

Where the Risks Lie: A Survey on Systemic Risk

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Abstract

We review the extensive literature on systemic risk and connect it to the current regulatory debate. While we take stock of the achievements of this rapidly growing field, we identify a gap between two main approaches. The first one studies different sources of systemic risk in isolation, uses confidential data, and inspires targeted but complex regulatory tools. The second approach uses market data to produce global measures which are not directly connected to any particular theory, but could support a more efficient regulation. Bridging this gap will require encompassing theoretical models and improved data disclosure.

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