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Vol. 13, No. 75: Oct 9, 2025
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FINANCIAL CRISES eJOURNAL

"The Informational Power of Regulatory Bank Stress Tests: A Case for Positive, But Tempered Expectations"

VALTER LAZZARI, LIUC - Università Cattaneo, SDA Bocconi
Email: vlazzari@liuc.it
LUIGI VENA, LIUC - Università Cattaneo
Email: lvena@liuc.it

An analysis of the stress tests conducted on EU banks from 2011 to 2023 yields three insights into the ongoing debate on the design and informational value of these supervisory exercises. First, aside from the information-rich 2014 EU-wide stress tests that marked a regime change, the informativeness of all subsequent exercises has been limited, but, unlike the US experience, has remained stable. Second, the COVID-19 experiment provides limited evidence on the stress test effectiveness in detecting individual bank resilience to tail risks during extreme events. Third, the Covid-19 experiment also reveals that even the occurrence of a major shock does not significantly affect ST result persistence suggesting that regulators are cautious yet responsive when updating stress test design and implementation in the aftermath of a disruption. Overall, the European experience suggests that expectations regarding the informative value of stress testing banks should remain positive but tempered.

"Interpretable and Causal Approach to Estimate Systemic Risk in Indian Banks"

SANDARBH YADAV, *affiliation not provided to SSRN*
Email: sandarbhyadav@idrbt.ac.in
RAVI VADLAMANI, Institute for Development and Research in Banking Technologies
Email: vravi@idrbt.ac.in
DR. ACV SUBRAHMANYAM, *affiliation not provided to SSRN*
Email: subrahmanyam.acv@hyderabad-bits-pilani.ac.in

The failure of one bank might trigger the collapse of other banks that depend on it due to their interconnectedness. The risk associated with the failure of the entire banking network when one of its members collapses is known as systemic risk. Quantifying it is a challenging task due to the complex interconnections among banks, whose data is not always publicly available. In a novel departure from the literature, we employ quantile regression neural networks to estimate value-at-risk (VaR) of banks and use the same to estimate their conditional value-at-risk (CoVaR). We then identify banks with high systemic risk exposure and contribution using the published metrics. For the first time, (i) we invoke SHapley Additive exPlanations (SHAP) analysis to incorporate explainability aspects in the trained models, (ii) generatecounterfactual scenarios to help decision-makers mitigate systemic risk under the causal inference framework, and (iii) employ the network centrality measures to assess the interconnectedness among the banks. In this work, we use publicly available data to quantify systemic risk in a network of 24 Indian banks from 2019 to 2024. We identify banks with high systemic risk exposure and contribution. We empirically establish the importance of incorporating non-linearity in estimating VaR. Finally, we use the real-world events that occurred in the Indian banking industry between 2019 and 2024 to corroborate our empirical findings.

"Financial Globalization: Risk Sharing or Risk Exposure?"

ENRIQUE G. MENDOZA, National Bureau of Economic Research (NBER), University of Pennsylvania
Email: egme@sas.upenn.edu
VINCENZO QUADRINI, University of Southern California - Marshall School of Business - Finance and Business Economics Department, National Bureau of Economic Research (NBER), Centre for Economic Policy Research (CEPR)
Email: quadrini@usc.edu

We study how the increased cross-country ownership of financial assets between advanced and emerging economies impacted their financial and macroeconomic volatility. While cross-country ownership improved risk-sharing and reduced volatility associated with financial crises, it also increased the exposure of countries to foreign crises, leading to higher international co-movement. Through quantitative applications of a two-region model representative of advanced and emerging economies, we find that financial globalization reduced volatility worldwide, but significantly more in emerging economies.

"Evolution of Economic thought in Ukraine: From Regional Development to Crisis Cash Management in Wartime (2004 -2025)"

OLEKSII SLIEPTSOV, Association for Financial Professionals (AFP), PrivatBank JSC CB
Email: artur220513timur110415@gmail.com

This article presents the author's perspective on the evolution of economic thought in Ukraine from 2004 to 2025. Beginning with theoretical research on regional development, free economic zones, and investment potential, the author's professional journey progressed toward practical crisis cash management at the level of national banking infrastructure. Drawing on personal experience at PrivatBank and cooperation with the National Bank of Ukraine (NBU), the paper explores how the state's economic strategy has adapted to war, financial crises, and the need for decentralization. Special attention is paid to the NBU's delegated model of transferring certain central bank functions to commercial banks, the associated operational risks, the role of institutional trust, and practical tools for preserving the resilience of the monetary system.

"Influence by Omission: The IMF's Lending Capacity and Central Bank Design"

ANA CAROLINA GARRIGA, University of Essex - Department of Government
Email: carolina.garriga@essex.ac.uk
MICHAEL A GAVIN, University of Queensland
Email: michael.gavin@uq.edu.au

A large literature explores how loan conditionalities and policy recommendations embedded in International Monetary Fund lending programs influence country behavior and policy choices. We argue that the IMF's influence extends beyond these intentional efforts. This paper shows that the growth in the IMF's lending capacity has failed to keep pace with financial globalization, and that this has incentivized emerging and developing economies to strengthen their domestic institutions for financial stability, particularly, their central bank's capabilities to act as a lender of last resort. We conceptualize this as influence by omission, whereby the IMF shapes behavior not through direct engagement but through its declining ability to serve as an effective financial backstop. Using original data coding central bank lender of last resort powers for 60 developing countries between 1994 and 2020, we find that countries with relatively limited access to IMF resources are significantly more likely to strengthen their central banks' lender of last resort authority. This finding is robust across a range of model specifications, instrumental variable analyses, and dynamic estimations. An event study of countries' response to the Covid shock reveals that countries with stronger lending of last resort capabilities were much more likely to manage the crisis without drawing on IMF resources. Importantly, this effect is specific to lender of last resort powers and does not extend to other aspects of central bank governance such as independence or transparency, suggesting that distinct international and domestic incentives shape different reform trajectories.

"Macroprudential Policies in the Light of the Development of Information Technologies: A Synthesis on the Effective Early Warning Signals"

MARINA SAKOVICH, University Grenoble Alpes, University of Zurich
Email: marina.sakovich@gmail.com

In the wake of recent recurrent crises, innovative macroprudential policies (MaPs) have been framed and implemented to deal with the weaknesses of market-led microprudential mechanisms and to strengthen the stability of financial systems. However, the effectiveness of different tools to implement successful MaPs is still a critical matter of research. Early warning signals (EWS) are used as indicators of the likelihood of future crisis. The aim of this paper is to examine approaches to identify EWS to maximize the effectiveness of MaPs in the light of the developments of information technologies. The paper presents a comprehensive and synthetic analysis of academic work that determine effective EWS by analyzing numerical information using econometric and machine learning (ML) methods or extracting economic information from text based on deep learning (DL) techniques that may be regarded as innovative approaches to financial supervision and regulation. The results, taking into account current regulatory practices, suggest the advantages of identifying effective EWSs by machine learning approaches to analyzing numerical data, as it allows simultaneous processing of a large number of variables; and the potential for developing the application of methods for extracting economic information from textual data to determine expectations.

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