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# Why do some banks contribute more to global systemic risk?

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## Abstract

We investigate why some banks are more exposed and contribute more to systemic risk in the global financial system than others. On average, European banks contribute more to global systemic risk than banks in the United States while banks on both continents have a comparable average exposure to systemic crises. In addition to being larger, European banks appear to contribute more to global systemic risk, because of the lower quality of their loan portfolios and their higher relative interconnectedness with the rest of the global financial system. Finally, more stringent capital regulations are found to decrease the average exposure of banks to systemic risk.

**Keywords:** Financial crises, systemic risk, bank regulation, interconnectedness, capital regulation.

**JEL Classification:** G01, G21.

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