Abstract

The decline in the issuance of Asset-Backed Securities (ABS) since the financial crisis and the comparative advantage of Covered Bonds (CBs) as a funding alternative to ABS raise the question whether banks still issue ABS as a mean to receive funding. Employing double-hurdle regression models on a dataset of 134 European banks observed during the period from 2007 to 2013, this study reveals that banks with a Covered Bond Program (CBP) securitize ceteris paribus less of their assets. The estimated difference in ABS issuance is mainly driven by banks more likely to issue ABS as a funding tool, rather than trying to manage their credit risk exposure or to meet regulatory capital requirements. Consistently, a worse liquidity/funding position results in higher levels of securitization only for banks without a CBP.