EUROPEAN CENTRAL BANK

EUROSYSTEM

Macroprudential Surveillance of the European Banking System

Peter Sarlin

Discussion by Peter Rosenkranz

European Central Bank

13th Simulator Seminar

Bank of Finland, Helsinki

27 August 2015

Overview

1. Summary
2. Potential Usefulness of TARGET2 Simulator

Summary

- Early warning models:
  - Identifying systemic risk at early stages

- Contribution:
  - Conceptualization of the choice of a suitable early warning model
  - Framework for optimal model choice
  - Empirical application

Potential Usefulness of TARGET2 Simulator

- Quarterly frequency “sufficient”?
  - Payment system data “big and at a very high frequency”
- Payment system data and stress-testing exercises might yield important information on early warning signals:
  - Liquidity indicators
  - Network indicators
  - Cross-border flows
  - Contagion
  - Money market rates
  - Interdependencies
  - Capital flight
  - Banks’ exposures