Shadow Banking and Systemic Risk

Online course

Centre for Econometric Analysis
Delivered by: Dr Peter Cincinelli and Professor Giovanni Urga

CASS BUSINESS SCHOOL
CITY, UNIVERSITY OF LONDON
EST 1894

Fees:

£180 City Students, Alumni, Staff

£210 External Students

£360 External rate

A 15% discount is available for groups of three or more participants

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Course overview

The prevalence of the *originate-to-distribute* banking model, which gave the possibility to transfer part of the balance sheet and the related regulatory requirements from the regulated to the unregulated part of the financial context, largely encompasses the activities of shadow banking. Shadow banking includes entities involved in securitisation and other activities extending the intermediation process, such as special vehicles and other financial intermediaries.

This online course will cover the extensive literature on shadow banking, the banks' interactions with shadow banking entities, the regulatory debate on shadow banking and the impact of shadow banking on global systemic risk measures. In addition, a special attention will be devoted to how the transmission of monetary policy is affected by the size and the behaviour of the shadow banking system.

Benefits

- You will cover the extensive literature on shadow banking
- You will look with new eyes at the EU regulatory framework regarding systemic risks stemming from shadow banking
- You will learn the different spillover effects between traditional banks and shadow entities.
- You will be exposed to interesting research application(s)
- You will be provided with a set of course notes and data used in the course as well as files created throughout the course.

Target audience

This course is useful to anyone working in the financial industry and interested in financial stability and systemic risk. Notably, this course is essential for anyone who wishes to have a quantitative understanding of the systemically important financial institutions (SIFIs), with the ultimate goal of identifying the vulnerabilities of the financial system.

Course prerequisites

The course requires fundamental knowledge in mathematics and statistics for economics and finance. Besides, knowledge of the fundamentals of financial stability and systemic risk will help participants to obtain the maximum benefit from the course.

Contents

Day 1 : 4 hours online

Topic 1: Shadow banking drivers and global systemic risk

- Defining shadow banking
- What drives shadow banking: is there an endogenous finance?
- The identification of the shadow entities: the "*Government-Sponsored Enterprises*", the "*Internal*" and the "*External*" shadow banking system.
- The impact of shadow banking on global systemic risk measures
- Tracking the impact of traditional banks versus shadow entities on systemic risk.

Day 2: 4 hours online

Topic 2: Policy challenges for Central Banks and empirical applications

- The effect of leverage in the monetary transmission mechanism
- Testing the relationship between leverage and funding cost after the rise of shadow banking.
- Systemic risk of individual institutions
- Time evolution of systemic risk among financial intermediaries
- Other interesting research questions.

Recommended reading

The following textbooks and journal articles are recommended for this course:

Acharya, V., Engle, R., and Richardson, M. 2012. Capital shortfall: *A new approach to ranking and regulating systemic risks*. American Economic Review 102, 59-64.

Adrian, T., and Brunnermeier, M. 2014. CoVaR. *American Economic Review 106*, 1705-1741.

Benoit, S., Colliard, J.E., and Hurlin, C. 2016. *Where the Risks Lie: A Survey on Systemic Risk*. Review of Finance 21, 109-152.

Blei, S., and Ergashev, B. 2014. *Asset commonality and systemic risk among large banks in the United States*. Office of The Comptroller of the Currency, Economics working paper 2014-3.

Brownlees, C., and Engle, R.F. 2016. SRISK: *A conditional capital shortfall measure of systemic risk*. Review of Financial Studies 30, 48-79.

Claessens, S., and Ratnovski, L. 2012. **What is shadow banking. Economics and Policy 12**, 1-36.

European Commission. 2012. *Green Paper, Shadow Banking*. Brussel. March 19/03/2012.

Gambacorta, L., and Shin, H.S. 2018. *Why bank capital matters for monetary policy*. Journal of Financial Intermediation 35, 17-29.

Pozsar, Z., Adrian, T., Ashcraft, A., and Boesky, H. 2013. *Shadow banking. Forthcoming in federal reserve bank of New York*. Economic Policy Review.

Dr Peter Cincinelli

Peter Cincinelli (Ph.D, Catholic University of Milan, Italy) is an Assistant Professor in Banking & Finance at the Department of Management, Economics and Quantitative Methods of University of Bergamo. He holds a Ph.D in Economics, Markets and Financial Intermediaries from Catholic University of Milan. He is a researcher associate to the Centre for Econometrics Analysis (https://www.cass.city.ac.uk/faculties-and-research/centres/cea) of Cass Business School in London. His research interests are in financial markets and intermediaries, with focus on systemic risk and risk management. He has presented his works at several international conferences and workshops. He has published in Managerial Finance, Global Business Review and Strategic Change.

Professor Giovanni Urga

Giovanni is Professor of Finance and Econometrics and Director of the Centre for Econometric Analysis at Cass Business School, London (UK), and Professor of Econometrics at the University of Bergamo (Italy). His research interests are in panel and factor models, financial econometrics, modelling (systemic, liquidity, premia) risk in (shadow) banking and (shadow) insurance and cross-market correlations, asset pricing, modelling and testing for multiple breaks and jumps. He has published in the Journal of Econometrics, Journal of Business and Economic Statistics, Journal of Banking and Finance, Journal of Financial Econometrics, Journal of Applied Econometrics, Journal of Financial Markets, Journal of Money Credit and Banking, Econometric Theory, International Journal of Forecasting, International Journal of Money and Finance and others. He is an Associate Editor for Empirical Economics, and has been a guest editor for the Journal of Econometrics and the Journal of Business and Economic Statistics. He has presented his works in several international conferences and seminars. He has been consultant in several international Institutions and he is consultant for Italian investment banks.