

## **FP7 Marie-Curie Initial Training Network Risk Management and Risk Reporting**

**Position:** Early Stage Researcher/PhD Placement

**Project Title:** Interbank Lending and Bank Risk Measure

**Project Description:** The Early Stage Researcher (ESR) in this project will work on measures to restore the interbank markets that are crucial for banks' liquidity management, but mostly dried up during the crisis. The current external risk reporting of banks lacks credibility because the reported values at risk (VaR) turned out to be very small in relation to the reported depreciations on bank assets.

The project is divided in several steps.

The first step is to find out why the reported VaR were so misleading; is it because the underlying stochastic models are ignoring systemic risks, or because the time horizon of the underlying model is too short?

Second, can VaR be sufficiently improved to credibly communicate a bank's risk? If not, can stress tests be designed for that purpose? A more demanding approach is to combine different pieces of information that banks publish, which taken separately, might be insufficient, but when put together may be sufficient information for interbank lending. This requires research on the synergies of different pieces of information and empirical testing. This research should be of a theoretical and empirical nature.

Third, the issue of quick changes in banks' risk through derivatives trading needs to be addressed. Should banks report these big trades or should such trades be restricted to banks with stricter equity capital requirements?

Fourth, the ESR should differentiate systematic and non-systematic risk factors in bank risk positions to provide more precise insights into potential damages of lending to another bank.

**Proposed Start Date:** September 2009 subject to finalisation of the contract

**Duration:** 36 months

**Financial Information:** Salary plus allowances in line with Marie Curie FP7 requirements for ESRs.

**Host Institution:** Konstanz University

**Academic Advisor:** Professor Guenter Franke

**Secondment 1:** Erasmus University Rotterdam - 4 months

**Secondment 2:** Deutsche Bundesbank, McKinsey or Credit Suisse - 4 months, subject to confirmation

**Eligibility:** Nationals or residents of Germany cannot apply. At the time of appointment, applicants should have no more than 4 years experience (FTE) after graduation and should not have resided in the host country for more than 12 months in the last 3 years immediately before appointment.

**To Apply:** Applicants are requested to send the following documents to [guenter.franke@uni-konstanz.de](mailto:guenter.franke@uni-konstanz.de):

- a curriculum vitae
- copies of academic transcripts and degree certificates
- proof of English proficiency (Cambridge Certificate of Proficiency, IELTS, TOEFL)

- a one-page statement of purpose about aptitude and motivation for pursuing the programme
- two letters of recommendation from professors
- the results of the GRE test.