**Assignment 4**

**The Risk of Regulatory Risk Weights**

**Goal**

Replicate and extent the analysis of Testing Macroprudential Stress Tests: The Risk of Regulatory Risk Weights (Viral Acharya, Diane Pierret, and Robert Engle), Journal of Monetary Economics, 2014, 65, pp. 36-53.

**Assignment**

Acharya et al. (2014) investigate the accuracy of stress tests conducted by the European and U.S. authorities. For the purposes of this assignment focus on the European stress tests.

Re-estimate Figure 3, Figure 4 and Table 3 of the paper.

In the folder you will find all the data used in the paper in the excel files. The file readme.doc describes the content of the files. (Focusing only on the European stress tests you are not going to use all the data in the folder).

Pay attention: in some specifications of Table 3 the number of banks is 52.