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• Canadian banks were less affected by financial crisis despite having sophisticated financial system

• What are the key sources of Canadian banks’ resilience?
  ▶ Pre-crisis fundamentals
  ▶ Regulatory and structural factors

• Interesting to think about comparative financial systems and inherent financial fragility
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• Collect financial data for Canadian and other OECD banks (BankScope)
  ▶ Equity ratio, liquidity ratio, deposit ratio

• Regress performance during crisis on pre-crisis financial ratios
  ▶ Use 4 different performance measures
  ▶ Cross-section of 72 banks

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- Signf. *interaction effect* btwn equity and deposit ratio (interesting!)
Technical comments

- Do probits report marginal effects or coeff estimates?
- Lacking sense of economic importance
- Sign of marginal effect of interaction term in probit is function of all independent variables in regression
  - Sign may differ from coeff estimate

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