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Title: Opacity, Signaling, and Bail-ins

Abstract
Should banks be transparent when a bail-in occurs? Banks that have experienced losses may bail-in creditors to allocate resources optimally between early and late withdrawers. However, if banks have private information about their losses, then bail-ins may become a signal of asset quality. When bail-ins do not signal quality, banks immediately sell assets at a pooled price, thereby insuring creditors against asset risks. However, when bail-ins are a signal of quality, banks may attempt to delay bail-ins and sell assets at a higher price, but the incentive to delay can induce an inefficient bank run. To avoid inducing inefficient runs, banks will choose to be either transparent or opaque so that their asset quality is not private information.