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Comments to “Debt Holder Monitoring and Implicit Guarantees: Did the BRRD Improve Market Discipline?

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Main comments

- Nice and well done empirical paper
- Diff-in-Diff approach
  - Within banks and time variation
  - Previous trends
  - Robustness
  - Falsification test

Main comments

- Minor ….may be……..magnitude and relevance of the estimated impact (0.1 percentage points)
- Compared to what?.......other policies?
- Implications for financial stability?

Specific comments

- Theory and hypothesis
- Empirical implementation
  - External validity: sample and context
  - Additional questions

Theory and hypothesis

- What are the expected effects of BRRD?
- Some discussion
- Main ideas
  - "The bail-in threat should therefore induce debt-holders to monitor bank risk taking"
  - This threat may be not credible (uncertain effects)

Theory and hypothesis

- Link with theory

- Can you provide a model (or discussion of some of them) linking the policy change and expected effects?

- Useful for looking at the uncertain expected impact due to credibility

  - Conditions ⇨ testable hypotheses ⇨ identification

Theory and hypothesis

- Link with theory
- Can you provide a model (or discussion of some of them) linking the policy change and expected effects?
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Empirical implementation

- Two concerns with external validity
- Sample selection: issued bonds with some maturity conditions
  - Which bonds?, which banks?
  - More information on sample and market shares

Empirical implementation

- Context
- Sample is for normal times
- Should the relevant impact of BBRD be evaluated on normal times or during financial stress?
- Critical for policy implications

Empirical implementation

- Additional questions can be addressed to strength the results
- Paper focuses on the impact of BBRD on banking bonds
- If true….what additional effects can we expect?
- Banking performance?, credit growth?