

Tracing Bank Runs in Real Time

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October 18, 2023

Overview

Big picture question: What drives bank runs?

- ▶ Panics (coordination failures), fundamentals, liquidity

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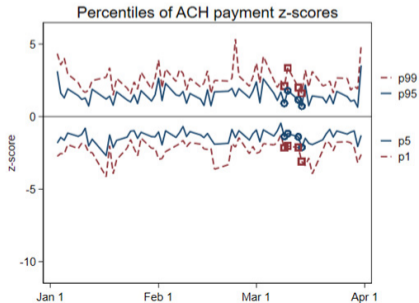
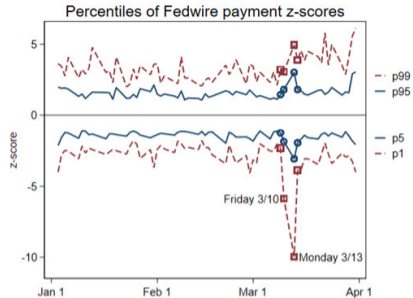
- ▶ Panics (coordination failures), fundamentals, liquidity

This paper: Anatomy of bank runs during regional banking crisis 2023

- 1 When and where did runs happen?
- 2 Who run?
- 3 How did banks respond?
- 4 Who failed?

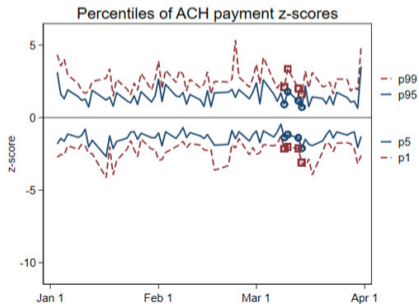
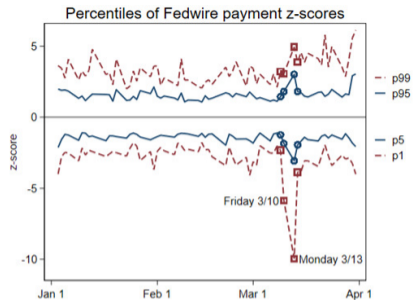
Identifying Bank Runs

- ▶ Data: High-frequency data on deposit flows
 - ▶ Fedwire (institutional) and ACH (retail)
- ▶ Identify bank runs from abnormal outflows
 - ▶ A bank is run if $z \equiv \frac{\text{inflows} - \mu}{\sigma} \leq -5$



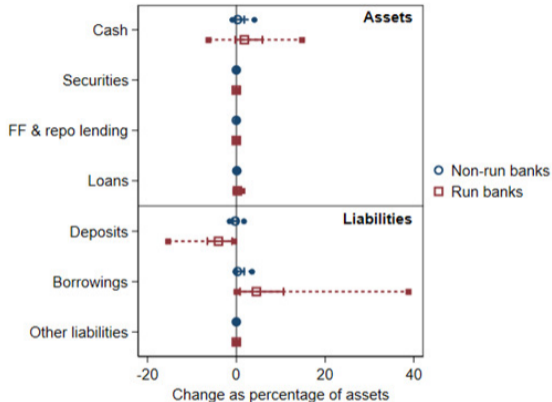
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- ▶ Findings:
 - ▶ Fast runs: between March 9 and March 15
 - ▶ Large depositors run, small depositors do not run
 - ▶ 22 run banks, 2 failed banks
 - ▶ Flight to safety



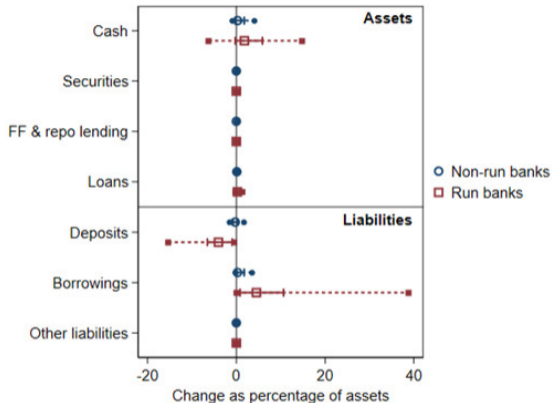
How did (surviving) run banks respond?

- ▶ ↓ Deposits, ↑↑ Borrowing
- ▶ Increase in cash holdings (even for non-banks)
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- ▶ Restore deposits by increasing deposit rates



Are run banks different from non-run banks?

- ▶ Run banks have relatively
 - ▶ lower cash holdings
 - ▶ lower capital ratios
 - ▶ higher and more concentrated uninsured deposits
- ▶ Not all banks with bad fundamentals are run. Runs are hard to predict!
- ▶ Publicly traded banks are more likely to experience runs
 - ▶ stock prices as public signals (?)
- ▶ Q: Size distribution of depositors?

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 - ▶ Heterogeneity in depositor base, asset holdings, size, ownership

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 - ▶ Dynamic runs: He and Xiong (2012), Liu (2023)