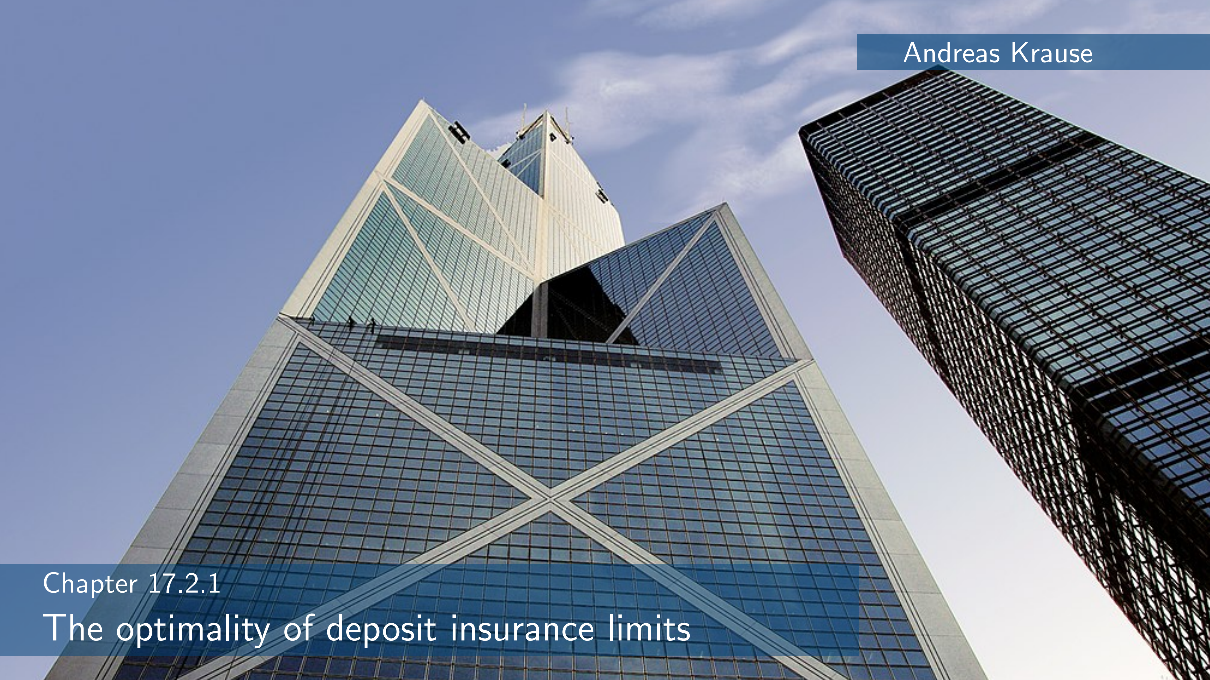

Andreas Krause

Chapter 17.2.1

The optimality of deposit insurance limits

Outline

- Problem and model assumptions
- No deposit insurance
- Full deposit coverage
- Partial deposit coverage
- Summary

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- Large depositors are attracted from other banks seeking to increase their deposit insurance coverage

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- In this case competition for large deposits is not too strong to negate the effect of the lower deposit rate due to them not being exposed to risk

Bank profits

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- Problem and model assumptions
- No deposit insurance
- Full deposit coverage
- Partial deposit coverage
- Summary

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