

Problem set 10 – seminar #10 (November 11, 2014)

1. Discuss whether it will be sufficient for the safety of the banking system as a whole to make each individual bank safe by passing a “stress test”?
2. How and through what channels might *funding illiquidity* and/or *market illiquidity* have contagious impact within the banking system?
3. Will countercyclical capital requirement be an effective instrument against some of the problems that have been identified above?

(Recommended reading – it is on the reading list: The Fundamental Principles of Financial Regulation, sect.1-5, CEPR, 2009.)