Accepted Manuscript

Funding liquidity risk and internal markets in multi-bank holding companies: Diversification or internalization?

Kim Cuong Ly, Katsutoshi Shimizu

PII: S1057-5219(17)30217-X
Reference: FINANA 1176


Received date: 23 August 2017
Revised date: 10 December 2017
Accepted date: 28 December 2017


This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.
Funding liquidity risk and internal markets in multi-bank holding companies: Diversification or internalization?  

Kim Cuong Ly\textsuperscript{a,*}, Katsutoshi Shimizu\textsuperscript{b}

\textsuperscript{a}School of Management, Swansea University  
\textsuperscript{b}Department of Economics, Nagoya University

Abstract

This study examines how a multi-bank holding company (MBHC) manages funding liquidity risk through its internal liquidity market, how its internal liquidity market works, and the benefits that its member banks enjoy. The results provide evidence that the diversification effect mostly dominates the internalization effect. A new entrant into an MBHC structure benefits from holding lower liquidity and raising deposits at lower costs than a non-MBHC structure, suggesting that MBHCs have enjoyed scant liquidity at the cost of mismatch risk. We find that other member banks also enjoy the benefits of diversified risk when a new entrant joins, suggesting that MBHCs manage liquidity in response to changes in funding liquidity risk. However, internalization is more important for MBHCs that have large numbers of subsidiaries. Whichever types of mergers/acquisitions are chosen by an MBHC, the diversification effect appears. Basel III liquidity regulations would mitigate the mismatch risk at the cost of distorted internal liquidity markets.

Keywords: funding liquidity risk, merger and acquisition, bank holding company, Basel III, Net Stable Funding Ratio

\textit{JEL classification: G21; G28; G18; G14; G32}  
Version 7 December 2017

\textsuperscript{*}The authors thank conference participants at the INFINITI Conference on International Finance 2017 (Spain), the Nippon Finance Association (NFA) Annual Meeting 2017, and the World Finance Conference 2017 (Italy) and seminar participants at Swansea University. We extend our appreciation to Samuel Vigne for his valuable discussion at the INFINITI Conference and to Heather Montgomery for her discussion at the NFA meeting, which resulted in the improvement of this version of the manuscript.

*Kim Cuong Ly, School of Management, Swansea University  
Address: Room 229, Swansea Bay Campus, Fabian Way, Crymlyn Burrows, Swansea SA1 8EN, United Kingdom

Email addresses: k.c.ly@swansea.ac.uk (Kim Cuong Ly), shimizu@soec.nagoya-u.ac.jp (Kim Cuong Ly)

Preprint submitted to Elsevier  
January 4, 2018
دریافت فوری متن کامل مقاله

<table>
<thead>
<tr>
<th>مرحله</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ امکان دانلود نسخه تمام متن مقالات انگلیسی</td>
</tr>
<tr>
<td>✓ امکان دانلود نسخه ترجمه شده مقالات</td>
</tr>
<tr>
<td>✓ پذیرش سفارش ترجمه تخصصی</td>
</tr>
<tr>
<td>✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله</td>
</tr>
<tr>
<td>✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله</td>
</tr>
<tr>
<td>✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب</td>
</tr>
<tr>
<td>✓ دانلود فوری مقاله پس از پرداخت آنلاین</td>
</tr>
<tr>
<td>✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات</td>
</tr>
</tbody>
</table>