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RUNNING FOR THE EXIT: INTERNATIONAL BANKS AND CRISIS TRANSMISSION

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THIS PAPER

- ◆ investigates the factors that determine stability of cross-border bank lending in the time of crisis
- ◆ goes beyond assessing the impact of macroeconomic variables on cross-border lending
- ◆ puts emphasis on how bank's access to information about foreign borrower and its processing help limit agency problems and thus influence lending
- ◆ employs detailed micro data on cross-border syndicated bank lending from individual banks to individual countries

KEY FINDINGS

- ◆ during crisis banks tend to lend more to countries
 - that are geographically close
 - in which they have a subsidiary
 - where they have built up relationship with local banks
- ◆ stronger results for bank lending to emerging markets and for non-financial borrowers

COMMENTS: DATA AND VARIABLES

- ◆ loan distribution data available only for a quarter of the sample; is it representative enough to use similar pattern of loan distribution within syndicate also for other loans?
 - robustness check using only sample with loan distribution data
- ◆ what is the proportion of loan renewals/ lending to the same borrower with whom bank already has experience?
- ◆ measure of *experience* – account separately for cases when a bank was an arranger of the loan

COMMENTS: METHODOLOGY

- ◆ two empirical approaches implemented do not produce the same results – more robustness checks needed
- ◆ difference-in-difference estimations?
- ◆ bank specific control variables
 - only the values for certain year (2007) considered in the regressions
 - nonperforming loans ratio

COMMENTS

- ◆ cross-border lending is influenced by macroeconomic developments in both the home and host country (Jeanneau and Micu, 2002)
- ◆ only the borrower's country characteristics are controlled for – what about the lender's country?
- ◆ do lenders from advanced countries behave differently in comparison to their counterparts from emerging markets?

OTHER COMMENTS

- ◆ is this paper about crisis transmission as the title indicates?
- ◆ provide list of countries (advanced and developing) to which lending flows