Editorial: Systemic risk beyond banking: transparency, interconnectedness and the new frontiers of financial stability

1. Introduction

Over the past two decades, systemic risk has evolved from a relatively specialized concern within banking regulation into a central issue in debates surrounding financial stability, corporate governance, accounting transparency and public policy. The 2008–2009 global financial crisis, followed more recently by the COVID-19 pandemic, exposed how deeply interconnected financial institutions, markets and economies have become (Berger & Sedunov, 2024; Fonseca & Carvalho, 2025). These crises also revealed the limitations of traditional firm-level approaches to risk management and prudential supervision, reinforcing the importance of broader macroprudential perspectives focused on interdependence, contagion and systemic vulnerability (Ellis, Sharma, & Brzeszczy, 2022).

Historically, systemic risk discussions have been heavily concentrated in the banking sector (Bushman, 2014). However, this narrow focus no longer reflects the complexity of contemporary financial systems. Insurance companies, reinsurers, pension funds, asset managers and other non-bank financial institutions increasingly play a central role in transmitting, amplifying, or absorbing systemic shocks (Bonaccolto, Borri, Consiglio, & Di Giorgio, 2026; Rahman, Troster, Uddin, & Yahya, 2022). The collapse of American International Group during the global financial crisis illustrated how insurers can become deeply embedded in systemic contagion channels, particularly when engaging in non-traditional activities and highly interconnected financial operations (Harrington, 2009).

At the same time, the boundaries separating banks, insurers and other financial intermediaries have progressively blurred due to deregulation, financial innovation, digitalization and increasingly integrated capital markets (Billio, Getmansky, Lo, & Pelizzon, 2012). As a result, systemic risk is no longer confined to isolated institutional failures. Instead, it increasingly emerges from complex financial ecosystems characterized by interconnectedness, concentration, opacity and common exposure to shocks.

Despite its growing relevance, systemic risk remains fragmented across disciplines. Accounting, Finance, Economics, Insurance and Management scholars often investigate related phenomena in parallel rather than through integrated dialog. This fragmentation limits our ability to fully understand how organizational behavior, governance structures, disclosure practices, regulatory interventions and managerial decisions collectively shape financial stability.

In this editorial, we argue that systemic risk should no longer be viewed solely as a banking or macroeconomic issue. Instead, it should be understood as a broader organizational and institutional phenomenon involving transparency, regulation, incentives, governance and interdependence across financial systems.

2. Beyond banking: the expanding boundaries of systemic risk

The contemporary financial system has become increasingly interconnected. Financial institutions no longer operate as isolated entities; rather, they are deeply embedded in networks of contractual obligations, investment relationships, information flows and shared exposures. Such network integration creates conditions under which localized shocks may rapidly propagate across institutions, sectors and markets, thereby amplifying broader forms of systemic vulnerability (Fonseca & Carvalho, 2025; Rahman *et al.*, 2022).

Revista de Gestão
Vol. 33, 2026
pp. 88-94

e-ISSN: 2177-8736
p-ISSN: 1809-2276
DOI 10.1108/REGE-05-2026-0095

Although insurers have historically been viewed as stabilizing institutions due to their relatively predictable liabilities and long-term business models, emerging evidence suggests that the insurance industry may also contribute meaningfully to systemic risk (Bongini, Nieri, Pelagatti, & Piccini, 2017). The expansion of insurers into non-traditional activities, their growing interconnectedness with banking markets, and the increasing concentration of the reinsurance industry have intensified concerns regarding contagion and financial fragility (Jourde, 2022; Leong, Pellegrini, & Urga, 2020).

Importantly, systemic vulnerability does not arise only from "too-big-to-fail" institutions. It may also emerge from correlated behavior among multiple firms exposed to similar risks, incentives and regulatory environments (Carvalho & Guimarães, 2024). Common investment strategies, similar business models and concentrated exposures may generate "too-many-to-fail" dynamics capable of destabilizing entire sectors simultaneously (Ellis *et al.*, 2022).

Recent evidence further suggests that systemic vulnerability may emerge from financial institutions operating "under the radar," including non-listed institutions, smaller challenger (online) banks and building societies whose interconnected exposures remain insufficiently monitored within traditional macroprudential frameworks (Skouralis, 2026). In addition, systemic risk can be embedded in contractual networks that are not easily visible in market-price measures or conventional balance-sheet ratios. Reinsurance, retrocession and affiliated reinsurance are examples of under-observed systemic channels (Carvalho & Guimarães, 2024; Leong *et al.*, 2020).

Moreover, systemic risk itself is evolving. Climate-related events, digital infrastructures and artificial intelligence increasingly create new forms of financial vulnerability (Chong, Feng, Hu, & Zhang, 2025). Climate shocks, for example, may simultaneously affect insurers, banks, sovereign debt markets and supply chains, generating highly interconnected forms of instability. Likewise, growing dependence on algorithmic models and AI-driven decision systems may intensify correlated behavior and market concentration in ways that remain poorly understood.

These developments have also expanded the scope of systemic risk research beyond the financial sector itself. Recent evidence suggests that non-financial corporations may also contribute to systemic risk through production networks, supply chains, operational interdependencies and financial linkages (Dungey, Flavin, O'Connor, & Wosser, 2022). In highly interconnected economies, disruptions affecting large or strategically important firms may propagate throughout broader economic and financial systems.

Recent studies further suggest that technological concentration has become an important source of systemic vulnerability among non-financial firms. Han and Meng (2025) argue that large technology corporations have grown increasingly systemically relevant due to their interconnectedness, market dominance and influence across economic and financial systems. The rapid expansion of the so-called "Magnificent Seven" during the Generative AI era has intensified concerns regarding concentration risk and market dependence on a small number of technology firms. Recent evidence suggests that the unprecedented growth and dominance of these companies may itself constitute a source of systemic fragility, particularly given their central role in AI and digital infrastructures (Grobys, 2025).

Overall, these developments suggest that future systemic crises may look fundamentally different from those observed in the past. Systemic risk increasingly reflects interconnectedness across institutions, sectors, technologies and markets rather than the size of individual firms alone. Understanding such transformations requires moving beyond narrow sector-specific perspectives and adopting broader interdisciplinary approaches capable of capturing the organizational, technological and institutional dimensions of financial stability.

3. Transparency, regulation and unintended externalities

One of the central assumptions underlying modern financial regulation is that greater transparency improves market discipline and reduces excessive risk-taking (Bushman & Williams, 2015;

Goncharenko, Hledik, & Pinto, 2018). International accounting standards such as IFRS 9 and IFRS 17 were partly designed to improve comparability, disclosure quality and the timeliness of information available to investors, regulators and other stakeholders (Arce, Giner, & Taleb, 2023; Basu & Grace, 2022).

However, the relationship between transparency and financial stability is far from straightforward. Public disclosure may strengthen market discipline and reduce information asymmetry, but it may also generate unintended consequences. During periods of stress, disclosure can amplify reputational contagion, intensify short-term market pressures, encourage mimetic behavior and increase volatility (Kladakis & Skouralis, 2024).

Recent evidence illustrates this tension. Hagenberg (2025), for example, shows that increased transparency in the insurance market may facilitate portfolio imitation among firms, increasing correlation in investment strategies and potentially amplifying systemic vulnerability. Similarly, research on stress tests and disclosure requirements in the banking sector suggests that highly interconnected institutions may bear substantial volatility costs associated with public disclosure (Goncharenko *et al.*, 2018).

Fair value accounting represents another important source of debate. Supporters argue that current - value accounting improves the timeliness and relevance of financial reporting. Critics, however, contend that fair value measurement may amplify procyclicality during crises by forcing institutions to recognize losses and adjust balance sheets under distressed market conditions (Allen & Carletti, 2008; Khan, 2019).

Within the insurance industry, IFRS 17 intensifies these discussions. By requiring the recurrent reassessment of insurance liabilities using current assumptions and discount rates, the standard may increase earnings volatility and affect solvency metrics (Krügler & Daske, 2024). Although greater transparency remains one of IFRS 17's primary objectives, its broader implications for systemic stability remain uncertain (Basu & Grace, 2022; Carvalho & Carvalho, 2024; Lamaj, Novotny-Farkas, & Obernauer, 2026).

Similar tensions appear in other regulatory innovations. Rizwan, Ahmad, and Qureshi (2025), for example, argue that central bank digital currencies (CBDCs) may strengthen market infrastructure and risk management, potentially mitigating systemic risk. Conversely, uncertainty surrounding CBDC implementation may itself increase systemic vulnerability if households and firms reallocate deposits away from traditional banks, weakening banking sector stability and reducing demand for bank lending.

Ultimately, regulations are not neutral interventions. They reshape incentives, influence managerial behavior, affect capital allocation decisions and may simultaneously mitigate some risks while amplifying others (Ernaningsih, Smaoui, & Ben, 2024). Understanding these dynamic interactions remains one of the most important challenges for future research.

4. Emerging challenges and research opportunities

These regulatory ambiguities, combined with the growing complexity of financial systems, open several promising avenues for future research. First, systemic risk research would benefit from stronger interdisciplinary integration. Accounting, Finance, Actuarial Science, Economics, Organizational Theory, Statistics and Data Science each provide valuable but partial insights into systemic vulnerability. More integrated approaches are needed to understand how financial instability emerges from interactions across institutions, technologies, markets and regulatory environments.

Second, future research should devote greater attention to the organizational foundations of systemic risk. Governance structures, executive incentives, risk cultures and strategic decision-making processes likely shape how institutions contribute to aggregate financial vulnerability. Despite increased attention following the GFC, important questions remain regarding how organizational behavior interacts with interconnectedness, technological dependence and broader systemic dynamics.

Third, scholars should further examine the unintended externalities of regulation and accounting standards. Although regulators increasingly rely on transparency and disclosure as governance mechanisms, the broader systemic consequences of these interventions remain insufficiently understood (Leuz & Wysocki, 2016). Prudential regulation, standardized disclosure frameworks and common technological infrastructures may simultaneously strengthen resilience while increasing synchronization, procyclicality and correlated behavior across institutions.

Fourth, emerging markets deserve greater scholarly attention. Existing evidence remains heavily concentrated in developed economies, despite the fact that emerging markets often exhibit distinctive regulatory structures, ownership concentration, institutional fragilities and financial interdependencies that may generate different forms of systemic vulnerability.

Finally, future research should increasingly consider non-traditional and technologically driven sources of systemic risk. Climate-related financial risks, cyber vulnerabilities, operational dependence on digital infrastructures and AI-driven financial systems may reshape the nature and transmission of systemic crises in the coming decades. These risks become systemically relevant when they generate correlated exposures, accelerate information transmission, concentrate operational dependencies, or alter liquidity and solvency constraints across institutions. Climate-related events, for example, may affect insurers through claims severity and banks through collateral values, credit losses and asset-price adjustments, thereby creating correlated exposures across sectors (Curcio, Gianfrancesco, & Vioto, 2023). Similarly, ESG information, geopolitical risk, CBDCs, AI and digital infrastructures may influence systemic vulnerability through channels such as market discipline, asset repricing, technological concentration, liquidity reallocation, cyber risk and regulatory fragmentation (Curcio, Gianfrancesco, Onorato, & Vioto, 2024; Li, Xia, Sun, & Sun, 2025; Rizwan *et al.*, 2025; Wang, Song, & Lu, 2025; Xi, Lou, & Zhang, 2026).

These developments also create important methodological challenges, as traditional firm-level approaches often struggle to capture the dynamic, nonlinear and highly interconnected nature of modern financial ecosystems (Silva, Silva, & Tabak, 2017). Advances in computational methods, network science and artificial intelligence are therefore expanding researchers' ability to model systemic interdependencies and identify hidden channels of financial contagion (Acemoglu, Ozdaglar, & Tahbaz-Salehi, 2015; Barucca *et al.*, 2020). Such approaches may substantially improve early-warning systems, systemic risk monitoring and macroprudential supervision, particularly in environments characterized by opacity, complexity and rapid information diffusion (Ellis *et al.*, 2022).

5. Concluding remarks

Systemic risk is no longer merely a technical issue confined to banking regulation or financial economics. It increasingly reflects a broader organizational and institutional challenge involving transparency, incentives, regulation, technological dependence and institutional interconnectedness.

As financial systems become more interconnected, balancing transparency, innovation, efficiency and stability becomes increasingly complex. Regulatory interventions designed to reduce risk may simultaneously create new vulnerabilities. Disclosure mechanisms intended to strengthen market discipline may also intensify contagion and synchronized behavior, while technological innovation and Generative AI may enhance efficiency at the cost of greater concentration and interconnectedness.

These tensions suggest that understanding systemic risk requires moving beyond traditional disciplinary boundaries. Future crises may emerge not only from banking fragilities, but also from technological infrastructures, operational networks, cyber vulnerabilities, climate-related shocks and concentrated digital ecosystems. Management scholars, in particular, can contribute to this debate by examining how organizational

decisions, governance systems, strategic behavior and institutional arrangements shape broader patterns of financial stability and fragility.

From a management perspective, systemic risk can be understood as the aggregate consequence of organizational decisions made under uncertainty, incentives and institutional pressure. Governance structures shape risk oversight and responses to uncertainty, managerial cognition influences how executives interpret tail risk and regulatory signals and competitive strategies may increase common exposures and herding behavior across institutions (Anginer, Demirguc-Kunt, & Zhu, 2014; Hasan, Tunaru, & Vioto, 2023). Disclosure strategies and regulatory arbitrage further illustrate how organizations adapt strategically to transparency requirements and prudential constraints.

For management research, systemic risk represents not only a timely research opportunity, but also an increasingly urgent societal challenge.

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