

# CABDyN / INET Oxford SEMINAR SERIES

## Oxford Martin School – Trinity 2014

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### ‘Systemic risk in financial networks’

Stefano Battiston

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**Tuesday 20<sup>th</sup> May 2014, 12.30 -14.00**

**Seminar Room 1, Oxford Martin School**

#### ABSTRACT:

Financial inter-linkages play an important role in the emergence of financial instabilities and the formulation of systemic risk can greatly benefit from a network approach. In this paper, we focus on the role of linkages along the two dimensions of contagion and liquidity, and we discuss some insights that have recently emerged from network models. With respect to the issue of the determination of the optimal architecture of the financial system, models suggest that regulators have to look at the interplay of network topology, capital requirements, and market liquidity. With respect to the issue of the determination of systemically important financial institutions the findings indicate that both from the point of view of contagion and from the point of view of liquidity provision, there is more to systemic importance than just size. In particular for contagion, the position of institutions in the network matters and their impact can be computed through stress tests even when there are no defaults in the system.