

CALL FOR PAPERS

"The future of the European crisis management framework for banks - how can we deal with the crisis of small and medium-sized banks?"

A Bank of Italy workshop

Rome, 15 January 2021

The Bank of Italy is organizing a workshop on "The future of the European crisis management framework for banks - how can we deal with the crisis of small and medium-sized banks?". The event will take place on 15 January 2021 at the Bank of Italy in Rome, or in an online format.

Within the EU's legal framework, the resolution procedure can only be used when public interest is at stake. Based on the interpretation of the concept given thus far, it appears that resolution is actually available to deal with the crisis of a small number of large banks (in the euro area, probably fewer than 100 out of a total of about 3,000); all other banks' crises must be handled through national insolvency proceedings.

National insolvency regimes normally result in a piecemeal liquidation, which gives no guarantees that exit from the market will take place in an orderly fashion. Indeed, if interested acquirers cannot be rapidly identified, liquidation will lead to the immediate disruption of the bank's core activities, to the disposal of assets and collateral at fire sale prices, and to non-insured creditors having a lengthy wait to obtain partial and uncertain reimbursement. Confidence in other banks may be shaken, with possible knock-on effects on the real economy. A disorderly piecemeal liquidation process is clearly not efficient and entails serious concerns, given the social and economic importance of the banking industry.

The establishment of a common deposit guarantee scheme (DGS) for the Banking Union would not fix the problem. While it would increase the overall level of confidence in the banking system, it would not *per se* avoid piecemeal liquidation since the existing EU framework tilts the choice of the DGS towards depositor reimbursement instead of alternative interventions. A solution has thus to be found to avoid disorderly piecemeal liquidations for banks, as has been recognized by many authorities and commentators.

The workshop aims to bring together researchers and practitioners, as well as policymakers, to discuss areas for improvement in the European framework for managing the crises of small and medium-sized banks.

The organisers are inviting submissions of policy-oriented papers on the challenges and the way forward for the EU's bank crisis management framework. Submissions from resolution and supervisory authorities are especially encouraged. Suggested topics are:

- Effective crisis management frameworks for non-systemic banks
- The role of the DGS within the crisis management framework
- Harmonisation of national insolvency laws
- The approach of the Federal Deposit Insurance Corporation (FDIC) to manage banking crisis
- Minimum Requirement for Own Funds and Eligible Liabilities (MREL)/loss-absorbing capacity for small and medium-sized banks
- The Single Resolution Board (SRB) and the EU's DGS in the steady state and during the transition.

Interested parties should submit their papers and any queries to crisismanagementworkshop@bancaditalia.it at the Bank of Italy.

The submission deadline is **15 October 2020**.

Contributors will be notified in early November 2020.

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