

Working Papers on Economics - Securities cross-holding in the Colombian financial system: A topological approach

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Cross-holding of securities in financial systems occurs when i) two financial institutions hold securities issued by each other or ii) more than two financial institutions hold securities issued by each other in a circular structure. Securities cross-holding is relevant for financial stability because they may further propagate and amplify shocks, therefore increasing the potential for contagion among interconnected financial institutions. We use a unique dataset of securities issued and held by financial institutions to measure the extent of securities cross-holding in Colombia. The dataset comprises bonds, certificates of deposit, and equity issued and held (in proprietary position) by financial institutions from 2016 to 2019. Results show that the extent of securities cross-holding in the Colombian financial system is particularly low—even when cross-holding across different types of securities is considered. The network topology suggests that potential contagion from securities cross-holding is rather limited.