The Research Centre of the Faculty of Economics cordially invites you to a research seminar on Wednesday, 22nd February 2017 at 13 p.m. in room P-119 at the Faculty of Economics, University of Ljubljana

Authors: Vasja Sivec (STATEC/ANEC) and Matjaž Volk (Bank of Slovenia)

will present the article:

“Bank Response to Policy Related Changes in Capital Requirements”

“We investigate how banks respond to notifications on increased capital requirements. Empirical literature uses capital ratios or capital requirements to estimate their effect on bank behavior. However, capital ratios and requirements are derived from notifications on capital requirements that are known to a bank a year before they become effective and banks adapt to them before they become binding. To account for this we collect letters of notification on capital requirements to Slovenian banks for the period 2009-2015. The letters contain notification dates on capital requirements that will only became effective a year after the letter was received by a bank. We use the dates to construct bank specific capital shortfall and show that after we include the shortfall in regressions the coefficient on capital adequacy ratio becomes insignificant whereas the coefficient on shortfall is significant and quite different in magnitude. We then use the variable to show that banks with shortfall decrease loans by more than banks with a surplus, which is expected, but they also take on more risk. They shift their assets towards riskier clients. To prevent risky behavior of capital constrained banks policy makers are advised to closely supervise and mitigate credit risk-taking behavior of the affected banks.”

You can register for the free seminar by phone (01) 58-92-490, or via e-mail: research.seminars@ef.uni-lj.si by Tuesday, 21st February 2017.

You can find all information regarding future research seminars on following link: http://www.ef.uni-lj.si/raziskovanje/seminarji_in_konference

We look forward to seeing you!