

Feature Articles

This month's focus: The 2023 Banking Turmoil and Preparing for a Future Financial Crisis

Digital Bank Run

Masami Yamamoto

If financial institutions lose “trust” for any reason, many deposits can be suddenly and simultaneously withdrawn by many depositors. Over the past decade, internet banking and mobile banking apps are increasingly and widely common all over the world. Such fintech development has pros and cons, and the improvement of financial convenience possibly leads to “Digital Bank Runs” and to “Bank failures” as a worst-case scenario. What's worse, financial institutions are also increasingly exposed to false or misleading information on social media. Continuity of financial soundness can be a key factor to avoid depositors' anxiety and disruptions in the first place. In addition, appropriate ex-ante and ex-post responses to “Digital Bank Runs”, including deep dives, dry runs and fire drills in the financial sectors and preemptive measures of the financial authorities for financial stability are becoming ever more essential.

Risk Management Challenges for Regional Banks in a Rising Interest Rate Environment: Lessons from the 2023 U.S. Regional Bank Turmoil and Preparing for a Future Financial Crisis

Tsuyoshi Oyama

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The chain of failures among major regional banks in the United States in March 2023 starkly revealed the vulnerability of bank management when interest rates suddenly rise. This paper revisits the factors behind the collapse of U.S. regional banks, focusing particularly on the impact of rising interest rates. It also examines the situation of Japanese regional banks in relation to these factors, given Japan's current rapid rise in interest rates. Finally, it considers lessons regional banks and authorities should learn, including conducting stress testing to assess banks' resilience to future changes in financial conditions.

Lessons and Challenges from the Credit Suisse and AT1 Bond Turmoil

Naoko Kakugawa

This paper examines the background to the failure of Credit Suisse Group (CS) and its subsequent rescue acquisition by its competitor, UBS Group (UBS) in March 2023, along with the impact on AT1 bonds. It also summarizes lessons and challenges for preparing for the next financial crisis. Gauging regulatory trends and a thorough analysis of bank fundamentals are crucial in this regard.

Feature Articles

[A Practical Perspective on International Financial Regulatory Debates](#)

Kentaro Tamura

The landscape of international financial regulation is undergoing rapid changes. Non-bank financial intermediaries (NBFIs) have grown to play a key role in global financial intermediation, while exponential technological advancements such as AI and quantum cryptography are beginning to transform the fundamental nature of financial services. With nearly twenty years having elapsed since the Global Financial Crisis (GFC), discussions have emerged regarding the "modernization" of financial regulation and supervision. In this context, this text reviews international financial regulatory developments post-GFC, exploring the practical considerations for addressing international regulatory discussions. It focuses on three core aspects: (1) balancing financial stability with growth, (2) choosing appropriate regulatory and supervisory approaches, and (3) addressing challenges related to NBFI data.

Articles

[The Impact of Scope 3 and Category 11 Disclosures on Stock Returns in the Japanese Market](#)

Toshiyuki Furukawa

In recent years, Scope 3 greenhouse gas emissions disclosures, which cover emissions across the entire supply chain, have attracted increasing attention in corporate greenhouse gas reporting, and in Japan, the mandatory disclosure of Scope 3 is under consideration. However, because measuring Scope 3 emissions is considered highly challenging and disclosure remains voluntary, the number of firms providing such disclosures is smaller than for Scope 1 and Scope 2, for which disclosure is mandatory; accordingly, empirical research on Scope 3 remains limited. Using disclosure data from listed companies for fiscal years 2020 to 2022, this study analyzes the impact of Scope 3 disclosure, as well as disclosure of Category 11 (emissions from the use of sold products), a major component of Scope 3, on stock returns. The results show that Scope 3 disclosure as a whole does not have a statistically significant effect on stock returns, whereas Category 11 disclosure has a positive effect on stock returns. This suggests that investors pay greater attention to specific categories within Scope 3 than to Scope 3 disclosure overall. In addition, the study identifies the characteristics of firms that disclose Category 11. As mandatory Scope 3 disclosure is being considered, this study provides practical and policy implications for investor evaluation mechanisms and firms' cost of capital.
