



EUROPEAN CENTRAL BANK

CONFERENCE ANNOUNCEMENT AND CALL FOR PAPERS

Fourth Joint Central Bank Research Conference on Risk Measurement and Systemic Risk

On **8/9 November 2005**, the European Central Bank in co-operation with the Bank of Japan and the Board of Governors of the Federal Reserve System, will host, under the auspices of the Committee on the Global Financial System (CGFS)¹, the fourth in a series of **Joint Central Bank Research Conferences on Risk Measurement and Systemic Risk**. The three earlier conferences were hosted by the Federal Reserve Board, the Bank of Japan and the Bank for International Settlements in 1995, 1998, and 2002 respectively.

Purpose:

The conference will focus on issues related to risk measurement and systemic risks from a central bank perspective. Special emphasis will be devoted to questions relating to sources and consequences of financial contagion and its relation to other forms of systemic risk, macro stress testing, the financial stability implications of credit risk transfers and recent advances in risk measurement methods. Studies employing the latest econometric approaches to contagion, empirical and theoretical studies on credit risk transfers, empirical studies exploiting new data sources, as well as case studies are especially encouraged.

The conference organisers seek to bring together central bankers, market practitioners and academics interested in the field.

Topics:

The organisers would particularly encourage submissions of papers in the following areas:

I. Financial contagion

- Analysis and empirical evaluation of contagion and its sources and consequences;
- Channels for contagion, such as real exposures, asymmetric information, self-fulfilling prophecies and normal vs. crisis interdependence;
- The relative importance of contagion compared to macroeconomic factors in financial crises.

II. Macro stress testing

- Analysis and empirical application of macro stress tests; comparison of different methodologies (top down, bottom up etc.); relationships between different sources of risk in situations of stress;
- Theoretical underpinnings of macro stress tests;
- Indicators for financial system vulnerability as used in central banks' regular monitoring exercises and similar efforts.

III. Credit risk transfers

- Development of the market for credit risk transfers (primary securitisation, credit derivatives, structured finance instruments etc.) and its implications for market efficiency and financial stability;
- Evidence on the shift in credit risk to non-bank institutions and its potential consequences (differences in regulation, contagion etc.);
- Other consequences of credit risk transfers, including trading patterns and pricing efficiency in credit markets.

¹ The CGFS is a central bank committee established by the Governors of the G10 central banks to monitor and examine broad issues relating to financial markets and systems with a view to elaborating appropriate policy recommendations to support the central banks in the fulfillment of their responsibilities with regard to monetary and financial stability. The committee is chaired by Roger W. Ferguson Jr., Vice Chairman of the Board of Governors of the Federal Reserve System.

IV. Improvements in quantitative risk measurement and management

- Advances in the measurement and management of credit, liquidity, market, operational, or other kinds of risk;
- Studies on the tails of statistical distributions of financial variables;
- Implications of improved risk management for systemic risk.

V. Central Banks' policy response to systemic risk

- Studies of potential or actual systemic events;
- Theoretical and empirical studies of policy design and effectiveness;
- Indicators of the severity of financial stress useful to policymakers during potential crises.

Format:

The conference programme will extend over two days and will include a policy panel discussion on systemic risk issues. Each of the papers will have a discussant, chosen from the public or private sectors.

Venue:

The conference will take place at the premises of the European Central Bank in Frankfurt, Germany.

Expenses:

Academic participants' expenses for travel (economy class round-trip) and accommodation for three days will be covered.

Submission information:

Conference presentations will be based on completed research papers. Those interested in presenting a paper should submit completed versions or extended abstracts (electronic versions only, preferably by email) of the paper they wish to present to the address stated below. Papers or abstracts should be submitted by **end-May 2005** and will be reviewed by the conference's organising committee. The final versions of those papers selected for the conference are due by **end-September 2005**. Please send your submission, postal address, phone and fax numbers, and email address to:

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