Financial Institutions Management
(Bank Risk-taking, Crises & Prudential Policy)

Professor: Jose-Luis Peydro
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Office hours: after class

Course Description and Objectives
Analysis of bank risks, especially systemic risk, and bank regulation. We will also put strong emphasis on the recent financial crisis, and on public policy, including macroprudential and monetary policy. The course will also emphasise empirical methods, their advantages and limitations.

Evaluation criteria
Students should present and discuss particular topics (e.g. papers, see below) and the evaluation of the course will be based on those presentations (60%), class participation (15%), and a final exam consisting on what we have seen in class (25%). Each group should consist of max. two people (there can be groups of 1 person).

You should prepare slides for 30 min presentation + background slides for potential Q&As (upload the slides before the class starts). Time management is essential, so please be well prepared. There will also be Q&A and discussion. Overall the presentation, Q&As and discussion should be maximum 50 minutes. You should send me an email to agree on the specific presentation, first-come first-serve (subject email: BSoM Financial Institutions Management).
Calendar, Contents and Reading Materials

1st and 2nd Class: Overview of systemic risk, banks, crises and prudential and monetary policy (9 and 16 of January)
• I will provide a very brief Introduction based on “Systemic Risk, Crises and Macroprudential Regulation” (Xavier Freixas, Luc Laeven and José-Luis Peydró). *MIT Press*, 2015.

3rd Class: Bank risks, credit, regulatory solutions, macroprudential policy and capital regulation (Jan 23)


You will present:
• Basel III measures for capital regulation (leverage ratio, Tier 1, countercyclical capital requirement, regulation for large banks), and new European regulation on bail in.
• Bank capital: Lessons from the financial crisis, A Demirguc-Kunt, E Detragiache, O Merrouche. Journal of Money, Credit and Banking 45 (6), 1147-1164.

4th Class: Liquidity, runs and risk management (Jan 30)

You will present:

5th Class: Monetary policy, securities, risk-taking and banks (Feb 6)

You will present:
• Summary on recent public policies and proposals on limiting proprietary trading by banks (Volker rule in Dodd Frank, Likaanen report and Vickers report).

• Shareholder Report on UBS's Write-Downs: 

6th: Financial crises (Feb 13)

You will present:
• Case study of Spanish banking crisis.
• Case study of the USA financial crisis.
• Case study of another crisis (Ireland, Sweden 90s, Argentina 200s, Japanese crisis...)
• Summary of some bank scandals: e.g. Libor manipulation, JM Morgan London Whale, Wells Fargo 2016, Kerviel-5G.
• Finalize previous presentations or other presentations.
Bio of Professor

José-Luis Peydró earned his PhD in Finance at INSEAD in 2005 and a Master in Economics from CEMFI. He won the National Award of Bachelor Studies in Economics (Premio Nacional) given by the Government of Spain for the highest GPA in Spain in Economics, 1997. He is ICREA Professor of Economics at Universitat Pompeu Fabra (UPF), Barcelona GSE Research Professor, Research Associate at the Center for Research in International Economics (CREI), Research Fellow at the CEPR, an Associate Editor for the Review of Finance, the journal of the European Finance Association, and was awarded a Consolidator Research Grant from the European Research Council (2015). He has been consultant for several central banks and international organizations (including the ECB, IMF, Bank of England and Federal Reserve), serves as an advisor to the Financial Stability department of the Bank of Spain, is a Deutsche Bundesbank Research Professor, serves at the Advisory Scientific Committee of the European Systemic Risk Board, and has held visiting appointments at MIT Sloan and Chicago.