



New Approaches to Economic Challenges (NAEC) and the Committee on Financial Markets (CFM)

WORKSHOP ON NEW APPROACHES TO FINANCIAL MARKETS

October 20, 2017 – 3-6pm

Perhaps the most **important lesson of the financial crisis is complexity**. Global finance is the perfect example of a complex system, consisting as it does of a highly interconnected system of sub-systems featuring tipping points, emergence, asymmetries, unintended consequences, and all the other defining characteristics of complexity.

NAEC has previously profiled research on a **network view of the financial ecosystem**. Andy Haldane of the Bank of England and Robert May have emphasised the fragility of financial networks and their role in the collapse of the system. Financial risks have been pushed to the edges over the last 40 years, and risks building up on household balance sheets are starting to have negative consequences on people's life, including their health. Contagion of the activities in the real economy as a result of even a partial breakdown in the financial sector is still too little studied.

The workshop will discuss a more **holistic view on financial stability** that includes many more dimensions of how systemic risk can build up in the system. Stress on the household balance sheet is not well understood. But such stresses can become severe such that they migrate from the household balance sheet to the balance sheet of financial institutions (e.g. non-performing loans).

Almost ten years since the beginning of the Global Financial Crisis, **new risks to financial stability are emerging**. The risks of leverage, contagion between counterparties and liquidity mismatches are being rolled into new areas sometimes referred to as the "shadow banking system". This comes about because banks are being re-regulated while the response to the crisis led to extreme monetary ease resulting in historically low interest rates.

An important question is to what extent can relatively standard methods, such as increasing the capital requirements for banks still play a role? Admati and Hellwig made a strong case for increasing these and on June 26th the Bank of England announced that it was increasing its requirements for banks to improve the resilience of the system.

This workshop will present new thinking and cutting edge research on finance; financial networks, systemic risk, macro-prudential policies and new financial technologies. The workshop connects academia and the work of institutions like the European Commission with country-based economists and policy makers through the Committee on Financial Markets. It can therefore join new analysis and research with policy and action to promote sustainable and stable financial markets.



Draft Agenda

15:00	Opening Remarks by the Chair of the Financial Markets Committee
15:10	Introduction by Sir John Vickers , Warden of All Souls College, Oxford on regulatory reform since the crisis [Video]
15:15	Keynote Address: “How the financial sector can better serve the real economy” by Ann Pettifor , Director of Policy Research in Macroeconomics
16:00	Panel Discussion on New Approaches, Methods and Tools in Understanding Financial Markets Chair: Alan Kirman , Professor Emeritus at EHESS and OECD <ul style="list-style-type: none">• Andrew Lo, Charles E. and Susan T. Harris Professor of Finance at the MIT Sloan School of Management [Video]• Richard Bookstaber, Chief Risk Officer at the University of California• Jean Philippe Bouchaud, Professor of Physics at ENS and Chairman of Capital Fund Management• Laurent Cavel, Head of Macroeconomic Research, Axa Insurance (France)
17:30	Moderator: Juan Yermo , Deputy Chief of Staff Concluding Remarks and reflections from representatives of the OECD Economics Department, Financial Affairs Directorate, OECD Ambassadors and Financial Markets Committee.