

IWH Research Seminar in Economics

Montag, 15. Mai 2017, 14:15–15:45 Uhr, Konferenzsaal im Erdgeschoss



Googling for Risk – Evidence from UK Offshore Deposits

Dr. Matthieu Chavaz, Bank of England

This paper studies the link between bank risk, and the attention that retail depositors pay to it depending on deposit insurance. We propose a new measure of depositor attention, the Google search frequency for a given bank name. To control for deposit insurance, we use a novel weekly dataset in which a same group of banks offer exactly similar deposit products in jurisdictions with similar institutional framework but different insurance coverage, the UK and its Crown dependencies. We find that banks with higher liquidity risk offer higher rates offshore, but not onshore. Second, risky banks offer higher rates onshore and offshore when attention increases, but this effect is higher offshore. These results provide the first evidence that the combination of deposit insurance and depositor attention is key for disciplining bank liquidity risk.

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