



TRAINING COURSE

FLORENCE SCHOOL OF BANKING AND FINANCE

BANK REGULATION AND SYSTEMIC RISK

Course Instructor: Jean-Charles Rochet | University of Zurich

Teatro

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

9-11 OCTOBER 2017

■ INTRODUCTION

This course presents the concepts and principles underlying prudential regulation of banks and studies how they have to be modified to deal with systemic risk and contagion.

■ REFERENCES

- Miles, David, Jing Yang and Gilberto Marcheggiano, **Optimal bank capital**, *The Economic Journal* (2011).
- Hanson Samuel G., Anil K Kashyap, and Jeremy C. Stein
A Macroprudential Approach to Financial Regulation
Journal of Economic Perspectives—Volume 25, Number 1 (2011)
- Tirole, Jean, **Illiquidity and All Its Friends** *Journal of Economic Literature* 2011, 49:2, 287-325.
- Gersbach, Hans, Jean-Charles Rochet and Martin Scheffel **Financial Intermediation and Capital Accumulation** ETHZ 2017
- Gersbach, Hans and Jean-Charles Rochet **Capital Requirements and Credit Fluctuations** (2017), forthcoming, *Journal of Monetary Economics*.

■ PROGRAMME

9 OCTOBER

13.30 - 13.45 Welcome by **Pierre Schlosser** | Florence School of Banking and Finance

13.45 - 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
- Counter-cyclical instruments

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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*
- 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 - 17.30 **Session 6. Bank resolution**
- Capital injections
 - Bailing in the creditors
 - The European BRRD
 - Living wills

11 OCTOBER

- 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*

- 14.00 - 15.30 **Session 9. Regulation of Financial Utilities**
- What is a financial utility?

- How to regulate them?

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?

17.15 - 17.30

Closing remarks

