



EUROPEAN CENTRAL BANK

EUROSYSTEM

# Discussion: Effects of Bank Capital Requirements on Lending by Banks and Non- bank Financial Institutions

First Annual Czech  
National Bank Workshop

Prague, 13-14 June 2024



**Linda Rousová (ECB\*)**

\*The views expressed are mine and do not necessarily reflect those of the ECB or the Eurosystem.

# Summary

## Question:

- Impact of a sudden increase in bank capital requirements on the lending activity by (i) directly affected banks, (ii) non-affected banks and (ii) non-affected non-bank financial institutions (NBFIs)?

## Data and methodology:

- Difference-in-difference regressions using German credit register data

## Results:

- NBFIs and non-affected banks expand their corporate lending relative to affected banks
- NBFIs expand credit activities particularly in riskier and more competitive borrower segments

# Big picture comments

## **Lending vs debt securities:**

- Analysis restricted to lending activity but loans provided by NBFIs are quite limited, compared to NBFIs' investment in debt securities
- Substitution effect can occur also through NFC bond issuance

## **One-off sudden capital increase vs other capital increases:**

- To what extent could the results be generalised (e.g. in the context of CCyB)?

# More detailed comments

**Table 1:** not significant coefficients for firm-level FE regs (small # of observations)  
→ include non-EBA banks and NBFIs as one group?

**Tables 7-8:** interactions with dummy variables (moderate/high risk firms; moderate/low HHI) → continuous variables?

**Table 7 (interpretation):** more lending by NBFIs to moderate/high risk firms because of difference in regulatory standards – but similar results also for non-EBA banks

**HHI index:** good measure of competition? → other measures (e.g. Lerner index)?

Thank you and well done!