Seminario de microeconomía aplicada 13: Libor Misreporting as a Bayesian Game with Unobserved Heterogeneity

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Abstract: Libor is an estimate of interbank borrowing costs computed daily by regulators from quotes submitted by a fixed panel of banks. There is evidence suggesting that several banks distorted these rates in recent years by misreporting their borrowing costs. In this paper, I use structural econometric methods from the empirical auctions literature to estimate a model of strategic quote submission that identifies a set of parameters determining banks incentives to misreport, as well as the distributions of their borrowing costs. The model is partially identified even when there is unobserved heterogeneity in the form of a common cost component that is known by all banks but unobservable to the econometrician, and that is allowed to be non-stationary. The partial identification results answer the question of how much information about the borrowing costs of banks can be inferred from their strategic quotes alone. I find that the estimated costs are more consistent with banks' CDS spreads than their quotes. When relying on additional measures of average funding costs, the estimation of the model can also be used to determine to what extent misreporting was motivated by signaling or by banks' portfolio exposure to Libor. Overall, I find that sending signals of credit worthiness seems to be the main driver of systematic misreporting.

Organizadores: Banco de la República- Cali
Lugar: Banco de la República, calle 8 # 4-30, piso 5
Hora: 10:00 a.m.
ENTRADA LIBRE

Fuente: https://www.banrep.gov.co/es/sse-cali-13