Matteo Gatti

Contact Information

Via delle Fontanelle 18
Department of Economics
European University Institute
San Domenico di Fiesole (FI)
I-50014 Italy

Tel: (+39) 333-7178019
Email: matteo.gatti@eui.eu

Personal

Born on July 12, 1987
Italian Citizen

Research Interests

Primary field: Corporate Finance, Financial Economics
Secondary field: Macroeconomics

Education

European University Institute, Florence, Italy — Sept 2013 - date
PhD Candidate in Economics
Advisors: Evi Pappa and Juan Dolado
MRes in Economics — Sept 2013 - July 2014

Bocconi University, Milan, Italy — Sept 2009 - Mar 2012
M.Sc. in Economics and Social Sciences, (*Summa Cum Laude*)

Bocconi University, Milan, Italy — Sept 2006 - Sept 2009
B.Sc. in Economics and Finance

The Ohio State University, Columbus, OH, USA — Jan 2011 - Mar 2011
Visiting Exchange Student

Teaching Experience

Florence School of Banking and Finance — Sept 2016
Teaching Assistant for the *Empirical Banking* class
taught by Prof. *José-Luis Peydró*

New York University, Florence, Italy — Spring 2016, Fall 2015
Teaching Assistant for the *International Economics* class
taught by Prof. *Giampiero M. Gallo*

Professional and Research Experience

ADEMU — June 2015 - date
Associate PhD Researcher to the ADEMU Project

Florence School of Banking and Finance — July 2016
Technical Report on the Executive Seminar on Banking Resolution

NERA Economic Consulting, Rome, Italy — Sept 2012 - July 2013
Research Officer in the Energy Practice Area
Responsible for Regulation and Competition projects in the
Telecommunication, Aviation, Gas and Electricity industries

Unifortune Asset Management, Milan, Italy — May 2011 - Sept 2011
Intern in the Funds of Funds division
Supervisor: Dr. Alberto Giovannini

Summer Schools	**Florence School of Banking and Finance** Introduction to Risk Management and the Economics of Banking Instructor of the Training Course: Gianni de Nicoló	March 2016
	The Micro and Macro Economics of Banking Instructor of the Training Course: Dean Corbae	June 2016
	CEMFI, Madrid, Spain, Summer School in *Liquidity, Business Cycle and Public Policy* Instructor: Nobuhiro Kiyotaki (Princeton University)	Sept 2015
	Summer School in *Financial Crises* Instructor: Michael Gordy (Federal Reserve Board)	
Refereeing	Economic Policy	
Scholarships and Awards	**PhD Grant**, Ministero degli Affari Esteri e della Cooperazione Internazionale, EUI	2013-date
Languages Skills	Italian (native), English (fluent), Spanish (intermediate)	
Computer Skills	Matlab, Stata, Eviews, LaTex	
Interests	Sports: Chess - Societa' Scacchistica Milanese - and tennis - Tennis Club Lombardo Hobbies: Commercial Aviation and Aeronautical Navigation.	

Ongoing Research Description

As part of my PhD dissertation I have been working mainly on two papers. The first paper studies the effect of deposit insurance limits on the stability of financial systems. The second paper studies the effect of negative deposit rates on ECB's excess reserves. Both papers are described here below.

Deposit Insurance Paper

In early 2009 the EU increased the minimum deposit insurance limit from €20,000 to €100,000 per bank account, aiming at making the banking industry more stable.

To evaluate the impact of the new directive on financial stability, this paper looks at the effect of the increase in deposit insurance limits on deposit rates paid by banks to depositors. As deposit rates affect both banks' funding costs as well as depositors' level of risk-sharing against future liquidity needs, understanding deposit-rates' reaction to an increase in deposit insurance limits provides a better understanding of what the effects on financial markets' stability are. Moreover, this paper contributes to the existing literature as it identifies an effect that theoretical models failed at predicting and on which the empirical literature has been relatively silent.

The paper starts with run a diff-in-diff analysis to compare deposit rates of European banks sorted by country, with the Italian ones used as a control group (Italy did not experience the increase in deposit insurance limit) and it shows that an increase in deposit insurance limit induced a decrease in deposit rates.

As a second step, the paper introduces a synthetic control group approach in order to alleviate the limitations of using Italy as a control group for European countries.

The methodology the paper follows is to use data from many European countries to build a synthetized version of Italy, which matches the real one in a great number of characteristics for the post treatment period (post 2009). The main goal of this exercise is to see whether the real and synthetic Italy differ in deposit rates for before 2009.

The ideal experiment behind this exercise is the following: suppose that the only thing that matters for determining banks' deposit rates is the deposit insurance level. Then, after the introduction of the 100.000 limit, deposit rates in Italy and Europe would be the same, while they would be different before the increase in the limit. Thus, by using a synthetic control method, we would measure what would the interest rates be before 2009 in the synthetic Italy, had the deposit insurance be much lower than what it actually was.

Negative Rates Paper:

The research question of my second paper instead studies the effect of negative rates imposed on ECB's excessive reserves on loan quality, and whether the introduction of negative rates on excessive reserves induced banks to issue bad loans.

The mechanism I consider is the following: in the absence of demand for "good" credit loans, banks prefer hoarding liquidity on the ECB's balance sheets at no costs, rather than issuing risky loans for "bad" projects. Yet the introduction of negative rates on ECB excessive reserves makes bad loans funding less expensive and banks may decide to issue loans for which the expected value of the repayments is negative, but greater than 0.4%. The 0.4% fee on ECB deposits might therefore have the perverse effect of inducing banks to issue "bad" loans in the economy.

More specifically, as a guideline of the paper, I ask the following set of questions:

1. Does this increase costs of banks? (Do banks hoard liquidity at the central bank level?) What type of banks hoard liquidity?
2. Do banks increase lending? Negative rates are thought of as a way to discourage liquidity hoarding at the CB, but did it actually push banks towards increasing loans, or at increasing assets?
3. If loans are increased, are the loans increased at the intensive margin or at the extensive margin?
4. If loans are increased at the extensive margin, are loans to bad firms being issued or loans to good firms? If so, why?
5. If loans to bad firms are issued, are they used to payback debt or to do investments?
6. What is banks source of funding for the newly issued "bad" loans? Do banks finance themselves with deposits, credit markets or funds from the ECB?

On top of these two projects, I have also worked on issues related to the ability of financial systems to increase welfare by raising the level of risk-sharing within the economy.