
 Download This Paper (Delivery.cfm/SSRN_ID2707702_code1688367.pdf?abstractid=2406895&mirid=1)

Open PDF in Browser (Delivery.cfm/SSRN_ID2707702_code1688367.pdf?abstractid=2406895&mirid=1&type=2)

 Add Paper to My LibraryShare:    

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

*Charles A. Dice Center Working Paper No. 2014-01**European Corporate Governance Institute (ECGI) - Finance Working Paper No. 457/2015**Fisher College of Business Working Paper No. 2014-03-01**Swiss Finance Institute Research Paper No. 14-21*

59 Pages

Posted: 13 Mar 2014

Last revised: 24 Dec 2015

Nicole M. Boyson (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=102917)


Northeastern University - D'Amore-McKim School of Business

Rüdiger Fahlenbrach (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=107971)

École Polytechnique Fédérale de Lausanne; Swiss Finance Institute; European Corporate Governance Institute (ECGI)

René M. Stulz (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=17753)


Ohio State University (OSU) - Department of Finance; National Bureau of Economic Research (NBER); European Corporate Governance Institute (ECGI)

 There are 2 versions of this paper

Date Written: December 14, 2015

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 (TPS) 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.

Keywords: Regulatory arbitrage; bank capital requirements; quality of bank capital**JEL Classification:** G01, G21, G28[Suggested Citation](#) >[Show Contact Information](#) > Download This Paper (Delivery.cfm/SSRN_ID2707702_code1688367.pdf?abstractid=2406895&mirid=1)

Open PDF in Browser (Delivery.cfm/SSRN_ID2707702_code1688367.pdf?abstractid=2406895&mirid=1&type=2)

11 References

1. Viral V Acharya , Nirupama Irvind Gujral , Hyun Song Kulkarni , Shin

Dividends and bank capital in the financial crisis of Posted: 2007

Crossref (<https://doi.org/10.3386/w16896>)

2. Viral V Acharya , Matthew Richardson

Causes of the financial crisis

We use cookies that are necessary to make our site work. We may also use additional cookies to analyze, improve, and personalize our content and your digital experience. For more information, see our [Cookie Policy](#)

Policy (<https://www.elsevier.com/legal/cookiepolicy>)

3. Viral V Acharya , Philipp Schnabl , Gustavo Suarez

[Cookie Settings](#)[Accept all cookies](#)

Journal of Financial Economics , volume 107 , p. 515 - 556 Posted: 2015

4. Matteo P Arena

The corporate choice between public debt, bank loans, traditional private debt placements, and 144A debt issues

Review of Quantitative Finance and Accounting , volume 36 , p. 391 - 416 Posted: 2011

Crossref (<https://doi.org/10.1007/s11156-010-0182-3>)

Load more

0 Citations

Fetch Citations

Do you have a job opening that you would like to promote on SSRN?

Place Job Opening (<https://www.ssrn.com/index.cfm/en/Announcements-Jobs/>)

Paper statistics

DOWNLOADS	398
ABSTRACT VIEWS	3,671
RANK	131,673

7 Citations

11 References

PlumX Metrics



(https://plu.mx/ssrn/a/?ssrn_id=2406895)

Related eJournals

Ohio State University, Fisher College of Business Research Paper Series (https://papers.ssrn.com/sol3/JELJOUR_Results.cfm?form_name=journalBrowse&journal_id=917143)

Follow



Swiss Finance Institute Research Paper Series (https://papers.ssrn.com/sol3/JELJOUR_Results.cfm?form_name=journalBrowse&journal_id=901079)

Follow



View more >

Recommended Papers

Bank Risk Taking and Competition Revisited (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=879190&rec=1&srcabs=2406895&pos=1)

By John H. Boyd (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=31753) and Gianni De Nicolò (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=231366)

We use cookies that are necessary to make our site work. We may also use additional cookies to analyze,

improve, and personalize our content and your digital experience. For more information, see our [Cookie Policy](#)

Liberalization, Moral Hazard in Banking and Prudential Regulation: Are Capital Requirements Enough? (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=92288&rec=1&srcabs=2406895&pos=2)

By Thomas F. Hellmann (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=15675) and Kevin C. Murdock (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=15675)

By Thomas F. Hellmann (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=15675) and Kevin C. Murdock (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=15675)


Cookie Settings

Accept all cookies


Competition and Financial Stability (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1297769&rec=1&srcabs=2406895&pos=3)

By Franklin Allen (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=2686031) and Douglas M. Gale (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=46424)

[View more >](#)

[Feedback](#) 


[Submit a Paper >](https://hq.ssrn.com/submission.cfm) (<https://hq.ssrn.com/submission.cfm>)

[SSRN Quick Links](#) 


[SSRN Rankings](#) 

[About SSRN](#) 

 (<https://www.facebook.com/SSRNcommunity/>)

 ([https://www.linkedin.com/company/493409?](https://www.linkedin.com/company/493409?trk=tyah&trkInfo=clickedVertical%3Acompany%2CentityType%3AentityHistoryName%2CclickedEntityId%3Acompany_493409%2Cidx%3A1)

[trk=tyah&trkInfo=clickedVertical%3Acompany%2CentityType%3AentityHistoryName%2CclickedEntityId%3Acompany_493409%2Cidx%3A1](https://www.linkedin.com/company/493409?trk=tyah&trkInfo=clickedVertical%3Acompany%2CentityType%3AentityHistoryName%2CclickedEntityId%3Acompany_493409%2Cidx%3A1)

 (<https://twitter.com/SSRN>)

(<http://www.elsevier.com/>)

[Copyright](https://www.ssrn.com/index.cfm/en/dmca-notice-policy/) (<https://www.ssrn.com/index.cfm/en/dmca-notice-policy/>)

[Terms and Conditions](https://www.ssrn.com/index.cfm/en/terms-of-use/) (<https://www.ssrn.com/index.cfm/en/terms-of-use/>)

[Privacy Policy](https://www.elsevier.com/legal/privacy-policy) (<https://www.elsevier.com/legal/privacy-policy>)

All content on this site: Copyright © 2023 Elsevier Inc., its licensors, and contributors. All rights are reserved, including those for text and data mining, AI training, and similar technologies. For all open access content, the Creative Commons licensing terms apply.

We use cookies to help provide and enhance our service and tailor content.

To learn more, visit [Cookie Settings](#).



(<http://www.relx.com/>)

(<https://papers.ssrn.com/sol3/updateInformationLog.cfm?process=true>)

We use cookies that are necessary to make our site work. We may also use additional cookies to analyze, improve, and personalize our content and your digital experience. For more information, see our [Cookie Policy](https://www.elsevier.com/legal/cookiepolicy) (<https://www.elsevier.com/legal/cookiepolicy>)

[Cookie Settings](#)

[Accept all cookies](#)