Contents

Acknowledgments xi

Introduction 1
Mark Carey and René M. Stulz

I. Market Risk, Risk Modeling, and Financial System Stability

1. Bank Trading Risk and Systemic Risk 29
   Philippe Jorion

   James O’Brien and Jeremy Berkowitz
   Comments on chapters 1 and 2:
   Kenneth C. Abbott
   Paul Kupiec
   Discussion Summary

II. Systemic Risk

3. How Do Banks Manage Liquidity Risk? Evidence from the Equity and Deposit Markets in the Fall of 1998 105
   Evan Gatev, Til Schuermann, and Philip E. Strahan
   Comment: Mark Carey
   Discussion Summary
4. Banking System Stability:  
A Cross-Atlantic Perspective  
Philipp Hartmann, Stefan Straetmans, and Casper G. de Vries  
Comment: Anthony Saunders  
Discussion Summary  
133

5. Bank Concentration and Fragility:  
Impact and Mechanics  
Thorsten Beck, Asli Demirgüç-Kunt, and Ross Levine  
Comment: René M. Stulz  
Discussion Summary  
193

6. Systemic Risk and Hedge Funds  
Nicholas Chan, Mila Getmansky, Shane M. Haas, and Andrew W. Lo  
Comment: David M. Modest  
Discussion Summary  
235

III. Regulation

7. Systemic Risk and Regulation  
Franklin Allen and Douglas Gale  
Comment: Charles W. Calomiris  
Discussion Summary  
341

8. Pillar 1 versus Pillar 2 under Risk Management  
Loriana Pelizzon and Stephen Schaefer  
Comment: Marc Saidenberg  
Discussion Summary  
377

IV. New Frontiers in Risk Measurement

9. Global Business Cycles and Credit Risk  
M. Hashem Pesaran, Til Schuermann, and Björn-Jakob Treutler  
Comment: Richard Cantor  
Discussion Summary  
419

10. Implications of Alternative Operational Risk Modeling Techniques  
Patrick de Fontnouvelle, Eric S. Rosengren, and John S. Jordan  
Comment: Andrew Kuritzkes  
Discussion Summary  
475
   Torben G. Andersen, Tim Bollerslev, Peter F. Christoffersen, and Francis X. Diebold
   Comment: Pedro Santa-Clara
   Discussion Summary

12. Special Purpose Vehicles and Securitization 549
   Gary B. Gorton and Nicholas S. Souleles
   Comment: Peter Tufano
   Discussion Summary

   Günter Franke and Jan Pieter Krahnen
   Comment: Patricia Jackson
   Discussion Summary

Biographies 635
Contributors 639
Author Index 643
Subject Index 651