



Seminarios de Macroeconomía y Finanzas

Collateral Runs

Expositor: Sebastian Infante – Federal Reserve Board

Lunes 16 de Diciembre, 13:00 a 14:30 hrs

Sala de Conferencias, Agustinas 1180, piso 3

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Los Seminarios de Macroeconomía y Finanzas tienen como objetivo difundir investigación académica y aplicada de investigaciones del Banco y externos.

Abstract

This paper models an unexplored source of liquidity risk faced by large broker-dealers: collateral runs. By setting different contracting terms on repurchase agreements with cash borrowers and lenders, dealers can source funds for their own activities. Cash borrowers internalize the risk of losing their collateral in case their dealer defaults, prompting them to withdraw it. This incentive creates strategic complementarities for counterparties to withdraw their collateral, reducing a dealer's liquidity position and compromising her solvency. Collateral runs are markedly different than traditional wholesale funding runs because they are triggered by a contraction in dealers' assets, and thus mitigating these risks involve different policy recommendations.