

## Systemic Risk in the Financial System

in collaboration with Sciteb

The European Banking Authority published the results of a [stress test](#) of 123 of the EU's banks on 26 October 2014. The project is to see how far one can deduce the implications for resilience of the banking system as a whole.

As was acknowledged by leading UK economists after the 2008 crisis, "the failure to foresee the timing, extent and severity of the crisis and to head it off, while it had many causes, was principally a failure of the collective imagination of many bright people, both in this country and internationally, to understand the risks to the system as a whole." Similarly, Andy Haldane, director of financial stability at the Bank of England said "[A] conceptual problem with [Basel Accords] risk-weighting is that it takes no account of the collective consequences of banks' asset allocation decisions."

This project has the potential to lead to a PhD project in the area of financial regulation, in collaboration with Sciteb.

Reading:

Burrows, Learmonth, McKeown, RAMSI: a top-down stress-testing model,  
[http://www.bankofengland.co.uk/research/Pages/fspapers/fs\\_paper17.aspx](http://www.bankofengland.co.uk/research/Pages/fspapers/fs_paper17.aspx)

Alessandri, Gai, Kapadia, Mora, Pühr, Towards a framework for quantifying systemic stability, Int J Central Banking 5 (2009) 47-81

Beale, Rand, Battey, Croxson, May, Nowak, Individual versus systemic risk and the regulator's dilemma, PNAS 108 (2011) 12647-52

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