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To CERF Board Members:

This is the report on progress for the project "Financial contagion in dynamic networks" which is funded by a CERF grant.

The ability of individuals and institutions to lend funds to each other to pursue investment opportunities is crucial for the efficiency of the financial system, but, at the same time, it augments its fragility by increasing everyone's exposure to an isolated shock. The aim of this project is to investigate the resilience of different network structures in a setting where the network is endogenous because individuals can withdraw the funds they lend to others in the event of a shock.

The original plan was to run the lab experimental sessions at NTU either in November-December 2018 or February-March 2019. Unfortunately, there was a delay in obtaining IRB ethical clearance due to bureaucratic delays at NTU, which meant that we could only run an informal pilot in March 2019.

The pilots went well and they showed that subjects have a good understanding of the experiment. This corroborated the choice to simplify the experiment from the original proposal, see the description in my CERF Fellow Report in September 2018. Furthermore, the whole experiment was coded in o-Tree which will allow us to conduct both lab and online sessions.

IRB approval has been obtained in late March so we are now aiming to run the experimental sessions in May-June 2019. I do not expect that this delay will affect the timeline of the project significantly, and therefore at the moment I do not foresee the need to ask for an extension on the original end date of the grant (July 2020).

Yours ever,

Edoardo Gallo