



SAID BUSINESS SCHOOL, University of Oxford
SEMINAR SERIES / Michaelmas 2012

For further information please contact the Cabdyn Administrator:

info.cabdyn@sbs.ox.ac.uk

01865 288785

Seminar webpage:
www.cabdyn.ox.ac.uk/complexity_seminars.asp

Sandwiches and drinks will be provided

Please note: although the seminar programme detailed was correct at time of printing, seminar arrangements are subject to change - for the latest information, please check the seminar webpage.

'Contagion and risk-sharing on the inter-bank market'

Dr Daniel Ladley
Department of Economics, University of Leicester

Tuesday 6th November 2012, 12.30 -14.00
Seminar Room 14, Saïd Business School

ABSTRACT:

Increasing inter-bank lending has an ambiguous impact on financial stability. Using a computational model with endogenous bank behavior and interest rates we identify the conditions under which inter-bank lending promotes stability through risk sharing or provides a channel through which failures may spread. In response to large economy-wide shocks, more inter-bank lending relationships worsen systemic events. For smaller shocks the opposite effect is observed. As such no inter-bank market structure maximizes stability under all conditions. In contrast, deposit insurance costs are always reduced under greater numbers of inter-bank lending relationships. A range of regulations are considered to increase system stability.