

# Discussion of “Distortive Effects of Deposit Insurance” (by Cucic, Iyer, Kokas, Peydro, Pica)

Florian Heider (SAFE)



Depositors with balances above the insurance limit  
 reduce balance more if bank has high loan-to-asset ratio



Change in deposits (within depositor!) from end-2007 to end-2008  
 (limited coverage)

Outcome: $\Delta$ Deposits	Individuals with 2+ banks in 2007 Year: 2008			
	(1)	(2)	(3)	(4)
Exposed	-0.005*** (0.001)	-0.018*** (0.002)	-0.015*** (0.002)	
Above 300K		-0.514*** (0.004)	-0.498*** (0.004)	-0.502*** (0.004)
Exposed X Above 300K			-0.051*** (0.006)	-0.051*** (0.006)

Depositors with balances above the insurance limit  
 reduce balance less if bank has high loan-to-asset ratio



Outcome: $\Delta$ Deposits	Individuals with 2+ banks in 2007				
	Year: 2008				Year: 2009
	(1)	(2)	(3)	(4)	(5)
Exposed	-0.005 <sup>***</sup> (0.001)	-0.018 <sup>***</sup> (0.002)	-0.015 <sup>***</sup> (0.002)		
Above 300K		-0.514 <sup>***</sup> (0.004)	-0.498 <sup>***</sup> (0.004)	-0.502 <sup>***</sup> (0.004)	-0.279 <sup>***</sup> (0.004)
Exposed X Above 300K			-0.051 <sup>***</sup> (0.006)	-0.051 <sup>***</sup> (0.006)	0.019 <sup>***</sup> (0.005)

## The 2010 re-introduction of insurance limit

	(1)	(2)
After reform	0.25*** (0.04)	0.11** (0.04)
Exposed bank	-0.07 (0.11)	
After reform x Exposed bank	0.10 (0.07)	-0.02 (0.08)
Below 750K	0.91*** (0.07)	0.91*** (0.06)
After reform x Below 750K	0.54*** (0.05)	0.54*** (0.05)
Below 750K x Exposed bank	-0.15 (0.12)	-0.15* (0.09)
After x Below x Exposed bank	0.32*** (0.08)	0.32*** (0.09)
Observations	17,485	17,485
R2	0.50	0.65
Bank FEs		Yes
Bank-range FEs		
Bank-time FE		
Range-time FE		



Why not within depositor as before?

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Could the increase  
breach the limit?

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And more so at banks with high loans-to-deposit ratio

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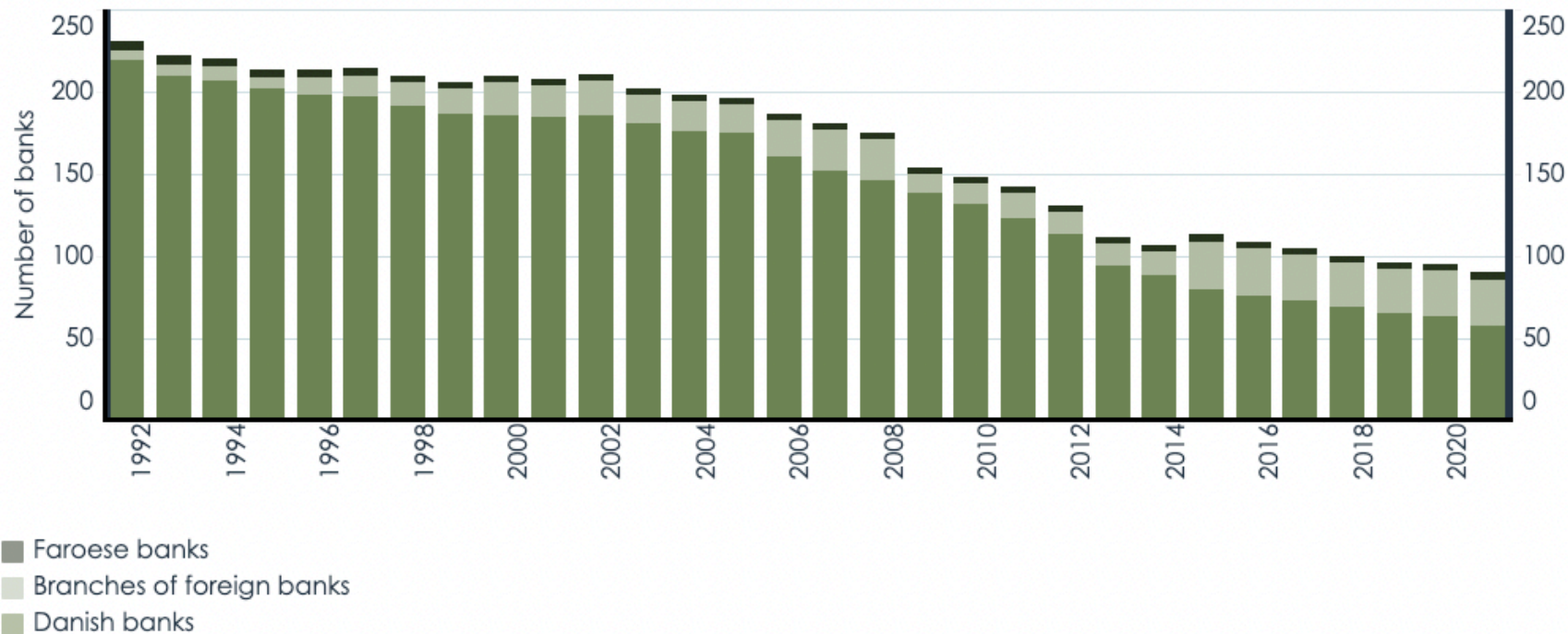


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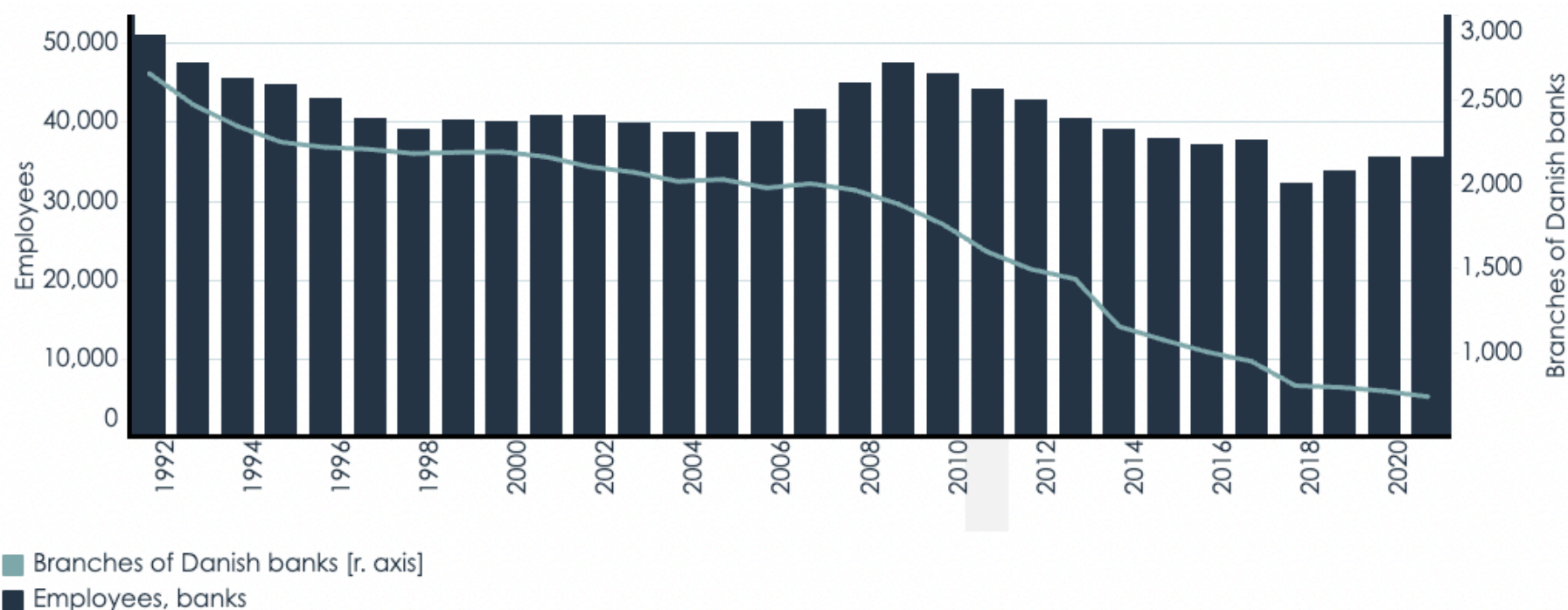
Where do the deposits come from?



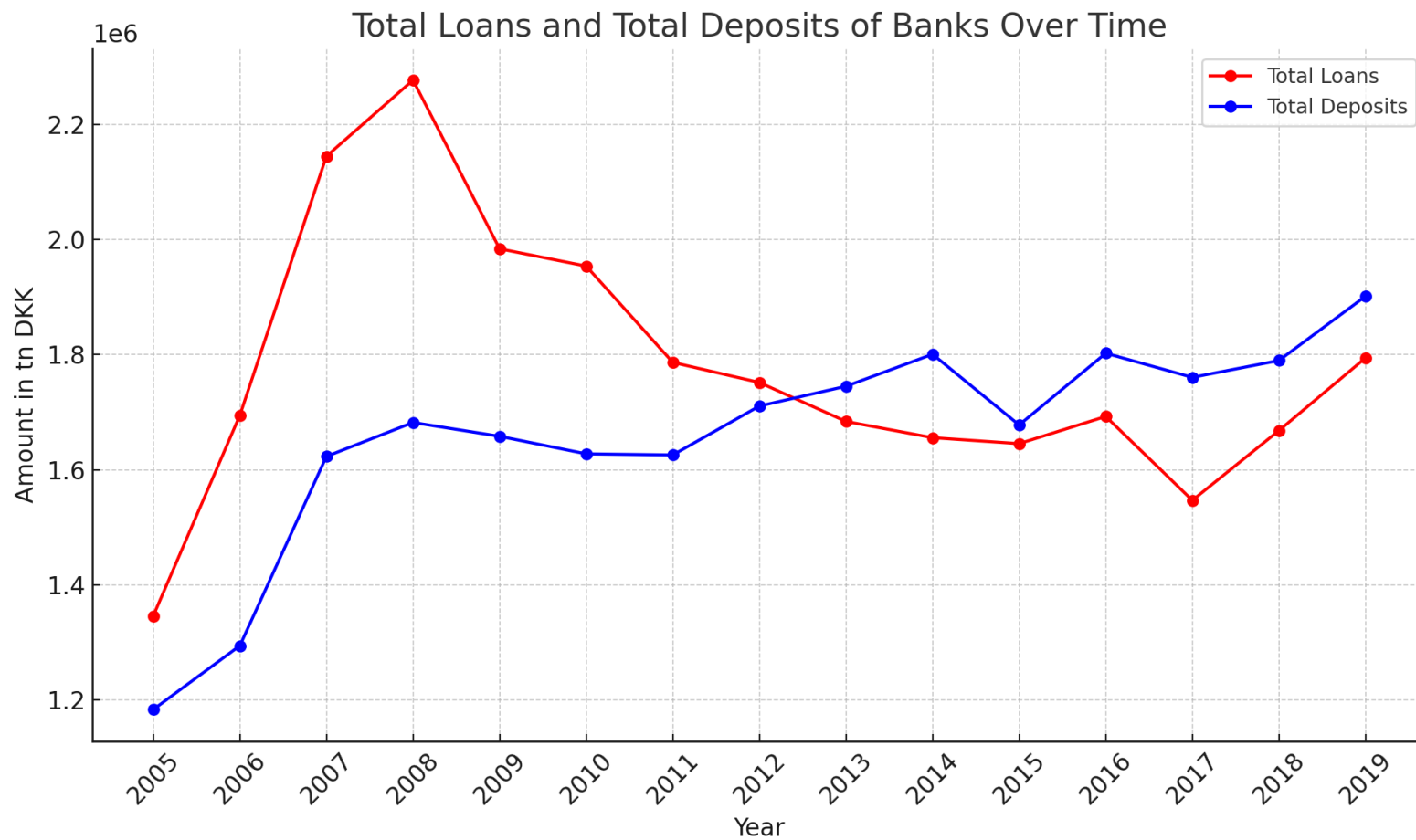
# Consolidation in Danish banking: fewer banks



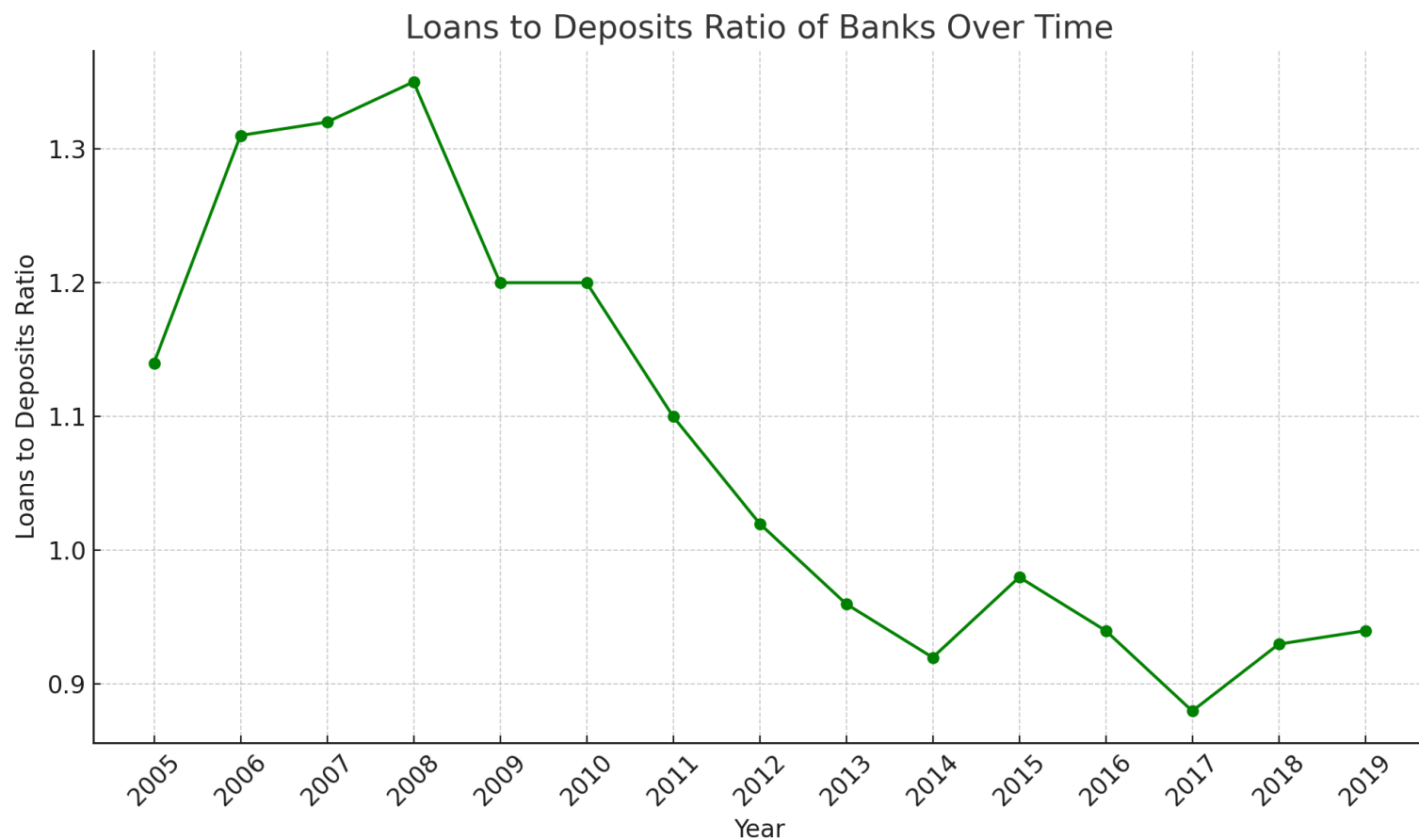
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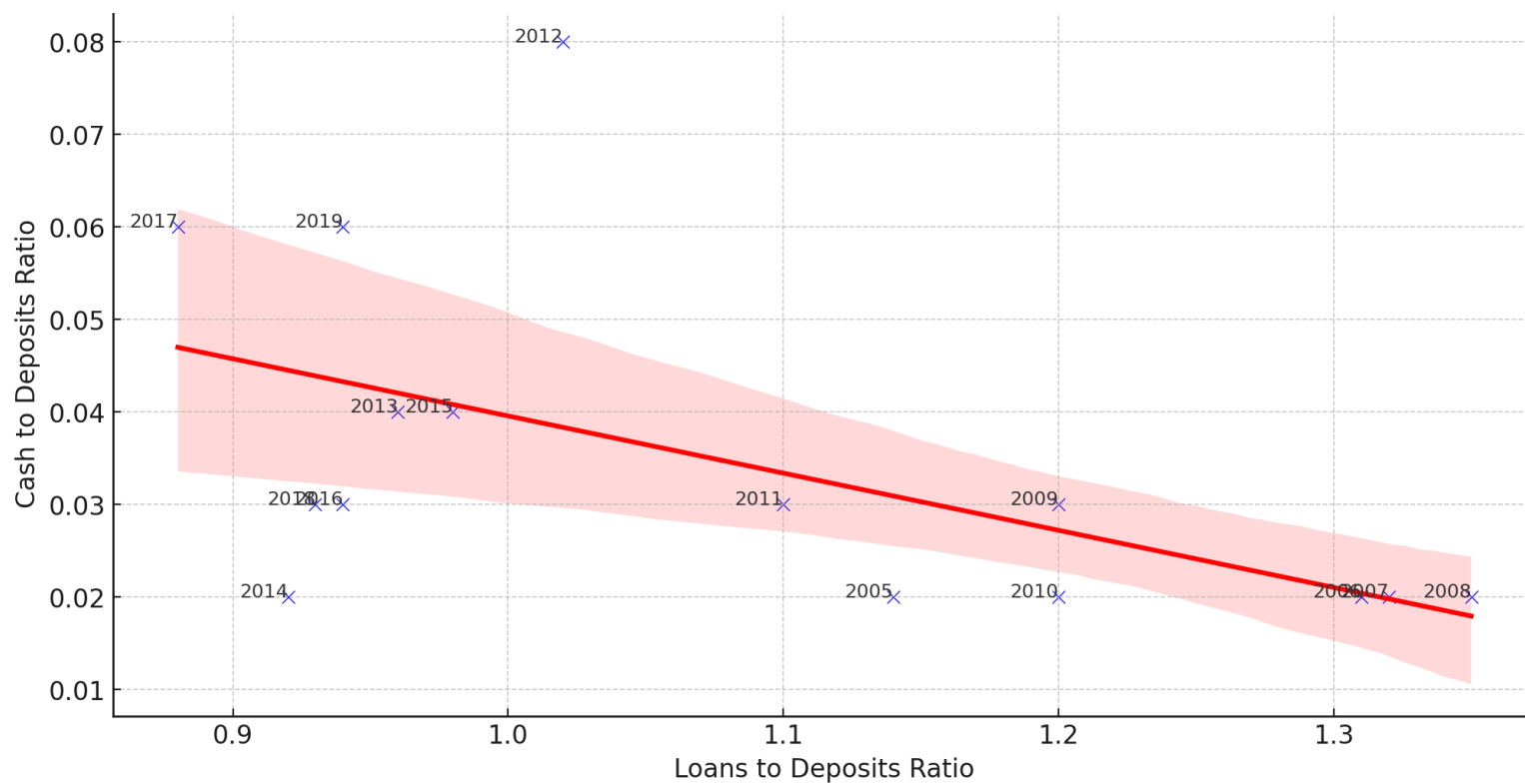
# Fundamental change in Danish banking sector?



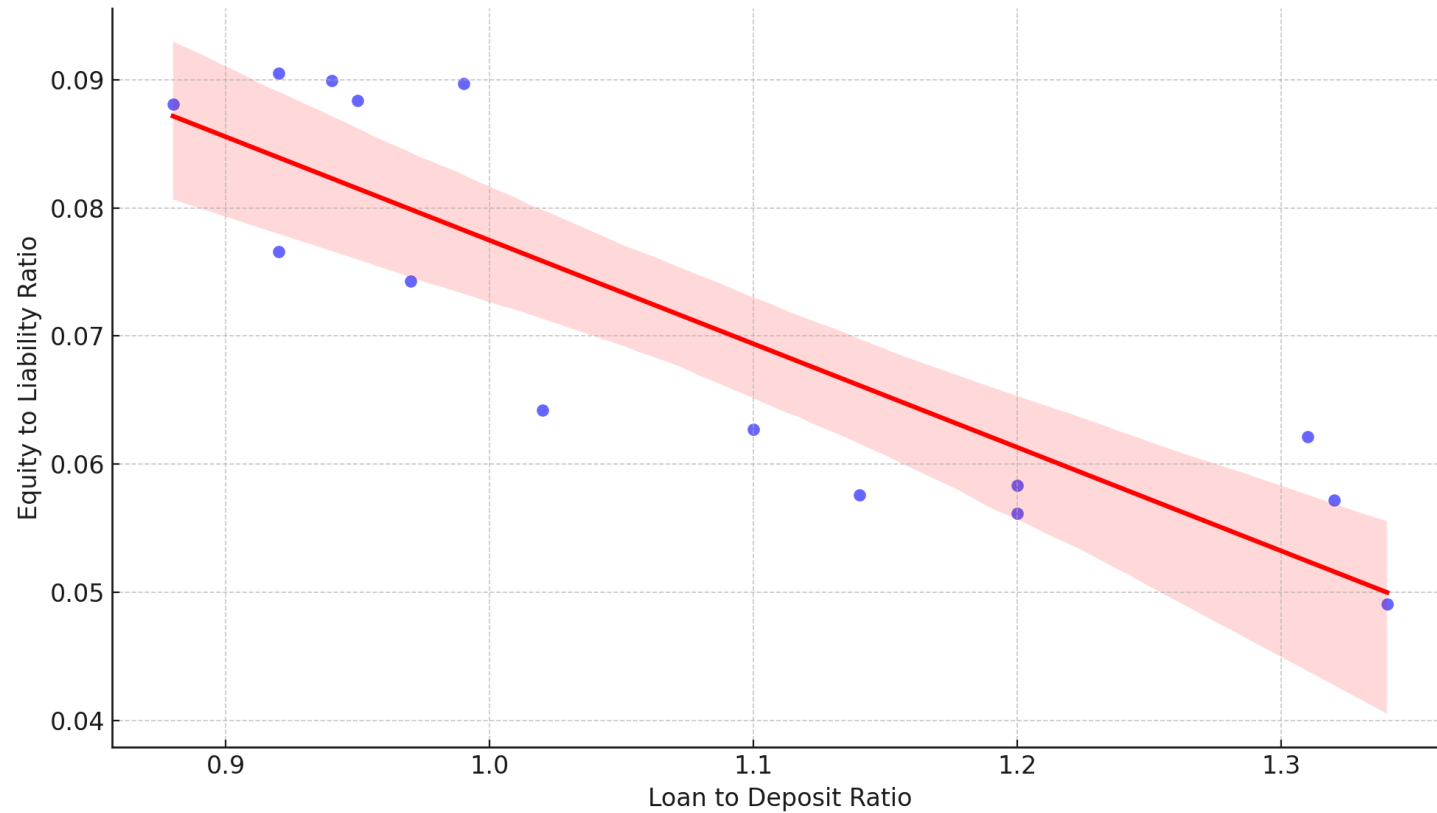
# Fundamental change in Danish banking sector?



# What does the loan-to-deposit ratio measure? Liquidity?



# What does the loan-to-deposit ratio measure? Solvency?



# Summary



Great data, unique insights possible

Analysis seems early

Exploit depositor-level data more

Other measures of illiquidity