Foreword

In previous years the analysis of financial networks was focused largely on a topology of bilateral relationships among a group of credit institutions as a model for a single market. A drawback of such research is that it tends to neglect the crucial role of Financial Market Infrastructures. In fact, one can say that it takes the functioning of market infrastructures for granted. More recently and certainly since the default of Lehman Brothers, it has been widely recognized that such assumptions are not very realistic. Market infrastructures worldwide absorbed the shock of the Lehman default well, but only little imagination is needed to come up with more adverse scenarios.

It is therefore desirable to broaden the scope of analysis beyond single markets or single infrastructures in order to obtain a comprehensive view of the whole financial system in your economy and worldwide. Three elements for this research task are important in this respect: institutional knowledge of financial market infrastructures, network theory and granular data availability. It is a pleasure to observe that these three topics received broad attention in the book in front of you.

Institutional knowledge of relevant market infrastructures is essential when carrying out research as trading and routing of financial transactions strongly depends on the specific aspects of these infrastructures.

Network theory will enable overseers to analyze financial market infrastructures both from a micro perspective, analyzing the network of participants, as well as analysis at a higher level, aiming to study the interconnectivity between these infrastructures.

As data availability and computer processing capabilities are rapidly increasing, focus of research can also be directed towards the combination of several infrastructures. An example of newly available highly granular data is the formation of trade repositories. In 2009 the G20 countries decided that, in order to increase market transparency, all standardized over-the-counter derivatives were to be cleared through central counterparties and reported to trade repositories, thus making individual trade data on over-the-counter derivatives available to central banks and other authorities.

It is the unique position of central banks with their mandate to pursue financial stability in combination with the ability to obtain highly granular data that enables them to perform the aforementioned research task. The results of that research can benefit several areas next to financial stability, such as monetary policy, financial markets, payments policy, prudential supervision and oversight.

I would like to thank the authors and editors for this splendid cross-border initiative and wish the readers pleasure while their knowledge is enriched.

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