Announcement / Call for Papers

Risk Transfer Mechanisms and Financial Stability

A joint workshop by the Research Task Force of the Basel Committee on Banking Supervision, the Centre for Economic Policy Research (London), and the Journal of Financial Intermediation


Financial stability is emerging as a distinct policy function of central banks, requiring its own scholarship separate from, but related to, monetary policy or bank supervision. One element of financial stability is to understand the benefits of and potential risks posed by new financial instruments used increasingly by both domestic and international market participants. Against this backdrop, the organisers of the workshop solicit theoretical and empirical papers related to the following set of topics and research questions:

Implications of risk transfer mechanisms for the macroeconomy

- If bank loans are funded directly by capital markets (eg through securitisations and collateralised debt obligations), how will this innovation affect underwriting standards, agency problems, the monetary transmission mechanism and business cycles more generally?
- What are the linkages between macroeconomic conditions, financial instability and financial risk transfer mechanisms?

The role of non-bank institutions in financial markets

- What are the systemic implications of the financial market activities of non-bank institutions, including insurance and reinsurance companies, pension funds and hedge funds?
- How do the relationships between banks and non-banks affect financial stability?

Regulation, risk management and future challenges

- What are the systemic challenges posed by greater reliance on over-the-counter derivatives markets for credit risk transfer products? Are market infrastructures sufficiently robust to support the growth of these markets?
- The markets for credit risk transfer vehicles: How well do they function in normal times and in stress times? Do current levels of concentration in brokerage pose systemic risks? What are future challenges?
- How do risk transfer innovations affect the funding liquidity risks of banks?
• Are there implications for how to regulate banks going forward (e.g., capital regulations)? Are there also implications for supervisory practices?

• Operational risk transfer mechanisms: What is the current experience? What are the challenges? How are they likely to develop? How effective are they as a substitute for capital?

Submissions that deal with other research questions pertinent to risk transfer mechanisms and financial stability are also welcome. Interested parties should submit their draft papers and any questions to Martin Birn of the Basel Committee’s Secretariat at Martin.Birn@bis.org. The submission deadline is 31 January 2008. Contributors will be notified by 1 April 2008.

The workshop aims to bring together leading academics, representatives of the Basel Committee member organisations1, other central bankers, bank supervisors and market participants. The Basel Committee will contribute toward the cost of academic speakers’ travel and accommodation expenses.

**Keynote speakers**

- Hyun Song Shin, Princeton University, is affiliated with the Department of Economics and the Benheim Center for Finance.
- tbd

**Submissions to the Journal of Financial Intermediation**

A special issue of the *Journal of Financial Intermediation (JFI)* will be devoted to the workshop. Along with your submission, please indicate whether you would like the paper to be considered for publication in the *JFI*. In addition, if you choose to submit to the *JFI*, please upload your paper on the *JFI* website (http://services.bepress.com/jfi/). Your paper’s acceptance at the workshop does not guarantee publication in the *JFI*. All papers must pass the journal’s regular refereeing process.

**Programme Committee**

The Programme Committee for the workshop consists of Klaus Duellmann (Deutsche Bundesbank), Diana Hancock (Federal Reserve Board), Nancy Masschelein (National Bank of Belgium), David Nebhut (US Office of the Comptroller of the Currency), Erlend Nier (Bank of England), Bent Vale (Central Bank of Norway), Viral Acharya (London Business School and JFI), Markus Brunnermeier (Princeton University and JFI), Mike Fishman (Northwestern University and JFI), George Pennacchi (University of Illinois and JFI), Rafael Repullo (Centro de Estudios Monetarios y Financieros and CEPR), Dimitri Vayanos (London School of Economics and JFI), Vish Viswanathan (Duke University and JFI), and Ernst-Ludwig von Thadden (University of Mannheim and JFI).

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1 The Basel Committee on Banking Supervision was established by the central bank Governors of the Group of Ten countries and its members come from Belgium, Canada, France, Germany, Italy, Japan, Luxembourg, the Netherlands, Spain, Sweden, Switzerland, the United Kingdom and the United States. Countries are represented by their central bank and also by the authority with formal responsibility for the prudential supervision of banking business.