

Sovereign Crises and Bank Financing: Evidence from the European Repo Market

[Author & abstract](#)[Download](#)[10 Citations](#)[Related works & more](#)[Corrections](#)

Author

Listed:

- Charles Boissel
(HEC Paris - Ecole des Hautes Etudes Commerciales)
- Frannois Derrien
- Evren Ors
(GREGH - Groupement de Recherche et d'Etudes en Gestion à HEC - HEC Paris - Ecole des Hautes Etudes Commerciales - CNRS - Centre National de la Recherche Scientifique)
- David Thesmar
(GREGH - Groupement de Recherche et d'Etudes en Gestion à HEC - HEC Paris - Ecole des Hautes Etudes Commerciales - CNRS - Centre National de la Recherche Scientifique)

Registered:

- [David Thesmar](#)

Abstract


How do crises affect Central clearing Counterparties (CCPs)? We focus on CCPs that clear and guarantee a large and safe segment of the repo market during the Eurozone sovereign debt crisis. We start by developing a simple framework to infer CCP stress, which can be measured through the sensitivity of repo rates to sovereign CDS spreads. Such sensitivity jointly captures three effects: (1) the effectiveness of the haircut policy, (2) CCP member default risk (conditional on sovereign default) and (3) CCP default risk (conditional on both sovereign and CCP member default). The data show that, during the sovereign debt crisis of 2011, repo rates strongly respond to movements in sovereign risk, in particular for GIIPS countries, indicating significant CCP stress. Our model suggests that repo investors behaved as if the conditional probability of CCP default was very large.

Suggested Citation

Charles Boissel & Frannois Derrien & Evren Ors & David Thesmar, 2014. "[Sovereign Crises and Bank Financing: Evidence from the European Repo Market](#)," [Working Papers](#) hal-02002697, HAL.

Handle: *RePEc:hal:wpaper:hal-02002697*

Note: View the original document on HAL open archive server: <https://hal-hec.archives-ouvertes.fr/hal-02002697>

Export reference 

as

HTML



IDEAS is a [RePEc](#) service hosted by the [Research Division](#) of the [Federal Reserve Bank of St. Louis](#). RePEc uses bibliographic data supplied by the respective publishers.