

Discussion of “The Global Banking Network in the Aftermath of the Crisis: Is There Evidence of De-globalization”,  
by Eugenio Cerutti and Haonan Zhou

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# This paper

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- Considers global banking network dynamics
  - Model-free and data driven
  - Directed (lender=> borrower), nationality-based flows
- Very clear on network metrics and interpretations
  - Reasonable and appropriate
- Finds evidence of de-globalization
  - Connections with traditional global lenders have become sparser
  - Decreasing dependence on traditional lending countries
  - Increasing regionalization

# Data

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- BIS International Banking Statistics Consolidated Banking Statistics (CBS) data
- Highlight trade-off between overstating role of intermediate nodes (LBS) vs. overstating linkages for countries with a lot of foreign bank affiliates (CBS)
- Use bank-level data from Bankscope to supplement data

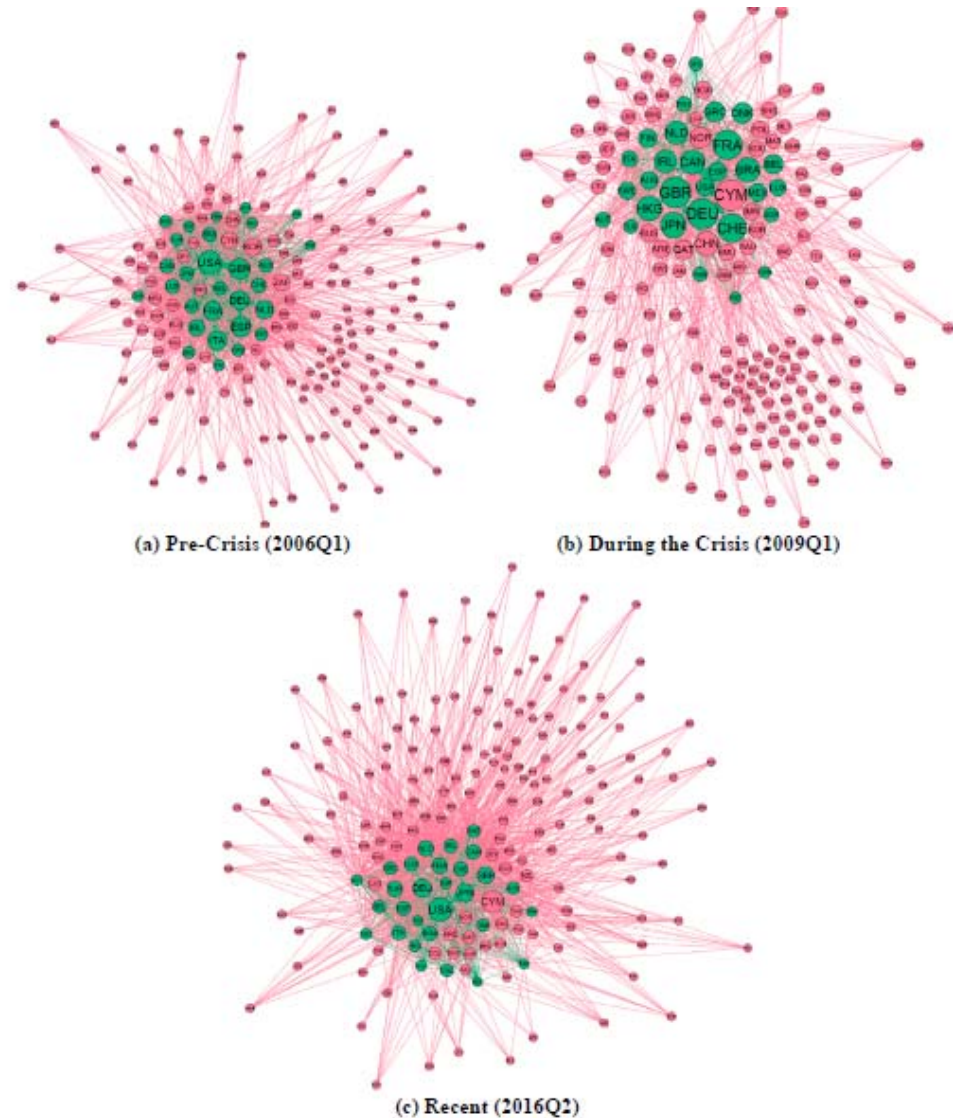
# Network

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- Network Built up/gleaned from data directly
- 29 reporting countries, <160 non-reporting countries, over 45 quarters
- How big an issue is missing data?
- Directionality of edges restricted to only core countries ( $A_{ijt} = 0$  if  $i$  is a non-reporting country)
- No path from peripheral countries to core countries, nor between two peripheries
- “Authority/hub measure is especially suitable [for networks] with clearly-defined country groups” – but this is an artifact of the way the network is constructed!

# Add table to complement Figure 3

- Lower number and weaker strength of connections in crisis period
- Recent period has seen modest recovery of connections
- Weaker interconnectedness of European countries compared to 2006Q1
- Italy and Portugal pushed farther from the center of network



# Suggestions and discussion

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- Greater blurring of lines between bulge-bracket firms and smaller competitors?
- “Persistent decline of non-global European lenders’ importance in the network and the steady rise of lenders from other regions”
  - Implications for systemic risk/financial stability?
- Be more agnostic on interpretation of analysis
  - Causal direction/endogeneity
  - Regulatory changes that have mandated change in firm structure/reorganization
  - “borrowers have reduced their dependence on core global lenders” => “have been forced to reduce”?
- First paragraph of conclusion does not seem to match rest of paper

# Minor comments

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- Define LBS and CBS earlier
- Lot of slicing/dicing: Define different groups in one place
  - Core/Non-Global European/Non-Global RoW
  - Reporting/non-reporting
  - Traditional/non-traditional
  - Authority/Hub
  - AE/EM/Offshore/Peripheral
  - Cross-Border/Local
  - Continent-Regional/Subregional
  - etc...
- Some missing definitions
  - Forced-based algorithm
  - Fruchterman-Reingold algorithm
- Robustness to crisis definition (2008Q1 to 2009Q2)

# Conclusions

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- Very nice paper
- Data driven  $\Leftrightarrow$  data dependent
- Convincing evidence of de-globalization and shift toward increasing regionalization
- Role of changes in organizational structure (demand or supply story)