

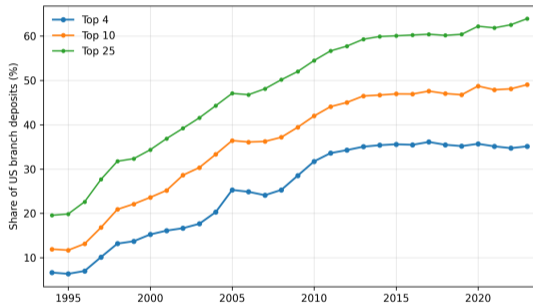
Deposit Competition Beyond Rates

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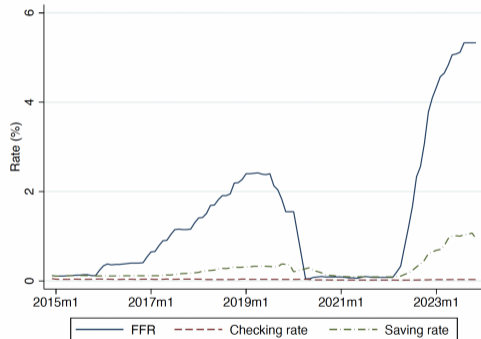
Discussion by Xu Lu, FIRS 2026

The deposit market: increasingly concentrated & large profit margin

(a) Concentration ratios (BHC level)



(b) FFR v. deposit rates (Figure 2a)



Data: FDIC Summary of Deposits.

- ▶ Deposit rents are high: aggregate deposit franchise value \sim \$2.6 tn in 2022 (Lu-Wu '26).
- ▶ Why haven't new entrants (e.g., Marcus) competed them away?

The paper in one slide

I. Empirics

documents how banks endogenously adjust to acquire new deposits (sign-up bonuses, targeting, etc.)

II. Model

explains observed facts analytically, featuring two frictions: market power and **adverse selection**.

III. Calibration

turns the reduced-form facts into a decomposition of bonus pass-through between adverse selection v. market power.

Fascinating new facts

How do banks compete for new deposits with bonuses?

- ▶ Data: Comperemedia Direct Mail by Mintel, incl. 2200 unique campaigns issued by 11 lenders. Information extracted from images.
- ▶ **New facts:** FFR increases show up in mail volumes, bonuses, and broader targeting. For a 1% increase in FFR:

+0.26bp (+12.5bp)	+11%
checking (savings) rate [?] increase;	mail-volume response;
+\$16 (+\$13)	+0.6
checking (savings) bonus;	states targeted.

Comments

- ▶ Exciting new evidence with novel data! I'd love to learn more about how the campaigns are defined, how acquisition v. retentions are classified – paper could use more data architecture illustration.
 - ▶ e.g., text says 2.2k campaigns, table 1 says 4k and checking plus savings exceeds 4k too; is the unit campaign-product? How much overlap across products?).
- ▶ Empirical estimation at product k , lender (bank?) level l :

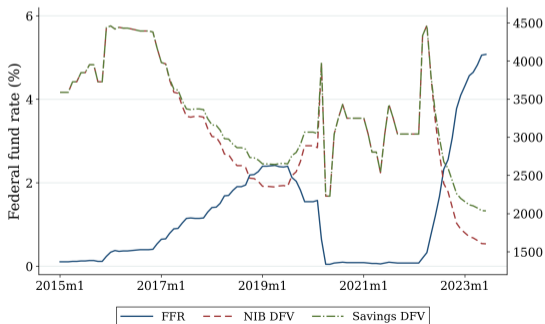
$$y_{ilt}^k = \alpha^k FFR_t + \lambda^k X_{lt} + \gamma_l^k + \epsilon_{ilt}^k, \quad (1)$$

Using log changes as outcome variables measures marketing effort conditional on offering. Model has an interesting extensive margin response (Prop 1). Could be useful to also test it by including zero-mail months.

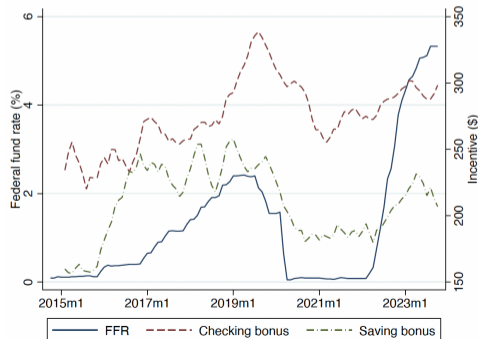
Fascinating and puzzling new facts

- ▶ Puzzle 1: bonuses per \$15k deposits are way lower than present value of deposits (DFV).
 - ▶ Annual deposit decay around 5% (Eichenbaum-Puglisi-Rebelo-Trabandt '25, Lu-Wu '26) to 10% (Drechsler-Savov-Schnabl-Wang '25, Egan et al. 26), implying $DFV > \$1k$ w/ 1% rate.
- ▶ Puzzle 2: DFV per \$15k deposits varies over the monetary cycle way more than bonus.

(a) FFR v. DFV per \$15k deposits (Lu-Wu '26)



(b) Sign-up bonuses (Figure 2b)



New stylized model that explains these puzzles

- ▶ Facts: roughly constant bonus b , varying marketing volume α / targeting / switching patterns over the monetary cycle.
 - ▶ Rationalized through two frictions: market power and adverse selection.
 - ▶ Complicated but necessarily complicated: need to keep track of varying interest rate (factor f_t), heterogeneous depositors (active/sleepy) distributed Q_t across banks j .
- ▶ **Prop 1** characterizes a symmetric equilibrium, organizing both empirics and calibration
 - 1) w/ low rate, no bonus offered ($\alpha = 0$),
 - 2) w/ high rate, always offer bonus ($\alpha = 1, b^*(f_t) \geq b_{min}$),
 - 3) in between: targeted bonus ($\alpha \in (0, 1), b^*(f_t) = b_{min}$).

→ This matches marketing volume comoves with interest rates and constant bonuses in data!

Comments

- ▶ The paper develops a neat, tractable analytical model that matches many facts and delivers intuitive insights. Two empirical observations seem worth more thoughts:
 - 1) Deposit acquisition technology v. fact 4: the model leans on linear / constant marginal cost acquisition while higher bonus is convex (paid to the inframarginal). Empirically: the targeting evidence seems to suggest banks target different cells of depositors when rate increases.
Two possibilities: a) allow quality difference in acquisition in the model. b) provide supporting evidence that acquisition costs or responses remain linear across targeting cells (additionally: if the campaigns are well-defined, then maybe can separate the number of campaigns v. larger campaigns, and use both as outcome variables in eq. 1).

Comments

- ▶ The paper develops a neat, tractable analytical model that matches many facts and delivers intuitive insights. Two empirical observations seem worth more thoughts:
 - 2) Symmetric eqm v. heterogenous bank strategies: representative bank in the model is a low rate incumbent franchise bank. Authors show high-rate banks compete more on posted savings rates and larger bonuses for savings (diff. $27bp$ w/ baseline $6bp$). Can an (extended) model rationalize the average behavior of all banks?

Calibration

- ▶ Calibrating the model to explain why bonuses are low relative to deposit franchise value, by decomposing the bonus gap into:

$$V^{avg} - bonus = \underbrace{(V^{average} - V^{marginal})}_{\text{adverse selection}} + \underbrace{(V^{marginal} - b)}_{\text{market power}}.$$

Adverse selection explains roughly 90% of the gap!

Comments:

- ▶ Based on very short persistence of active depositors: “assume the half-life of an active depositor is one quarter” motivated by bonus holding requirements, but this is not the same as observing post-bonus account closure or balance decay.
- ▶ Add robustness to alternative post-bonus retention paths. Interesting future work to validate adverse selection with account-level evidence on bonus takers’ subsequent balances.

Great paper: new evidence, sharp mechanism

- ▶ Big contribution: opens the black box of deposit competition beyond posted rates.
- ▶ Clear, reasonable insight: banks preserve deposit franchise value by competing on acquisition margins rather than fully passing through rates.
- ▶ Bottom line: a fascinating paper that changes how I think about deposit competition!