FACOLTÀ DI ECONOMIA
SAPIENZA
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Università Commerciale
Luigi Bocconi
BAFFI CAREFIN
Centre for Applied Research
on International Markets, Banking,
Finance and Regulation
Intesa Sanpaolo Chair
in Economics of Financial
Regulation

BANCA D'ITALIA
EUROSISTEMA

2017 Conference on "Banks, Systemic Risk, Measurement and Mitigation"

Promoted by
BAFFI CAREFIN Centre for Applied Research on International Markets, Banking,
Finance & Regulation, Bocconi University
Faculty of Economics, Sapienza University
Review of Financial Studies

Rome, March 17-18, 2017
Faculty of Economics, Sapienza University

The Faculty of Economics of Sapienza University of Rome is organizing the 2017 Conference on "Banks, Systemic risk, measurement and mitigation", to be held on March 17-18, 2017.

Key note address by Nobel Prize Laureate Robert Engle (NYU University)

Program Chairs: Marina Brogi (Sapienza) and Stefano Caselli (Bocconi)
***RFS* Editorial Sponsor:** Francesca Cornelli (London Business School)

The objective of the conference is to provide a setting where academics and practitioners, especially regulators and supervisors can exchange views and discuss the emerging issues addressed by the current academic discourse. The conference is co-sponsored by the Review of Financial Studies under its dual submission system.

Conference Overview

Significant concerns about the stability of the international financial system have been raised in recent years in numerous official international summits and reports, academic papers, and articulated in core principles and guidelines issued by Supervisory authorities. Despite a general consensus on the importance of systemic risk and the need to keep it under control, considerable differences remain. From this perspective, many important questions arise: what characterizes systemic risk? Which financial institutions are 'systemically important'? How do we measure, and could we better measure, systemic risk? What is the appropriate point of view of a Supervisory Authority? Do capital and other regulatory requirements mitigate risk? How do corporate governance and business models contribute to the stability of banks? Are there significant differences between the view of the Supervisory Authorities and the results in the academic literature?

Financial innovation and capital market developments tend to increase the interconnectedness of financial systems. Moreover, while some financial institutions considerably decreased their size, like Royal Bank of Scotland have (from over 3 trillion to under 1 trillion pounds in total assets) following the bail-in by the state, other banks have only marginally shrunk their assets. There are banks with balance sheets in excess of the GDP of their country of origin and this means that they are too big to bail out. Sir Mervyn King, the former governor of the Bank of England, famously commented that “global banks are international in life but national in death”. For this reason, several countries are considering the introduction of structural regulation to separate commercial banking, which needs to be safeguarded in a crisis, from other activities. Such structural bank regulation initiatives would be aimed at reducing systemic risk.

However, these initiatives raise some issues. One risk is that banks may respond to the reforms by shifting activities beyond regulated borders. Second, structural regulation may affect international activities of universal banks in particular. Finally, structural regulation may create business models that are more difficult to manage and to supervise

Furthermore, the recent reforms in the supervisory authorities in Europe have greatly modified the context for banking institutions and the new authorities set up in Europe face the challenge of supervising entities which are actually quite different and at the same time coordinating with national competent authorities having to pursue financial stability together with a level playing field in an increasingly complex backdrop. Geopolitical turmoil and market turbulence have heightened concerns that in such a volatile context a crisis could easily spread within the financial system. In the first few months of 2016 there has been both increasing volatility in the prices of bank stocks and heightened asset correlations showing that the financial system is still vulnerable. In actual fact the low or even negative interest rate scenario weakens banks by reducing their net interest income for at least as long as the accommodating monetary policy stance does translate into lower delinquency rates and thus lower losses and provisions on loans. Moreover, in Europe, the Single Supervisory Mechanism and the Single Resolution Board have considerably changed the regulatory and supervisory practices. Too big to fail concerns imply that some countries are still considering whether to impose some sort of separation in banking activities. These are just a few of the areas which are actually being investigated by both academics and supervisory authorities.

Several factors – both political and social (i.e., Brexit, Grexit, electoral rounds in 2017-2018, etc.) – are introducing more and more uncertainty and instability and are affecting major choices of both banks and regulators. The set-up of effective policies becomes crucial and regulators can both share and receive support from qualified academia to operate in such a turbulent environment.

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Program Committee

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Registration at bsrmmconference@uniroma1.it +39 0649766921

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Friday 17th March

9.00 – 9.15 **Conference Presentation**

Paper presentation Session 1 (Systemic Risk Measurement)
9.15 – 9.55 A System-wide Approach to Measure Connectivity in the Financial Sector
Amiyatosh Purnanandam (University of Michigan), Sumanta Basu (Cornell University), Sreyoshi Das (University of Michigan), George Michailidis (University of Florida)

9.55 – 10.35 Contagion in the CDS Market
Mark Paddrik (Office of Financial Research, U.S. Department *of* the *Treasury),* Sriram Rajan (Office of Financial Research, U.S. Department of the Treasury), H. Peyton Young (University of Oxford/Office of Financial Research)

10.35 – 11.15 Empirically Evaluating Systemic Risk in CCPs: The Case of Two CDS CCPs
Sean Campbell (Board of Governors of the Federal Reserve System), Ivan Ivanov (Board of Governors of the Federal Reserve System)

11.15 – 11.30 Coffee Break

11.30 – 12.00 **Key note address by Nobel Prize Laureate Robert Engle: "Systemic Risk with Endogenous Cycles"**

12.00 – 13.30 **Policy Round Table: "Systemic risk mitigation: is capital enough? The crucial role of corporate governance"**

Ignazio Angeloni (Member of the Supervisory Board of the European Central Bank)
Marina Brogi (Università di Roma La Sapienza)
Carmine Di Noia (Commissioner, Consob)
Alessandro Penati (Chairman, Quaestio SGR)
Valeria Sannucci, (Deputy Governor of the Governing Board of the Bank of Italy and of the joint Governing Board of the Insurance Supervisory Authority-IVASS)

13.30 – 14.40 Lunch

Paper presentation Session 2 (Risk Mitigation Policies)
14.40 – 15.20 The Effect of Central Bank Liquidity Injections on Bank Credit Supply
Luisa Carpinelli (Bank of Italy), Matteo Crosignani (Federal Reserve Board)

15.20 – 16.00 Supervisory incentives in a banking union
Robert Marquez (UC Davis), Elena Carletti (Bocconi University), Giovanni Dell'Ariccia (IMF)

16.00 – 16.40 Whatever it takes: The Real Effects of Unconventional Monetary Policy
Viral V. Acharya (NYU Stern, NBER, CEPR), Tim Eisert (Erasmus University Rotterdam), Christian Eufinger (IESE Business School), Christian Hirsch (Goethe University Frankfurt)

16.40 – 17.00 Coffee Break

Paper presentation Session 3 (Corporate Governance Practices)
17.00 – 17.40 Les Liaisons Dangereuses. Politically Connected Directors and the Governance of Banks
Stefano Caselli (Bocconi University), Alessandro Bergamschini Morpurgo (Bocconi University), Marina Brogi (La Sapienza University), Leonardo D'Amico (Bocconi University)

17.40 – 18.20 Bank Monitoring: Evidence from Syndicated Loans
Matthew Gustafson (Pennsylvania State University), Ivan Ivanov (Federal Reserve Board), Ralf Meisenzahl (Federal Reserve Board)

Saturday 18th March

08.30 – 08.45 Opening remarks

Paper presentation Session 3 (cont.d) (Corporate Governance Practices)
08.45 – 09.25 Bank Executives' Outside Directorships and Career Outcomes
Thomas Kick (Deutsche Bundesbank), William Megginson (University of Oklahoma), Andrea Schertler (University of Luneburg)

09.25 – 10.05 Political Influence on Bank Credit Allocation, Bank Capital Responses and Systemic Risk
Sheng Huang (Singapore Management University), Anjan Thakor (Washington University in St. Louis)

Paper presentation Session 4 (Banks Business Models)
10.05 – 10.45 Asymmetric information and the securitization of SME loans
Ugo Albertazzi (Banca d'Italia), Margherita Bottero (Banca d'Italia), Leonardo Gambacorta (BIS), Steven Ongena (University of Zurich)

10.45 – 11.00 Coffee Break

11.00 – 11.40 Pipeline Risk in Leveraged Loan Syndication
Max Bruche (Cass Business School), Frederic Malherbe (London Business School), Ralf Meisenzahl (Federal Reserve Board)

11.40 – 12.20 Shock Propagation and banking structure
Mariassunta Giannetti (Stockholm School of Economics), Farzad Saidi (Stockholm School of Economics)

12.20 – 13.00 Regulatory Integration of International Capital Markets
Jean-Marie Meier (London Business School)

13.00 – 13.15 Final remarks