Testing the Law of One Price in Retail Banking: An Analysis for Colombia Using a Pair-wise Approach

Working Paper No. 733 Keep in mind
The series Working Papers on Economics is published by the Office for Economic Studies at the *Banco de la República* (Central Bank of *Colombia*). It contributes to the dissemination and promotion of the work by researchers from the institution. This series is indexed at Research Papers in Economics (RePEc).

On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. The works published are provisional, and their authors are fully responsible for the opinions expressed in them, as well as for possible mistakes. The opinions expressed herein are those of the authors and do not necessarily reflect the views of Banco de la República or its Board of Directors.

AUTHOR OR EDITOR Ana María Iregui, Jesús Otero AUTHORS AND/OR EDITORS Otero-Cardona, Jesús Gilberto
We apply a pair-wise approach to test the law of one price for deposit (lending) rates in Colombia. We find that when banks are of different size deposit rates adjust quickly, suggesting a competitive environment. By contrast, lending rates adjust rapidly when banks are of similar size, supporting market segmentation.

Fuente: https://www.banrep.gov.co/en/borrador-733