

The International Banking Library (IBL)

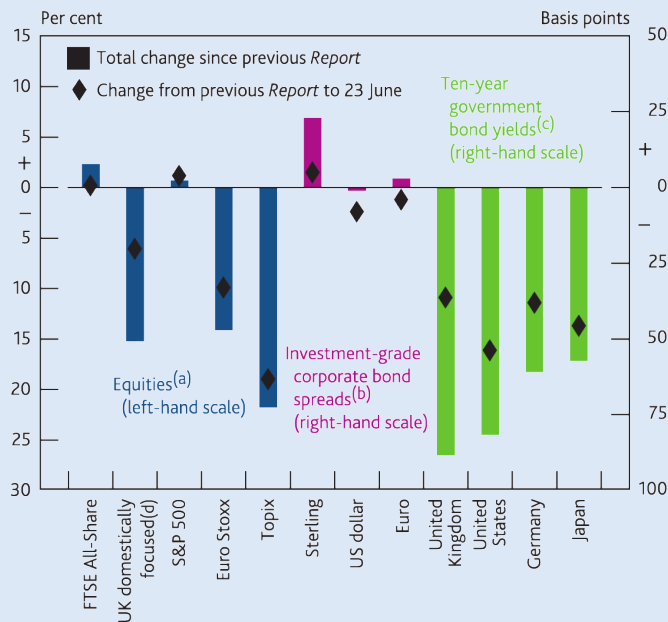
is a web-based platform for the exchange of research on cross-border banking. The IBL-Newsletter addresses researchers working on topics related to international banking, and provides the latest updates on new research and conferences in the field.

The third issue of 2016 comes with news on Brexit vote within the UK and the different form of shock transmission via varied multi-national banks' business models.

EU Referendum in the UK: Impact on global indicators

The Bank of England analyzed the outcome of UK's decision to leave the European Union on equity, investment-grade corporate bonds spreads and ten-year government bond yields in its latest **Financial Stability Report Issue No. 39** with reference to the December 2015 data. As shown in the graphic, there is a negative effect on nearly all of the indicators, especially within the EU and the UK itself.

Changes in equity indices, bond spreads and government bond yields since December 2015



Source: Bank of England, 2016, "Risky asset prices and government bond yields fell across advanced economies following the outcome of the EU referendum", Financial Stability Report Issue No. 39. Chart A.1. For details and footnotes see Financial Stability Report Part A page 1.

At the Research Frontier

What's new in international banking?

Quarterly Selected Study

The Editors' Pick

- **Foreign Bank Subsidiaries' Default Risk during the Global Crisis : What Factors Help Insulate Affiliates from their Parents?**

Deniz Anginer, Eugenio Cerutti and Maria Soledad Martinez Peria
IMF Working Paper No. 16/109

- **Bank Exposures and Sovereign Stress Transmission**

Carlo Altavilla, Marco Pagano and Saverio Simonelli
CEPR Discussion Paper No. 11269

- **Organizational Complexity and Balance Sheet Management in Global Banks**

Nicola Cetorelli and Linda S. Goldberg
NBER Working Paper No. 22169

- **Multinational Banks**

José L. Fillat, Stefania Garetto and Martin Götz

- **Research Question:**

How do different organizational forms of global banking shape the transmission of shocks across countries, considering the endogenous choice of banks to serve foreign markets via branching or subsidiarization?

- **Data:**

Call Reports of US banks, US-based subsidiaries of foreign banks and branches and agencies of foreign banks, merged with regulatory data filed by the foreign parents of US-located subsidiaries and branches, and reported sovereign debt holdings of European banks provided as part of the European Banking Authority's (EBA) Stress Test information.

- **Contributions and Results:**

The initial decision and pecking order of bank internationalization follows a self selection based on banks' size. The resulting mode of foreign operations affects the response of global banks to shocks and their transmission across countries. While foreign subsidiaries locally isolate banks' balance sheets from shocks and reduce contagion, branches provide an internal capital market dampening the global effect of shocks.

Articles and Posts

Latest Updates

- **IMF cuts Global Growth Forecasts on Brexit, Warns of Risks to Outlook**
The unexpected U.K. vote to leave the European Union causes the International Monetary Fund to cut its forecasts for global economic growth this year and next saying the referendum creates a wave of uncertainty amid already-fragile business and consumer confidence.
- **On the financial market consequences of Brexit**
The VoxEU column discusses new opportunities and new risks for the British and EU financial markets potentially resulting from a Brexit and warn against a fall in the quality of financial regulations, more inefficiency, more protectionism, and more systemic risk.
- **Geographic expansion reduces banks' risk: New evidence**
Does the geographic expansion of a bank's activities reduces risk? This VoxEU column argues whether diversification causes lower risk or if safer banks are just also more diversified.

Research Agenda

Forthcoming Conferences

- **Australasian Finance & Banking Conference**
Sydney, December 14-16, 2016
Institute of Global Finance and the School of Banking & Finance, UNSW Business School
Deadline Cfp: August 19, 2016
- **4th Bordeaux Workshop in International Economics and Finance 'Macro-stabilisation Policies and Bank Risk-taking'**
Bordeaux, December 15-16, 2016
LAREFI – University of Bordeaux
Deadline Cfp: October 1, 2016
- **10th Swiss Winter Conference on Financial Intermediation**
Lenzerheide, March 12-15, 2017
Deadline Cfp: October 15, 2016