



AUTUMN SCHOOL

FLORENCE SCHOOL OF BANKING AND FINANCE

THE LAW, ECONOMICS AND PRACTICE OF EU BANKING RESOLUTION

The Florence School of Banking and Finance

Teatro

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

21-23 NOVEMBER 2018

■ INSTRUCTORS

Ralf Bock | European Central Bank

Stefano Capiello | Florence School of Banking and Finance (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



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■ 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: The Four Resolution Tools (Stefano Capiello and Emiliano Tornese)**
- Resolution planning and concrete choices at resolution
 - Resolution tools:
 - Sale of Business
 - Bridge institution tool
 - Asset separation tool
 - Bail in tool
 - Safeguards for property rights
- 13.00 - 14.00 *Lunch*
- 14.00 - 15.30 **Session 3: Assessment of recovery plans (Ralf Bock)**
- 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
- 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.

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: Funding in 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 pre and post BRRD cases (Stefano Capiello, 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