Financial Stability Board
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TBTF Consultation

September 29, 2020

To Whom It May Concern:

We – Hans Degryse, Mike Mariathasan, and Thi Hien Tang of KU Leuven – have in parallel been investigating a question similar to that addressed in the Consultation Report. Our findings and analysis are reported in detail in the research paper "*GSIB Status and Corporate Lending: An International Analysis*", which is attached and available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3642702.

In our work, we use similar but not identical data and methodology, and have therefore read the Consultation Report and Technical Appendix with great interest. Our comments draw on our own research and primarily address Questions 3./4.(*Overall*) and 9. (*Banks' responses to reforms*).

While our results are broadly consistent with those in the Consultation Report, they are not identical. Below, we briefly highlight the main differences between our analysis and the analysis underlying the report.

Overall, it seems that the report identifies a less pronounced effect of GSIB designation on credit supply than our own investigation.

We believe that this has to do with differences in the length of the observation period (the report considers 2010-18, while we focus on +/- one year around the first GSIB designation on November 4, 2011) and the potential confounding from related events. The longer time window, for example, implies that the control group in the report includes newly designated domestic systemically important banks (DSIBs).[1] Our focus on the initial announcement further means that we capture the initial effect of both elements of the new GSIB framework – higher capital requirements *and* stricter supervision – and that we can identify the effect of stricter supervision by comparing GSIBs with larger and smaller capital surcharges. Instead, the report focuses on identifying the effect of capital regulation.

In addition, the report does not consider that the *Financial Times* repeatedly leaked lists of GSIB candidates prior to their official designation. We find differential responses between accurately predicted GSIBs and GSIBs that were not on the leaked lists, suggesting that controlling for the leak is important.

[1] We also explicitly control for any confounding from the EBA Capital Exercise (October 26, 2011).

Finally, the report focuses on loan volumes, interest margins, and maturities as main dependent variables. We further investigate real outcomes, such as, for example, whether firms are able to compensate for reduced credit supply and consider different dimensions of risk-taking (e.g., using industry tangibility, Ohlson O-scores, or lending to zombie firms).

We hope you agree with the relevance of our research for the analysis in the Consultation Report. For more detail, we refer to the aforementioned research paper. We are also available to elaborate further on our analysis and the comparison with the Consultation Report.

With kind regards,

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Thi Hien Tang (KU Leuven)