

## **Basel Regulation and Bank Resiliency**

Summer 2020

**Seminar** within the specializations "**Financial Markets**" and "**Financial Intermediation**"

The Basel Process has become the central driver of regulating international banking markets since its inception in 1988. Despite a long process of refining the original regulation (Basel I and Basel II) the international banking system seemed not well prepared for the Great Financial Crisis in 2007/8. Accordingly, the system had to be improved by a list of urgent repair operations (Basel III). But reform continues beyond Basel III and the next steps of banking regulation are currently discussed under the heading of Basel IV.

The seminar discusses the underlying economic reasons for capital regulation. It tries to assess the current state of regulation and asks the questions for future directions regulation might have to go in order to render the global banking system more resilient.

While the seminar concentrates on providing a survey on the state of literature it also offers an opportunity for empirical evaluation of certain instruments and/or measure based on empirical data.

The Seminar is co-taught with Mag. Victoria Pagowski, a specialist for banking regulation and resolution at the Österreichische Genossenschaftsverband (ÖGV).

### **Requirements:**

This is an advanced master-level seminar. It also serves as a basis for the preparation of a potential master thesis or other advanced academic work. Therefore, having passed successfully the "Asset Pricing" course is a pre-requirement.

### **Literature:**

Literature will be made available on Moodle for registered users.

### **Organization/Office Hours:**

Please arrange office hours with my secretary Sigrid Hopf at 6.327 at [sigrid.hopf@univie.ac.at](mailto:sigrid.hopf@univie.ac.at)

## Topics:

1. The Basel Committee of Banking Supervision and the Origins of Capital Regulation
  - a. Objectives: Why is there a need to regulate bank capital?
  - b. The Political Process
2. Basel II and Elements of Self-Regulation
  - a. The pros and cons of self-regulation
  - b. The Market Test – The Great Financial Crisis
3. Basel III – Lessons Learned
  - a. Capital Buffers
    - i. (How) Do capital buffers affect bank valuation/resiliency?
    - ii. (How) Do capital buffers affect international competitiveness? (If so, which?)
    - iii. (Why) Is bank equity costly?
    - iv. Are issuances of own funds instruments more costly for smaller banks?
    - v. Are Austrian banks exposed to a high systemic risk?
    - vi. What are the drivers for significant institutions' buffers in Austria?
  - b. Liquidity Buffers
    - i. (How) Do LCRs affect bank valuation/resiliency?
    - ii. (How) Do NSFRs affect bank valuation/resiliency?
  - c. Institution specific capital requirements
    - i. What are the risk drivers for the Pillar 2 Requirement?
    - ii. Does the Pillar 2 Requirement consider the diversity of the banking landscape?
  - d. Banking Recovery and Resolution
    - i. Is BRRD effective in crisis prevention?
    - ii. Are CoCos effective crisis-prevention instruments?
    - iii. Critical functions: substitutability of deposits?
    - iv. (Why) Can the access to capital markets for eligible liabilities be limited?
4. Basel IV - The Next Steps
  - a. Shadow banks and remaining “loopholes”?
  - b. Future challenges?

### **Literature:**

Literature will be introduced in the course and provided on Moodle to course participants.

### **Grading:**

Grading is based on three elements:

1. The worked out seminar paper (50 points). Each candidate has to submit a single-authored paper not exceeding 12 pages. The seminar draft has to be **submitted one week prior to the presentation** in electronic form. This version is distributed to seminar participants in order to allow them preparation. After the presentation the paper can still be improved. **Final submission** for all papers is **July 1st, 2019**. Thereafter no corrections are possibly anymore.
2. Presentation of the seminar paper (25 points)  
Presentations can be shared, but each candidate will be assessed on his/her own part.
3. Course participation (25 points)  
Active preparation and active participation are required, which requires regular participation.

**040029 Seminar Asset Pricing - Univ.-Prof. Dipl.-Vw. Thomas Gehrig, PhD SR 4 OMP1**

**SCHEDULE**

<b>KW</b>	<b>Datum</b>	<b>Tag</b>	<b>Beginn-Ende</b>	<b>Kurztitel</b>
10	02.03.2020	Mo	15:00 - 16:30	Introduction
11	09.03.2020	Mo	15:00 - 16:30	
13	23.03.2020	Mo	15:00 - 16:30	ÖGV, Löwelstr. 14
17	20.04.2020	Mo	15:00 - 16:30	
18	27.04.2020	Mo	15:00 - 16:30	
19	04.05.2020	Mo	15:00 - 16:30	
20	11.05.2020	Mo	15:00 - 16:30	
21	18.05.2020	Mo	15:00 - 16:30	
22	25.05.2020	Mo	15:00 - 16:30	
24	08.06.2020	Mo	15:00 - 16:30	
25	15.06.2020	Mo	15:00 - 16:30	
<b>26</b>	<b>23.06.2020</b>	<b>Di</b>	<b>08:00 - 13:30</b>	<b>Abschlusspräsentation in der Skylounge</b>
<b>28</b>	<b>10.07.2020</b>	<b>Fr</b>	<b>18.00</b>	<b>Final submission of seminar paper</b>