Seminario 449: What drives the funding currency mix of banks?

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Hora: 12:00 m. (refrigerio) y 12:30 p. m. (inicio del seminario)

Tiempo de exposición: 12:30 p. m. a 2:00 p.m.

Lugar: Banco de la República, carrera 7 # 14-78, piso 13 (Sala de prensa), Bogotá D.C.

Idioma de la exposición: Inglés

Resumen del documento: We draw on a new data set on the use of Swiss francs and other foreign currencies by European banks to assess the determinants of banks wholesale funding mix across foreign currencies. The data points to substantial heterogeneity in banks' use of foreign funding currencies, both across countries and across different foreign currencies. We find that banks increase their wholesale funding in a given foreign currency when the relative funding costs of the foreign currency in question falls relative to the cost of domestic currency funding, when the foreign currency appreciates and the bank is long in that currency, and when banks issue new loans in the given currency. These findings are consistent across different foreign currencies and in line with the predictions of a simple model. In contrast, we find that movements in exchange rates of other foreign currencies and exchange rate risk factors have ambiguous impacts on banks' foreign currency funding. The impact of these factors depends on the specific funding currency as well as on the type of country in question.

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