IB LAB

International Banking LAB

Quarterly Newsletter

N°01 - November 2026

Click **here** to subscribe

UNIVERSITÄT LEIPZIG Economics | University of St Andrews Business School | CENTRE FOR RESPONSIBLE BANKING & FINANCE CRBF

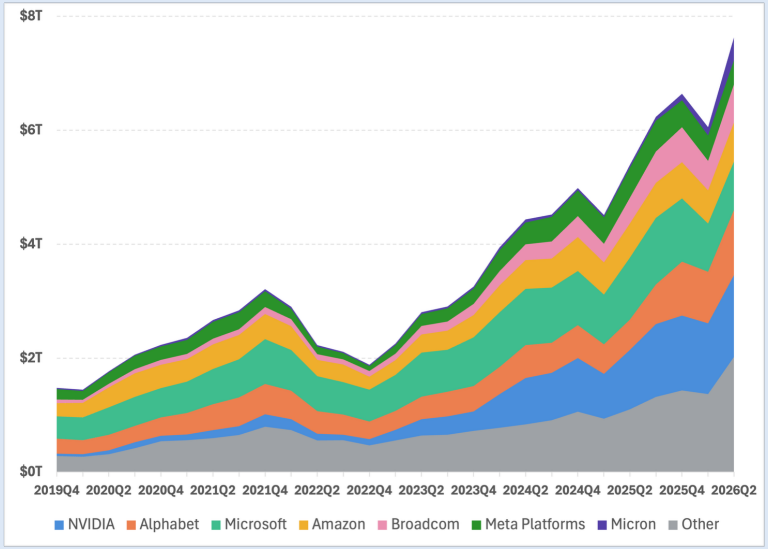
International Banking Leipzig–St Andrews Bulletin

The bulletin is supported by Leipzig University, the University of St Andrews and the Centre for Responsible Banking and Finance. The newsletter's topics comprise current developments and research on cross-border financial flows, financial intermediation and regulation of banks and news types of financial intermediaries. It also provides updates on new datasets and conferences. The **1st issue** of the newsletter, compiled by Trang Do, Eleonora Sfrappini and Lena Tonzer, presents research on how banks manage liquidity, capital, and risk in response to regulation and accounting rules.

U.S. funds pile into AI

The chart shows U.S. investment funds' holdings of equity in 38 AI companies between 2019Q4 and 2026Q2. The chart shows the seven largest holdings in 2026Q2 separately, with the remaining 31 companies grouped as "Other". Holdings rose more than fivefold, from about $1.5 trillion to over $7.6 trillion. After falling to $1.9 trillion during the 2022 tech sell-off, they have roughly quadrupled. NVIDIA (blue) is now the largest position: its share rose from under 3% to almost 19%, or $1.4 trillion. In 2026Q2 alone, holdings jumped by $1.6 trillion, led by Micron, whose value nearly tripled, and smaller AI firms. As holdings are reported in U.S. dollars, changes reflect both new investment and share price movements. The trend highlights U.S. funds' growing exposure to a small number of AI firms.

U.S. Fund Holdings of AI Equities



Source: Own illustration based on data retrieved from the Global Capital Allocation Project, GCAP U.S. Fund Holdings (2026).

At the Research Frontier

What's new in international banking?

- **Reaching for Duration**
  Thomas M. Mertens, Pascal Paul and Andres Schneider (2026), Federal Reserve Bank of San Francisco Working Paper 2024-16.
- **What determines banks' excess demand for reserves?**
  Per Åsberg-Sommar, Mathias Drehmann, Denise Hansson and Vatsala Shreeti (2026), BIS Working Paper 1376.
- **A structural model of capital buffer usability**
  Jan Hannes Lang and Dominik Menno (2026), Deutsche Bundesbank Discussion Paper 21/2026.
- **Banks' Risk-Taking and Deposits Around Going Concern Opinions**
  Ulf Mohrmann and Jan Riepe (2026), TRR 266 Accounting for Transparency Working Paper Series No. 226.

Quarterly Selected Study

The Editors' Pick

Forward-Looking Credit Loss Recognition and Banks' Internal Risk Models

Jannis Bischof, Rainer Haselmann, Frederik Kohl and Oliver Schlueter (2026), *CEPR Discussion Paper No. 21985.*

- **Research Question**: How does forward-looking loan loss provisioning under IFRS 9 affect banks' internal risk ratings and their lending?
- **Data:** The study uses data from the German credit register covering 2015 to 2018. The data include banks' lending relationships and internal probability of default (PD) estimates for corporate borrowers, combined with bank characteristics. The sample covers about 1.45 million loan-quarter observations across 682 banks: 40 IFRS 9 adopters and 642 banks that continue to apply local GAAP.
- **Main Findings:** IFRS 9 adopters update their credit risk estimates more frequently, with the quarterly probability of a PD revision rising by 13.7 percentage points. However, they assign better ratings to the same borrowers, and these ratings predict defaults less accurately. This bias is concentrated around the investment-grade threshold, where downgrades would sharply raise provisions. As a result, IFRS adopters are 7.7 percentage points less likely to classify loans as Stage 2. Banks also cut lending to riskier borrowers but expand it to those whose expected losses are underreported.

Articles and Posts

Latest Updates

- **EU/EEA banks display strength amid a challenging risk environment**
  The European Banking Authority (EBA) published its Risk Dashboard for the second quarter of 2026. The report shows that EU/EEA banks continue to have sound balance sheets despite unabating geopolitical tensions, buoyant financial markets and difficult macroeconomic conditions. They maintain strong capital and liquidity buffers, grow lending with sound asset quality, and deliver solid profitability.
- **How Basel III changes where capital sits within bank holding companies**
  In this Liberty Street Economics post, Nicola Cetorelli and Shohini Kundu show that organisationally complex U.S. bank holding companies met Basel III's higher capital requirements by moving capital internally rather than raising fresh equity. Nonbank subsidiaries, which hold a disproportionately large share of group equity relative to their assets, acted as "equity reservoirs". They paid higher dividends to the parent, which then shifted that capital toward its bank subsidiaries. Consolidated equity remained unchanged.
- **ECB's 2026 geopolitical risk reverse stress test**
  The ECB published the results of its 2026 reverse stress test on geopolitical risks for 110 euro area banks. Each bank had to design a geopolitical scenario, such as military conflict, sanctions or cyber incidents, severe enough to materially affect its capital position. Banks generally produced credible scenarios. However, several showed only a muted liquidity response to the capital decline, and some planned mitigating actions proved overly optimistic.

Research Agenda

Forthcoming Conferences

- **Columbia University's 2027 Research Conference on Bank Regulation**
  New York, United States | February 18, 2027
  CfP deadline: November 13, 2026
- **UNC-Duke Corporate Finance Conference**
  North Carolina, United States | April 2-3, 2027
  CfP deadline: November 20, 2026
- **Lapland Finance Summit**
  Lapland, Finland | April 5-6, 2027
  CfP deadline: November 22, 2026
- **Workshop for Women in Macroeconomics and Finance in Europe (WIMFE)**
  Berlin, Germany | April 22-23, 2027
  CfP deadline: November 30, 2026

Editors' Note: Comments and suggestions are welcome! Your contacts: Trang Do, Eleonora Sfrappini, Lena Tonzer. © 2026 IBLAB.