IBRN Newsletter

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IBRN website
The International Banking Research Network

Who we are:
The IBRN brings together central bank researchers to analyze issues pertaining to global banks.

- Members: 33 central banks and 5 international organizations.
- The IBRN director is Linda S. Goldberg (Federal Reserve Bank of New York). The Steering Committee includes Diana Bonfim (Banco de Portugal), Matthieu Bussière (Banque de France), Livio Stracca (ECB), and Kasper Roszbach (Norges Bank).

What we do:
Facilitate IBRN membership research and policy discussions on key issues of interest.

Recent initiatives include:
- Climate Risks and International Banking Flows (2023-2025)
- Bank and Nonbank Financial Institution Interactions (2023-2024)
- Government Guarantees Programs for Bank Lending (2022-2024)
- International banking: Integration or fragmentation (2020-2022)
- Low interest rates and international banking (2020-2022)

Details of recent and past initiatives are available at: International Banking Research Network (newyorkfed.org)
Climate Risks and International Banking Flows (2023-2025)

The initiative:
The aim is to push forward analyses of interactions between financial institutions and climate-related risks and opportunities. Ongoing projects fall into the following categories: studies of the effects of climate-related physical risks, e.g., floods, hurricanes, heat waves, on financial institutions; analyses of the impact of climate transition risks, such as regulations or restrictions on emissions, and the transition to lower carbon emissions on financial institutions; a cross-country data initiative to create transition risk metrics (carbon footprint of bank loans) to facilitate studies of potential international spillovers through banks’ as a consequence of cross-country variation in climate regulation or climate change exposure.

Details & timeline:
- Central Bank Participants: Bahamas, BIS, Czech Republic, Germany, Greece, Hong Kong, India, Italy, Netherlands, Norway, Portugal, Slovenia, Sweden, Switzerland, United Kingdom, United States
- Projects include: How is the cost of sovereign debt affected? Do firm-level credit constraints impair the effectiveness of climate policies? What are the economic effects of automotive industry transition to electric vehicles? Do banks price local risks from climate change into mortgage lending?
- Timeline: Analytical results will be presented at the Banco de México in November 2024 and a policy panel on climate change at the University of Bristol. Finalized projects will be presented at a conference at Norges Bank in 2025. Policy messages to be disseminated.
Non-Bank Financial Intermediation and Liquidity (2023-2024)

The initiative:
The initiative is motivated by (i) the increasing and vital role of Non-Bank Financial Institutions (NBFIs) and (ii) the observation that vulnerabilities of NBFIs are not as well understood as those of banks. Structural developments within the NBFI sector are investigated and documented, and the responses and transmission roles of NBFIs to regional or global liquidity shocks analyzed. Projects empirically examine these issues at various levels: national/sectoral, funds, and share classes. The findings increase understanding of capital flows and NBFI-specific risks, with implications for financial stability. For example, open-end investment funds play a crucial role in this workstream, as they exhibit fragility risks due to the structure of their liquidity transformation.

Details & timeline:
- Central Bank Participants: Chile, Columbia, Czech Republic, Finland, Germany, India, Israel, Italy, Mexico, Norway, Sweden, Switzerland, United Kingdom, United States
- Projects include: Do open-ended funds experience outflows when being exposed to adverse shocks? What is the relationship between NBFIs and entities such as banks or insurance companies? What are the differences between domestic and foreign shocks for funds?
- Timeline: Completed projects will be presented, with assigned discussants, at the IBRN Annual Meeting at the Banco de México in November 2024. Summaries of lessons learned from the projects and related policy implications to be disseminated.

The initiative:
Government guarantee programs for bank lending to firms played a critical role during the COVID-19 pandemic in protecting the real economy and, indirectly, shielding the banking sector from negative spillovers. Critical thinking about these programs, with the goal of generating policy lessons, was approached using two complementary perspectives. First, IBRN members implemented a questionnaire for member central banks and analyzed resulting data. Second, publications evaluating the implementation of various programs around the world were reviewed. The analysis reveals significant variation in the size and design of the programs, with a focus on assessing effectiveness mainly as maintained supply of credit to firms and mitigating moral hazard. Important lessons are that restrictions on borrower eligibility, loan purposes, and amounts, as well as partial government guarantees, helped prevent excessive risk-taking by banks.

Output:
• IBRN membership survey conducted, with including details from 17 central banks on government guarantee programs by country, with review of evidence of effects.
• Policy brief, “Government guarantee programs for bank lending to firms: lessons for future policy makers” by Jin Cao (Norges Bank), Linda S. Goldberg (Federal Reserve Bank of New York), Sonalika Sinha (Reserve Bank of India) and Stefano Ungaro (Banque de France).
The initiative:
This IBRN initiative provides insights on the consequences of low or even negative interest rates for banks, both from a domestic and from an international perspective. Confidential and publicly available data are used for a large set of countries that have experienced historically low nominal and real interest rates in recent years. Rate impacts are examined with respect to bank profitability, bank funding and lending, and cross-border banking flows. Consequences are relevant for monetary policy effectiveness, as well as micro- and macro-prudential supervision, since they can affect the transmission of monetary policy and the viability of bank business models.

Publications:
Published working papers:
• Segev, Ribon, Kahn, and de Haan, *Low interest rates and banks’ interest margins: Does deposit market concentration matter?*, Journal of Financial Services Research (2022)

Full list of working papers and publications is available [here](#).
The purpose of this IBRN initiative is to examine the role of international trade and non-financial foreign direct investment (FDI) in driving international banking activities. Foreign-trade and FDI events can change the demand for banking services and the risk profiles of non-financial borrowers. The initiative considers how banks respond to such changes through their supply of services. The identification of these events relies on the study of episodes when changes in restrictions on foreign trade and FDI took place, including changes to cross-country bilateral or multilateral agreements, as well as more restrictive trade or investment regimes.

Publications:


Full list of working papers and publications is available [here](#).
Events, conferences & publications

**Upcoming IBRN-related events:**

- IBRN Online Internal Meeting, June 20th 2024
  - Project lessons to date – NBFI and Liquidity
  - Project lessons to date – Climate Risk and Banks
  - Ideas for future IBRN initiative ideas to be discussed, with a full IBRN Survey to follow.
- CEBRA Meeting, Frankfurt: IBRN Session, August 2024
- Durham-Bristol Conference, IBRN Climate Initiative session, Bristol UK, October 2024
- IBRN Winter Meeting (November 21-22) in person meeting hosted by the Banco de México.
- The IBRN meeting will be adjacent to the 19th Central Bank Conference on the Microstructure of Financial Markets at the Banco de Mexico (November 20-21) and the Dallas FED – CEMLA – IBEFA conference (November 25-26).

**Publications**

Full list of IBRN working papers and publications (2013 – 2023) [here](#).