



UvA-DARE (Digital Academic Repository)

A walk down Lombard Street : essays on banking

Ratnovski, L.

Publication date
2008

[Link to publication](#)

Citation for published version (APA):

Ratnovski, L. (2008). *A walk down Lombard Street : essays on banking*. [Thesis, fully internal, Universiteit van Amsterdam]. Thela Thesis.

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

Contents	vii
1 Introduction	1
2 Bank Liquidity Regulation and the Lender of Last Resort	5
2.1 Introduction	5
2.2 The Model	9
2.3 First Best	13
2.4 Suboptimal Liquidity	15
2.5 Policy Response	19
2.5.1 LOLR and Liquidity	20
2.5.2 LOLR and Capitalization	21
2.6 Discussion	23
2.7 Conclusions	28
3 Liquidity and Transparency in Bank Risk Management	33
3.1 Introduction	33
3.2 What is Bank Transparency?	37
3.3 A Model of Liquidity Risk	39

3.3.1	Economy and Agents	39
3.3.2	Solvency Concerns and Liquidity Risk	39
3.4	Liquidity Risk Management	42
3.4.1	Instruments	42
3.4.2	Hedging Strategies	43
3.4.3	Optimal Risk Management	44
3.5	Suboptimal Risk Management	46
3.5.1	Private Payoffs	46
3.5.2	Risk Management Choices	47
3.6	Multitasking in Liquidity Regulation	48
3.7	Robustness	50
3.8	Conclusions	51
3.9	Proofs	51
4	Credit Standards, Information, and Competition	57
4.1	Introduction	57
4.2	Setup	60
4.3	The First Best	61
4.4	Credit Standards and "Poaching"	63
4.5	Liquidity Shocks and "Unloading"	66
4.6	Conclusions	72
5	Nederlandse Samenvatting (Summary in Dutch)	75
	Bibliography	77