



TOPICS:

IRRBB & Liquidity risk

SOURCE

European Central Bank

ECB: Digitalisation and Depositors' Behaviour - Preliminary Reflections from Empirical Data

- This speech of Pedro Machado, Member of the Supervisory Board of the ECB, explores **the intersection of digitalisation, depositor behaviour, and financial stability**, drawing on findings from an ECB working paper and broader empirical research. Prompted by the rapid collapse of Silicon Valley Bank in March 2023, the speech underscores **how digital banking and social media have transformed the dynamics of deposit flows**, especially under stress.
- Central to the ECB's analysis is the concept of **Deposits at Risk (DaR)**, which measures the susceptibility of deposit bases to extreme outflows. Using supervisory data from 110 banks between 2016 and 2024, the study finds that **during stable periods**, online banking and mobile apps have limited impact on deposit volatility. However, **during stress events**, online banking use significantly amplifies outflows - by 0.28 percentage points for each percentage point increase in penetration. A 20-point rise in online banking usage could result in a 6-percentage point increase in extreme outflows. Mobile app availability alone has minimal incremental effect once online usage is accounted for.
- Despite concerns, **no robust causal relationship between social media activity and deposit flows is found in European banks** - except in isolated cases like Credit Suisse in 2023 - likely due to data frequency limitations. Nevertheless, digitalisation increases deposit rate sensitivity. More digitalised banks see sharper responses to interest rate changes, indicating both stronger monetary policy transmission and greater liquidity risks.
- **Policy implications are substantial.** Current Basel III run-off rate assumptions may underestimate risks associated with digitally active, uninsured deposits. Supervisory practices should evolve **to incorporate digital depositor behaviour, stress testing for rapid outflows and segmenting customer monitoring**. Furthermore, **1156** may become necessary given the speed at which digital runs can unfold.

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