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<AT>Banks' systemic risk in the Tunisian context: Measures and Determinants

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<ABS-Head><ABS-HEAD>Graphical abstract

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<ABS-HEAD>Abstract

<ABS-P>This paper proposes a systemic Risk cartography for Tunisian banks in order to shed the light on the key drivers of the Tunisian banks' involvement in systemic risk. The aim of this analysis is to better understand the determining factors of the systemic risk levels. We intend to find the most influential vital few variables that are impacting the degree of systemic risk implications. In this perspective, we will develop a proper statistical framework based on a multi-level approach in order to explore, assess and explain the systemic risk incurred by the Tunisian banks. As a first step, we will provide a systemic risk cartography for the Tunisian banks using, and for the first time, a unified approach that combines *CoES* and Multi Dimensional Scaling (MDS) techniques. The recovered map revealed that public banks are taking the lead as the most involved banks in the systemic risk, followed closely by the two most important private banks BIAT and UBCI. As a second step, we will indicate how the use of a Systemic Risk Implication Composite Index (SRICI) provides the key drivers analysis of banks in systemic risk implication and shows that the implication of the Tunisian banks is highly dependent on the size of the financial institution, its liquidity, its technical efficiency, and its direct exposure to the interbank lending market.

<ABS-P>The present research offers two main insights. First, the ranking of the banks in terms of systemic implication, and second, the factors from which stems systemic importance.

<ABS-P>The first insight could complement the micro prudential scope of the regulation by providing a broader perspective that includes contagion and subsequently formulates a macro prudential vision and reinforces the regulation policy. The second one deserves higher attention on on-going basis in any systemic risk analysis. Supervisors could detect potentially systemic banks by keeping track of these factors and imposing a close monitoring for this type of institution.

<KWD>Keywords: Systemic Risk; Cartography; Value at Risk; Expected shortfall; CoVaR; CoES; MDS; PLS regression; Systemic Risk Implication Composite Index

Acronyms

AB: Amen Bank

ATB: Arab Tunisian Bank

ATTIJARI: Attijari Bank

BH: Banque de l'Habitat

BIAT: Banque Internationale Arabe de Tunisie

BNA: Banque Nationale Agricole

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