

Documents

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Net Stable Funding Requirement under Basel III: Loan Portfolio Growth Matters

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Abstract

This paper evaluates the perceived stability-enhancing role of the net stable funding ratio (NSFR) requirement under Basel III and its impact on the balance sheets of banks. Using data from 647 banks located in 47 countries from 2003 to 2013, we find that the NSFR would have played a financial stability-enhancing role if it had been implemented during the sample period. However, the NSFR requirement would also have had a loan portfolio shrinkage affect and increases the possibility of sub-optimal loan portfolio selection. Our results suggest that there are costs and benefits to implementing the NSFR requirement. © 2018 Korean Securities Association

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