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## HeiKaMEtrics-Seminar

Joint Heidelberg, Karlsruhe and Mannheim research seminar in Econometrics

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### Risk endogeneity at the lender-/investor-of-last-resort

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**Thursday, April 26th, 2018, 11:45 - 13:00h**

**Building 09.21, Room 320**

#### **Abstract:**

The riskiness of a central bank's balance sheet depends on the financial health of its counterparties, which in turn depends on the central bank's liquidity provision and asset purchases, particularly during a liquidity crisis. We propose a novel framework to study the time-variation in central bank portfolio credit risks associated with monetary policy operations. The framework accommodates numerous bank and sovereign counterparties, fat tails, skewness, and time-varying dependence parameters. In an application to items from the European Central Bank's weekly balance sheet between 2009 and 2015, we find that unconventional monetary policy operations tended to generate beneficial risk spill-overs across monetary policy operations. Some were 'self-financing' in risk terms.