



**GDRR Program Opening Workshop
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SPEAKER TITLES/ABSTRACT

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“Network Connectivity and Implications for Systemic Risk”

Interconnectedness amongst financial institutions has been implicated as a significant contributing factor to the 2008-09 crisis, where shocks were amplified to becoming systemic events. We study two types of networks: correlation network based on publicly traded bank returns, and a physical network based on interbank lending transactions and discuss various analytic approaches for studying their connectivity patterns over time. Some key findings include: (i) both networks behave similarly in the period preceding the 2008-09 crisis, (ii) during the crisis the correlation network shows an increase in interconnectedness while the physical network highlights a marked decrease in interconnectedness. Moreover, these networks respond differently to monetary and macroeconomic shocks. Physical networks forecast liquidity problems, while correlation networks forecast financial crises.