A service of the
ZBW (HTTP://WWW.ZBW.EU)

ECONSTOR
Make Your Publications Visible.

EconStor (/) / Federal Reserve Bank of New York (/handle/10419/60474)
/ Staff Reports, Federal Reserve Bank of New York (/handle/10419/60475)

Please use this identifier to cite or link to this item: **https://hdl.handle.net/10419/60876**

Title:

Financial intermediary leverage and value-at-risk

Authors:

Adrian, Tobias
Shin, Hyun Song

Year of Publication:

2008

Series/Report no.:

Staff Report No. 338

Publisher:

Federal Reserve Bank of New York, New York, NY

Abstract:

We study a contracting model of leverage and balance sheet size for financial intermediaries that fund their activities through collateralized borrowing. Leverage and balance sheet size increase together when measured risks decrease. When the loss distribution is exponential, the behavior of intermediaries conforms to the Value-at-Risk (VaR) rule, in which exposure is adjusted to maintain a constant probability of default. In a system context, increased risk reduces the debt capacity of the financial system as a whole, giving rise to amplified de-leveraging by institutions through the chain of repo transactions.

Subjects:

Security brokers and dealers
contracting in financial institutions

JEL:

D02
G20
G32

A service of the
ZBW (HTTP://WWW.ZBW.EU)

Document Type:

Working Paper

Appears in Collections:

Staff Reports, Federal Reserve Bank of New York

Files in This Item:

File	Size
587554681.pdf (https://www.econstor.eu/bitstream/10419/60876/1/587554681.pdf)	302.5 kB

Download Statistics (/esstatistics/10419/60876?year=2026&month=9)

BibTeX-Export (/bibtexexport/10419/60876/Adrian2008Financial.bib)

Items in EconStor are protected by copyright, with all rights reserved, unless otherwise indicated.

Contact (/contact) | Imprint (/Impressum) | Privacy (/Datenschutz) | Sitemap (/staticpagessitemap) | Accessibility (/erklaerung-zur-barrierefreiheit) | Deutsch (?locale=de)