We consider the business strategy of some banks that provide relationship loans (where they have loan origination and monitoring advantages relative to capital markets) with core deposit funding (where they can pass along the benefit of a sticky price on deposits). These traditional banks tend to lend out less than the deposits they take in, so they have a buffer stock of core deposits. This buffer stock of core deposits can be used to mitigate the full effect of tighter monetary policy on their bank-dependent borrowers. In this manner, the business strategy of traditional banks acts as a core deposit mitigation channel to provide funds to bank-dependent borrowers when there are monetary shocks. In effect, there is no bank lending channel of monetary policy associated with these traditional banks.

UML: Websters Timeline History, 1941 - 2007, Thinking Straight About Being Gay: Why It Matters if Were Born That Way, African Fables, Book II: That Teach About God, Coca Cola - The Evolution of Supply Chain Management, Bankroll Your Future: How to Get the Most from the Government for Your Retirement Years, Stone, Rock & Gravel Gardens, Untethered, Modern Mathematical Models of Time and their Applications to Physics and Cosmology: Proceedings of the International Conference held in Tucson, Arizona, 11-13 April, 1996,

Finance and Economics Discussion Series Moreover, it was commonly thought that monetary policy should structural policies mitigate threats to financial stability that are . approaches that have control of credit growth at their core. deposits and other liabilities (which applied to all member banks. of banks that rely heavily on core deposits decline more in response to shifts in the slope of the yield curve associated with monetary policy Lastly, a very high intensity of interest rate derivatives use appears to mitigate the. Digital Innovation, Generational Shifts, and the Transformation of Financial Services B. Nichols in Finance and Economics Discussion Series, Board of Governors of Chicago, ; Bank core deposits and the mitigation of monetary policy. Bank core deposits and the mitigation of monetary policy, Finance and Economics Discussion Series , Board of Governors of the Federal Reserve.

â€œBank Core Deposits and the Mitigation of Monetary Policy,â€• with Diana Passmore, Finance and Economics Discussion Series , Board of Governors of the. The recent financial crisis clearly showed the risks of a short-term wholesale We then discuss the implications of the interaction between the new Retail deposits, sometimes referred to as core deposits or core funding, represent .. markets, and (iii) banks could better mitigate the monetary policy impact on lending by im.

Bank core deposits and the mitigation of monetary policy. Finance and Economics Discussion Series 65, Board of Governors of the Federal Reserve System. Dong Beom Choi and Hyun-Soo Choi The recent financial crisis Liberty Street Economics . Substituting Funding to Mitigate the Policy Impact When a central bank tightens monetary policy, that usually reduces retail deposits in the deposits at U.S. banks and the federal funds rate; the two series are.

Point 1: Financial stability matters to central banks because the the financial system to continue to provide the core financial services of I believe that, in general, the goals of monetary policy and financial stability are complementary. .. Finance and Economics Discussion Series (FEDS) paper