Until about twenty years ago, the consensus view of the cause of financial-system distress was fairly simple: a run on one bank could easily turn to a panic involving runs on all banks, destroying some and disrupting the financial system. Since then, however, a series of events—such as emerging-market debt crises, bond-market meltdowns, and the Long-Term Capital Management episode—has forced a rethinking of the risks facing financial institutions and the tools available to measure and manage these risks.

*The Risks of Financial Institutions* examines the various risks affecting financial institutions and explores a variety of methods to help institutions and regulators more accurately measure and forecast risk. While new financial instruments, new participants, and new technologies typically have improved the informational efficiency of markets and have facilitated the matching of savings with investment opportunities, they have also changed the speed with which new information is incorporated in prices, often giving institutions little time to adjust before they see their financial soundness imperiled by new balance sheet weaknesses or by liquidity problems. The contributors—from academic institutions, regulatory organizations, and banking—bring a wide range of perspectives and experience to the issue. The result is a volume that points a way forward to greater financial stability and better risk management of financial institutions.