

The International Banking Library (IBL)

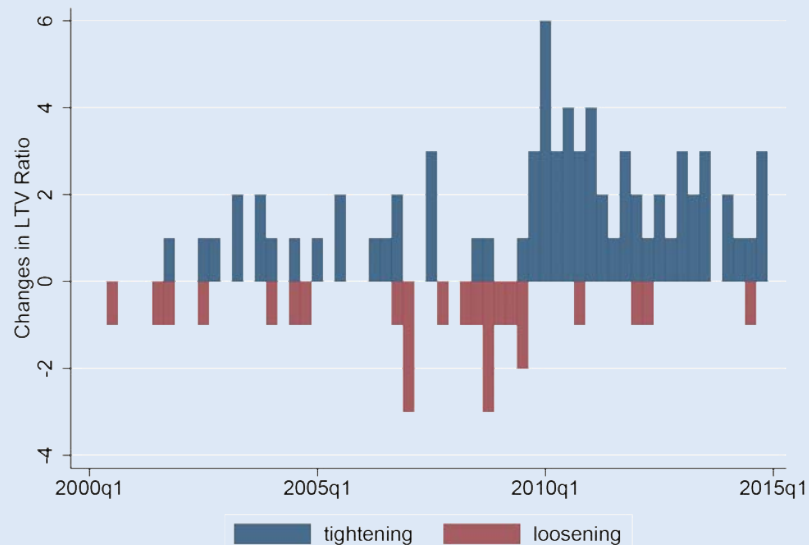
is a web-based platform for the exchange of research on cross-border banking. The IBL-Newsletter addresses researchers working on topics related to international banking, and provides the latest updates on new research and conferences in the field.

The fourth issue of 2016 comes with a new data set on international implementation of macroprudential policies and empirical evidence on the impact of geographic expansion of banks' assets on funding costs.

Changes in Prudential Policy Instruments - A New Cross-Country Database

A new data set documents the changes in macroprudential policy instruments including capital requirements, loan-to-value ratio limits and reserve requirements. The quarterly data comprises 64 countries and covers the 14 years beginning in 2000 up until the fourth quarter of 2014. The graph on the right depicts the number of countries per quarter in which LTV ratios have been changed, whereas a tightening indicates an increase in LTV ratio limits.

Number of Changes in the Loan-to-Value Ratio Limits



Source: Eugenio M Cerutti, Ricardo Correa, Elisabetta Fiorentino and Esther Segalla (2016). Changes in Prudential Policy Instruments — A New Cross-Country Database. IMF Working Paper No. 16/110.

At the Research Frontier

What's new in international banking?

Quarterly Selected Study

The Editors' Pick

- **Spillover Effects of Credit Default Risk in the Euro Area and the Effects on the Euro: a GVAR Approach**

Timo Bettendorf

Bundesbank Discussion Paper 42/2016

- **Macrofinancial History and the New Business Cycle Facts**

Òscar Jordà, Moritz Schularick and Alan M. Taylor

NBER Working Paper No. 22743

- **International prudential policy spillovers: a global perspective**

Stefan Avdjiev, Catherine Koch, Patrick McGuire and Goetz von Peter

BIS Working Papers No. 589

- **Geographic Diversification and Banks' Funding Costs**

Ross Levine, Chen Lin and Wensi Xie - NBER Working Paper No. 22544

- **Research Question:**

What is the impact of geographic expansion of banks' assets on funding costs? Does increased geographical diversification via the asset side reduce bank risk and thus interest paid on liabilities?

- **Data:**

The analysis is based on data of US bank holding companies (BHC) provided by the Federal Reserve. The ratio of total interest expenses to interest-bearing liabilities is used to measure funding costs. The distribution of the BHC's subsidiaries across states approximates geographic expansion.

- **Contributions and Results:**

The paper provides evidence on the effects of geographic expansion on banks' overall funding costs while the analysis relies on a well-thought identification strategy. Geographic expansion reduces funding costs, especially for BHCs located in states showing a low correlation with the US economy. From a regulatory perspective, this is important to know when it comes to geographic restrictions of banks' activities.

Articles and Posts

Latest Updates

- **The Case for Rethinking International Capital Flows**

Benoît Cœuré, Member of the Executive Board of the ECB, urges policy makers to focus on the efficient use, endurance and distributional impacts of international capital flows.

- **Conceptual Challenges in International Finance**

The VoxEU column warns of three common conceptual mistakes often made when analyzing international capital flows and discusses how to easily avoid them by applying basic accounting rules.

- **BIS Quarterly Review**

The recent issue of the BIS Quarterly Review features specials on 'Domestic financial markets and offshore bond financing' and 'The ECB's QE and euro cross-border bank lending' as well as a documentation of detailed locational banking statistics further improving the geographic analysis of international banking in more than 200 reporting countries.

Research Agenda

Forthcoming Conferences

- **Avoiding and Resolving Banking Crises**

Amsterdam, April 20 and 21, 2017
De Nederlandsche Bank, European Banking Center (Tilburg University) and CEPR
Deadline CfP: December 15, 2016

- **CEBRA's Boston Policy Workshop**

Boston, July 9, 2017
The Central Bank Research Association (CEBRA) and the Federal Reserve Bank of Boston's Research and Supervision Departments
Deadline CfP: January 15, 2017

- **6th MoFiR Workshop on Banking**

London, June 15 – 16, 2017
Money and Finance Research group (MoFiR) Bank of England and the European Bank for Reconstruction and Development (EBRD)
Deadline CfP: January 31, 2017