

EXCELLENCE PROGRAMME

EUROPEAN FINANCIAL

MARKETS AND REGULATION

Challenges and Policy Responses

Madrid - Frankfurt



CENTRO ADSCRITO
A LA

UCM
UNIVERSIDAD
COMPLUTENSE



CON EL PATROCINIO
DE LA

BOMA
BOLSA DE MADRID

The aim of the course is to provide knowledge for understanding modern European Financial Markets and Regulation. It gives participants an overview of the ideas, methods, and institutions that allow bankers and investors to manage their risks and promote enterprises.

It will analyse the key economic models and financial tools that are now being used by central banks and financial institutions to ensure smoothly working financial markets and financial stability.

Participants will study how investors use essential tools, data, models, and techniques to invest in diverse financial markets under difficult economic conditions. We will analyse and discuss the challenges of financial cycles and shocks.

Attendees will obtain key insights into the workings of the major international organizations in finance including the G20 Countries, International Monetary Fund (IMF), the Bank for International Settlements (BIS), the Financial Stability Board and the European Central Bank (ECB) and learn how they deal with economic down turns, and debt crises.

In addition of the Madrid stay, participants will visit Frankfurt, the financial capital of the Eurozone. They will study the European Banking Union and meet the financial regulators and European bankers dealing with the issues of micro-prudential and macro-prudential supervision of the most important financial institutions in Europe.



This course will consist of 25 lecture hours plus visits to the major public and private financial institutions in Europe. The program will take place from the 12th to the 16th of December 2016 in Madrid and Frankfurt.

Structure

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I. International Financial Architecture

In order to understand the financial markets, the practitioner must acquire a good knowledge of financial risks and the international organizations (International Monetary Fund, the Bank for International Settlements (BIS), the Financial Stability Board and the European Central Bank) and the regulations (Basel, Bank Resolution, etc.) that lay down the laws that promote well functional international markets and financial crisis management.

2. Key European Economic and Financial Issues

The European Union (EU) is a politico-economic union. The EU operates through a hybrid system of supranational and intergovernmental decision-making. Since the financial crisis, the EU has developed new monetary, fiscal and banking policies to improve the working of the financial markets in Europe. It is also dealing with Brexit which has major implications for the future of the financial markets in the European Union.

3. Financial Markets Cycles and Shocks: A European Perspective

The financial markets are prone to cycles and shocks. Investors use data, models and tools to manage the risks inherent in financial markets. The central banks use conventional and unconventional monetary policy to target inflation and financial stability. We will analyse and discuss the key implications for different asset classes and investment strategies.

4. The New European Prudential Supervision System

We will analyse and discuss the link between the individual financial institutions (micro-prudential supervision) and supervision of the financial system (macro-prudential supervision) in Europe.

5. The European Banking Union

The European Union has transferred responsibility for banking policy from the national to the EU level in order to break the vicious circle between banks and sovereigns. The euro monetary union requires unified supervision, a single bank resolution authority with a common backstop, and a single deposit insurance fund.

6. The European Banking Authority (EBA) and the Single Rule Book

The European Banking Authority (EBA) is a regulatory agency of the European Union. It is responsible for the Single Rule Book and it conducting stress tests on European banks to increase transparency in the European financial system and identifying weaknesses in banks' capital structures.

7. The Overview of the European Banking Sector

Leading European bankers and financial consultants will examine the strengths, weakness, opportunities and threats to the major European banks. They will also analyse strategies of the major banks and the evolution of cross-border banking and the need for consolidation.

8. The Single Supervisory Mechanism

Leading regulators at the European Central Bank will explain the new regulatory framework and their methodology to supervise the leading banks in Europe.



As an additional part of the program, there will be different visits to Institutions like the Madrid Stock Exchange, the treasury of a financial institution in Madrid and there will be a visit to the Frankfurt Stock Exchange.



The program offers interactive classes, in-depth case studies, presentations by finance professionals and regulators at the European Central Bank. The program is focused on professionals working in financial markets and public financial institutions who are graduates in economics, finance, business administration and engineering.

Program 6

MADRID STAY

I. INTERNATIONAL FINANCIAL ARCHITECTURE

1.1. Introduction

- Purpose and contents

1.2. The International Economic Situation

- Real economy:

- International economic outlook. Reports by the International Monetary Fund (IMF) -World Economic Outlook-, and the Organization for Economic Cooperation and Development (OECD) -Economic Outlook.
- Other public and private organization reports (general or sectoral) -e.g. the energy outlook offered by the International Energy Agency.
- Analyses on major systemic economies (United States, China, United Kingdom, Germany, Japan...)

- Financing of the economy:

- Global financial stability
- The role of central banks
- Emerging market finance

1.3. Economic and Financial Policies

- Multilateral regulatory agreements (Basel banking regulations, European Financial and Banking Directives, Financial Stability Board recommendations, OECD Consensus on Export Credits, international embargoes, Free Trade agreements (multilateral, regional or bilateral), agreements on Climate...).
- Recommendations and Communiqués:

- G-7, G-20, IMF, Federal Reserve of the US (Fed), European Central Bank (ECB), European Commission, OPEC, national leaders' statements.

1.4. Country Risk

- Concepts
- Geopolitical risks
- Economic and financial risks
- Prevention of country risk
- Country risk indicators (market indicators, sovereign risk ratings by rating agencies, OECD country risk Classification, World Bank Governance Indicators, EIU country risk ratings...)
- Global rankings (Global Competitiveness Index, Doing Business, Transparency International...)
- Major ongoing risks

1.5. External Debt Policies

- The IMF as lender of last resort
- The EU as lender of last resort
- IMF Debt Sustainability Analyses
- Debt Restructuring
 - Paris Club (official creditors)
 - Debt Treatments -ordinary and extraordinary, HIPC programs
 - London Club (private creditors)
 - Collective Action Clauses (CAC)
 - Case studies: Greece, Argentina, and others

2. KEY EUROPEAN ECONOMIC AND FINANCIAL ISSUES

- 2.1. Key Economic Indicators Economic in the EU, USA, Japan and China
 - Geopolitical Factors
 - Demographic Factors
 - Income per Capita
 - Economic Growth
 - Inflation
 - Employment
- 2.2. Global Trade Surpluses and Deficits
 - German Surpluses and Hegemony
- 2.3. The European Sovereign Debt Crises
 - PIGS - Portugal, Ireland, Greece & Spain
- 2.4. The Euro and the Theory of Optimal Currency Areas
 - The Original Sins
- 2.5. The European Growth and Stability Pact
 - The Nuclear Bomb
- 2.6. The European Banking Union
 - Progress at last
- 2.7. Will the European Union Break Up? Brexit
 - The Single Market & the Four Freedoms
 - The Norwegian Model
 - The Swiss Model
 - The Canadian Model
 - The WTO Model
- 2.8. The 5 European Presidents Report
 - The Future of the European Union

3. FINANCIAL MARKET CYCLES AND SHOCKS: A EUROPEAN PERSPECTIVE

In this one day session, Paul Moran, Ana Guzmán and Carlos Fernández will drive the attendees through fresh introductory lecture slots followed by open debates between them and the attendees, covering two main areas: (first, an introduction to financial cycles and shocks, full of examples of the extensive practitioner experience of Paul, Ana and Carlos) (second, a review of the key developments of the last years and the potential future scenarios, with special attention to the key implications for different asset classes and investment strategies).

Block I: A First Outlook on Financial cycles and shocks

- 3.1. Analysis of Cycles in Financial Markets
- 3.2. Analysis of Financial Market Indicators
- 3.3. Monetary Policy and the Impossible Trilemma
- 3.4. The Great Moderation and Inflation Targeting
- 3.5. Debt and Leveraging
- 3.6. The Hypothesis of Financial Instability
- 3.7. Debt and Deleveraging
- 3.8. Fiscal Austerity
- 3.9. Credit Easing
- 3.10. Quantitative Easing
- 3.11. Forward Guidance
- 3.12. Nominal GDP & Employment Targeting

Block II: From the Great Recession to the Secular Stagnation Puzzle - policy responses and geopolitical implications.

- 3.13. ECB LTRO 1 and Sovereign Doom Loop
- 3.14. ECB LTRO 2 and Fractional Reserve Banking
- 3.15. Negative Interest Rates & Financial Repression
- 3.16. Negative Interest Rates & Portfolio Effects
- 3.17. Currency Wars

- 3.18. US Interest Rate Rise & Dollar Shock
- 3.19. Oil Price Shock
- 3.20. China Market Crash
- 3.21. Bank Profitability Shock
- 3.22. Brexit Shock
- 3.23. Secular Stagnation
- 3.24. Helicopter Money

FRANKFURT STAY

4. THE NEW EUROPEAN MACROPRUDENTIAL SUPERVISION SYSTEM (G20, FMI, FSB, BCE).

The link between the individual financial institutions (micro-prudential supervision) and supervision of the stability of the financial system (macroprudential supervision).

4.1. Systemic Risk

- Concept and interaction between institutions and markets:
- Methodology and present situation
- Sovereign risk: brief summary

4.2. Macroprudential Supervision

- Global Vision
- Interactions
- Main Tools
- Governance

5. THE EUROPEAN BANKING UNION

- 5.1. Single Supervisory Mechanism
- 5.2. Single Resolution Mechanism
- 5.3. The European Deposit Insurance Scheme (EDIS)

6. THE EUROPEAN BANK AUTHORITY AND THE SINGLE RULE BOOK

- 6.1. Bank Recovery and Resolution Directive
- 6.2. Capital Requirements Directive
- 6.3. Capital Requirements Regulation

7. OVERVIEW OF THE EUROPEAN BANKING SECTOR

- 7.1. State of the play.
- 7.2. Cross-border banking consolidation

8. THE SINGLE SUPERVISORY MECHANISM (SSM)

8.1. Direct supervision

- General context
- Joint supervisory teams
- Decision-making process

8.2. Ensuring quality and consistency in the SSM

- The supervisory cycle
- The SSM horizontal functions
- Quality assurance in the SSM

8.3. SREP Methodology

- Overview
- Common framework for supervision
- Decision processes

8.4. Internal Models

- Challenges in the supervision of internal models
- Regulatory framework
- Consistency and comparability

Castedo, Pedro

- Law at the UCM and Foundations of Private Law also at the UCM
- Master Degree in Business Administration at CUNEF,
- Worked for the Banco de España, the IMF and the ECB, both as expert in banking supervision and in accounting, and also for Banco Santander
- Currently working for the ECB as JST Coordinator

Crespo, Jose Manuel

- BSc on Physics with major on Fundamental Physics, Universidade de Santiago de Compostela
- MSc on Fundamental Physics, Universida de Santiago de Compostela
- MSc on Applied Physics, Universidade de Santiago de Compostela
- Principal Data Warehouse Architect, Banco Pastor, A Coruña
- Senior Project Manager. Front End Applications Section, Banco Pastor, La Coruña
- Head of Basel II Section in Internal Audit Division. Banco Pastor, La Coruña
- Senior Internal Auditor. Banco Popular, Madrid
- Supervisor in ECB's Methodology and Standards Development Division since 2014

Evans, Marcus

- FCA (Chartered Accountant), Institute of Chartered Accountants in England & Wales
- MBA in Management, University of Sheffield
- BSc in Industrial Economics, University of Warwick
- Previously, Co-leader of KPMG's Asset Quality Review taskforce across Europe. Due diligence specialist supporting clients on over 50 M&A transactions. Executive Assistant to KPMG's Global Chairman for Financial Services. Consultant at Arthur Andersen
- Partner in KPMG's "ECB Office" in Frankfurt, focusing on the impact of European banking regulation on business model change and M&A

Fernández Herraiz, Carlos

- Degree in Economic Sciences, Universidad de La Coruña
- Chartered Alternative Investments Analyst (CAIA)
- Portfolio Manager. MCH Investment Strategies

Guzmán, Ana

- Bachelor in Business Administration, CUNEF
- Máster in Portafolio Management, IEB
- Chartered European Financial Analyst. CEFA
- Country Head y Head of Business Development. Aberdeen Asset Management.

Iranzo, Silvia

- Economics Degree
- Executive Management Program, Bank of Spain, IESE
- Government Economist, State Economics of Spain
- Previously, Spanish State Secretary for Trade. Spanish Ambassador to the Kingdom of Belgium. Head of Country Risk, Bank of Spain.
- Professor of Economics, IEB
- Currently Independent Board Director, Tecnocom

Larrea, Carlos

- Bachelor in Economics, Universidad Complutense de Madrid
- Master in International Accounting Standards. University Juan Carlos I
- Inspector Banco de España 2000-2014. On site and Off site Supervision
- Principal Supervisor Quality Assurance Division ECB since 2014

Mencía, Ángel

- Degree in Economics, Universidad Complutense de Madrid
- Master in Financial Economics, CEMFI, Fundación del Banco de España
- Previous experience of 20 years in banking, 5 of them in markets and 15 in different areas of risk, of which 6 in the risk management committee of BBVA.
- Head of Credit, Operational and Portfolio Risk Section ECB since 2014
- Co-chair de la Task Force on Model Validation de la EBA since february 2015

Moran, Paul

- Candidate for Doctorate in European Economics, Complutense University, Madrid
- Masters in Economics, Trinity College, Dublin
- Professor at IEB (Instituto de Estudios Bursatiles)
- Director of CEUS

Sánchez Brezmes, David

- Bachelor in Business and Economics, CUNEF
- Executive MBA, IESE Business School
- Academic Director of the Executive Master in Management of Financial Institutions at IEB (Instituto de Estudios Bursatiles)
- Certified Internal Auditor (CIA) issued by the Internal Auditor Institute. (May 2006).
- Previously, Director. KPMG-ECB OFFICE. Frankfurt am Main. Senior Policy Advisor on Banking Regulation and Head of the Financial Analysis Department at Spanish Banking Association (AEB in its Spanish acronym). Manager of Corporate Audit in Caja Madrid. Supervising senior/Audit Manager for Financial Institutions Group (FIG) in KPMG. Six years as an auditor in Madrid and London office. Banco de España. Central Balance Sheet Data Office
- Currently Managing Director of Global Regulatory Affairs at Banco Santander.

Viola, Matias

- Bachelor in Business and Economics, Cunef (Centro Universitario de Estudios Financieros)
- Juris Doctor, UNED
- State Economist (Técnico Comercial y Economista del Estado). Specialized group of civil servants in trade, finance and economics matters. On leave
- MBA with focus in finance and quantitative finance at Kellogg School of Management.
- Previously, Head of Funding and Risk Management at the Spanish Treasury. Financial Officer at the World Bank Treasury. Consultant at Arthur D. Little. Research Analyst at Capital Markets AV
- Currently Director of Global Supervisory Relations at BBVA



c/ Alfonso XI nº6 28014 Madrid
Tel. 91 524 06 15 - Fax. 91 521 04 52
investigacion@ieb.es - www.ieb.es

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