

The World Bank's  
**Crisis Simulation Exercises**  
Overview



*“The authorities can run all kinds of stress tests on the capital structures of the world’s largest banks, trying to predict how well they would bear losses in a future crisis. **The stress test they really need to run is on themselves** – whether they will stick to their promise to work nicely with each other or will revert to self-interest.”*

John Gapper

Financial Times, Nov 12, 2014

# Agenda

- What is a Crisis Simulation Exercise (CSE)?
- How do CSEs work?
- Types of CSEs
- WB CSEs around the World
- CSE projects and output

# What is a Crisis Simulation Exercise?

- **Simulations are games to assess the preparedness of financial sector authorities to handle crises.**
- **Simulations:**
  - **Explore limits to information-sharing and coordination, and the institutional decision making process.**
  - **Provide opportunity for authorities to practice taking decisions in dealing with problems elevating to crisis situations**

# How do our simulations work?

- A team of the World Bank and representatives from the local financial sector authorities prepare the exercise's scenario.
- The scenario is a sequence of brief, public and private messages describing problems evolving over an extended period of time.

# How do our simulations work? (2):

## Participant Roles:

“Role Players” deliver the scenario by playing various fictional characters

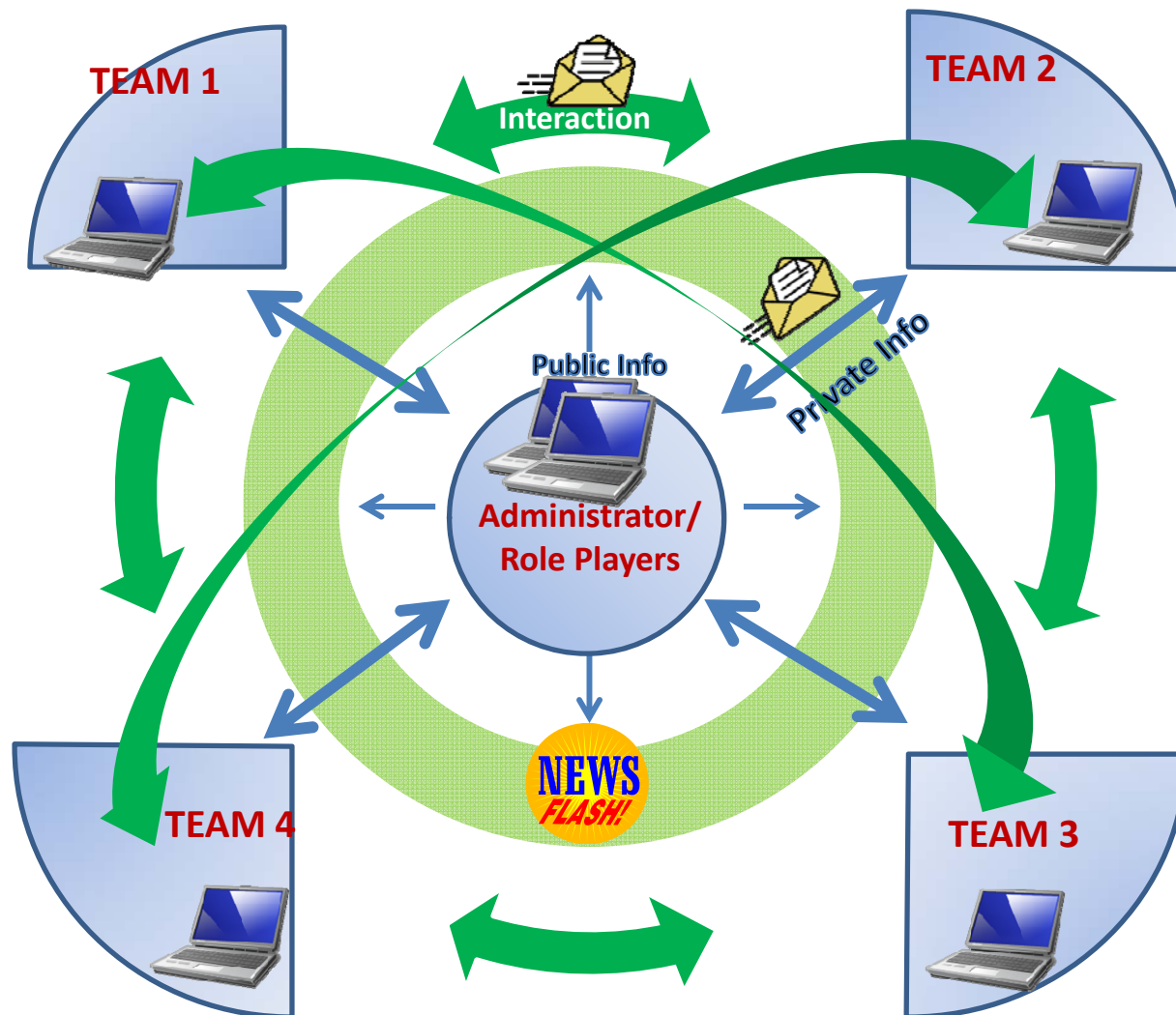
“Players” take decisions for entities they represent

## Modes of Communication:

Public Info = Monitor the News site

Private Info = Emails from the administrator to one team only

Email Interaction between and among players



## How our simulations work? (3)

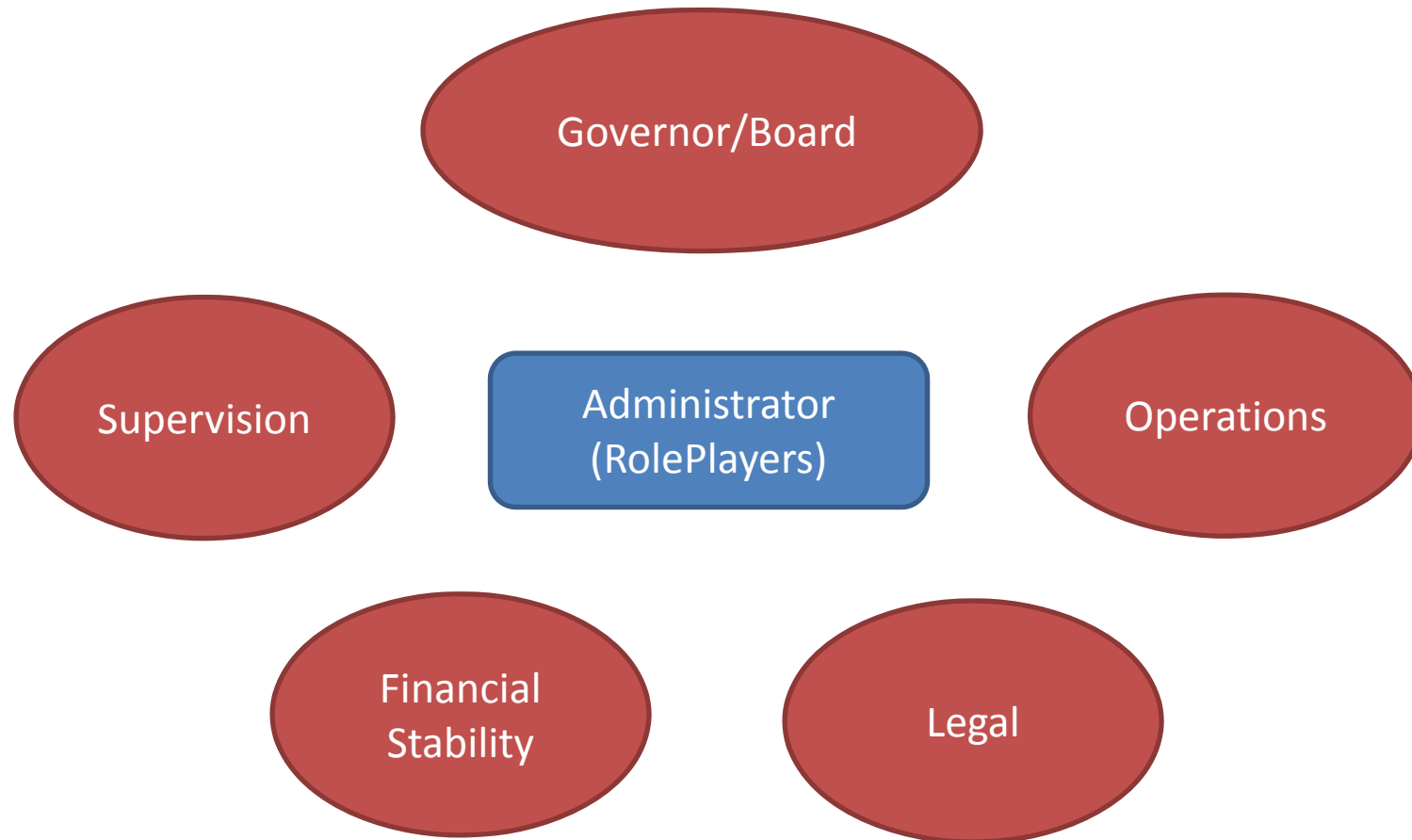
- Teams receiving private messages must decide what to share with the other teams and when to share it.
- In making decisions about sharing information, the teams can ask their staff for input.
- Each team takes its decisions regarding the banks under their jurisdiction according to their legal framework.
- Communication is via Email – a set list of email addresses (staff, banks, press, and other jurisdictions' authorities)

# Types of Simulations

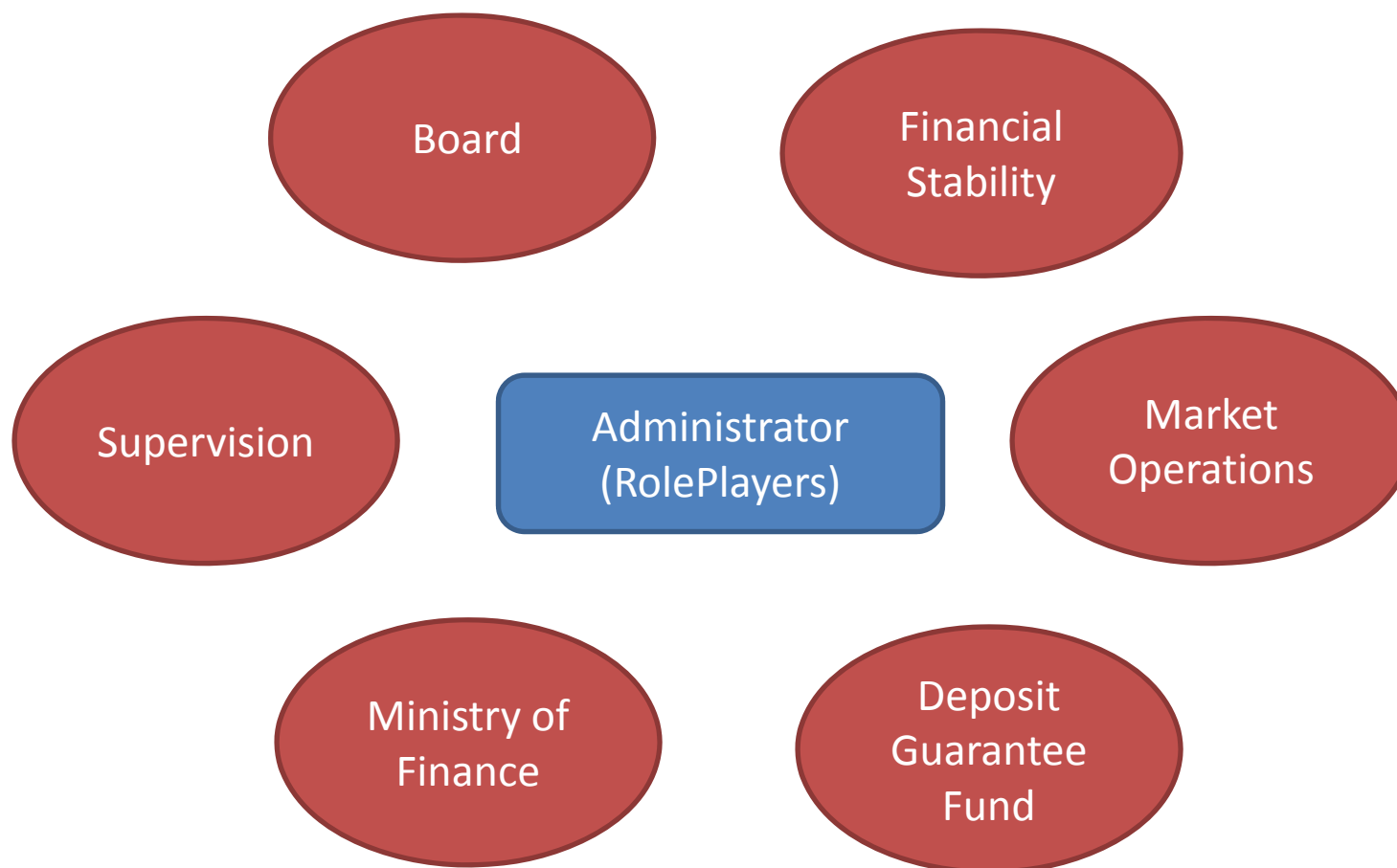
- Single Agency
- National level, multi-agency
- Multi-jurisdictional



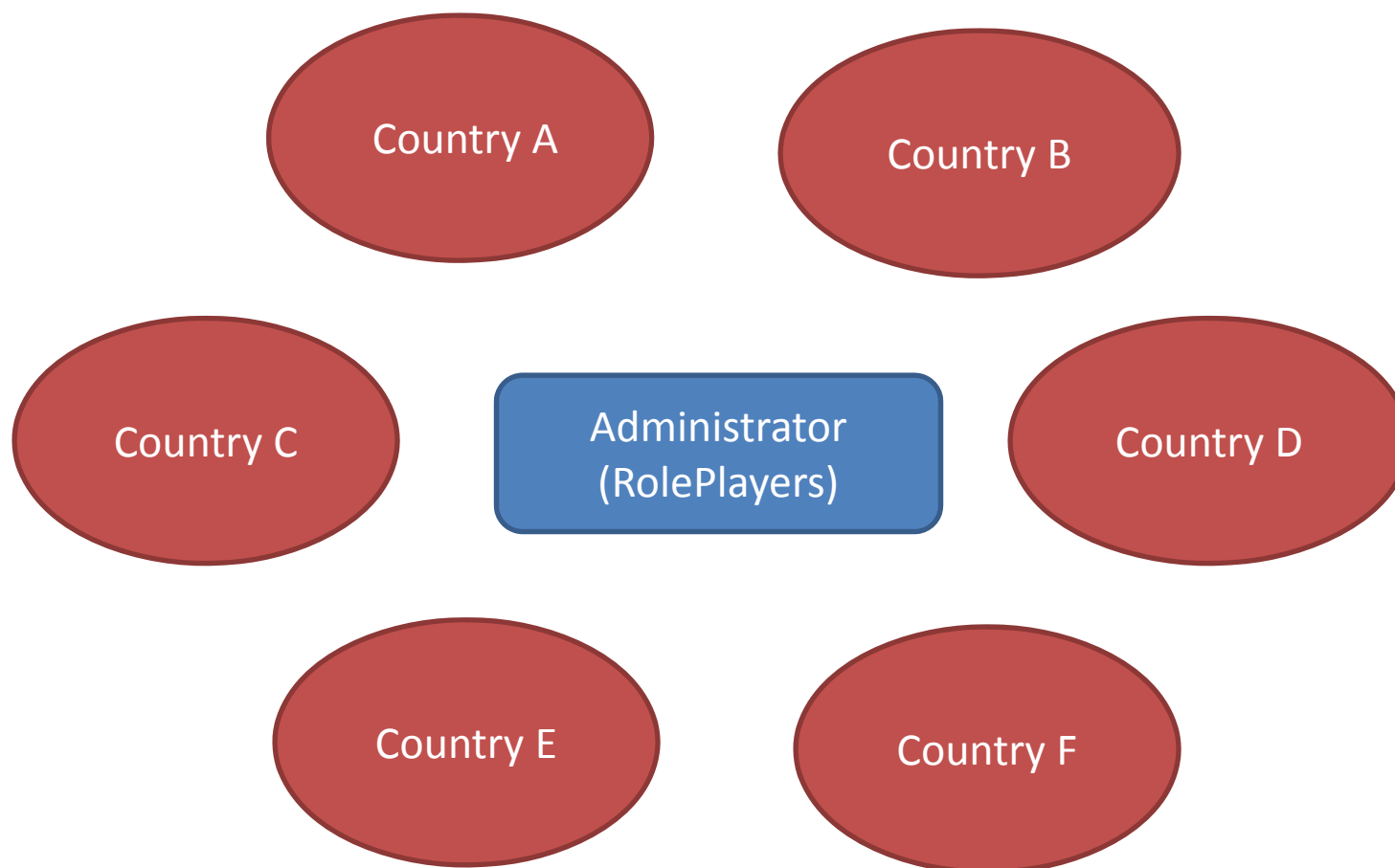
# Sample Participating Teams: Single agency exercise



# Sample Participating Teams: National level, multi-agency exercise



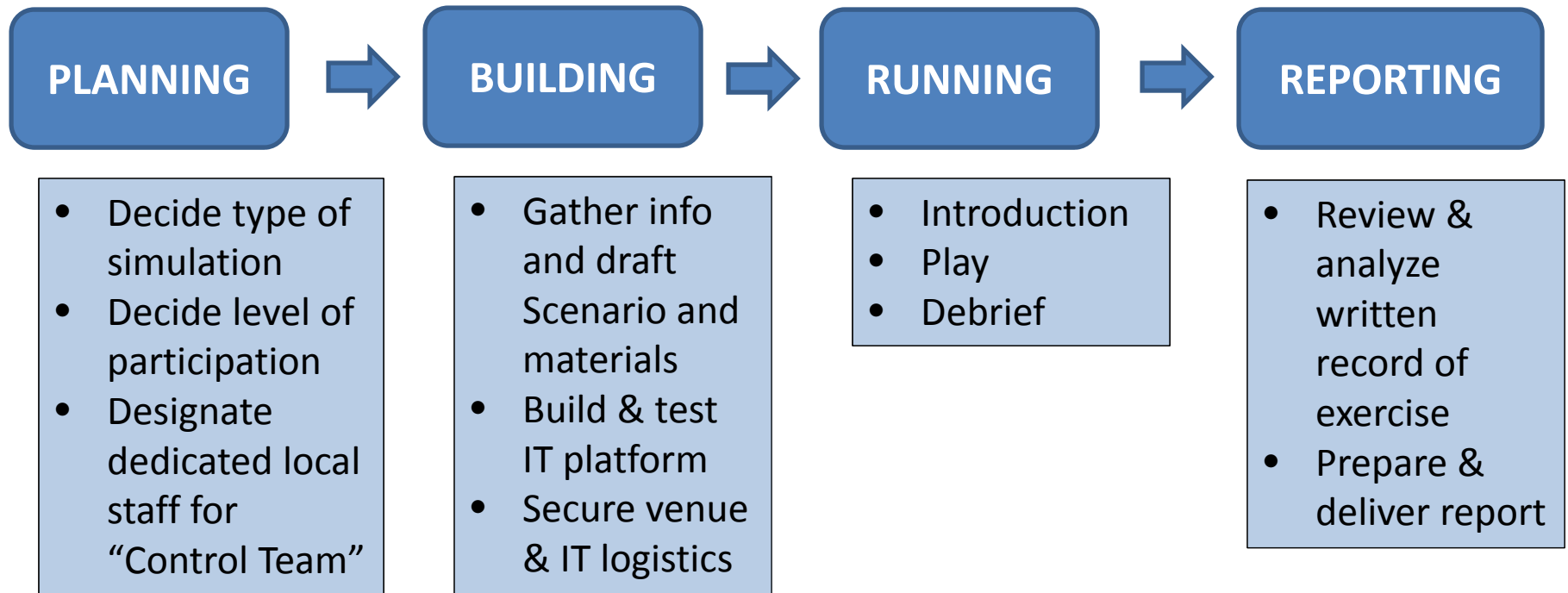
# Sample Participating Teams: Multi-jurisdictions exercise



# WB CSEs around the World:

- **32** exercises to-date: 27 single-jurisdiction scenarios in 25 countries and 5 multi-jurisdiction scenarios (in Latin America, Europe, and Asia)
  - Funded by FIRST, FinSAC (Vienna), and others such as the Toronto Center.
- Types of issues in CSEs:
  - Communication strategy in times of crisis; Home-Host supervision; Central bank liquidity facilities in times of stress; Cybersecurity; fit and proper criteria; coordination among different regulators

# CSE Projects Process

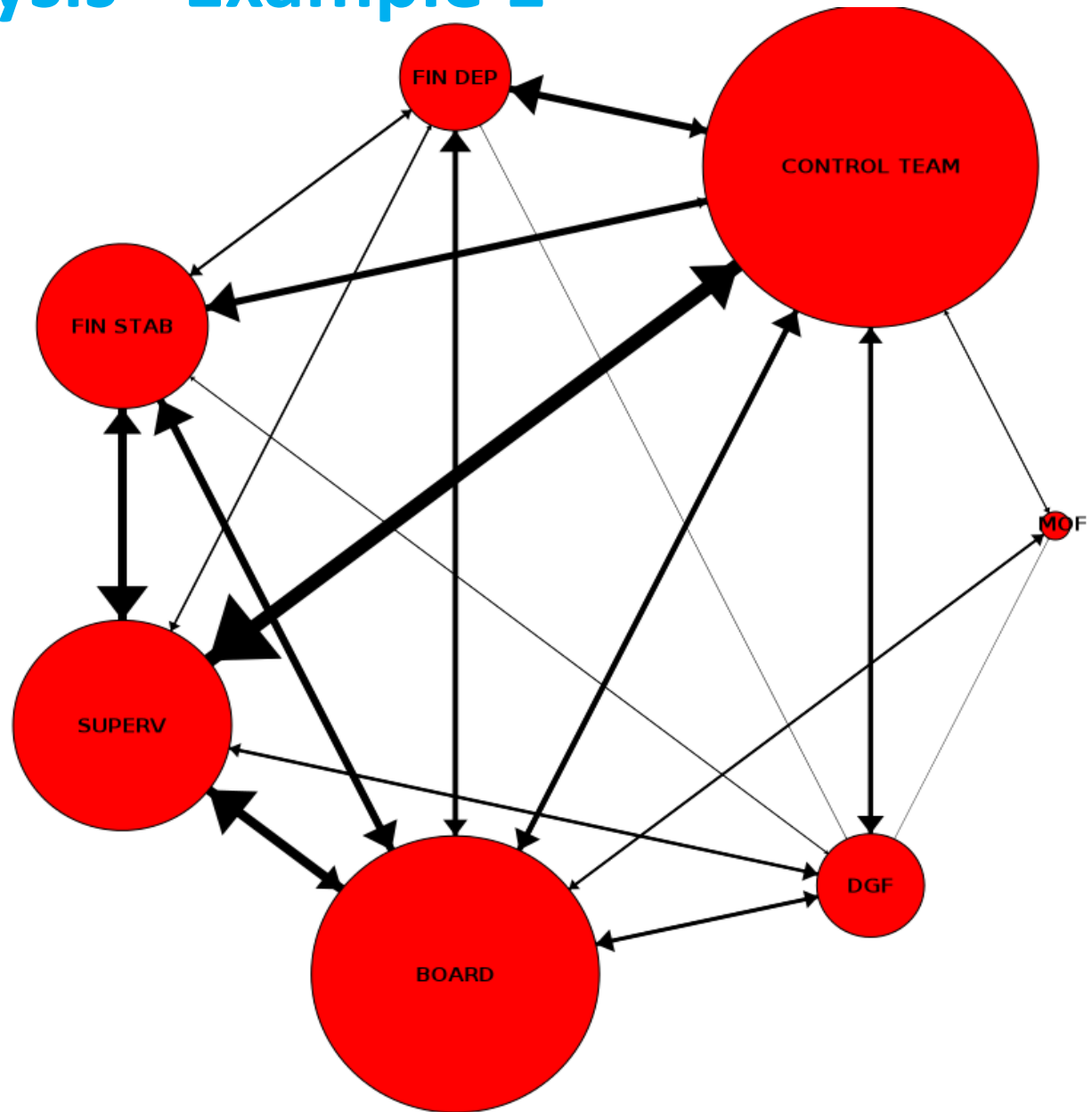


# CSE Output

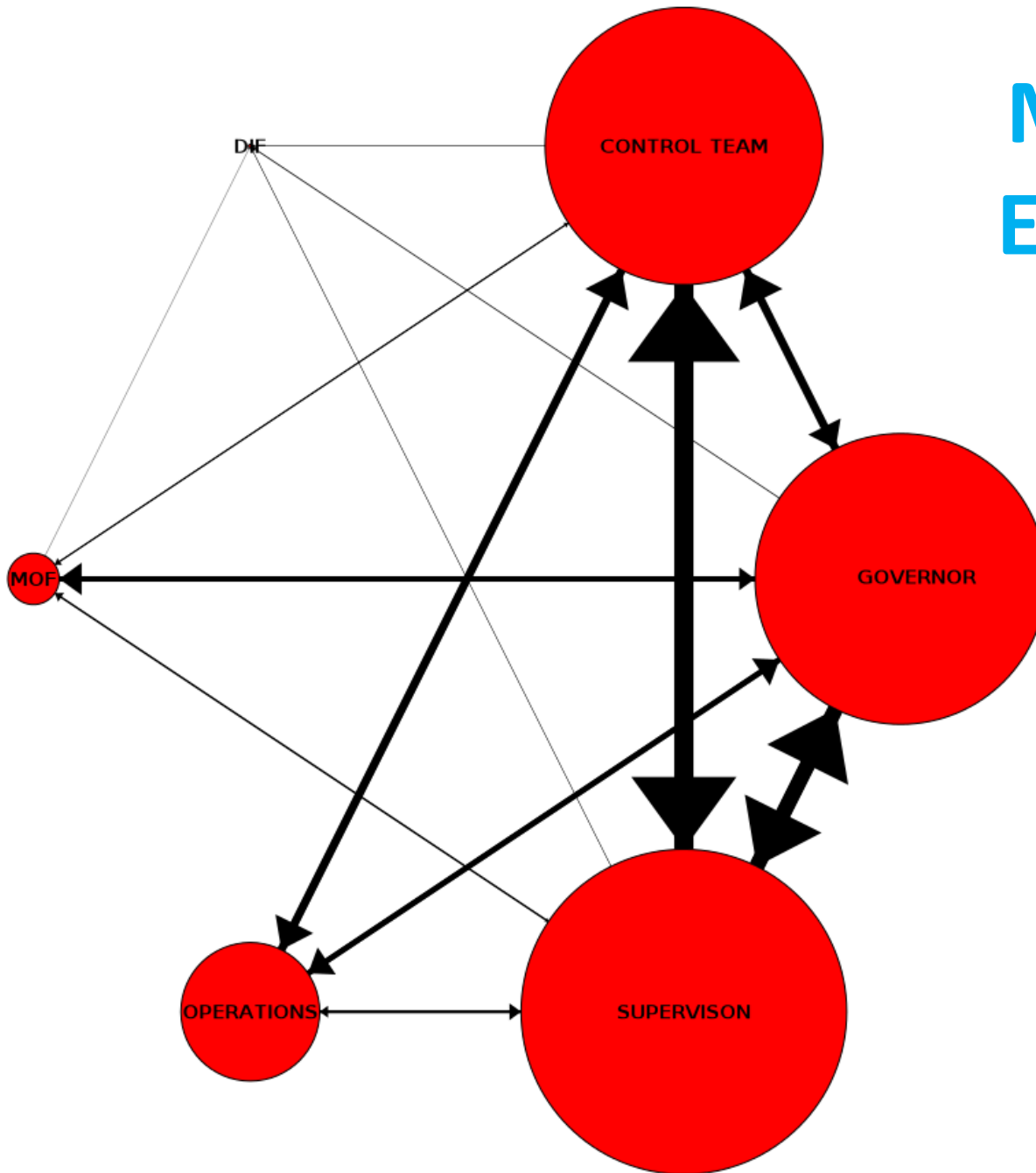
- The interaction generates between 250 and 600 emails.
- Posterior analysis of the emails provides insights on how decisions are taken and could be improved, and on possible legal, regulatory, and operational reforms.

# Email Analysis - Example 1

Metadata of who talks to whom, how frequently reveals extent of information-sharing.



# Metadata Example 2





Questions? Please contact:

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