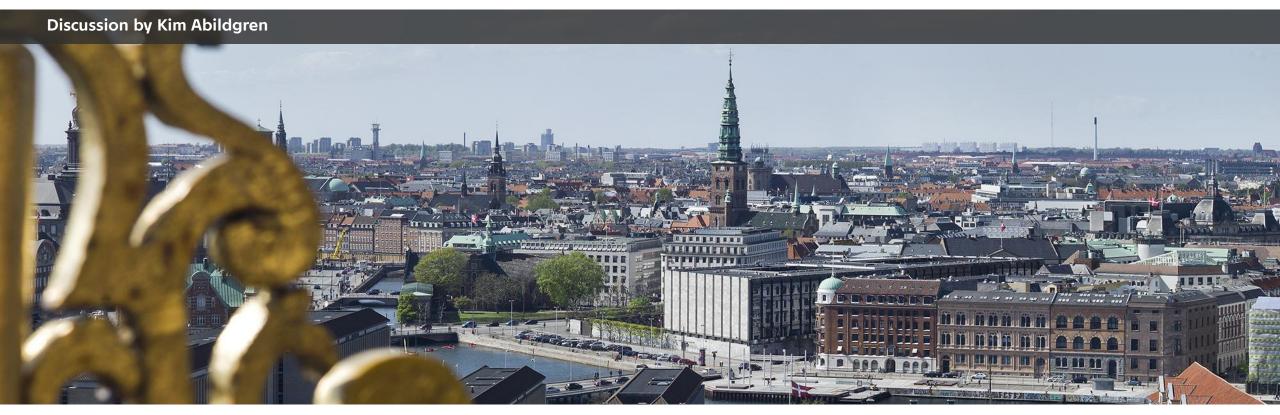
DANMARKS NATIONALBANK

7th EBA Policy Research workshop, "Reaping the benefits of an integrated EU banking market", London, 28-29 November 2018.

Mathias Schaller and Michael Sigmund, "The Capital Buffer Calibration for Other Systemically Important Institutions – Is there too much Country Heterogeneity?"





Views and conclusions expressed in the presentation are those of the presenter and do not necessarily represent those of Danmarks Nationalbank.

Brief recap of the paper

Bachground:

Only EBA guidelines for OSII identification - not buffers.

Research question:

 Do the national translation processes of OSII-scores into capital buffers result in a consistent outcome across all EU countries?

Approach:

Ordered probit, count data, quantile regressions.

Key findings:

 On average banks with a higher OSII-score receive a higher OSII buffer. However, country specific dummies are more important.

Policy implications:

Need for guidelines for translation of OSII-scores into buffers?



Overall assessment

- Topic of great interest for policy makers and regulators.
- Clear focus and easy to follow.
- Well-crafted empirical bank-level study.
- Adds to the literature.



Major comments - 1

- It happens that a country only applies systemic risk buffers (SRB) and not OSII-buffers.
- In such cases, some results in the paper appear somewhat misleading.
- It should be considered to exclude such countries from the analysis.



Major comments - 2

- The introduction and motivation for the paper could deserve a little more work.
 - It would benefit the reader to have the definition of systemic risk clarified.
 - The "regulatory approach" is described as "a simple scoreboard approach" compared to the "academic approach" (SRISK, CoVAR). Is this a fair and balanced description?



Major comments - 3

- It would strengthen the paper to include a discussion on whether there are good reasons for country heterogeneity in the calibration of capital buffers for OSII.
 - What were the arguments for leaving this issue to the national regulators in the first place?
 - Do/should differences in financial structures matter?



More detailed comments

- More than half of the abstract devoted to background for the study.
- It is argued that market-based measures can not be used for OSIIs since not all OSIIs are listed companies. Some figures are mentioned (4% listed in the UK, 3% in France and 1% in Germany). Do these figures really refer to OSIIs or to the entire banking system?
- Brownlees & Engle (2015) is now available in a journal version.
- The authors might consider including a reference to Engle, Jondeau & Rockinger (2015), where the SRISK measure is applied in a European context.

Tuesday, November 13, 2018

Summing up

- Great paper that presents the results of a very policy-relevant and well-conducted empirical study.
- A revised version of the paper should be of interest for a good field journal.

