

---

**TUAN TRAN**, McMaster University

*Asset fire sales and strategic trading by regulated banks*

In this paper we study how banking regulatory constraints such as liquidity and capital requirements affect the equilibrium price of assets and the behaviour of financial institutions participating on the open market. We consider a static game theoretic model, where each agent is a regulated bank that aims to maximize their profit while still satisfying a certain liquidity or capital requirements set up by the regulator. Trading is assumed to bear transaction costs and has an impact on the asset price via an aggregate demand function. With this setup, we prove the existence of Nash equilibrium strategies for the game and provide algorithms to find these equilibrium strategies in linear time.