



European
University
Institute

ROBERT
SCHUMAN
CENTRE FOR
ADVANCED
STUDIES



PROFESSIONAL TRAINING COURSE

MODELS FOR FINANCIAL STABILITY AND PRUDENTIAL POLICY

Jean-Charles Rochet | University of Geneva

Bruno Maria Parigi | University of Padova

Sala Europa

Villa Schifanoia, Via Boccaccio 121 - Florence

 @FBF_School

3 - 5 FEBRUARY 2020

■ PROGRAMME

3 FEBRUARY

13.45 - 14.00 *Welcome Coffee* and registrations, presentation of the Florence School of Banking and Finance and *Tour de Table*.

14.00 - 15.30 **Session 1. Rethinking Financial Regulation: Recent Contributions and Remaining Challenges**

- Capital requirements
- Liquidity Requirements
- Resolution of SIFIs
- Financial Stability and Externalities

15.30 - 16.00 *Coffee Break*

16.00 - 17.30 **Session 2. Dampening Credit Cycles**

- Credit cycles
- Collateral constraints and Fire sales
- Pecuniary externalities



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- Counter-cyclical instruments

After the course *Social Activity TBD*

4 FEBRUARY

09.30 - 11.00 **Session 3. A Conceptual Foundation for Prudential Policy**

- Bank runs
- Deposit insurance
- Microprudential regulations
- Macroprudential policies

11.00 - 11.30 *Coffee Break*

11.30 - 13.00 **Session 4. Bank Runs and the Lender of Last Resort**

- Bagehot's doctrine
- Can a solvent bank be illiquid?
- Monetary policy VS banking policy
- A Lender of last resort : why and how?

13.00 - 14.00 *Lunch break in Sala Bandiere*

14.00 - 15.30 **Session 5. How to Finance SIFIs?**

- The TBTF problem
- Coco-bonds
- Total Loss Absorbing Capacity
- Managers incentives and capital structure

15.30 - 16.00 *Coffee Break*

16.00 - 17.15 **Session 6. Bank resolution**

- Capital injections
- Bailing in the creditors
- The European BRRD
- Living wills

After the course *Social Activity TBD*

5 FEBRUARY

09.30 - 11.00

Session 7. Liquidity and All its Friends

- Funding liquidity
- Market liquidity
- Liquidity regulations
- Central bank interventions

11.00 - 11.30

Coffee Break

11.30 - 13.00

Session 8. Macro-models with a Financial Sector

- The Solow model with banks
- DSGEs with financial frictions
- The long term impact of capital requirements
- Implications for crisis management and crisis prevention

13.00 - 14.00

Lunch break in Sala Bandiere

14.00 - 15.30

Session 9. Banks and Sovereign Crises

- The Doom Loop
- How to evaluate sovereign debt sustainability?

15.30 - 16.00

Coffee Break

16.00 - 17.15

Conclusion: What Doctrine for Prudential Regulators?

- The reasons for public intervention in the financial sector
- What instruments?
- What objectives?
- What architecture?