



## Why Did Russia become a Victim of the Crisis? An Analysis of Carry Trade, Maturity Mismatch and Deficient Risk Management in the Russian Financial Sector

*Seminar "Scrutinizing the Biggest Post-War Economic Crisis from a Global Perspective"*

### Transmission Channel of the Financial Crisis in Russia



#### Maturity Mismatch

- ➔ Weakness of Russian financial sector
- ➔ Need for indebtedness on international financial Markets
- ➔ Mismatch between short-run loan and long-run investment
- ➔ Roll Over Risk
- ➔ Worsen conditions on international credit market affected Russian economy

#### Carry Trade

- ➔ Action of borrowing money in a low-interest currency and to invest this money in a high-interest currency
- ➔ Russia as victim of speculation
- ➔ Pressure on currency
- ➔ Domestic economy suffers from insecurity in monetary sector

#### Deficient Risk Management

- ➔ Credit Risk: credit default rises
- ➔ Liquidity Risk: Fragile / Malfunctioning interbank market is not able to provide liquidity
- ➔ Interest Rate Risk
- ➔ Currency Risk
- ➔ Maturity Risk

**Barrier for growth of economy**

**Russian economy was not directly affected from the financial system**

➔ **Different transmission channels compared to other leading nations**

