Séminaire Economie et Econometrie CREST

Jeudi 12 Novembre 2009 - de 14 h à 15 h 30

en Salle s022, à l'INSEE, 15 Boulevard Gabriel Péri, 92245 MALAKOFF *(Métro : Malakoff/Plateau de Vanves), immeuble "Malakoff II".*

Henri PAGES ***(Banque de France, DGEI)***

Présentera une communication :

Bank Incentives and Optimal CDOs

Résumé : How could originating institutions disentangle systemic risk from the risks they should control without ruining their incentives to monitor? The paper examines a delegated monitoring problem between investors and a bank holding a portfolio of correlated loans displaying “contagion.” Moral hazard prevents the bank from monitoring continuously unless it is compensated with the right incentive-compatible contract. The asset pool is liquidated when losses exceed a state-contingent cut-off rule. The bank bears a relatively high share of the risk initially, as it should have high-powered incentives to monitor, but its long term financial stake tapers off as losses unfold. Liquidity regulation based on securitization can replicate the optimal contract. The sponsor provides an internal credit enhancement out of the proceeds of the sale and extends protection in the form of weighted tranches of collateralized debt obligations. In compensation the trust rewards the sponsor with servicing and rent-preserving fees for outcomes that signal monitoring, i.e., if a long enough period elapses with no losses occurring. Rather than being detrimental, well-designed securitization seems an effective means of implementing the second best.

En savoir plus : http://www.crest.fr/content/view/234/143/