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**Comments on "Measuring
Systemic Risk Across
Financial Market
Infrastructures" by Fuchun Li
and Hector Perez Saiz**

13th Simulator seminar, Helsinki 28.8.2015





The paper in brief

- **Focus:** Dependencies between FMIs and their implications for financial stability
 - *”Interconnectedness, systemic risk and financial stability”*

- **Methodology:**
 - probability estimations for negative event occurrence simultaneously in several FMIs
 - Extreme value theory

- **Results:** systemic risk
 - depends on the time of the ”negative event” occurrence
 - varies across financial institutions
 - is affected differently by the size and type of the system



Comments (1)

- Nice, robust and very comprehensive paper!
- Unique dataset to analyze systemic risks

Merits:

- A very elegant measure of of systemic risk **in the network of FMIs** (*Interconnectedness!*)
- Methodology (extreme value theory) is handy for dealing with tail risk measurement problems
- Results are intuitive and logical



Comments (2)

Questions:

- Policy implications of your results?
What should policymakers do to contain systemic risk?
- Can your results (lessons from them) be generalized?
How "Canada-specific" are your findings?
Does the time period play a role?
- How about the international linkages of FIs in your dataset?
Can systemic risk also be imported cross-border?



Comments (3)

Further questions and considerations:

- Behavioral aspects?

Even rumours on problems of a FI can generate changes in others' behavior ("Lucas critique")?

- Drafting:
 - Guide your reader: e.g. explaining the acronyms of the Canadian systems (CDSX, CDCS) already in the beginning
 - Reporting of your results and communicating your policy conclusions (current conclusions only few lines)



Thank you

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