Essays on bank monitoring, regulation and competition

Marinc, M.

Publication date
2008

Citation for published version (APA):

General rights
It is not permitted to download or to forward/distribute the text or part of it without the consent of the author(s) and/or copyright holder(s), other than for strictly personal, individual use, unless the work is under an open content license (like Creative Commons).

Disclaimer/Complaints regulations
If you believe that digital publication of certain material infringes any of your rights or (privacy) interests, please let the Library know, stating your reasons. In case of a legitimate complaint, the Library will make the material inaccessible and/or remove it from the website. Please Ask the Library: https://uba.uva.nl/en/contact, or a letter to: Library of the University of Amsterdam, Secretariat, Singel 425, 1012 WP Amsterdam, The Netherlands. You will be contacted as soon as possible.
Contents

1 Motivation and Outline ................................................................. 1  
   1.1 Introduction and Motivation .................................................. 1  
   1.2 Analytical Concepts ............................................................. 3  
   1.3 Outline of Dissertation ....................................................... 4  

2 Foundations of Banking .................................................................. 7  
   2.1 Introduction .................................................................................. 8  
   2.2 The Role of Banks in Monitoring ............................................... 9  
       2.2.1 Model specification .......................................................... 10  
       2.2.2 Preliminary discussion: Monitoring incentives .................... 11  
       2.2.3 Diversified intermediaries ................................................. 12  
       2.2.4 Information acquisition: Intermediaries as information sellers . 15  
       2.2.5 Asset transformation ....................................................... 16  
   2.3 Bank Fragility and Regulation .................................................. 18  
       2.3.1 Liquidity provision .......................................................... 18  
       2.3.2 Sunspot bank runs vs. information-based bank runs ............ 22  
       2.3.3 Cost of bank runs and regulatory resolutions ..................... 23  
   2.4 Is There Something Good about the SSC? .................................. 24  
       2.4.1 Analysis ............................................................................ 24  
       2.4.2 Sequential service constraint: Further thoughts ................... 28  
   2.5 Bank Capital .............................................................................. 36  
       2.5.1 Bank capital ..................................................................... 36  
       2.5.2 Bank capital and bank runs ............................................. 39  
       2.5.3 Capital regulation ............................................................ 41  
       2.5.4 Deposit insurance reconsidered ....................................... 42  
   2.6 Conclusion .................................................................................. 44  
   2.7 Appendix .................................................................................... 45  

3 Competition and Entry in Banking: Implications for Capital Regulation 49  
   3.1 Introduction ................................................................................ 50  
   3.2 The Model .................................................................................. 52  
       3.2.1 Preliminaries ..................................................................... 52
## The Maturity of Monitored Finance: Covenants and Insufficient Liquidity

8.1 Introduction .................................. 188
8.2 Model Specifications ............................. 191
8.3 Analysis ...................................... 193
  8.3.1 Long-term contract ........................... 193
  8.3.2 Short-term contract ........................... 196
8.4 Contract Choice ................................ 199
8.5 Model Extensions and Empirical Predictions ............... 202
  8.5.1 Costly covenants ............................. 202
  8.5.2 Empirical predictions and evidence ............... 203
8.6 Conclusions .................................... 205
8.7 Appendix ..................................... 206

### Bibliography

207

### Author Index

223

### Samenvatting – Summary in Dutch

227