EUROPEAN CENTRAL BANK

EUROSYSTEM

International Bank Lending Channel of Monetary Policy
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Comments

- International bank lending channel stresses the importance of bank balance sheet factors as a propagation mechanism
  - Authors' regressions are at the country level;
  - Direct identification of supply-side factors key to the identification of the channel
  - The effects can still be the outcome of demand side factors

- The period of the study covers QE1 and QE2
  - QE can pollute the results at the end of the sample
  - Other studies showed significant international spillovers from unconventional momentary policy

Suggestions for improvement

- Run the study at the bank level
  - directly controlling for balance sheet characteristics
  - interacting the measures of monetary policy shocks with bank variables
  - to directly identify the international bank lending channel
  - And understand better the channels: which banks, which characteristics?

- Control directly for the QE period
  - Include in the equations a QE variable (central bank balance sheet/GDP)
  - Shorten the sample to pre-QE period

Questions

- VIX: why in periods of lower volatility cross-border lending increases reacts stronger to monetary policy tightenning?
  – Safe heaven flows increase in turmoils
  – US dollar funding markets less accessible in stressed conditions

- Was there any structural change in cross-border lending after the Lehman collapse?
  – The claim increase has never gained the same since
  – How to capture for that regime shift in the regressions?