

New Challenges in Financial Regulation and Supervision

4-day intensive residential programme
18 – 21 September 2012

Christ's College, Cambridge

Course chairman:

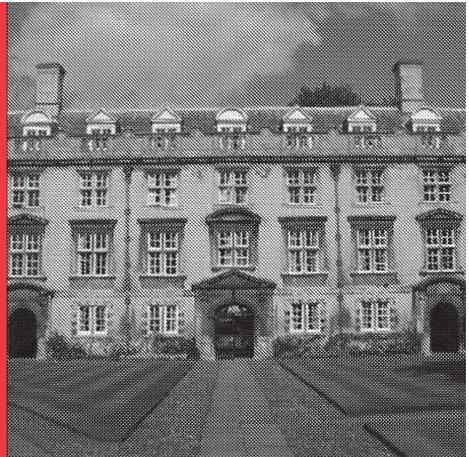
Kern Alexander

Professorial Chair for Law and Finance,
University of Zurich and Senior Research
Fellow in Financial Regulation, Centre for
Financial Analysis and Policy, University of
Cambridge

Series adviser:

Charles Goodhart, CBE

Professor Emeritus
London School of Economics
Financial Markets Group



Dear Delegate,

You and your team have been charged with forging a new framework for financial regulation. A framework that learns the lessons of this crisis. And must prevent the next one.

As a result of the crisis central banks are being asked to demonstrate a greater focus on financial stability and an increased capacity to influence macroprudential economic conditions through their supervisory responsibilities.

The emerging international framework to achieve these goals focuses on the dampening of systemic risks through a combination of micro- and macroprudential measures. The Basel framework has been updated with a set of tools designed to strengthen capital and liquidity and also reduces leverage and introduces countercyclical measures.

Bank resolution schemes are being repurposed to avoid moral hazard, and authorities must not only pay increasing attention to systemically important financial institutions, but also to the shadow banking sector.

In short they acknowledge that regulation must take into consideration the interconnectedness of the financial system.

Yet, as supervisors and central bankers know only too well, the proof will be in the implementation.

This course is designed to equip delegates to meet these challenges.

The panel of expert speakers will be chaired by **Kern Alexander**, a leading expert on international regulatory frameworks, and draws on practical regulatory and central banking experience, as well as views from private sector and academia.

This year we are delighted to welcome:

- **Charles Goodhart**, Professor Emeritus of Banking and Finance, London School of Economics
- **Saad Andari**, Second Vice Governor, Bank of Lebanon
- **Maria J. Nieto**, Associate Director General of Banking Supervision, Bank of Spain
- **Richhild Moessner**, Senior Economist, Monetary and Economic Department, Bank for International Settlements
- **Anthony Belchambers**, Chief Executive, Futures and Options Association
- **Simon Baker**, Senior Manager, Financial Services Risk, Ernst and Young LLP

The four-day programme of interactive roundtable seminars and workshops offers concrete examples of regulatory reform and implementation as well as opportunities to explore those questions that are most important to you.

This format, as more than 3,500 central bankers and regulators can attest, encourages delegates to quiz panelists, raise issues and discuss solutions to the specific challenges they face.

We look forward to welcoming you or your colleague in Cambridge this September.

Yours sincerely,



Robert Pringle
Chairman
Central Banking Publications



■ ■ The course has been invaluable in consolidating my understanding and appreciation of the fast moving landscape of financial regulation ■ ■

Central Banking Delegate

Tuesday 18 September

Impact of the Crisis on Financial Regulation

Introductory discussion

Led by the chairman **Kern Alexander**, Professorial Chair for Law and Finance, University of Zurich

In this session, the chairman will evaluate the major international regulatory developments and will invite participants to discuss those which they anticipate will have the deepest impact on their home institution. The session gives an opportunity for the delegates to give a brief account of their local regulatory system.

The post-crisis regulatory agenda

Charles Goodhart, Professor Emeritus of Banking and Finance, London School of Economics

Regulatory initiatives are continuously developing in response to the financial crisis. Across the globe major supervisors and politicians have acted to establish new prudential regulations, and new institutions to safeguard their practice. In this session a distinguished scholar of central banking and financial regulation will consider the emerging global regulatory landscape and anticipate the difficulties it poses in regard to implementation on a national level. Group discussion will consider key international issues: augmented capital and liquidity requirements, the relationship between micro- and macroprudential supervision, moral hazards in the financial system and regulating the shadow banking sector.

Regulation of systemically important financial institutions

Saad Andari, Second Vice Governor, Central Bank of Lebanon

The rescue of systemically important financial institutions during the current crisis has had a heavy impact on taxpayers money and state budgets – if not triggering sovereign crisis. Scrutiny is now increasing on how those responsible for regulating the financial system are safeguarding against the potential collapse of systemically important financial institutions. Financial market infrastructures, insurance companies, other non-bank financial institutions and domestic systemically important banks all pose systemic risk in an equal measure. In this session, the speaker will discuss with the group how robust financial regulation can manage the “too big to fail” problem.



“Very useful and updated seminar”

A central bank delegate



About the course chairman

Kern Alexander holds the Professorial Chair in Banking, Corporate Governance and Financial Market Law and Regulation at the University of Zurich Law Faculty and is Senior Research Fellow in Financial Regulation at the Centre for Financial Analysis and Policy, University of Cambridge. He is also a member of the Financial Services Expert Panel for the European Parliament. His books include *Global Governance of Financial Systems: the International Regulation of Systemic Risk* (Oxford University Press, 2006) (co-authors Eatwell & Dhumale), *Market Abuse and Insider Dealing* (Butterworths) and *Economic Sanctions: Law and Public Policy* (Macmillan, 2009). In addition to academic publications, he has authored several reports for the European Parliament. He has given oral and written evidence to the UK House of Common's Treasury Select Committee on reform of UK banking regulation and supervision and on the European Commission's Regulations for micro-prudential and macro-prudential supervision.

Wednesday 19 September

Implementing the Basel Accord

Industry response to new financial regulations 2008-12

Simon Baker, Senior Manager, Financial Services Risk, Ernst and Young LLP

It is widely acknowledged that the crisis showed the brittle nature of the financial network. Regulators and central banks have responded with an overhaul of financial regulation. Yet success will be in the implementation and the private sector response. In this session, the speaker will provide the group with an overview of private sector's efforts to better calibrate risk, build loss absorption and improve internal institutional risk culture. The speaker will highlight good practice examples of liquidity management, deleveraging and capital policy. The benefits of constructive dialogue with regulators will be a recurring theme.

Calibrating capital requirements

Klaus Duellmann, Head of Banking and Financial Supervision Research, Deutsche Bundesbank

In the media and in financial circles the onus has been placed firmly on regulators to define how Basel III minimum capital requirements should be applied to institutions headquartered in their jurisdiction. The date of implementation is fast approaching, and by January 1st 2013 legislation and regulation will have to have been completely finalised. However, in a number of countries there remains a concern that regulators will fail to apply the rules with consistency across borders. This session will look at how central banks and regulators can best assess the appropriate requirements for their banking sector and how the implementation period from 2013 onward can be used to ensure institutions adapt to the new capital requirements in timely and efficient fashion. The session will also address how supervisors can make sure financial institutions are using the right models and methods for calculating risk-weighted assets.

Implementing and regulating new liquidity requirements

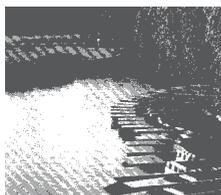
Speaker to be confirmed

The Basel Committee's Liquidity Coverage Ratio and Net Stable Funding Ratio have caused controversy since being outlined in 2010. Although the crisis is now considered as much a crisis of liquidity as a credit crisis, there is concern amongst private and public institutions alike that the requirements are unrealistic in attempting to strictly limit maturity mismatching and are too narrow in terms of the definition of core liquid assets. In this session the speaker will facilitate group discussion on these issues and will invite attendees to share how they think these new requirements will affect the banking sector in their jurisdiction. Discussion will focus on how regulators can monitor the effectiveness of the new liquidity rules.

Countercyclicality and the effects on the economy

Stefan Avdjiev, Economist, Bank for International Settlements

In 2012 no one is unaware of the destructive effect a financial crash can have on the wider economy. In an attempt to ensure that the effects of such a crash are mitigated, Basel III introduced a countercyclical buffer requiring banks to retain extra capital during good times. Yet while fine in theory, the reality of policy is far from straightforward. This session will address the issues involved in implementing countercyclical measures, in particular the analysis of when and how to intervene. Time will also be devoted to important related issues, notably accounting standards.



““ The course has been extremely beneficial. It has introduced new ideas and reinforced old ones ””

A Central Banking Delegate

Thursday 20 September

Regulating Complex Financial Institutions and Markets

Regulating the shadow banking system

Imene Rahmouni-Rousseau, Senior Economist, Financial Stability Board (Invited)

"Shadow banking has to be understood as involving both in some cases new forms of non-bank interaction between the financial system and the real economy, and as entailing far more complex link within the financial system itself, including between banks and non-bank institutions." These remarks by Adair Turner, co-chair of the FSB's Task Force on Shadow Banking, demonstrate the degree to which shadow banking is a journey into the unknown for regulators. As a result, the establishment of sound regulation for the shadow banking sector has become a priority for regulators. In this session, the speaker from the FSB will explain how and why the board defines shadow banking. She will discuss how regulators can tackle the challenges posed by designing and implementing new and effective regulations for hedge funds, money market funds, private equity funds and securitisation. She will also dedicate time to the arguments for and against stricter enforcements.

Dealing with failed banks: resolution and reorganisation

Maria J. Nieto, Associate Director General of Banking Supervision, Bank of Spain

Limitations in the pre-crisis set-up for dealing with failed banks have been highlighted by major collapses during the crisis and the bail-outs which followed. The fallout from these events has damaged the reputation of the banks, regulators and governments involved and a policy response has been launched by the FSB. In this session the speaker will explore the proposed new governance arrangements; early intervention and new resolution policy tools including bank reorganisation and resolution funds as well as "bail-in" options. Discussion will focus on how regulators can simultaneously allow a large institution to develop as an international entity in its "life" whilst preparing to handle its resolution in its "death".

Implementing reforms to OTC derivative trade

Anthony Belchambers, Chief Executive Officer, Futures and Options Association

Since the crisis, regulators have been prioritising the establishment of stricter rules on OTC derivative trades. This task represents numerous operational challenges for regulators and has been greeted with concern from the private-sector. The Dodd-Frank Act has staunchly followed G20 guidelines that all OTC trades be cleared through central clearing counterparties and reported to licensed trade repositories. The European Commission too submitted its legislative proposal for regulations in EMIR of September 2010. In this session, the group will be encouraged to discuss the political and operational challenges that regulators face in implementing, these new rules as well as the implications for the OTC and other markets.

Past central banking attendees, include:

Bank of Korea, Bank Indonesia, Bank Negara Malaysia, Bank of Algeria, Bank of Canada, Bank of Finland, Bank of Greece, Bank of Italy, Bank of Korea, Bank of Lebanon, Bank of Mexico, Bank of Mozambique, Bank of Portugal, Bank of Sudan, Bank of Tanzania, Bank of Thailand, Bank of Uganda, Bank of Zambia, Banque de France, Cayman Islands Monetary Authority, Central Bank of Bahrain, Central Bank of Barbados, Central Bank of Brazil, Central Bank of Colombia, Central Bank of Egypt, Central Bank of Iceland, Central Bank of Kenya, Central Bank of Kuwait, Central Bank of Lesotho, Central Bank of Malta, Central Bank of Montenegro, Central Bank of Nigeria, Central Bank of Oman, Central Bank of Russia, Central Bank of Seychelles, Central Bank of Swaziland, Central Bank of the Philippines, Central Bank of the Philippines, Central Bank of Trinidad & Tobago, Central Bank of Venezuela, European Central Bank, Federal Reserve Bank of New York, Federal Reserve Bank of St Louis, Federal Reserve Board, Hong Kong Monetary Authority, Maldives Monetary Authority, Monetary Authority of Singapore, National Bank of Angola, National Bank of Austria, National Bank of Austria, National Bank of Hungary, National Bank of Poland, National Bank of Romania, National Bank of, Slovakia, Norges Bank, Reserve Bank of India, Reserve Bank of New Zealand, Reserve Bank of Vanuatu, Reserve Bank of Zimbabwe, Saudi Arabian Monetary Agency, South African Reserve Bank, Sveriges Riksbank, Swiss National Bank, The Netherlands Bank

Friday 21 September

The new macroprudential agenda

Fulfilling the macroprudential mandate

Sir John Gieve, Former Deputy Governor, Bank of England (Invited)

The Group of Thirty Working Group on Macroprudential Policy has argued that “the macroprudential supervisor (should) operate under a clearly articulated mandate provided by the country’s political leadership and should be accountable to legislatures and the public.” Delivering on the responsibilities of macroprudential supervision in the wake of the banking crisis will be undeniably challenging, and often controversial. In this session, the speaker will explore how macroprudential responsibility fits into the wider supervisory and economic policy frameworks and what that means for the institutional structure of financial regulators and relations with other government and central bank policy groups. Discussion will address questions of political independence, the balance between rules and discretion, communication, and encouraging international cooperation.

Assembling the macroprudential toolkit

Richhild Moessler, Senior Economist, Bank for International Settlements

The financial crisis went a long way to debunking the myth that microprudential policy alone is sufficient to supervise the complex and interconnected global financial system. The challenge for central bankers and supervisors is to understand how the various points of the macroprudential jigsaw fit together. In this session, a representative from the Bank for International Settlements will set out a framework for thinking about macroprudential policy in its widest form and will draw conclusions on the key future questions emerging from the international debate.

Chairman’s closing thoughts and discussion

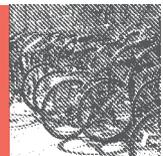
Kern Alexander

To conclude the seminar the chairman will assess what has been covered across the four days of discussion and will invite attendees to consider what they can take away from the experience and what they believe still remains unclear.

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- Human Resources: Engaging People and Facilitating Performance
- Financial Independence and Accountability for Central Banks
- Maximising the Value of Economic Analysis and Forecasting for Central Banks
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For detailed programmes and a fax-back registration form for each of these key courses, please visit: www.centralbanking.com/events



Booking details

Course fee: £3,000

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4-day (3 nights) residential course

Course fee includes: en-suite accommodation, meals, refreshments, course documentation and a complimentary copy of the most recent issue of the Central Banking journal. Substitute delegates can be accepted should the registered delegate be unable to attend; please let us know prior to the event.

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email: conference@centralbanking.com

website: www.centralbanking.com/events



The venue

Christ's College is one of England's oldest university colleges and traces its origins back to 1439 when it was founded by William Byngam as "God's house" and adopted by King Henry VI.

The college is conveniently situated in the heart of Cambridge surrounded by all the historical sites, and is one hour by train from London.

About Central Banking Publications

Central Banking Publications' events division is the leading independent organiser of public policy seminars/training courses for the official sector. Since 1997, CBP has hosted roundtable seminars and training courses for over 3,500 senior policymakers from central banks, ministries of finance and financial regulatory agencies around the world. Senior officials from more than 120 countries have attended these meetings over the past ten years.

Registration for New Challenges in Financial Market Supervision and Regulation

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