

Academic Year: ( 2021 / 2022 )

Review date: 27-09-2021

Department assigned to the subject:

Coordinating teacher: MARTINEZ MIERA, DAVID

Type: Electives ECTS Credits : 3.0

Year : 1 Semester : 2

**REQUIREMENTS (SUBJECTS THAT ARE ASSUMED TO BE KNOWN)**

Corporate Finance

**OBJECTIVES**

Students will understand the role of banks in the economy and the challenges faced by regulators. They will be able to assess the positive and negative consequences of bank regulation and their impact on financial stability.

Professors:

- 1) David Martinez Miera (Uc3m, PhD)
- 2) Salvador Bekiaropoulos (ECB)

**DESCRIPTION OF CONTENTS: PROGRAMME**

1. Bank Runs
  - 1.1. The Diamond-Dibvig Setup
  - 1.2. How to prevent bank runs
2. The Role of Informed Financial Intermediaries
  - 2.1. The Hölmstrom-Tirole Setup
  - 2.2. The role of net wealth
  - 2.3. The Debt Overhang problem
  - 2.4. The dark side of deposit insurance
3. Competition and Bank Risk
  - 3.1. The Allen and Gale setup
  - 3.2. The Boyd and De Nicolo critique
4. Bank Capital Regulation
  - 4.1. Risk Insensitive Capital Regulation
  - 4.2. Risk Sensitive Capital Regulation
5. Macroprudential Regulation
  - 5.1. Countercyclical Capital Requirements
  - 5.2. Current developments on macroprudential policies

**LEARNING ACTIVITIES AND METHODOLOGY**

Teaching will be done using power point and recommended readings. Students will also be expected to read some proposed readings and will have to do some exercises at home and in class.

Office hours: On an appointment basis

## ASSESSMENT SYSTEM

In order to pass the course you have to obtain at least 4/10 in the final exam.

The final exam will be 60% of the final grade. The rest of the grade (40%) will be exercises and homeworks.

<b>% end-of-term-examination:</b>	60
<b>% of continuous assessment (assignments, laboratory, practicals...):</b>	40

## BASIC BIBLIOGRAPHY

- Franklin Allen and Douglas Gale Comparing Financial Systems, MIT PRESS, 2000
- Xavier Freixas and Jean Charles Rochet Microeconomics of Banking, MIT PRESS, 1997