The Ackerman Center for Corporate Governance
The School of Business Administration
Faculty of Social Sciences
Bar-Ilan University

בית הספר למנהל עסקים
הפקולטה למדעי החברה
אוניברסיטת בר־אילן

The School of Business Administration and the Ackerman Center for Corporate Governance are happy to announce the following research seminar

Speaker:

Linda Allen

Zicklin School of Business, Baruch College

Title:

Ambiguity and Bank Liquidity Provision

(Joint with Yehuda Izhakian and Jingdan Liu)

Abstract:

If the bank's financial condition is ambiguous (exposed to Knightian uncertainty), relationship borrowers may exaggerate their subjective perceptions of adverse future outcomes that would interrupt the future supply of credit, inducing customers to run to competitors. Banks mitigate this costly loss in bank franchise value by creating costly liquidity as a credible signal that the bank has ample resources. The relation between liquidity provision and ambiguity (volatility) is positive (negative). Ambiguity-linked liquidity provision is related to reduced withdrawals by uninsured depositors. Bank customers' ambiguity and precautionary cash holdings decline when their relationship banks create liquidity. Bank insiders provide more liquidity when their stock options are out-of-the-money, and sell (buy) shares when the bank's ambiguity (volatility) is high.

Sunday, November 23, 2025, 12:00
Room no. 301 Third Floor, Economics and Business School Building no. 504