

Discussion of
Why are Canadian banks more resilient?
by Ratnovski & Huang

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What they ask

- 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
- Discuss how Canadian regulation and supervision may have improved resilience

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Empirical findings

- Liquidity ratio has predictive power esp. for banks that perform *extra* poorly
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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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Other comments

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- ...but nice to corroborate our expectations
- More generally, I'm unsure what I'm supposed to take away from your analysis
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