Why some penguins breed stones and further fun facts about the greatest animal of all times

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Abstract

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1 Motivation & Research Idea

2 Data & Empirical Strategy

2.1 Data

2.2 Empirical Strategy

3 Questions

4 Appendix

4.1 Net Stable Funding Ratio

1. BIS (2018)

    - Failure of banks to adequately manage their liquidity risk during the financial crisis led to the implementation of the LCR and NSFR.
    - LCR targets banks' short-term resilience
    - NSFR aims to promote resilience over a longer time horizon by creating incentives for banks to fund their activities with **more stable sources of funding** on an ongoing basis.
    - **Theory:**
        - Banks have incentives to limit excessive reliance of unstable (often illiquid) funding of core assets.
        - Too high reliance on cheap and abundant short-term wholesale funding in good times
        - Stable funding sources guarantee that banks do not experience a significant increase in distress probabilities when hit by a funding shock.
    - Technical expression:

$$NSFR = \frac{ASF}{RSF} \geq 100\% \tag{1}$$

        - **ASF:**
            * Total ASF is the portion of its capital and liabilities that will remain with the institution for more than one year.
            * Supervisors will assign an ASF factor to the carrying value of each funding element (100 %: Funding is expected to be fully available in one year; 0 %: Most unreliable funding)

References