

Please use this identifier to cite or link to this item: <https://hdl.handle.net/10419/193522>

**Title:**

Credit default swap spreads and systemic financial risk

Authors:

Giglio, Stefano

Year of Publication:

2016

Series/Report no.:

ESRB Working Paper Series No. 15

Publisher:

European Systemic Risk Board (ESRB), European System of Financial Supervision, Frankfurt a. M.

Abstract:

This paper measures the joint default risk of financial institutions by exploiting information about counterparty risk in credit default swaps (CDS). A CDS contract written by a bank to insure against the default of another bank is exposed to the risk that both banks default. From CDS spreads we can then learn about the joint default risk of pairs of banks. From bond prices we can learn the individual default probabilities. Since knowing individual and pairwise probabilities is not sufficient to fully characterize multiple default risk, I derive the tightest bounds on the probability that many banks fail simultaneously.

Subjects:

credit default swaps
counterparty risk
default risk
simultaneous failures

JEL:

G21
E44

Persistent Identifier of the first edition:

doi:10.2849/875577

ISBN:

978-92-95081-42-0

Document Type:

Working Paper

Appears in Collections:

ESRB Working Paper Series, European Systemic Risk Board (ESRB)

Is cited by:

4 documents.

Cites the following sources:

25 sources.

Files in This Item:

File	Size
esrb-wp15.pdf (https://www.econstor.eu/bitstream/10419/193522/1/esrb-wp15.pdf)	2.65 MB

[Download Statistics \(/esstatistics/10419/193522?year=2025&month=2\)](/esstatistics/10419/193522?year=2025&month=2)[BibTeX-Export \(/bibtexexport/10419/193522/Giglio2016Credit.bib\)](/bibtexexport/10419/193522/Giglio2016Credit.bib)

Items in EconStor are protected by copyright, with all rights reserved, unless otherwise indicated.