Maximilian Jager

Assistant Professor
Department of Finance, Frankfurt School of Finance & Management

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APPOINTMENTS

Assistant Professor of Finance
Frankfurt School of Finance & Management, Germany — *2022 –*

RESEARCH INTERESTS

Primary: Financial Regulation, Financial Intermediation

Secondary: Financial Stability, Macro-Finance

EDUCATION

Ph.D. in Economics
Advisors: Ernst-Ludwig von Thadden (primary), Sascha Steffen (secondary)
University of Mannheim, Germany — *2016 – 2022*

Visiting Scholar
Host: Viral Acharya
Stern School of Business, New York University, USA — *2021 – 2022*

Master of Science in Economics (with honors)
University of Regensburg, Germany — *2013 – 2016*

Visiting Student
Universidad Carlos III de Madrid, Spain — *2014 – 2015*

Bachelor of Science in Economics
University of Regensburg, Germany — *2010 – 2013*

PUBLICATIONS

Kicking the can down the road: government interventions in the European banking sector
joint with Viral Acharya (NYU Stern), Lea Borchert (ZEW), and Sascha Steffen (Frankfurt School)
We analyze the determinants and the long-run consequences of government interventions in the eurozone banking sector during the 2008/09 financial crisis. Using a novel and comprehensive dataset, we document that fiscally constrained governments "kicked the can down the road" by providing banks with guarantees instead of full-fledged recapitalizations. We adopt an econometric approach that addresses the endogeneity associated with governmental bailout decisions in identifying their consequences. We find that forbearance caused undercapitalized banks to shift their assets from loans to risky sovereign debt and engage in zombie lending, resulting in weaker credit supply, elevated risk in the banking sector, and, eventually, greater reliance on liquidity support from the European Central Bank.
Review of Financial Studies, 2021, 34(9), 4090 – 4131.

The Janus Face of Bank Geographic Complexity
joint with Iñaki Aldasoro (BIS) and Bryan Hardy (BIS)
We study the relationship between bank geographic complexity and risk using a unique dataset of 96 global bank holding companies (BHCs) over 2008–2016. From data on the affiliate network of internationally active banking entities, we construct a measure of geographic coverage and complexity for each BHC. We find that higher geographic complexity heightens banks' capacity to absorb local economic shocks, reducing their risk. However, higher geographic complexity can also help banks soften the impact of prudential regulation, increasing their risk. Bank geographic complexity therefore has a Janus face, decreasing some but increasing other aspects of bank risk.
Journal of Banking and Finance, 2022, 134, 106040.

WORKING PAPERS AND WORK IN PROGRESS

Clear(ed) decision: the effect of Central Clearing on firms' financing decision
joint with Frederick Zadow (Bundesbank)
Does credit derivative market regulation affect corporate finance decisions? We investigate this question in the setting of the central counterparty (CCP) clearing reform on the corporate credit default swap (CDS) market. Exploiting the staggered introduction of CCP clearing to CDS contracts – an insurance against firm default – we uncover a shift in the debt composition of firms with adverse real economic consequences. Firms whose CDS contracts are eligible for clearing with the monopolist CCP lose bond market funding, but increase their demand for bank loans. Insufficient bank credit supply forces firms to shrink their balance sheet, cut investment and become less profitable. We theoretically motivate two potential channels of effect from clearing firms' CDS contracts onto bond demand. The empirical evidence strongly supports an "arbitrage channel": lower counterparty risk on the centrally cleared CDS market attracts investors away from the bond market.

Why Did Bank Stocks Crash during COVID-19?
joint with Viral Acharya (NYU Stern), Robert Engle (NYU Stern) and Sascha Steffen (Frankfurt School)
A two-sided "credit-line channel" – relating to drawdowns and repayments – explains the severe drop and partial subsequent recovery in bank stock prices during the COVID-19 pandemic. Banks with greater exposure to undrawn credit lines saw larger stock price declines but performed better before the pandemic and after the policy interventions. Despite deposit inflows, high drawdowns led to reduced bank lending, suggestive of capital encumbrance upon drawdowns. Repayments of credit lines unencumbered capital which explains the stock price recovery starting Q2 2020. Bank provision of credit lines resembles writing deep out-of-the-money put options on aggregate risk, and we propose how to incorporate this feature into bank capital stress tests.
Review of Financial Studies, Revise and Resubmit

Interbank Risk Assessment – A Simulation Approach
joint with Thomas Siemsen (Bundesbank) and Johannes Vilsmeier (ECB)
We introduce a novel simulation-based network approach, which provides full-fledged distributions of potential interbank losses. Based on those distributions we propose measures for (i) systemic importance of single banks, (ii) vulnerability of single banks, and (iii) vulnerability of the whole sector. The framework can be used for the calibration of macro-prudential capital charges, the assessment of systemic risks in the banking sector, and for the calculation of banks' interbank loss distributions in general. Our application to German regulatory data from end-2016 shows that the German interbank network was at that time in general resilient to the default of large banks, i.e. did not exhibit substantial contagion risk. Even though up to four contagion defaults could occur due to an exogenous shock, the system-wide 99.9% VaR barely exceeds 1.5% of banks' CET 1 capital. For single institutions, however, we found indications for elevated vulnerabilities and hence the need for a close supervision.
Bundesbank Discussion Paper No. 23/2020.

Bank opacity – patterns and implications

joint with Stefan Avdjiev (BIS)

We investigate the patterns and implications of bank opacity in Europe using a rich bank-level data set. Employing a novel event study methodology, we document that public data releases on banksâ exposures to individual countries and sectors contain information not previously priced by equity and CDS markets. Bank opacity is highest for European periphery banksâ sovereign exposures and European core banksâ private sector exposures. Underestimation of banksâ credit risk by markets is associated with lower funding costs and higher wholesale borrowing (for all banks) as well as with greater risk taking and higher profitability (for European periphery banks).

CEPR Discussion Paper No. 17024

Regulatory Heterogeneity and Credit Allocation

This paper investigates the macroeconomic implications of the co-existence of two regimes of bank credit risk regulation: i) the internal ratings-based approach (IRBA) giving banks discretion to set their own regulatory capital charge for each loan; ii) the standardized approach (SA) giving a fixed capital charge to every loan independent of the borrower's credit risk. Using German credit register data, I document that the different regulation regimes translate into heterogeneous lending incentives across banks for the same borrower. I aggregate the extent of this heterogeneity in credit supply to the sector level and link it to measures of capital misallocation. My results show a more efficient credit allocation in sectors whose lending is dominated by IRBA banks. I rule out that sorting, by banks or firms, drives these differences. This suggests that the IRBA, criticized by many stakeholders due to its inherent moral hazard problem of risk underestimation, improves capital allocation in the economy. That is, in exercising their hazardous behaviour, banks generate a positive externality.

–work in progress–

CONFERENCES AND PRESENTATIONS

Conference presentations (including scheduled):

AEA (poster), FIRS Annual Conference, IBEFA Summer Meeting, AFA PhD Student Poster Session, ENTER Jamboree, German Economic Association Annual Meeting, AFFI Annual Meeting, CRC TR 224 Retreat, RGS Doctoral Workshop, Bonn-Mannheim PhD Workshop, Muenster Banking Workshop, Workshop on Recent Developments in Banking Research (CRC TR 224), IWH-CIREQ-GW Macroeconometric Workshop (poster), Spring Meeting of Young Economists

Seminar presentations (including scheduled):

Scheller School of Business, NHH Bergen, Oxford Saïd, Copenhagen Business School, WU Vienna, CEMFI, NYU Stern, University of Bern, Stockholm School of Economics, HEC Paris, Frankfurt School of Finance & Management, Tilburg University, Bundesbank, Bank for International Settlements

PROFESSIONAL EXPERIENCE

Research Assistant

Prof. Sascha Steffen, Frankfurt School of Finance & Management, Germany — *2021 – 2022*

Research Assistant

Bank for International Settlements, Switzerland — *February – August 2019*

Research Assistant

Bank for International Settlements, Switzerland — *June – September 2018*

Visiting Researcher

Bundesbank, Germany — *July – December 2017*

Trainee

European Central Bank, Germany — *May – September 2016*

Internships
KPMG AG, Bayerische Landesbank, Centre for European Economic Research (ZEW) *2012 – 2015*

TEACHING EXPERIENCE

Teaching Assistant
Principles of Econometrics (B.Sc.)
University of Mannheim *2018 – 2019*

Teaching Assistant
Principles of Econometrics, Statistics for Economists, Macroeconomics I/II (all B.Sc.)
University of Regensburg *2012 – 2016*

SCHOLARSHIPS AND AWARDS

Exchange Scholarship
German Academic Exchange Service (DAAD) *2021 – 2022*

Ph.D. Scholarship
Stiftung Geld & Währung *2018 – 2021*

Ph.D. Scholarship
German Research Foundation (DFG) *2016 – 2018*

Selected Participant
Lindau Nobel Laureates Meeting *2020*

Finalist
DZ Bank Career Award *2017*

Top of class
M.Sc. Economics, University of Regensburg *2016*

Thesis Award
Outstanding master thesis in economics or business, Christa-Lindner Foundation *2016*

SKILLS

Computer skills: R, Stata, SQL, E-Views, MATLAB, VBA, Python, JMulTi, SPSS

Languages: English, German (*native*), Spanish

OTHER ACTIVITIES

Professional: Ph.D. student representative, founder and organizer of Ph.D. student reading class

Private: Instructor of university sports classes, volunteer at the local animal shelter, futsal enthusiast

REFERENCES

Prof. Ernst-Ludwig von Thadden
Department of Economics
University of Mannheim
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Prof. Sascha Steffen
Department of Finance
Frankfurt School of Finance & Management
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Prof. Viral Acharya
Department of Finance
NYU Stern
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Citizenship: German

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