Borrador número 1028
Keep in mind
The series Working Papers on Economics is published by the Office for Economic Studies at the <i>Banco de la República</i> (Central Bank of <i>Colombia</i>). It contributes to the dissemination and promotion of the work by researchers from the institution. This series is indexed at Research Papers in Economics (RePEc).
On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. The works published are provisional, and their authors are fully responsible for the opinions expressed in them, as well as for possible mistakes. The opinions expressed herein are those of the authors and do not necessarily reflect the views of Banco de la República or its Board of Directors.
AUTHOR OR EDITOR
Santiago Gamba
Oscar Jaulín
Angélica Lizarazo
Juan Carlos Mendoza
Paola Morales
Daniel Osorio

Eduardo Yanquen
The opinions contained in this document are the sole responsibility of the author and do not commit Banco de la República or its Board of Directors.
This paper presents the first version of SYSMO, the analytical framework employed by the Financial Stability Department at the Banco de la República (the Central Bank of Colombia) to perform its biannual, top-down, stress testing exercise. The framework comprises: (i) a module to produce internally consistent macroeconomic scenarios; (ii) a set of satellite risk models that capture the materialization of credit and market risks in times of stress, and (iii) a bank model that simulates the endogenous response of banks to an adverse scenario. The framework also incorporates endogenous contagion and funding risks, key regulatory constraints (solvency and liquidity), and the feedback effects between the endogenous response of banks and the macroeconomic scenario. The use of SYSMO is illustrated with the example of the stress testing exercise published in the Banco de la República's Financial Stability Report of the second semester of 2017.