

IMF – Joint Vienna Institute

**Course on Financial Stability, Systemic Risk,
and Macro-Prudential Policy**

April 20 – 28, 2015

READING LIST

Monday, April 20, L–1 Part 1: Causes and Stages of the Financial Crises; Overview of Macrofinancial Risk Analysis; Systemic Risk Monitoring

Acharya, V. 2013, “Understanding Financial Crisis: Theory and Evidence from the Crisis of 2007-08”, NBER report No.1.

<http://www.nber.org/reporter/2013number1/acharya.html>

Brunnermeier, Markus K., 2009, “Deciphering the Liquidity and Credit Crunch 2007-2008,” *Journal of Economic Perspectives* 23(1), 77-100.

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Claessens, Stijn, and others, 2010, “Lessons and Policy Implications from the Global Financial Crisis,” IMF Working Paper WP10/49 (Washington: International Monetary Fund).

<http://www.imf.org/external/pubs/ft/wp/2010/wp1044.pdf>

Tobias Adrian and Adam B. Ashcraft, “Shadow Banking: A Review of the Literature” *Federal Reserve Bank of New York Staff Reports*, no. 580, October 2012.

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Blancher, Nicolas, and others, 2013, “Systemic Risk Monitoring “Sysmo” Tool Kit - A User Guide”, IMF Working Paper 13/168.

<http://www.imf.org/external/pubs/cat/longres.aspx?sk=40791>

L–1 Part 2 - Financial Sector Surveillance

International Monetary Fund, 2012, “The IMF Financial Sector Surveillance Work Agenda”.

www.imf.org/external/np/pp/eng/2012/041012.pdf

Viñals, José et al, 2010, “Shaping the New Financial System,” IMF Staff Position Note 10/15.

<http://www.imf.org/external/pubs/ft/spn/2010/spn1015.pdf>

International Monetary Fund, *Financial Sector Assessment Program: Frequent Ask Questions*.

<http://www.imf.org/external/np/fsap/faq/index.htm>

———, 2013. *Fact sheet: The Financial Sector Assessment Program*.

<http://www.imf.org/external/np/exr/facts/fsap.htm>

Supplementary Reading

Raghuram Rajan, 2010, *Fault Lines* (Princeton University Press).

Carmen Reinhart and Kenneth Rogoff, 2009, *This Time Is Different* (Princeton University Press).

Hyun Song Shin, 2010, *Risk and Liquidity* (Oxford University Press).

Monday, April 20, L–2: Extracting Information from Market Prices and Contingent Claims Analysis

Gray, Dale. F., R.C. Merton, and Z. Bodie, 2008, “A New Framework for Measuring and Managing Macrofinancial Risk and Financial Stability,” Harvard Business School Working Paper No. 09/15 (Cambridge).

Gray, Dale, and Samuel Malone, 2008, *Macrofinancial Risk Analysis*, Chapter 2 (London: Wiley Finance).

Gray, Dale. F., 2009, “Modeling Financial Crises and Sovereign Risk” in Annual Review of Financial Economics, ed. by Robert Merton and Andrew Lo, *Annual Reviews*, (Palo Alto: California), Vol. 1, pp. 117–144.

Tuesday, April 21,

L–4 The Bank of England’s Risk Assessment Model for Systemic Institutions (RAMSI)

RAMSI: a top-down stress-testing model

Bank of England Financial Stability Paper No. 17 – September 2012, by Oliver Burrows, David Learmonth and Jack McKeown

L–5 Macro-Prudential Policy Framework

International Monetary Fund, 2013, “Key Aspects of Macro-prudential Policy”.

<http://www.imf.org/external/np/pp/eng/2013/061013b.pdf>

International Monetary Fund, 2014, “Staff Guidance Note on Macroprudential Policy”.

<http://www.imf.org/external/pp/longres.aspx?id=4925>

Jeanne, Olivier, 2014, “Macroprudential Policies in a Global Perspective”, IMES Discussion Paper 2014-E-1, Bank of Japan.

<http://www.imes.boj.or.jp/research/papers/english/14-E-01.pdf>

Noyer, Christian, 2014, “Macroprudential Policy: From Theory to Implementation” in the Financial Stability Review of the Bank of France, April 2014.

www.centerforfinancialstability.org/fsr/fra_fsr_201404.pdf

Benigno, G., H. Chen, C. Otrok, A. Rebucci and E. R. Young, 2013, “Financial Crises and Macroprudential Policies,” *Journal of International Economics* 89(2), pp. 453–470.

<http://ideas.repec.org/a/eee/inecon/v89y2013i2p453-470.html>

Supplementary Reading

Borio, Claudio, 2003, “Towards a Macroprudential Framework for Financial Supervision and Regulation?” BIS Working Paper No. 128.

<http://www.bis.org/publ/work128.htm>

Dell’Arriccia, G., D. Igan, L. Laeven and H. Tong, 2012, “Policies for Macrofinancial Stability: How to Deal with Credit Booms,” *IMF Staff Discussion Note* 12/06.
<http://www.imf.org/external/pubs/cat/longres.aspx?sk=25935>

Galati and Moessler, 2011, “Macroprudential Policy – a literature review”, BIS Working Papers No. 337.
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International Monetary Fund, 2014, “Staff Guidance Note on Macroprudential Policy - Considerations for Low Income Countries.” <http://www.imf.org/external/pp/longres.aspx?id=4929>

Jeanne, Olivier and Anton Korinek, 2013, "Macroprudential Regulation Versus Mopping Up After the Crash", *NBER Working Paper* 18675. <http://www.nber.org/papers/w18675>

Tuesday, April 21, L-6: Stress Testing Processes for Financial Stability Assessment

Alfaro, Rodrigo, and Mathias Drehmann, 2009, “Macro Stress Tests and Crises: What Can We Learn?” *BIS Quarterly Review*, December.
<http://www.bis.org/publ/work369.pdf>

Basel Committee on Banking Supervision, 2009, “Principles for Sound Stress Testing Practices and Supervision,” Final Paper, May <http://www.bis.org/publ/bcbs155.htm>

Bisias, Flood, Lo, and Valavanis. 2012, “A Survey of Systemic Risk Analytics,” Office of Financial Research Paper #1 (summary, skim first part).
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1983602

Gapen, Michael T., Dale F. Gray, and others, 2005, “Measuring and Analyzing Sovereign Risk with Contingent Claims,” *IMF Working Paper* No. 05/155.
<http://www.imf.org/external/pubs/ft/wp/2005/wp05155.pdf>

Gray and Malone, 2012, “Sovereign and Financial Sector Risk: Measurement and Interactions,” *Annual Review of Financial Economics* 4:9 1–9.

Supplementary Reading:

Alfaro, Rodrigo, and Matthias Drehmann, 2009, “Macro stress tests and crises: what can we learn?” *BIS Quarterly Review* December.

Bank for International Settlements Committee on Banking Supervision, 2009, “International Framework for Liquidity Risk Measurement, Standards and Monitoring,” Consultative Document, December.
<http://www.bis.org/publ/bcbs165.pdf>

Billio Monica, Mila Getmansky, Andrew Lo, and Loriana Pelizzon, 2012, “Econometric Measures of Connectedness and Systemic Risk in the Finance and Insurance Sectors,” *Journal of Financial Economics*, Vol 104, pp. 535–559. <http://www.sciencedirect.com/science/journal/0304405X/104/3>

Hardy, Daniel, and Christian Schmieder, 2013, “Rules of thumb for bank solvency stress testing,” *IMF Working Paper* WP/13/232. <http://www.imf.org/external/pubs/ft/wp/2013/wp13232.pdf>

Wednesday, April 22, L-7: Risk-Adjusted Balance Sheets and Contingent Claims Analysis for Financial Firms, Corporates and Sovereigns

Gray, Dale F., and Samuel Malone, 2008, *Macrofinancial Risk Analysis*, Chapters 4 and 5 (London: Wiley Finance).

Gray, D., A. Jobst, 2011, “Modeling Systemic Financial Sector and Sovereign Risk,” Sveriges Riksbank Economic Review, September.

Gray, Dale F., and Samuel Malone, 2008, *Macrofinancial Risk Analysis*, Chapters 13 and 14 (London: Wiley Finance).

Macrofinancial Modeling Group Papers

<http://www.mfmgroup.org> see May 2014, “Analyzing Real Estate, Financial Sector, and Sovereign Risks and Economic Impact Using Contingent Claims Analysis: Framework and Application to Ireland,” May 25, 2014, Dale F. Gray

Wednesday, April 22, L-8: Reform of Prudential Regulation

ESRB, 2014. “ESRB Handbook on Operationalising Macro-prudential Policy in the Banking Sector”, <http://www.esrb.europa.eu/pub/html/index.en.html>

International Monetary Fund, 2013, “Key Aspects of Macro-prudential Policy –Background Paper”. <http://www.imf.org/external/np/pp/eng/2013/061013c.pdf>

International Monetary Fund, 2013, The Interaction of Monetary and Macroprudential Policies. <http://www.imf.org/external/np/pp/eng/2013/012913.pdf>

International Monetary Fund, 2014, “Staff Guidance Note on Macroprudential Policy: Detailed Guidance on Instruments”. <http://www.imf.org/external/pp/longres.aspx?id=4925>

Supplementary Reading:

Bayoumi, T., G. Dell’Ariccia, K. Habermeier, T. Mancini-Griffoli, and F. Valencia, 2014, “Monetary Policy in the New Normal”, IMF Staff Discussion Note. SDN/14/3. <http://www.imf.org/external/pubs/cat/longres.aspx?sk=41419>

Cochrane, J.H., 2013, “The New-Keynesian Liquidity Trap”, NBER WP 19476. <http://www.nber.org/papers/w19476>

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International Monetary Fund, 2013, The Interaction of Monetary and Macroprudential Policies – Background Paper. <http://www.imf.org/external/np/pp/eng/2013/012713.pdf>

Persaud, Avinash (Ed.) (2003), *Liquidity black holes: understanding, quantifying and managing financial liquidity risk*, London: Risk.

Thursday, April 23, L–9: Dealing with Systemic Risk: Incentives, Regulations, and Procedures

Charles W. Calomiris, 2011, “An Incentive-Robust Program for Financial Reforms”, available at:
<http://www.cato.org/pubs/journal/cj31n3/cj31n3-10.pdf>

Zhou, J., V. Rutledge, W. Bossu, M. Dobler, N. Jassaud, and M. Moore, 2012, “From Bail-out to Bail-in: Mandatory Debt Restructuring of Systemic Financial Institutions”.
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Pazarbasioglu, C, J. Zhou, V. Le Leslé, and M. Moore, 2011, “Contingent Capital: Economic rationale and Design Features”, IMF Staff Discussion Notes No.11/1.
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http://www.financialstabilityboard.org/publications/r_101111a.pdf

Supplemental Reading:

Brunnermeier, M K (2008), “Deciphering the Liquidity and Credit Crunch 2007-08,” NBER Working Paper No. w14612.

ESRB (2014), “The ESRB Handbook on Operationalising Macroprudential Policy in the Banking Sector”.
Hardy, D C and P Hochreiter (2014), “A simple macroprudential liquidity buffer,” IMF Working paper WP/14/235.

Hardy, D C and P Hochreiter (2015), “Ignore at your peril: Liquidity risk and macroprudential policy,”
<http://www.voxeu.org/article/liquidity-risk-and-systemic-banking-crises>

Krishnamurthy, A D (2009), “Amplification Mechanisms in Liquidity Crises,” NBER Working Paper No. w15040.

Milne, A (2010), “Using ‘Cap and Trade’ to Contain Systemic Financial Risk,” Social Science Research Network Working Paper.

Perotti, E and J Suarez, (2009), “Liquidity Risk Charges as a Macroprudential Tool”, CEPR Policy Insight 40.

Friday, April 24, L–10: Systemic and Sovereign Risk Analysis

Gray, Gross, Paredes, Sydow, “Modeling Banking, Sovereign, and Macro Risk in a CCA Global VAR”
IMF WP 13/218.
<http://www.imf.org/external/pubs/ft/wp/2013/wp13218.pdf>

Garcia, C., Dale F. Gray, L. Luna, and J. Restrepo, 2011, “Incorporating Financial Sector Risk into Monetary Policy Models: Application to Chile”, IMF Working Paper
<http://www.imf.org/external/pubs/ft/wp/2011/wp11228.pdf>

Supplemental Reading:

Chen, Q., D. Gray, P. N'Diaye, and H. Oura, “International Transmission of Bank and Corporate Distress” IMF Working Paper No. 10/124.

<http://www.imf.org/external/pubs/ft/wp/2010/wp10124.pdf>

Gray, Dale F., A. A. Jobst, and S. Malone, 2010, “Quantifying Systemic Risk and Reconceptualizing the Role of Finance for Economic Growth,” *Journal of Investment Management*, Vol. 8, No. 2, pp. 90–110

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Gray, Gross, Paredes, Sydow, “Modeling Banking, Sovereign, and Macro Risk in a CCA Global VAR” IMF WP 13/218.

<http://www.imf.org/external/pubs/ft/wp/2013/wp13218.pdf>

Garcia, C., Dale F. Gray, L. Luna, and J. Restrepo, 2011, “Incorporating Financial Sector Risk into Monetary Policy Models: Application to Chile”, IMF Working Paper

<http://www.imf.org/external/pubs/ft/wp/2011/wp11228.pdf>

Friday, April 24, L–11: Macro-Prudential Policy Issues and Case Studies

Bruno and Shin, 2012, “Assessing Macroprudential Policies: Case of Korea”.

http://www.princeton.edu/~hsshin/www/korea_macropru.pdf

Lim, et al., 2011 “Macroprudential Policy: What Instruments and How to Use Them? Lessons from Country Experiences,” IMF Working Paper WP/11/238.

<http://www.imf.org/external/pubs/ft/wp/2011/wp11238.pdf>

Tressel, Thierry and Jianping Zhou, 2014, “Macroprudential Oversight and the Role of the European Systemic Risk Board,” in *From Fragmentation to Financial Integration in Europe*, C. Enoch, L. Everaert, T. Tressel and J. Zhou (eds.), (chapter 20).

<http://www.elibrary.imf.org/page/financialintegrationeurope>

Supplementary Reading:

Bank of England Discussion Paper, 2011, “Instruments of Macroprudential Policy”.

<http://www.bankofengland.co.uk/publications/.../discussionpaper111220.pdf>

Jácome, L, and others, 2012, “Building Blocks for Effective Macroprudential Policies in Latin America: Institutional Considerations”. IMF WP/12/183.

<http://ideas.repec.org/p/imf/imfwpa/12-183.html>

Javier Guzmán Calafell, 2013, “Challenges for macroprudential policy and the Mexican case”, Fifth Summit Meeting of Central Banks on Inflation Targeting, Santiago de Chile, November 2013.

<http://www.bis.org/review/r131128g.htm>

The European Systemic Risk Board, *Annual Report, various years*.

<http://www.esrb.europa.eu/>
