

Contents

Acknowledgments	vii
Contents	ix
List of Tables	xiii
List of Figures	xiv
1 Introduction	1
2 Strains on money market makers and money market tensions	13
2.1 Introduction	13
2.2 Related Literature	16
2.3 Data and variable construction	19
2.3.1 Data set	19
2.3.2 General variables	20
2.3.3 Key variables	21
2.4 Descriptive statistics	23
2.5 Methodology	25
2.5.1 Econometric strategy	25
2.5.2 Model specifications	25
2.6 Empirical Results	27
2.7 Robustness checks	32
2.8 Conclusions	33
Appendix to Chapter 2	36

3 How to preserve market discipline as a Lender of Last Resort?	45
3.1 Introduction	45
3.2 Open market operations and the LOLR facility	49
3.3 Data	51
3.4 Bank's Willingness-to-Pay	53
3.5 Model and Variables	55
3.6 Empirical Results	59
3.7 Robustness Checks	62
3.8 Concluding remarks	63
Appendix to Chapter 3	64
4 Money market frictions and borrowing from the Euro-system's LLR facility	75
4.1 Introduction	75
4.2 Related literature	79
4.3 Institutional description and design	82
4.4 Data and variables	83
4.5 Variable construction	85
4.6 Descriptive statistics	88
4.7 Methodology	90
4.8 Model specifications	91
4.9 Empirical results	92
4.9.1 Who borrows from the LLR?	92
4.9.2 Frictions prevailing in the interbank market	94
4.9.3 Marginal effects for Model 9	97
4.9.4 What effect had the ECB's liquidity injections?	98
4.9.5 Robustness checks	100
4.10 Conclusions	102
Appendix to Chapter 4	104
5 Has the ECB's LLR facility a different option value across banks?	115
5.1 Introduction	115
5.2 Related literature	118
5.3 Institutional description	121

5.4	Data and variables	122
5.4.1	Data	123
5.4.2	Crisis and non-crisis periods	123
5.4.3	Variable set up	124
5.4.4	Mean variable construction	127
5.4.5	Descriptive statistics	128
5.5	Methodology	131
5.5.1	Econometric strategy	131
5.5.2	Model specifications	132
5.6	Empirical Results	135
5.7	Conclusions	141
5.8	Policy Implications	142
	Appendix to Chapter 5	144
	Bibliography	155