Accepted Manuscript

Title: Determinants of the Capital Adequacy Ratio of Foreign Banks’ Subsidiaries: The Role of Interbank Market and Regulation

Author: Mehdi Mili Jean-Michel Sahut Hatem Trimeche Frédéric Teulon

PII: S0275-5319(16)30030-7
DOI: http://dx.doi.org/doi:10.1016/j.ribaf.2016.02.002
Reference: RIBAF 484

To appear in: Research in International Business and Finance

Received date: 17-7-2014
Revised date: 2-2-2016
Accepted date: 8-2-2016

Please cite this article as: Mili, M., Sahut, J.-M., Trimeche, H., Teulon, F., Determinants of the Capital Adequacy Ratio of Foreign Banks’ Subsidiaries: The Role of Interbank Market and Regulation, Research in International Business and Finance (2016), http://dx.doi.org/10.1016/j.ribaf.2016.02.002

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.
Determinants of the Capital Adequacy Ratio of Foreign Banks’ Subsidiaries: The Role of Interbank Market and Regulation

Mehdi Mili\textsuperscript{a}, Jean-Michel Sahut\textsuperscript{b}jmsahut@gmail.com, Hatem Trimeche\textsuperscript{c}, Frédéric Teulon\textsuperscript{d}

\textsuperscript{a}University of Bahrain, CBA
\textsuperscript{b}IDRAC, France & HEG Fribourg, University of Applied Sciences Western Switzerland
\textsuperscript{c}High School of Management of Sousse, Tunisia
\textsuperscript{d}IPAG Business School Paris, France

Phone: +33651032488

Abstract
This paper examines the factors influencing the capital adequacy ratio (CAR) of foreign banks. We test whether the CAR of subsidiaries and branches in developed and developing countries depends on the same factors. We use data from 310 subsidiaries and 265 branches to test the impact of the parent banks’ fundamentals on subsidiaries’ and branches’ capital ratios. We also study how the economic condition and regulatory environment in a bank’s home country determine foreign banks’ CAR. Our results provide strong evidence that the CAR of subsidiaries and branches operating in developing and developed countries do not depend on the same set of explanatory factors. We also find that the regulatory framework of a parent bank’s home country affects the capitalization of its foreign subsidiaries in the host countries. Finally, we show that specific variables of the parent bank have a stronger effect for foreign banks highly related to the interbank market.

Keywords
Capital adequacy ratio, Multinational bank, Interbank market, Regulation, Branch, Subsidiary

JEL classification codes
F15, F34, G21.

1. Introduction
Banks and regulators have adopted international banking regulations based on recommendations of the Basel Committee to promote the soundness of the global banking system (Agarwal and Jacques; 2001). These regulations require that banks properly assess their risks, since a weak banking system threatens the stability of the economy on national and international scales. Generally perceived as a prerequisite for the proper functioning of global banking systems, the regulatory model recommended by the Basel Committee is fundamentally based upon the “paradigm of supervision of bank capital,” as proposed by Caprio and Honohan (1999). In this context, the capital adequacy ratio (CAR), one of the principal regulatory tools used to control and scrutinize a bank’s financial health, has received particular attention from international regulatory authorities. According to Sinkey (1989), regulators use the CAR as an important measure of the “safety and soundness” of depository institutions because they consider capital a safety margin capable of absorbing potential losses. Several studies have examined the capital structures of banks in several countries in order to identify the determinants of the CAR; most have tried to explain how a bank’s financial health affects the CAR’s evolution.
دریافت فوری متن کامل مقاله

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