

### LATEST NEWS

- At the 5th IFABS 2013 Conference in Nottingham Dr Chen Zhou (De Nederlandsche Bank) won the IFABS William F. Sharpe Best Paper Award for his paper together with Xiao Qin: Systemic Risk Allocation for Systems with A Small Number of Banks.
- A new paper by Maarten van Oordt entitled '[Securitization and the dark side of diversification](#)' has been accepted for publication in the *Journal of Financial Intermediation*. Using a theoretical model, he examines potential new risk management strategies for financial institutions stemming from the creation of different tranches in securitizing loan portfolios. One of the surprising findings is that – under certain conditions – it can be particularly unfavorable for financial stability if institutions diversify by exchanging *relatively safe* tranches. Whether this is the case depends in part on the degree of leverage of the financial institutions involved. Exchanging relatively safe tranches can be especially disadvantageous from a risk management perspective for highly leveraged institutions. If carried out judiciously, however, exchanging tranches may strongly advance the resilience of financial institutions.
- A paper of Franka Liedorp, Carin van der Cruijssen and Jakob de Haan (jointly with Robert Mosch of the IMF) entitled "Transparency of banking supervisors" has been accepted for publication in *IMF Economic Review*. The authors have constructed an index of transparency of banking supervisors that takes political, economic, procedural, policy and operational transparency into account. Based on a survey, the value of the index is determined for 24 banking supervisors. The average score is 8.4 points (out of 15), whereas the minimum is 5.5 and the maximum 12 points. On average, political transparency is the highest in the sample, while procedural transparency is the lowest. The analysis suggests that it is very hard to identify factors that can explain the large differences in supervisory transparency, suggesting that country-specific developments drive transparency. Please feel free to visit the personal page of Carin van der Cruijssen or Jakob de Haan by using the following links: [Personal page Carin van der Cruijssen](#) and [Personal page Jakob de Haan](#).
- Summary Conference : "[The Role of Financial Intermediaries in Monetary Policy Transmission](#)", June 19-20 2013 (Author Michal Kobielarz).

The recent financial crisis revealed how superficial current knowledge about the role of financial intermediaries in the economy is. However, if central banks are going to become responsible for financial stability, it is crucial that they better understand the interconnections between the financial and the real sector. Moreover, with the use of non-standard tools of monetary policy, the economic profession has found itself in a position where the applications went ahead of research. The conference "The Role of Financial Intermediaries in Monetary Policy Transmission" held at the Dutch Central Bank in Amsterdam, organized by the European Banking Center, DNB and the Journal of Economic Dynamics and Control, aimed at filling the existing gap. The event brought

together Researchers from both universities and central banks from both sides of the Atlantic.

The first day of the conference was opened by a keynote speech by Anil Kashyap. Anil highlighted the problem that there is no uniform framework for the analysis of bank regulations. Such a framework is necessary for the discussion of Basel III regulations, which at the moment relies mostly on intuition. Given the trade-off between capturing all the frictions in the model and keeping the model tractable, Anil postulated that it is crucial to recognize which frictions are the most important ones. The first session of the conference concentrated on the links between the real economy and the financial sector. Victors Stebunovs (jointly with S. J. Lee and S. Halthenhof) applied US survey data to find that the loss of jobs in the US manufacturing sector during the recent crisis was mostly due to households', and not firms', access to credit, indicating that demand-related channels are more important for employment than supply-related channels. Next, a theoretical framework based on the CIA model to analyze the different reactions of cash-constrained and unconstrained firms to shocks was presented by Anastasia Zervou. Ralf Meisenzahl, on the other hand, investigated the state of financing constraints in the US economy in a period prior to the crisis. His results reveal that it was the firms' collateral constraints, rather than banks' balance sheet constraints that played a major role in this period.

The second, and last, session of the day was devoted to monetary policy. Martin Ellison (with A. Tischbirek) developed a stylized theoretical model showing that unconventional government debt purchases could be beneficial even in normal times. A more complex framework was presented by Michael Kiley (joint work with J. W. Sim) for analyzing the effects of several monetary policy tools, i.e. asset purchases, capital injections and capital standards, on the economy in normal as well as stressful times. The session was closed

with the presentation by Jens Eisenschmidt (joint work with S. Carpenter and S. Demiralp) of a simultaneous equations econometric model attempting to disentangle the demand and supply for loans. The obtained results allowed also estimating the effects of non-standard policy measures applied by the ECB and the Fed during the crisis, which showed that the policies adapted by the Fed were more effective in relaxing the supply side constraints.

The second day was opened by a plenary talk delivered by Frank Smets, who posed the question of whether we can keep price and financial stability apart. Frank discussed three alternative views on the feasibility of central banks pursuing both objectives. The differences in the views are based mainly on the beliefs about how independent the two objectives are, and how successful macro prudential regulations may be as a policy tool. He stated his personal preference for incorporating financial stability as an objective of central banks, but only as a secondary one.

The highly interesting speech was followed by a session on DSGE models and financial risk. Federico Signoretti (with L. Gambacorta) argued that the central bank might reduce output and price volatility by reacting also to changes in financial variables. This argument was supported by a model with firms' borrowing constraints and banks' leverage targets calibrated for the Euro Area. The next paper in this session shed some light on the Spanish sovereign debt problems that followed the recent bank bail-outs. The author, Christian van der Kwaak (joint work with S. van Wijnbergen), showed that a bank bail-out may increase the risk of sovereign default and, if the banks hold sovereign bonds, adversely affect the stability of the banking system. Raf Wouters

with H. Dewachter) introduced a simplified mechanism reproducing the nonlinear results of the Occasionally Binding Constraints. This novel mechanism allows incorporating this friction into large scale DSGE models. The closing session consisted of three empirical papers. The first presentation of this session emphasized the positive side of financial innovation. Lars Norden (with C.S. Bustin and W. Wagner) discovered that although the introduction of CDS is commonly criticized as a source of financial instability, banks trading in CDS were able to reduce corporate loan spreads. The second presentation by Johanna L. Francis (joint work with S.-H. Chang and S. Contessi) concentrated on the reasons for excess reserves accumulation by banks during the U.S. Financial Crisis. The authors used bank level data to show that this accumulation was done partially by precautionary reasons, i.e. banks with more 'bad loans' hoarded more reserves, and partially due to lack of attractive investment alternatives. The last paper of the session, and at the same time the last paper of the conference, concentrated on identifying monetary policy transmission channels. Esteban Prieto (with C. Buch and S. Eickmeier) used Fed's Survey of Terms of Business Lending data to construct a FAVAR model, by which they identified that only small banks react to monetary policy and that the risk-taking channel plays a significant role.

The conference was the third conference which the EBC and the DNB jointly organized, and based on the positive experiences on both sides we might expect future events to follow. Selected papers from the conference will be published in a special issue of the Journal of Economic Dynamics and Control.

## FORTHCOMING CONFERENCES

- 4 October 2013: De Nederlandsche Bank, Rabobank and the Duisenberg School of Finance organize the SUERF conference: 'The value of banks and their business models to society' at the Duisenberg School of Finance in Amsterdam. The opening keynote address of the conference, by Lex Hoogduin, will also serve as the 2013 SUERF Annual Lecture. Also DNB president Klaas Knot will give a speech. For more information about the conference, please use the link: [SUERF](#).
- 17-18 October 2013: 16th Annual Research Conference on 'The Impact of Credit on the Dynamics of SMEs'. Since 1998 the Nederlandsche Bank (DNB) has organized an Annual Research Conference. The conference brings together academics and policymakers from the Netherlands and abroad to present and discuss new research. The topic is selected every year from an area relevant for DNB.  
[link:16thAnnualResearchConference](#).  
Please sent your email to: **[DNB\\_ResearchConference@dnb.nl](mailto:DNB_ResearchConference@dnb.nl)**.
- 19-20 December 2013: A Workshop on Diversity in Boards at De Nederlandsche Bank in Amsterdam. Selected papers will be published in a special issue of Corporate Governance : An international review.  
Please see the call for papers below:  
Call for Papers: [link](#).

## FORTHCOMING RESEARCH SEMINARS

*(Please follow this link to read how you can attend)*

- |                   |  |
|-------------------|--|
| 27 Augustus 2013  | - Viral Acharya / New York University              |
| 3 September 2013  | - Tanju Yorulmazer / FED New York                  |
| 10 September 2013 | - Jirka Slacalak / ECB                             |
| 17 September 2013 | - Thorsten Koepfl / Queens university              |
| 24 September 2013 | - Filippo Ferroni / Banque de France               |
| 08 October 2013   | - Domenico Delli Gatti /University del Sacro Cuore |

## PUBLISHED ARTICLES AND BOOKS (NEW SINCE APRIL 2013)

- **Banks' responses to funding liquidity shocks: Lending adjustment, liquidity hoarding and fire sales**, Leo de Haan and Jan Willem van den End, Journal of International Financial Markets, Institutions & Money, 2013, 26, 152-174
- **Statistical evidence on the mean reversion of interest rates**, Jan Willem van den End, The Journal of Investment Strategies, 2013, 2(3)
- **Pension benefit security: a comparison of solvency requirements, a pension guarantee fund and sponsor support**, Dirk Broeders and An Chen, Journal of Risk and Insurance, 2013, 80(2), 239-272
- **Knowledge and opinions about banking supervision: Evidence from a survey of Dutch households**, Carin van der Crujisen, Jakob de Haan, David Jan Jansen and Robert Mosch, Journal of Financial Stability, 2013, 9(2) 219-229
- **Monetary transmission in three central European economies: evidence from time-varying coefficient vector autoregressions**, Zsolt Darvas, Empirica, 2013, 40(2), 363-390
- **International diversification during the financial crisis: A blessing for equity investors?**, Robert Vermeulen, Journal of International Money and Finance
- **Modelling the liquidity ratio as macroprudential instrument**, Jan Willen van den End and Mark Kruidhof, Journal of Banking Regulation, 2013, 14(2), 91-106

- **What drives clarity of central bank communication about inflation?**, Aleš Bulíř, Martin Čihák and David-Jan Jansen, Open Economies Review, 2013, 24(1), 125-145
- **Expected and actual replacement rates in the pension system of the Netherlands: How and why do they differ?**, Mark van Duijn, Mauro Mastrogiacomo, Maarten Lindeboom and Petter Lundborg, Journal of Pension Economics and Finance, 2013, 12, 168-189
- **Network dynamics of TOP payments**, Marc Pröpper, Iman van Lelyveld and Ronald Heijmans, Journal of Financial Market Infrastructure, 2013, 1(3), 3-29
- **An assessment of the consistency of ECB communication using wordscores**, David-Jan Jansen and Jakob de Haan, In: J-E. Sturm and P. Siklos (eds.), Central Bank Communication, Decision-making and Governance: The Issues, Challenges, and Case Studies, 2013, MIT Press, 183-201
- **Financial Supervision in the 21st Century**, A. Joanne Kellerman, Jakob de Haan and Femke de Vries (eds.), 2013, Springer

## FORTHCOMING ARTICLES (NEW SINCE APRIL 2013)

- **Investment risk taking by institutional investors**, Janko Gorter and Jacob Bikker, Applied Economics
- **Tourist Test interchange fees for card payments: Down or out?**, Nicole Jonker and Mirjam Plooi, Journal of Financial Market Infrastructure
- **Central banks and foreign collateral**, Jeannette Capel, Journal of Financial Market Infrastructure
- **The precautionary savings motive and household savings**, Mauro Mastrogiacomo and Rob Alessie, Oxford Economics Papers
- **Bank liquidity, the maturity ladder, and regulation**, Leo de Haan and Jan Willem van den End, Journal of Banking and Finance
- **The impact of imposing capital requirements on systemic risk**, Chen Zhou, Journal of Financial Stability

- **Securitization and the dark side of diversification**, Maarten van Oordt, Journal of Financial Intermediation
- **Transparency of banking supervisors**, Franka Liedorp, Robert Mosch, Carin van der Crujisen and Jakob de Haan, IMF Economic Review
- **Multiple bank regulators and risk taking**, Itai Agur, Journal of Financial Stability
- **The effects of managerial capabilities on export, FDI and innovation: Evidence from Indian firms**, Martijn Boermans and Hein Roelfsema, Asian Business & Management

### *[DNB Occasional Studies 2013](#)*

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- No. 1 - Jos Jansen, Melle Bijlsma, Mark Kruidhof and Christiaan Pattipeilohy  
[Funding problems in the mortgage market](#)
- No. 2 - Nicole Jonker  
[Social costs of POS payments in the Netherlands 2002-2012: Efficiency gains from increased debit card usage](#)
- No. 3 - Christiaan Pattipeilohy  
[A descriptive analysis of the balance sheet and monetary policy of De Nederlandsche Bank: 1900-1998 and beyond](#)

### *[DNB WORKING PAPERS 2013](#)*

- No 376 - Jacob Bikker  
[Is there an optimal pension fund size? A scale-economy analysis of administrative and investment costs](#)
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- No 378 - Xiao Qin and Chen Zhou  
[Systemic Risk Allocation for Systems with A Small Number of Banks](#)

- No 379 - Niels Gilbert, Jeroen Hessel and Silvie Verkaart  
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- No 380 - Mauro Mastrogiacomo  
[Reform of the mortgage interest tax relief system, policy uncertainty and precautionary savings in the Netherlands](#)
- No 381 - Christiaan Pattipeilohy, Jan Willem Van den End, Mostafa Tabbae, John Frost and Jakob de Haan  
[Unconventional monetary policy of the ECB during the financial crisis: An assessment and new evidence](#)
- No 382 - Alexander Popov and Neeltje Van Horen  
[The impact of sovereign debt exposure on bank lending: Evidence from the European debt crisis.](#)
- No 383 - Andrea Colciago  
[Imperfect Competition and Optimal Taxation](#)

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