

Professional Training Course

Monetary Policy Transmission: Banks, NonBanks, Credit and Prudential Policies

 @FBB_School

16 - 18 March 2020

Sala Triaria - Villa Schifanoia, Via Boccaccio 121 - Florence

Instructors:

Carlo Altavilla | European Central Bank and **José-Luis Peydró** | Imperial College London

Introduction

The course focuses on the interplay between monetary policy and developments in credit dynamics and intermediaries (banks and nonbanks) from both a microeconomic and a macroeconomic perspective. In particular, it analyses the impact of monetary policy on financial markets segments, the bank lending channel - with a focus on loans, lending rates and funding conditions - and more broadly the transmission of monetary policy via banks, including the interaction with microprudential and macroprudential policies.

We also analyze substitution across other intermediaries such as investment funds, fintech, shadow banks, and security issuing. We explain among other topics: how to analyze monetary policy (shocks, surprises, policies); negative monetary policy rates; QE and other non-conventional policies; bank credit supply; nonbanks, including shadow banks and fintech; interaction between monetary policy and prudential policies. We use both macroeconometric techniques and also microeconometric techniques. Finally, we will analyze some international spillovers of monetary policies.



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Programme

16 March

13.30 - 13.45 **Introduction by the Florence School of Banking and Finance and *tour de table***

13.45 - 15.30 **Session 1 The Transmission channels of monetary policy actions**

- The evolution of monetary policy instruments
- Transmission of standard monetary policy measures (change in policy rate)
- Transmission of non-standard monetary policy measures (quantitative easing, credit easing, forward guidance)

15.30 - 16.00 *Coffee break*

16.00 - 17.30 **Session 2 Micro evidence on transmission channels via banks**

- Central banks' lending policies, and quantitative easing
- Credit and security registers
- Bank lending channel (real effects) and the risk-taking channel, including security-level reach-for-yield

After the course *Social Activities outside the EUI (TBD)*

17 March

09.30 - 11.00 **Session 3 Monetary policy and financial markets developments**

- High-frequency response of asset prices to monetary policy announcements
- The footprint of alternative standard and non-standard monetary policy actions
- Recent advanced and estimation techniques

11.00 - 11.30 *Coffee Break*

11.30 - 13.00 **Session 4 Monetary policy in a low interest rate environment**

- Breaking the zero lower bound: the negative interest rates policy
- The transmission of NIRP to financial markets, banks and firms
- Bank profitability in a low rate environment and Tiering measures

13.00 - 14.00 *Lunch break*

14.00 - 15.30 **Session 5 Negative rates**

- Risk-taking channel of low monetary policy rates
- Portfolio rebalancing with negative rates
- Negative effects of negative rates: excessive risk-taking?

15.30 - 16.00 *Coffee break*

16.00 - 17.30 **Session 6 Macroprudential and supervision policies; international transmission**

- Interactions between banking supervision and monetary policy
- Anacredit: the European credit register
- International transmission of monetary policy

After the course *Social Activities outside the EUI (TBD)*

18 March

09.15 - 11.00 **Session 7 NonBanks and Monetary Policy**

- Rise of shadow banks and prudential policy
- Monetary policy: Nonbanks, including fintech, and risk-taking channel
- Limits of nonbanks: differences across corporate, consumer and mortgage loans

11.00 - 11.15 *Coffee Break*

11.15- 12:15 **Session 8 The transmission of monetary policy to the real economy**

- Macro models and Vector Autoregressoin (VAR) methods
- Identification and Impulse response analysis
- Simulation and policy counterfactuals

12:15 *Shuttle to Villa La Fonte*

12:15 - 13:15 *Light Lunch in Villa La Fonte*

13:15 - 17:00 Extra activity opened to all course's participants and EUI community

Mini-conference: **ECB Monetary Policy@20 and Banking Union Reforms** (full programme available [here](#))

Speakers:

Massimo Rostagno | ECB

Luís Garicano | IE Business School and EP