Training Course

Early Warning Systems

Florence School of Banking and Finance

House of Finance, Frankfurt

7-8 September 2017

Introduction

This two-days course, presented by the Florence School of Banking and Finance, introduces the foundations of Early Warning Systems (EWS) for systemic risk, reviews the relevant literature, and provides illustration of EWS examples through workshops performed with Stata software. At the end of this course, participants should be able to understand the structure of EWS models, to be familiar with the main modeling applications, and to evaluate their advantages and limitations for policy analysis.

Course Instructors

Fabio Canova | Head of Training Florence School of Banking and Finance and BI Norvegian Business School

Gianni De Nicoló | Programme Associate Florence School of Banking and Finance and International Monetary Fund

Manfred Kremer | Deputy Head of the Financial Research Division European Central Bank

Programme

7 September

09.00 - 09.15	Registration
09.15 - 09.30	Welcome and presentation of the school
09.30 - 11.00	**Session 1. Foundations of EWS**

- Defining and measuring tail risks

- Value-at-Risk (VaR)-type measures
- Logit models
- The signal approach: Receiving Operating Characteristics (ROC)

11.00 - 11.30	*Coffee break*
11.30 - 13.00	**Session 2**. **VaR-type approaches (1)**

- VaR, CoVaR and ΔCoVaR
- Systemic Expected Shortfall (SES)

13.00 - 14.00	*Lunch break*
14.00 - 15.30	**Session 3**. **Workshop**: **Application of VaR-type approaches (1)** CoVaR and ΔCoVaR, VAR in VaR
15.30 - 16.00	*Coffee break*
16.00 - 17.30	**Session 4**. **Workshop: Application of VaR-type approaches (2)** Systemic Expected Shortfall (SES)

8 September

09.30 - 11.00	**Session 5**. **Workshop: Application of Logit/ROC analysis** Predicting currency, banking and sovereign debt crises
11.00 - 11.30	***Coffee break***
11.30 - 13.00	**Session 6**. **Workshop: Constructing country ratings for tail risks using Logit/ROC analysis**
13.00 - 14.00	*Lunch break*
14.00 - 16.00	**Session 7. Risk Interdependencies through VARs and Panel VARs. Networks and Connectedness measures (Fabio Canova)**
16.00 - 16.30	*Coffee break*
16.30 - 17.30	**Session 8. The CISS indicator: construction and applications by Manfred Kremer | ECB**
17.30 - 17.45	Concluding remarks