB Working Paper Series No 2288 / June 2019

At the Research Frontier

What's new in international banking?

Quarterly Selected Study

The Editors' Pick

- **Are International Banks Different? Evidence on Bank Performance and Strategy**

Ata Can Bertay, Asli Demirgüç-Kunt and Harry Huizinga
BIS Working Paper No 790

- **Does a Currency Union Need a Capital Market Union? Risk Sharing via Banks and Markets**

Joseba Martinez, Thomas Philippon and Markus Sihvonen
NBER Working Paper 26026

- **Boom-Bust Capital Flow Cycles**

Graciela L. Kaminsky
NBER Working Paper 25890

Capital Flows: The Role of Bank and Nonbank Balance Sheets

Yuko Hashimoto and Signe Krogstrup
IMF Working Paper 19/85

- **Research Questions:** How do nonbank entities such as pension or insurance funds adjust their foreign asset exposure to global risk developments? Does the investment behavior of nonbanks differ to those of traditional banks and how do their on- and off-balance sheet positions interact?
- **Data:** Data comes from the IMF's Standardized Report Form (SRF) with balance sheet positions for central banks, banks, and nonbanks. Data spans from 2001:Q1 to 2017:Q4 for a total of 24 countries.
- **Main findings:** Nonbanks drive cross-border capital flows by adjusting their foreign investments strongly to global risk conditions. This result is in contrast to the on-balance sheet position of banks for which there is no such association. Moreover, bank flows are likely driven by the portfolio risk management needs of their clients, such as nonbanks, who e.g. hedge portfolio risk through derivatives.

Articles and Posts

Latest Updates

- **Global financial regulation: where next? Pending tasks for regulators and macroprudential policy makers**
Luis de Guindos, Vice-President of the ECB, summarizes upcoming challenges for financial regulation. More specifically, he argues for the timely implementation of Basel III reforms, strengthening macroprudential supervision and stress tests and monitoring nonbank entities more comprehensively.
- **Big tech in finance: opportunities and risks**
This chapter of the BIS annual report discusses the challenges and opportunities of technology firms (such as Facebook, Amazon, Google or Alibaba) entering finance and banking and lays out implications for financial regulation.
- **Concentration in cross-border banking**
This chapter of the BIS quarterly report describes recent as well as current trends in cross-border banking, including cross-border banking size, composition and key players.

Research Agenda

Forthcoming Conferences

- **Conference on Financial Development and Stability**
Santiago, Chile, November 22, 2019
The Financial Market Commission (CMF), the World Bank Group - Research & Development Center in Chile, the Association of Supervisors of Banks of the Americas (ASBA), and the Escuela de Negocios de la Universidad Adolfo Ibáñez
Deadline CfP: **August 15th, 2019**
- **Knut Wicksell Conference on Financial Intermediation**
Lund, Sweden, November 29-30, 2019
Knut Wicksell Centre for Financial Studies at Lund University
Deadline CfP: **September 1, 2019**
- **2020 Financial Intermediation Research Society**
Budapest, Hungary, May 30 - June 1, 2020
Financial Intermediation Research Society (FIRS)
Deadline CfP: **November 1, 2019**