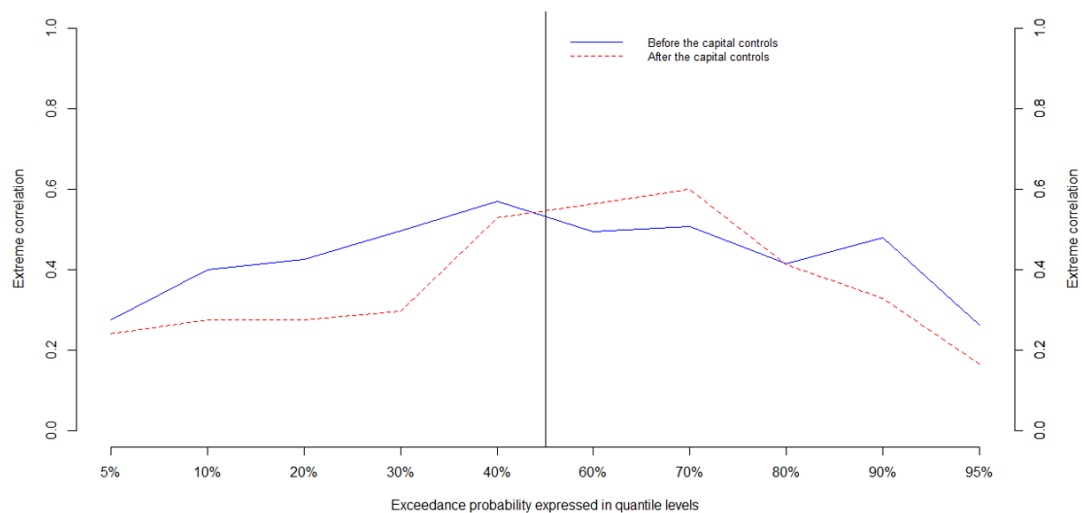


**Gkillas K. and F. Longin (2018) "Financial market activity under capital controls: lessons from extreme events" *Economics Letters*, 171, 10-13.**

We investigate the contemporaneous relation between return and transaction volume in distribution tails under the restrictions on transactions due to the capital controls implemented on the Athens Stock Exchange in July 2015. We focus on Greece as it is a unique example of such austerity policies due to the EU-IMF fiscal consolidation program. We use bivariate extreme value theory to model the tail dependence structure. We show that restrictions on transactions have an impact on the activity of market participants as we observe a lower dependency between extreme return and volume after the implementation of this intervention policy. Based on our findings we propose an alternative intervention policy framework in times of strict fiscal austerity.

**Figure 1.** Extreme correlation before and after the capital controls.



The figure above represents the evolution of the extreme correlation for different thresholds for both sub-periods. It illustrates the impact of the restrictions to transactions due to capital controls on the dynamics of market activity.