1. Record Nr. UNINA9910461975003321

Autore	Boot Arnoud W. A (Willem Alexander), <1960->
Titolo	Banking and trading [[electronic resource] /] / Arnoud W. A. Boot and Lev Ratnovski
Pubbl/distr/stampa	Washington, D.C., : International Monetary Fund, c2012
ISBN	1-4755-1248-1 1-4755-1246-5
Descrizione fisica	1 online resource (49 p.)
Collana	IMF working paper ; ; WP/12/238
Altri autori (Persone)	RatnovskiLev
Soggetti	Banks and banking Stocks Electronic books.
Lingua di pubblicazione	Inglese
Formato	Materiale a stampa
Livello bibliografico	Monografia
Note generali	Description based upon print version of record.
Nota di bibliografia	Includes bibliographical references.
Nota di contenuto	Cover; Contents; I. Introduction; II. Relationship to the Literature; III. Model; A. Approach; B. Credit Constraints; C. Banking; D. Trading; IV. Benefits of Conglomeration; V. Time Inconsistency of Capital Allocation; A. Setup: Long-term Banking; B. The Consequences of Time Inconsistency; C. Cost of Conglomeration under Time Inconsistency; VI. Trading as Risk-Shifting; A. Setup: Risky Trading; B. Risk-Shifting; C. The Interaction of Time Inconsistency and Risk Shifting; VII. Discussion; A. Front-loaded Income in Relationship Banking; B. External Equity and Internal Capital Allocation C. Policy Implications VIII. Conclusion; References; Figures; 1. The Timeline; 2. The Timeline with Time Inconsistency; 3. Relationship Banking Allocation R as a Function of Trading Opportunities; 4. The Volume of Banking (R) and Trading (T), and Profits ()under Conglomerated Banking; 5. The Volumes of Banking (R)and Trading (T), and Profits () with Risk-shifting; 6. Time Inconsistency Arises due to a Higher Return to Trading under Risk-shifting ("Effect 1"); 7. Risk-shifting Arises due to a Higher Volume of Trading, Driven by Time Inconsistency ("Effect 2")
Sommario/riassunto	We study the effects of a bank's engagement in trading. Traditional banking is relationship-based: not scalable, long-term oriented, with

high implicit capital, and low risk (thanks to the law of large numbers). Trading is transactions-based: scalable, shortterm, capital constrained, and with the ability to generate risk from concentrated positions. When a bank engages in trading, it can use its ?spare' capital to profitablity expand the sc