

InterConnectedness Newsletter

2015 Halloween Edition



FROM THE VAULT

What is a zombie bank? https://en.wikipedia.org/wiki/Zombie_bank

Blight of the living dead - *The Economist* 2013

<http://www.economist.com/news/leaders/21581723-europes-financial-system-terrible-state-and-nothing-much-being-done-about-it-blight>

Zombie firms and zombie banks - *Forbes* 2009

http://www.forbes.com/2009/02/10/recession-tarp-japan-opinions-columnists_0211_thomas_cooley.html

Zombie lending and depressed restructuring in Japan - Caballero, Hoshi and Kashyap 2008 AER

Large Japanese banks often engaged in sham loan restructurings that kept credit flowing to otherwise insolvent borrowers (which we call zombies). We examine the implications of suppressing the normal competitive process whereby the zombies would shed workers and lose market share. The congestion created by the zombies reduces the profits for healthy firms, which discourages their entry and investment. We confirm that zombie-dominated industries exhibit more depressed job creation and destruction, and lower productivity. We present firm-level regressions showing that the increase in zombies depressed the investment and employment growth of non-zombies and widened the productivity gap between zombies and non-zombies. Full text: <http://economics.mit.edu/files/3770>

CONFERENCE ANNOUNCEMENTS

- The 19th SGF Conference of the Swiss Society for Financial Market Research will take place in Zurich on Apr 8 2016. Deadline: **Oct 31**. <http://www.fmpm.ch/conference>
- The AU Info-Metrics Institute Conference on Information-Theoretic Methods of Inference will take place at Clare College, University of Cambridge on Apr 1-2. Deadline: **Nov 1**. <http://www.american.edu/cas/economics/info-metrics/conference/Info-Metrics-Spring-2016-conference.cfm>
- The 2016 Financial Intermediation Research Society (FIRS) Conference will take place in Lisbon during Jun 1-3. Deadline: **Nov 1**. <http://www.firsociety.org/firs2016.html>
- The Chicago Financial Institutions Conference will take place on Mar 28 at DePaul University in Chicago. Deadline: **Nov 30**. <http://cfic2016.eventbrite.com/>
- The BIS-CGFS Workshop on "Research on Global Financial Stability: The Use of BIS International Banking and Financial Statistics" will take place in Basel on May 7 2016. Deadline: **Dec 31**. http://www.bis.org/events/cgfs_ibfsws_cfp.pdf
- The 12th NYU Stern/NY Fed Conference on Financial Intermediation will take place in New York on May 6, 2016. Deadline: **Jan 8**. <http://nyunfedconf.stern.nyu.edu/openconf.php>
- The INFINITI 2016 Conference "Finance now - Enhancing stability or sowing the seeds of the next crisis?" will take place in Dublin during Jun 13-14. Deadline: **Jan 15**. <http://infiniteconference.com/>
- The 4th Int'l Symposium in Computational Economics and Finance will take place in Paris during Apr 14-16 2016. Special issues in the JBF and IRFA. Deadline: **Jan 31**. <http://comp-econ.org/>
- The 22dn Intl Conference on Computational Statistics will take place in Oviedo during Aug 23-26. Deadline: **Apr 15**. Contact: info@compstat2016.org

CONFERENCE PROGRAMS

- The One Bank Research Conference of the Bank of England took place on Feb 25. Conference agenda and materials on <http://www.bankofengland.co.uk/research/Pages/onebank/conference.aspx>
- The EFA 2014 Conf. took place in Vienna during Aug 19-22. Program on <https://www.conftool.com/efa2015/sessions.php>
- The Financial Risk & Network Theory Conference took place on Sep 8-6 at the Cambridge Center for Risk Studies at the Univ. of Cambridge Judge Business School. Program and slides for all presentations on http://www.risk.jbs.cam.ac.uk/news/events/other/2015/150909_financialriskandnetworktheory.html#programme
- The IFABS 2015 Corporate Finance Conference "Institutions, governance and finance in globally connected environment" took place in Oxford during Sep 12-13. Program on <https://www.conftool.com/ifabs2015-oxford/sessions.php>
- The Bundesbank Conference "Financial intermediaries and the real economy: One year after European Banking Union take-off" took place on Sep 28-19 in Frankfurt. Program on

https://www.bundesbank.de/Redaktion/EN/Downloads/Bundesbank/Research_Centre/Conferences/2015/2015_09_28_frankfurt_programme.pdf?blob=publicationFile

- The Stress Testing and Macro-Prudential Regulation Conference took place at the LSE Systemic Risk Center on Oct 29-30. Program on <http://www.systemicrisk.ac.uk/sites/default/files/images/Stress%20Test%20Conference%20Programme.pdf>
- The 18th Annual Int'l Banking Conference will take place at the Chicago Fed on Nov 5-6. Program on <https://www.chicagofed.org/events/2015/eighteenth-international-banking-conference>
- The Conference “Network models, stress testing, and other tools for financial stability monitoring and macroprudential policy design and implementation” will take place in Mexico City during Nov 11-12. Program on <https://www.dropbox.com/s/nkh51wujks4f0ym/Conference-Mexico-City-Networks.pdf?dl=0>
- The Conference “The role of liquidity in the financial system” will take place in Atlanta during Nov 19-20. Program on <https://www.dropbox.com/s/r748jppq6siawxjg/CfP%20Atlanta-Liquidity%20in%20the%20financial%20system.pdf?dl=0>
- The USC Dornsife INET Conference on Networks took place on Nov 20-21 at the campus of USC in Los Angeles (CA). Program on <http://dornsife.usc.edu/conferences/networks-conference/>
- The Third IMF Statistical Forum - Official Statistics to Support Evidence-Based Economic Policymaking will take place in Frankfurt during Nov 19-20. Big data and micro-data hubs on the agenda. Program on https://www.bundesbank.de/Redaktion/EN/Termine/Research_centre/2015/2015_11_19_frankfurt.html
- The BIS Research Meeting “Global Financial Interconnectedness” took place on Oct 1-2 in Basel. Papers on <http://www.bis.org/events/confresearchnetwork1510/programme.htm>
- The CREDIT 2015 “Societal Fault Lines and Credit Risk” Conference took place on Oct 1-2 in Venice. Program on <http://www.greta.it/credit/credit2015/programme.html>
- The “Liquidity and Financial Crises” Conference took place on Oct 9-10 at The Wharton School. Program on <http://whartonliquidity.org/about/registration/2015-program/>
- The CFM-Imperial Workshop on Market Microstructure will take place on Dec 14-15 at Deutsche Bank in London. Program on <http://www.market-microstructure.net/program/index.html>
- The EUROFIDAI Paris Finance meeting will take place on Dec 17. Papers on: http://papers.ssrn.com/sol3/JELJOUR_Results.cfm?form_name=journalbrowse&journal_id=2573459

POLICY RESEARCH / SPEECHES

- Taxonomy of studies on interconnectedness <http://www.federalreserve.gov/econresdata/notes/feds-notes/2015/taxonomy-of-studies-on-interconnectedness-20150731.html>
- A survey of systemic risk analytics http://financialresearch.gov/working-papers/files/OFRwp0001_BisiasFloodLoValavanis_ASurveyOfSystemicRiskAnalytics.pdf
- Too interconnected to fail: A survey of the interbank networks literature http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2577241

- DTCC white paper: Understanding interconnectedness risks
<http://www.dtcc.com/news/2015/october/12/understanding-interconnectedness-risks-article>

ACADEMIC RESEARCH

- Financial networks <http://www.economics.ox.ac.uk/materials/papers/14031/paper-753.pdf>
- Networks and the macroeconomy: An empirical exploration
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2632793
- Connecting the dots: Econometric methods for uncovering networks with an application to the Australian financial institutions <http://www.sciencedirect.com/science/article/pii/S0378426615002563>
- The multi-layer network nature of systemic risk and its implications for the costs of financial crises
<http://www.sciencedirect.com/science/article/pii/S1572308915000856>
- Networks-based measures as leading indicators of market instability: The case of the Spanish stock market http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2575537
- Geographic proximity and financial contagion: Spillover effects from local bankruptcies
http://www1.villanova.edu/content/dam/villanova/VSB/assets/marc/marc2015/GeoBankruptcy_combined_v05.pdf
- Liquidity sharing and financial contagion
<http://faculty.chicagobooth.edu/workshops/finance/pdf/Nash%20Liquidity%20Sharing.pdf>
- On the roles of different foreign currencies in European bank lending
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2666948
- Trade credit and the propagation of corporate failure: An empirical analysis
<http://onlinelibrary.wiley.com/doi/10.3982/ECTA12148/abstract>

DATA RESOURCES & SOFTWARE

- **New Free Longitudinal and Cross-National Dataset on Minority Shareholder Rights.** Mauro Guillen (Wharton) and Laurence Capron (INSEAD) are making available FOR FREE a new dataset on minority shareholder protections covering 78 countries between 1970 and 2011. Go to: <https://whartonmgmt.wufoo.com/forms/guillencapron-shareholder-protections-index/>
- The new **FNA Platform 3.0**, the enterprise engine for financial network analytics and visual dashboards, has been released. The FNA Platform offers a comprehensive end-to-end solution for operationalizing the monitoring of various financial networks ranging from counterparty exposures to interconnected financial markets. FNA Platform 3.0 is built for monitoring and analyzing exposure networks, CDS networks, payment networks, correlation networks, and many other interconnected financial systems. For more information, visit www.fna.fi or contact info@fna.fi.
- The **CFM** launched a **banking website** – www.globalbanking.org - that aims to become an authoritative repository for data and analysis of global banking and banking regulation. We see the site as a means for researchers and policymakers to access banking policy data and trends in a logical and easy-to-use format. Contact Moutusi Sau on msau@milkeninstitute.org.
- **CrisisMetrics** (<http://crisismetrics.com/>) - an exploration of banks' cross border exposures using BIS banking statistics - has updated a number of features. More on <https://twitter.com/crisismetrics>

MISCELLANEOUS

- *The Journal of Network Theory in Finance* is accepting submissions. The Journal of Network Theory in Finance publishes data-driven or theoretical work in - but not limited to - the following areas: Empirical network analysis that enables better understanding of financial flows, trade flows, input-output tables, financial exposures or market interdependencies; Modeling and simulation techniques for measuring interdependent financial risks; New metrics and techniques for identifying central, vulnerable or systemically important institutions and markets in financial networks; Network modeling of time-series data for financial risk management, asset allocation and portfolio management; Social network analysis (SNA) in finance, such as using social network data for making credit and investment decisions; Applied network visualization techniques that improve the communication of financial risks and rewards; Analysis of counterparties and their risk exposure from interconnectivity with the financial system and regulatory strategies for improving financial stability. <http://www.risk.net/type/journal/source/journal-of-network-theory-in-finance>
- *Econometrics Journal* is inviting submissions on “Econometrics of Networks” for a special issue. Deadline **Jan 31**. Submissions through https://editorialexpress.com/cgi-bin/e-editor/e-submit_v15.cgi?dbase=ectj
- *Applied Network Science* is a new journal accepting submissions. The journal focuses on novel applications of network science and on techniques that may be used in complex network methodologies. Contributions from all fields of science are welcome. <http://www.appliednetsci.com/>
- *Economic Modelling* will publish a special issue on Applied Financial Economics drawing on submissions at the International Conference on Applied Financial Economics, Shanghai, Jul 2-3, 2016. Submissions should be sent to one of the guest editors (Tony.He1@uts.edu.au, zhe@brocku.ca, and xiaonengz@gmail.com) by **Mar 15**. <http://www.journals.elsevier.com/economic-modelling/call-for-papers/economic-modelling-applied-financial-economics/>
- Article: The social network illusion that tricks your mind: <http://www.technologyreview.com/view/538866/the-social-network-illusion-that-tricks-your-mind/>
- Presentation slides on “Applications of network theory in finance” by Kimmo Soramaki: <http://www.slideshare.net/soramaki/applications-of-network-theory-in-finance-52648849>
- The BigDataFinance (2015-2019) project provides doctoral training and research in sophisticated data-driven risk management at the crossroads of Finance and Big Data. For more information on this and ongoing research projects visit <http://bigdatafinance.eu/>; <http://bigdatafinance.eu/category/projects/>

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Previous issues of the newsletter can be accessed online from the International Banking Library:
<http://www.bankinglibrary.com/e/fdz/IntBankLib/interconnectedness.asp>