

Bank of Finland Simulator Seminar 2008

Discussion of

THE STERLING UNSECURED LOAN MARKET IN 2007 AND 2008: INSIGHTS FROM NETWORK TOPOLOGY

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Key Conclusions

- Overall activity increased
 - i.e. concentration of lending activity at the short end offset expected decline from credit rationing
- But reduced network due to credit rationing
 - Less links
 - Separation between borrowing and lending counterparties
 - Less clustering
 - All but two largest lenders become less important

Discussion

- ❑ Diagram of topology
- ❑ Link theory and results
 - Hypothesis: a priori expectations for each measure
 - Economic rationale for results
- ❑ Are less active banks fairly homogenous?
 - Group banks based on business model
- ❑ What are the long term trends?
 - Longer 'pre-crisis' period

Extensions

- ❑ Second tier activity
 - Qualitative discussion of indirect observations
- ❑ Analyse announcement effects on individual nodes
- ❑ Price effects
 - Different credit spreads for different counterparties?
- ❑ Size of loans
 - Calculate centrality using weights based on size of loans

