



European  
University  
Institute

ROBERT  
SCHUMAN  
CENTRE FOR  
ADVANCED  
STUDIES

SCHOOL OF  
TRANSNATIONAL  
GOVERNANCE



## AUTUMN SCHOOL

### FLORENCE SCHOOL OF BANKING AND FINANCE AND SCHOOL OF TRANSNATIONAL GOVERNANCE

## *THE LAW, ECONOMICS AND PRACTICE OF EU BANKING RESOLUTION*

Florence School of Banking and Finance and School of Transnational Governance

Teatro

Badia Fiesolana, Via dei Roccettini, 9 - San Domenico di Fiesole

**21-23 NOVEMBER 2018**

### INSTRUCTORS

**Eleni Angelopoulou** | European Central Bank

**Stefano Capiello** | Bank of Italy (Course co-director)

**Andrea Federico** | Oliver Wyman

**Seraina Gruenewald** | University of Zürich

**Bart Joosen** | VU University Amsterdam (Course co-director)

**Emiliano Tornese** | DG FISMA European Commission

**Tobias Tröger** | Goethe University, Frankfurt

## PROGRAMME

### 21 NOVEMBER

- 09.00 - 09.15 Welcome and presentation of the School
- 09.15 - 10.30 **Session 1: Introduction to Banking Resolution (Bart Joosen and Stefano Capiello)**
- Understanding the various layers of the legislative architecture, BRRD, Single Resolution Mechanism Regulation, Delegated Acts, EBA Guidelines and Opinions.
  - Recovery planning, recovery execution and early intervention and interaction between competent authority and institution.
  - Resolution objectives
  - Conditions for resolution
  - FOLTF: solvency, liquidity, other reasons, mix of the previous
  - Resolution general principles
- 10.30 - 11.00 *Coffee break*
- 11.00 - 13.00 **Session 2: Resolution Tools - Bail in (Stefano Capiello)**
- Determination of and impediments for resolvability
  - Powers to address and remove impediments for resolvability
  - Resolution planning and concrete choices at resolution
  - Resolution tools:
    - Sale of Business
    - Bridge institution tool
    - Asset separation tool
    - Bail in tool
  - The interaction with the power to written-down or convert regulatory capital
- 13.00 - 14.00 *Lunch*
- 14.00 - 15.30 **Session 3: Assessment of recovery plans (Eleni Angelopoulou)**
- Usefulness of recovery planning

- Content of recovery plans
- Focus 1: credibility of recovery options
- Focus 2: usability of recovery plans
- Tools for the assessment of recovery plans
- Consultation of resolution authorities and the recovery/resolution continuum

15.30 - 16.00

*Coffee break*

16.00 - 17.30

**Session 4: Capital regulation for resolution purposes (Bart Joosen)**

- The MREL, and the distinction between going concern capital and gone concern capital.
- Status of European capital and MREL buffer building programme, Basel III, CRDIV/CRR and proposals for CRR2/CRDV.
- Restraining dividend, coupon and bonus distribution upon MDA-calculations: building up Capital Buffers and MREL.
- Pillar 1 capital, Pillar 2 required capital and Pillar 2 Guidance
- External and Internal MREL
- Loss absorption principles and Recapitalisation

**22 NOVEMBER**

09.00 - 11.00

**Session 5: Valuation in the context of resolution (Andrea Federico)**

- The three valuation processes
- Accounting valuation, economic valuation, counterfactual valuation
- Selection of valuers and conflict of interests
- Valuation and time constraints
- Valuation principles, objectives and place in the different stages of the resolution process
- Provisional valuation, valuation buffers, and definitive valuation

11.00 - 11.30

*Coffee break*

11.30 - 13.00

**Session 6: Valuation - practical group exercise (Andrea Federico)**

13.00 - 14.15

*Lunch*

14.15 -15.45 **Session 7: Resolution Planning and Internal Financing of Resolution (Tobias Tröger)**

- The specific goals of resolution planning, its multi-stage nature and constant updating.
- SPE, MPE and Hybrid strategies
- Loss absorption and recapitalization objectives in resolution planning
- MREL specification as part of resolution planning to facilitate bail-in.

15.45 - 16.15 *Coffee break*

16.15 - 18.00 **Session 8: Guidance and Preparation time Group activity on MREL (Stefano Capiello, Bart Joosen and Tobias Tröger)**

**23 NOVEMBER**

09.00 -10.30 **Session 9: Group activity on MREL (Stefano Capiello, Bart Joosen, Emiliano Tornese and Tobias Tröger)**

Group activity on a case study, including a simulation on MREL. The Group will go through all possible steps involving a hypothetical bank: from the resolution planning and the early intervention phase to the three possible options available to public authorities (i.e. precautionary recapitalization, resolution or liquidation).

10.30 - 11.00 *Coffee break*

11.00 -12.30 **Session 10: External Financing of Resolution (Stefano Capiello, Emiliano Tornese)**

- Purposes of resolution financing: “loss absorption” vs. “liquidity support”
- Sources of resolution financing: internal vs. external
- External sources: private vs. public
- Preconditions for access to external public sources
- Distinction between liquidity backstop and resolution financing mechanisms
- Procedural aspects

12.30 - 14.00 *Lunch*

14.00 - 15.30 **Session 11: Resolution and State Aid (Seraina Gruenewald)**

Application of state aid control during the crisis (pre-BRRD), development of key principles on state aid to financial institutions.

- Resolution and state aid law: intrinsically linked provisions of EU law,

procedural aspects.

- Use of resolution funds (including SRF) and DGSs in resolution and/or liquidation.
- Conditionality under state aid rules and resolution law (e.g. burden-sharing and bail-in).
- Extraordinary public support outside resolution (e.g. precautionary recapitalisation).

15.30 - 16.00

*Coffee break*

16.00 - 17.25

**Session 12: Interactive session on the resolution process in practice, Banco Popular, Banca Popolare di Vicenza and Veneto Banca (Stefano Cappiello, Emiliano Tornese)**

- Resolution phases: run up to resolution; the “resolution weekend”; the execution
- The institutional stakeholders involved: powers and tasks
- The interaction between the SRMR and the national legislation
- Precautionary recapitalization vs. Resolution vs. Liquidation
- Resolution in action: overview of the last five years

17.25 - 17.30

Closing remarks