

The International Banking Library (IBL)

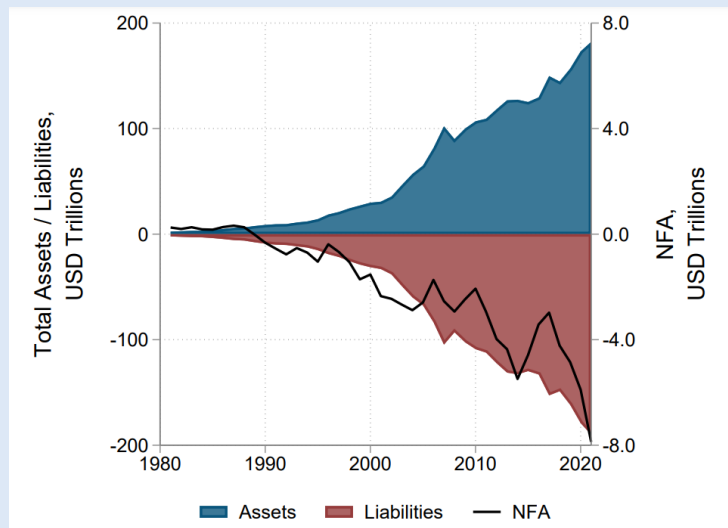
is a web-based platform for the exchange of research on cross-border banking. The IBL-Newsletter addresses researchers working on topics related to international banking and provides the latest updates on new research and conferences in the field. The fourth issue of 2023 discusses changes in deposit funding and decline in U.S. bank branches, as well as introduces a new dataset on bilateral international investments. The Editor's Pick presents a study on return on equity (ROE), proving it to be a reliable and transparent predictor of banks' exposure to risk.

Is there Evidence for a Significant Increase in Gross Cross-Border Assets and Liabilities?

The figure represents the evolution of gross cross-border assets and liabilities in the last four decades across all countries in the world. It shows that the value of world gross foreign investments has increased enormously in the last decades to approximately \$200 trillion (asset side) in 2020. Net financial assets (NFA) are the difference between the sum of assets (excluding gold) and liabilities. The graph is constructed using External Wealth of Nations data.

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

The Growth of Cross-Border Investments



Source: Florez-Orrego, Sergio, Matteo Maggiori, Jesse Schreger, Ziwen Sun, and Serdil Tinda. "Global Capital Allocation". NBER Working Paper 31599, 2023.

At the Research Frontier

What's new in international banking?

Quarterly Selected Study

The Editors' Pick

- **The Macroeconomic Effects of Bank Capital Regulation**
Sandra Eickmeier, Benedikt Kolb, Esteban Prieto
CEPR Discussion Paper 18404
- **Granular Banking Flows and Exchange-Rate Dynamics**
Balduin Bippus, Simon Lloyd, Daniel Ostry
Staff Working Paper 1043
- **Sustainable Banking**
Ralph De Haas
CEPR Discussion Paper No. 18572
- **Credit Allocation and Macroeconomic Fluctuations**
Karsten Müller, Emil Verner
NBER Working Paper 31420

Judging Banks' Risk by the Profits They Report

Ben S. Meiselman, Stefan Nagel, Amiyatosh Purnanandam
Working Paper 31635

- **Research Question:** Can return on equity (ROE) reliably predict a bank risk exposure during financial crises and is it more effective than complex model-based risk measures and crisis-specific predictors?
- **Data:** The data is sourced from episodes of systemic stress for U.S. banks, namely the savings and loan crisis of the late 1980s (S&L crisis), the financial crisis of 2007–2010 (mortgage crisis), and the regional banking crisis of 2023 precipitated by the collapse of Silicon Valley Bank (SVB crisis).
- **Main Findings:** Accounting Return on Equity (ROE) proves to be a reliable predictor of a bank's systematic risk exposure during financial crises, surpassing crisis-specific methods. ROE is a transparent approach and less prone to manipulation. While not perfect, it simplifies risk assessment and enhances risk-based regulation.

- **Unpacking international banks' deposit funding**

In 2023, the global banking industry experienced significant changes in deposit funding. The shift from traditional non-financial sector deposit providers to non-bank financial institutions raised concerns about bank stability and the pursuit of higher returns. Although it did not lead to widespread problems, it underscores the growing influence of non-bank financial institutions in bank funding, potentially affecting financial stability.

- **Banks That Relied on Branches, Not Remote Depositors, Fared Better in Recent Turmoil**

The decline in U.S. bank branches from 2009 to 2022 is raising substantial concerns. Research shows that banks with fewer branches experience larger stock price declines during failures. One driver could be related to attracting depositors making uninsured deposits via digital services and the increase in online traffic around the SVB failure.

- **Replication Files and Data - Bilateral International Investments: The Big Sur?**

A data repository containing country-to-country data on the external financial positions of various countries, complementing the article "[Bilateral international investments: The big sur?](#)" that explores the increasing influence of the South in global finance.

- **SFS Cavalcade North America 2024**

Atlanta, United States | May 19-22, 2024
Society for Financial Studies
CfP deadline: December 11, 2023

- **17th New York Fed/ NYU Stern Conference on Financial Intermediation**

Washington, D.C. | May 17, 2024
New York Fed / NYU Stern
CfP deadline: January 15, 2024

- **13th MoFiR Workshop on Banking**

London, United Kingdom | June 27-28, 2024
Money and Finance Research Group (MoFiR)
CfP deadline: January 15, 2024