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Mapping the UK Interbank System

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Abstract

We present new evidence on the structure of interbank connections across key markets: derivatives, marketable securities, repo, unsecured lending and secured lending. Taken together, these markets comprise two networks: a network of interbank exposures and a network of interbank funding. Network structure varies across and within these two networks, for reasons related to markets' different economic functions. Credit risk and liquidity risk therefore propagate in the interbank system through different network structures. We discuss the implications for financial stability.

Key words: Interbank markets, core-periphery, intermediation, financial networks, market microstructure.

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