

NEW: We have upgraded our email alerts. You can sign up using the 'Email alerts' panel available on most pages, or in your Oxford Academic personal account, where you can also manage any existing alerts.

JOURNAL ARTICLE

Why Don't All Banks Practice Regulatory Arbitrage? Evidence from Usage of Trust-Preferred Securities

Get access >

, ,

The Review of Financial Studies, Volume 29, Issue 7, July 2016, Pages 1821–1859,
<https://doi.org/10.1093/rfs/hhw007>

Published: 09 February 2016

Abstract

We investigate why only some banks use regulatory arbitrage. We predict that banks wanting to be riskier than allowed by capital regulations (constrained banks) use regulatory arbitrage, while others do not. We find support for this hypothesis using trust-preferred securities issuance, a form of regulatory arbitrage available to almost all U.S. banks from 1996 to Dodd-Frank. We also find support for predictions that constrained banks are riskier, perform worse during the crisis, and use multiple forms of regulatory arbitrage. We show that neither too-big-to-fail incentives nor misaligned managerial incentives are first-order determinants of this type of regulatory arbitrage.

Received November 27, 2014; accepted December 17, 2015 by Editor Philip Strahan.

© The Author 2016. Published by Oxford University Press on behalf of The Society for Financial Studies. All rights reserved. For Permissions, please e-mail: journals.permissions@oup.com.

JEL: G01 - Financial Crises, G21 - Banks; Depository Institutions; Micro Finance Institutions; Mortgages, G28 - Government Policy and Regulation

Issue Section: Articles

You do not currently have access to this article.

Sign in

 [Get help with access](#)


Personal account

- Sign in with email/username & password
- Get email alerts
- Save searches
- Purchase content
- Activate your purchase/trial code
- Add your ORCID iD

[Sign in >](#)

[Register](#)

Institutional access

 [Sign in through your institution](#)

[Sign in through your institution](#)

[Sign in with a library card](#)

[Sign in with username/password](#)

[Recommend to your librarian](#)

Institutional account management

[Sign in as administrator](#)

Purchase

[Subscription prices and ordering for this journal](#)

[Purchasing options for books and journals across Oxford Academic](#)

Short-term Access

To purchase short-term access, please sign in to your personal account above.

Don't already have a personal account? [Register](#)

Why Don't All Banks Practice Regulatory Arbitrage? Evidence from Usage of Trust-Preferred Securities - 24 Hours access

EUR €53.00

GBP £44.00

USD \$58.00

Rental



This article is also available for rental through DeepDyve.

