

Financial Networks and Systemic Risk

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What is the nature and magnitude of network effects in destabilizing the financial system? Versions of these questions have generated a large and growing literature on network models of systemic risk. A significant challenge in applying these models is the lack of public data on interconnections between financial institutions. In this talk, after reviewing some background, I will present results from joint work with Peyton Young (Oxford) in which we bound the magnitude of network effects using information about individual nodes but no information about network topology. We illustrate the results using European bank data. Time permitting, I will discuss other aspects of systemic risk as well.