

# Banks' Foreign Currency Revaluations and Liquidity Creation

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# Strengths of the work

- Elegant idea to exploit the unique feature of the Russian banking data that reports the value of revaluations in the domestic currency of individual banks' FX-denominated assets and liabilities
  - So, it gives an opportunity to test some hypothesis which are untestable in another countries
- A large array of detailed microdata on the Russian banking system
  - More than 25k observations
- Simple, well explained and effective empirical strategy
  - Panel data fixed effects models
- An interesting result has been obtained regarding the importance of the market structure
  - Net revaluations and total capital ratio impact depends on level of market concentration

# Ways of improvements

- The choice of the lag structure in the baseline model and its modifications deserves more detailed comments
  - Why are lags used? Why just the first lag?
  - Are the results robust to changing this structure?
- When testing hypothesis 4, it is advisable to conduct a formal test for the coincidence of coefficient estimates in panels A and B.
  - For example, in models from the second column (table 6), such a hypothesis is likely not to be rejected for an interaction term even at a 10-percent significance level
  - This may affect the validity of conclusions about the effect of concentration of the banking sector
- Policy implications
  - How can the Bank of Russia use the results obtained?

Thanks!