



Bank Liquidity Hording and Financial Crisis: An Empirical Evaluation

By Federal Reserve Board

Createspace, United States, 2014. Paperback. Book Condition: New. 279 x 216 mm. Language: English . Brand New Book ***** Print on Demand *****.The Federal Reserve Board tested and found supporting evidence for the precautionary motive hypothesis of liquidity hoarding for U.S. commercial banks during the recent financial crisis. They also found that banks held more liquid assets in anticipation of future losses from securities write-downs. Exposure to securities losses in their investment portfolios and expected loan losses (measured by loan loss reserves) represent key measures of banks on-balance sheet risks, in addition to off-balance sheet liquidity risk stemming from unused loan commitments. Furthermore, unrealized securities losses and loan loss reserves seem to better capture the risks stemming from banks asset management and provide supporting evidence for the precautionary nature of liquidity hoarding. Moreover, also found that more than one-fourth of the reduction in bank lending during the crisis is due to the precautionary motive.

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