

Joint Seminar - Risk Management Institute and SCAPE

Details of Seminar

Date: 31 March 2009, Tuesday

Time: 4:00pm – 5:30pm

Venue: [Lim Tay Boh Seminar Room AS2-03-12](#)

Speaker

Prof. Prasanna Gai

The Australian National University

Title

A Network Model of Super-Systemic Crises

Abstract

Although advanced country financial systems have weathered numerous shocks in recent years, the events triggered by the sub-prime crisis of August 2007 have been “super-systemic” in scope, enveloping financial institutions across the major economies as well as far away Iceland and New Zealand. In this paper, we apply network techniques to develop a framework for analyzing financial contagion that isolates the probability of contagion from its potential spread. Our results suggest that modern financial systems may be robust-yet-fragile in nature. Under plausible assumptions, the greater connectivity implied by new financial instruments, such as credit derivatives, reduces the likelihood of contagion. But the impact on the financial system, in the event of problems, may be on a significantly larger scale than before.