Proceedings from

"International Financial Instability: Cross-Border Banking & National Regulation"

An International Conference

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and
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Foreword

IADI and the Chicago Fed hosted the ninth annual International Banking Conference on 5-6 October 2006 with the theme of "**International Financial Instability: Cross-Border Banking and National Regulation**." The Conference aimed at evaluating the potential for international financial instability resulting from the ongoing acceleration in cross-border banking even as prudential regulation remains primarily national. This Conference identified implications of this mismatch for international financial stability and examined recommendations for mitigating any adverse effects without reducing gains from cross-border banking activities.

The presentations covered the landscape of international banking and financial crises, causes and conditions for cross-border instability transmission and threats to stability, prudential supervision, government safety net, insolvency resolution, cross-border crisis prevention, and a special session for policy panel. The audience of 155 from more than 40 different countries included internationally recognized academics, practitioners and policymakers in the financial safety net organizations.

The conference featured keynote remarks from **Stefan Ingves**, Chairman of the Executive Board, Bank of Sweden/Riksbank, **Raghuram G. Rajan**, Director of Research, International Monetary Fund, **Sheila Bair**, the Chair of the Federal Deposit Insurance Corporation, and **J.P. Sabourin**, Chair of Executive Council and President, International Association of Deposit Insurers.

These proceedings were prepared by Gye Hwang Cho, the Visiting Researcher at the IADI Secretariat. I was pleased to assist in the development of the program and conference and to moderate the session on Insolvency. I would like to thank George Kaufman, Doug Evanoff, Regina Langston, Pam Suarez and the staff of the conference group of the Federal Reserve Bank of Chicago for their top-notch efforts in making the event a great success. I look forward to many such events in the future.

Secretary General

November 2006

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Executive Summary

The **Federal Reserve Bank of Chicago** and the **International Association of Deposit Insurers (IADI)** co-hosted an International Banking Conference focusing on cross-border banking issues on 5-6 October 2006. This was the ninth in an annual series of international banking conferences sponsored by the Federal Reserve Bank of Chicago. The main theme of this Conference was "**International Financial Instability: Cross-Border Banking and National Regulation**." The Conference was opened by **Michael H. Moskow** and **Jean Pierre Sabourin**. They said that the two organizations were pleased to hold this important international conference and they both expressed confidence that the conference would provide the participants with an international forum to discuss key issues on cross-border banking and contribute to the international cooperation among financial safety net players facing potential serious cross-border issues.

The first session focused on the "***Landscape of International Banking and Financial Crises***." **Dirk Schoenmaker** led off with a presentation on the current state of cross-border banking activities and public policy issues resulting from that growing activity. **Mr. Schoenmaker** pointed out that while regulations are increasingly based on a global (Basel) or regional (EU) standard in response to the internationalization of banks, supervisory authorities, who should enforce these regulations are still nationally rooted with some elements of international and regional coordination. In this regard, he suggested that a formal supervisory structure in the European region would be beneficial to enhance legally binding cooperation between home and host authorities. **Carl-Johan Lindgren** then focused on actual and near-miss cross-border crises. He based his remarks on his experiences and concluded that cross-border crises may be caused by individual bank failures or systemic banking problems, but they are far rarer than commonly believed – although the potential for such crises is growing as a result of increased capital mobility, leveraging, financial market integration, and size of global financial conglomerates.

Sander Oosterloo delivered a presentation on Financial Stability Reviews. He tried to draw attention to some relevant questions relating to the publication of FSRs. **Luc Laeven** pointed out that the five cross-border crises mentioned by Mr. Lindgren were highly related to periods of financial liberalization and internalization. He also mentioned that the failure of a large global bank could cause an ownership as well as contagion crisis. In this regard, he said that policy cooperation among the countries concerned is critical to solve ownership crisis.

The remarks delivered on behalf of **Stefan Ingves** proposed a new body, a European Organization for Financial Supervision (EOFS) - to address some of the problems of coordination in gathering information and producing a coherent and consistent assessment of the risks in major cross-border banks in Europe.

SESSION II focused on "***Causes and Conditions for Cross-Border Instability Transmission and Threats to Stability***," and the session was moderated by **Craig Furfine**. In the first presentation, **Bent Vale** explained the hypothetical contagion links of cross-border banking crises by examining the Nordic bank crises of the early 1990s. One important conclusion was that host countries eventually import banking instability and when combined with instability in the home country, hypothetical contagion events may happen when either a parent bank or its significant subsidiary fails.

Jon Danielsson focused on the hidden linkages between cross-border currency crises and currency trading volumes. He noted that currency volumes are an important policy variable and within a contagion model it could help identify fragility, identify inter-country linkages, understand danger of contagious failure and the scope and importance of carry trades. He was followed by **Triphon Phumiwasana** who gave a presentation on the patterns of hedge funds by analyzing 1981-2006 data. The Discussant for the session was **Gary Schinasi** and he addressed some policy implications relating to oversight regimes – i.e. regulation, supervision, surveillance market discipline - for each of cross-border instability channels.

SESSION III featured "**Prudential Supervision**," and **Robert Eisenbeis** led off by examining the issues surrounding the negative externalities that may occur under a large bank failure. He noted that the regulatory concerns about systemic risk should be directed first at closing institutions promptly, at reforming bankruptcy statutes to admit special procedures for handling banking failures and to provide mechanisms to give creditors and borrowers prompt and immediate access to their funds and lines of credit. **Richard J. Herring** gave a presentation on conflicts and potential solutions between home and host country prudential supervisors. **Mr. Herring** concluded that policy perspective may differ on whether a specific crisis resulting from the failure of a cross-border bank is systemic in either parent bank or its foreign branch or subsidiary. **Paul Wright** mentioned that effective (getting the job done) and efficient (minimising costs and duplication for the regulated community) cross-border supervisory collaboration is, in reality, very difficult to achieve due to differences in supervisory authority's objectives, scope, powers, approach, risk preferences, and skills and access. One important conclusion by the speaker was that it is desirable to have maximum feasible collaboration with home country regulator when host country branches or subsidiaries are systemically important and ideal to fully rely on home supervisory authority when the branches or subsidiaries are not systemic.

Sheila C. Bair, the new head of the Federal Deposit Insurance Corporation, addressed the issue of international supplemental capital measures, such as a leverage ratio. She noted that while capital helps prevent a financial crisis, an effective deposit insurance system can mitigate its effects. In addition, she pointed out that an important key to global stability and confidence should be an international strategy for large bank resolution.

SESSION IV featured a look at the "**Government Safety Nets**" and **Vitor Gaspar** examined the classical lender of last resort role of central banks. **Mr. Gaspar** said that it is very important to think about the issues of burden sharing in cases of a financial crisis with significant cross-border effect. In this regard, he noted that Coase's Theorem might provide a good approximation, to the outcome of negotiations, among government, officials in an environment of costly bargaining and imperfect information. **Michael H. Krimminger** focused on the key challenges faced by national authorities in responding to financial instability in a cross-border bank and identifying some of those practical steps. He noted that the home and host country authorities may face a mismatch between supervisory control, access to information, and responsibility for protecting the local economy.

Andrew P. Powell attempted to show by using econometric model that with local deposit insurance, in a risky environment it will be in the interest of the bank to consider its liability limited to the capital invested and maintain a very low level of capital in the relevant subsidiary. **Thorsten Beck** then looked at the interaction of the different components – i.e. Deposit Insurance System (DIS), Bank Failure Resolution (BFR) and Lender of Last Resort (LLR), with a focus on ex-ante moral hazard problems. To avoid such conflict of interest and duplicative regulation efforts among financial safety net components, **Mr. Beck** noted that it is important to have institutional links or MOUs, information sharing arrangements, consistent incentive structure among the financial safety net components.

In **SESSION V** on Insolvency Resolution **Rosa Maria Lastra** explored some of the various issues at stake in the cross-border resolution of banks, as well as an analysis of the status quo concerning crisis management in the EU, which illustrates the multi-faceted and complex nature of the problems involved in the effective resolution of failing or failed banks. **David G. Mayes** focused on how the systemic risks can be reduced in a framework of large international banks whose operations run across national borders. He suggested in particular that in the European Union some form of international resolution agency be required.

Larry Wall noted that prompt corrective action seeks to minimize expected losses to the deposit insurer and taxpayer by limiting supervisor's ability to engage in forbearance and as well PCA also should reduce banks' incentive to engage in moral hazard behavior by reducing or eliminating the subsidy to risk-taking provided by mispriced deposit insurance. **Peter G. Brierley** commented that many suggested solutions for these international banks would require changes to legislation, bilateral deals would not really be an option, and supranational authorities as noted in the David Mayes' presentation is not yet practical. He concluded by stressing that improved cross-border co-operation may be the only realistic current option.

There was a **luncheon speech** delivered by **Raghuram G. Rajan**, who said that we are experiencing a widespread phenomenon of high productivity growth, but low investment relative to desired savings, which has pushed down interest rates and pushed up asset prices. He further mentioned that with plentiful liquidity, investment managers have reduced the premia for risk as they search for yield.

Cross-Border Crisis Prevention: Public and Private Strategies was the focus of **Session VI**. **Arnoud W. A. Boot** explored some key issues related to supervisory arrangements in the EMU countries, and particularly those relating to the LOLR (lender of last resort) structure and crisis management, with a focus on the responsibilities and powers of individual countries *vis-à-vis* those at the European level (EU and ECB). One primary conclusion by the speaker was that a centralization of the LOLR function within the Euro countries is urgent, and actually could help facilitate convergence and centralization of prudential supervisory practices. **David S. Hoelscher** delivered an overview of cross-border banking, challenges and options going forward in the context of the supervision and crisis management mechanism. Most issues addressed by the speaker were already discussed in the previous sessions. **David Mengle** looked at private sector crisis avoidance efforts with a focus on OTC and credit derivatives.

The final session took the form of a **Policy Panel** moderated by **George Kaufman**. The panel included **Mutsuo Hatano**, **Andrei G. Melnikov**, **Arthur J. Murton**, **Guy Saint-Pierre**, and **Lawrence R. Uhlick**.

In his closing remarks **J. P. Sabourin** delivered a brief look-back on IADI's past four years during dinner and he set out some future challenges for deposit insurers. He expressed deep appreciation to the participants and organizers for their efforts in making the conference a great success.

Opening Session

Michael H. Moskow, President and Chief Executive Officer, Federal Reserve Bank of Chicago opened the conference and noted that the conference program was designed to help the participants to share their different knowledge and expertise on cross-border banking and regulation. Major conference objectives addressed were:

- To identify implications of the mismatch between the expansion of cross-border banking and national-wide supervision and regulation;
- To evaluate the potential for international financial instability resulting from the ongoing acceleration in cross-border banking while prudential regulation remains primarily national; and
- To explore whether we need more cross-border cooperation, cross-border organizations, or cross-border harmonization in the areas of prudential regulation, deposit insurance, and official insolvency recognition and resolution.

In his welcoming remarks **J. P. Sabourin** said that it was a pleasure to welcome the participants to this international conference and thanked Mr. Moskow for the introduction and then thanked J. R. LaBrosse, George Kaufman, Doug Evanoff and the staff of Chicago Fed for their efforts in organizing the conference. He also showed a great pleasure to co-host this important international conference.

Mr. Sabourin pointed out that sound deposit insurance arrangements has been one of the essential components of the modern financial safety net. However, he mentioned that while banking has increasingly become international and operated across borders, most of financial safety net roles have remained national and its jurisdiction. He raised some critical questions regarding cross-border banking failure: *who should pay for the depositors of branches of a global bank when the parent bank fails? how to solve the conflicts between home and host country in the process of resolving cross-border bank failure?*

Session I: Landscape of International Banking and Financial Crises

Moderator: Douglas Evanoff, Federal Reserve Bank of Chicago.

Dirk Schoenmaker from the Dutch Ministry of Finance gave a presentation on the current state of cross-border banking activities and public policy issues resulting from cross-border banking. **Mr. Schoenmaker** began his presentation with an empirical observation on cross-border banking patterns in three main economic regions, the Americas, Asia-Pacific and Europe i.e. where he took a sample of 60 largest banks. He noted that business within the region was large for European banks (25% of their total business) and at the same time for American and Asia-Pacific banks the regional component was not very significant. Similarly, global expansion of European banks (close to 25%) appeared to be larger than those of the American and Asia-Pacific banks. However, he found that only four banks (1 US and 3 Europe) can be regarded as global banks.

Attention then focused on the public policy issues in the context of cross-border banking and internalization of financial services. He pointed out that while regulations are increasingly based on a global (Basel) or regional (EU) standard in response to the internationalization of banks, supervisory authorities, who should enforce these regulations are still nationally rooted with some elements of international and regional coordination. In this regard, the presenter suggested that a formal supervisory structure would be beneficial to promote legally binding cooperation between home and host authorities, whereas there is no need for global solutions considering that informal supervisory colleges consisting of the main supervisors are sufficient for the limited number of global banks. He further explored the idea of a European System of Financial Supervisors, where national supervisors work in tandem with a central agency.

Carl-Johan Lindgren, a former senior advisor at the IMF made a presentation on the actual and near-miss cross-border crises. **Mr. Lindgren**, based on his experiences at the IMF, reviewed past cross-border financial crises as well as some near-miss cases i.e. the financial crises not becoming cross-border crises. After a review of 170 financial crises cases over the last 30 years, the presenter found only few cross-border crises and near-miss cases. He mentioned that only five cases could be identified as cross-border crisis from his study and six cases considered as near-miss cases.

The major conclusions were:

(1) Although financial crises typically have similar types of causes, each crisis can be defined by a complex set of country-specific policy and institutional circumstances;
(2) Cross-border crises may be caused by individual bank failures or systemic banking problems, but they are far rarer than commonly believed – although the potential for such crises is growing as a result of increased capital mobility, leveraging, financial market integration, and size of global financial conglomerates; and
(3) Most cross-border financial crises involve liquidity effects that swiftly are transmitted through national and international financial markets.

Sander Oosterloo from the University of Groningen continued the session with a presentation on Financial Stability Reviews. The presenter tried to draw attention to some relevant questions relating to the publication of FSRs. *Why do central banks publish FSRs?* **Mr. Oosterloo** pointed out that there are three motives for publication of a FSR: (1) increasing the transparency of authorities responsible for financial stability; (2) contributing to financial stability; and (3) strengthening co-operation between the various authorities involved in maintaining financial stability.

What information is addressed in the FSRs? Some explanatory variables for publishing a FSR were introduced during the presentation: GDP per capita, systemic banking crisis, non-systemic banking crisis, EU member or candidate, legal system and so forth. Mr. Oosterloo also noted that a positive relationship was shown between publishing a FSR and each of the explanatory variables such as GDP per capita, systemic banking crisis, and EU membership.

Does the content of the reports differ? The presenter pointed out that the content of FSRs differs widely across the sample central banks and on average 33% of the indicators suggested by the IMF has been actually published. *Is there a relationship between the information provided in a FSR and the soundness of the financial system?* Finally, he concluded that, based on a very simple by-variate analysis, no evidence of relation between transparency and financial stability was found.

Luc Laeven of the IMF began by thanking the three speakers for their presentations. **Mr. Laeven** then went on to explain some essential aspects of financial internalization. He pointed out that the five cross-border crises mentioned by Mr. Lindgren seem to be highly related with recent financial liberalization and internalization. He also mentioned that failure of a large global bank can cause ownership crisis as well as contagion crisis. In this regard, he said that policy cooperation among the countries concerned is critical to solve ownership crisis.

In the **Q&A session**, many questions were raised. *Is there a positive relationship between the size of a bank and the level of internalization?* **Mr. Schoenmaker** responded that size of bank could be important, but not crucial in determining the level of cross-border banking activities, illustrating some example cases such as Credit Agricole (second largest in Europe but domestic bank). *Isn't there any linkage between Asian crisis and Russian crisis?* **Mr. Lindgren** replied that no direct feedback from Asian crisis had been found in the Russian crisis. Regarding the European System of Financial Supervisors, some members of the audience also shared Mr. Schoenmaker suggestion that there is a need to establish a European policy centre where all the home/host interests could be treated.

Luncheon Keynote Speech: Cross-Border Banking Regulation – A Way Forward: The European Case

Speaker: Stefan Ingves, Governor, Bank of Sweden/Riksbank

Gordon Werkema announced that Jonas Niemeyer would deliver the luncheon keynote speech on behalf of Mr. Ingves as the Governor could not attend.

On behalf of Mr. Ingves, **Jonas Niemeyer** congratulated the organizers on their choice of subject for this conference. It was noted that banks are becoming truly cross-border with substantial retail activities in several countries, while banking regulation, deposit guarantee schemes and responsibility for financial stability, remain predominantly national. Hence, this imposed additional challenges for financial regulators financial stability. He added that the challenges coming from this mismatch are particularly acute in Europe given the rapid growth of cross-border banks on that continent. Accordingly, major regulatory challenges between home and host authorities were: how to share relevant information; how to share the burden of cross-border bank's failure; how to achieve joint assessments; and how to coordinate decisions by authorities.

Attention then focused on how the regulatory and supervisory framework can be adapted to face up to a situation where some banks play important roles in providing banking services in several countries. The speaker mentioned some potential solutions:

(1) The first is to establish supervisory colleges to create specific standing committees for each individual cross-border banking group with representatives from the relevant supervisors. The recently proposed operational networks of Committee of European Banking Supervisors (CEBS) can be seen as a first step in this direction;

(2) The second is to enhance home country responsibilities, by giving the home supervisor additional powers not only for the group but also for all its foreign subsidiaries. A general problem with this solution is that it did not address the conflicts of interest;

(3) A third proposal is an extension of the first alternative to enable the home country to get an explicit EU-mandate to take the interest of the other relevant countries into account in its assessments and decisions, but it is not clear how this will work in practice;

(4) A fourth possibility is a pan-European solution where both the mandate and responsibility for supervision are transferred from the national level to the EU-level. However, the political obstacles for this solution are large.

With this background, there was proposal for a new pan-European body, a European Organization for Financial Supervision (EOFS) - to solve some of the problems of coordination in gathering information and producing a coherent and consistent assessment of the risks in major cross-border banks in Europe. The idea is to create a separate and an independent agency to follow the major 40 truly cross-border banking groups in Europe. He stressed that the EOFS should have three tasks: gathering information about the banking groups and their activities in different countries; creating unified risk-assessments of each cross-border banking group; and overseeing the activities and risks of these banking group.

Session II: Causes and Conditions for Cross-Border Instability Transmission and Threats to Stability

Moderator: Craig H. Furfine, Federal Reserve Bank of Chicago

Bent Vale of the Bank of Norway explained the hypothetical contagion links of cross-border banking crises by comparing the Nordic bank crises of the early 1990s. He began by sketching current Nordic bank structures. Major issues addressed were:

(1) At the time of the Nordic bank crises, there were no significant cross-border banking activities. As well, the main causes of the crises were similar to those observed in other banking crises;
(2) Realizing economies of scale without creating national monopolies and diversification of credit risks are the main benefits that cross-border banking brings to the global banks; and
(3) The host country eventually imports banking instability as well as stability from the home country. Hence, hypothetical contagion events may happen when either a parent bank or its significant subsidiary fails.

Jon Danielsson from the London School of Economics focused on finding the hidden linkages between cross-border currency crises and the currency trading volume. Applying contagion models to currencies, he explored the relevance of trading volume in the context of cross-border currency crises. Major findings addressed were:

(1) Volume and FX returns are usually not very dependent at daily frequency. However, in crisis they are strongly dependent for the both long run (month) and short run (daily) and across countries. Hence, volume can capture hidden contagion when central bank is intervening;
(2) Volume matters generally for countries in crisis only, but crisis country volume does not have much contagious effects;
(3) Volume consistently increases or decreases at the onset of crisis. As well, while volume recovers after crisis, FX may not.

In closing, **Mr. Danielsson** said that volume plays an important role in currency markets, especially during crisis. He also noted that volume is an important policy variable and within a contagion model it could help: (1) identify fragility; (2) identify inter-country linkages; (3) understand danger of contagious failure; and (4) identify the scope and importance of carry trades.

Triphon Phumiwasana of the Milken Institute delivered a presentation on the performance and risk of hedge funds using a comprehensive data source on hedge funds. **Mr. Phumiwasana** clearly stated at the outset of his session that the presentation was not prepared to provide any particularly new or startling results regarding the implications of hedge funds for global financial stability or the need for greater regulation of them. What the speaker did instead in his presentation was to provide a compressive and detailed examination of many important aspects of the hedge fund industry.

Distinct features of hedge funds addressed by the speaker are:

(1) Hedge fund is a general, non-legal term that refers not so much to hedging techniques, which may or may not be employed, as it does to their status as private and unregistered investment pools;
(2) Hedge funds are not subject to the same regulations that apply to mutual funds, thus allowing them to engage in greater leverage and a wider range of investment options;
(3) Hedge funds are only available to accredited and institutional investors, not the general public;
(4) Hedges funds have no limit on the fees they may charge, and typically charge a combination of 1-2% of assets plus a percentage of profits (usually 20%); and
(5) Hedge funds typically limit the frequency in redeeming shares and impose a lock-up period of a month or more before new investors may cash out.

Mr. Phumiwasana also noted some findings in the patterns of hedge funds through analyzing 1981-2006 data:

(1) More than 50% of all hedge funds in the globe are located in United States, in terms of number and asset scale;
(2) The size and number of hedge funds tend to increase drastically. As well, average hedge fund gets bigger;
(3) Average age of hedge funds becomes slightly longer;
(4) Most of hedge fund assets are denominated mainly in US dollar and Euro;
(5) Hedge funds risk and return varies greatly depending on their investment strategies. (For instance, low-risky fund of funds strategy shows relatively low-return, whereas high-risky global strategy performs high return;
(6) There is a tendency of declining hedge fund return and narrowing of spread over U.S. Treasury rate; and
(7) Only less than 20% of total number of funds showed consecutive positive returns for last five years from 2000 to 2005, while most of hedge funds did not suffer from consecutive negative returns for more than 4 years.

Gary Schinasi from the IMF began by explaining the different channels of cross-border instability transmission: financial institutions such as large international banking groups (discussed by Bent), global financial markets i.e. FX, bond market, etc. (discussed by Jon and Triphon) and financial infrastructures which were not addressed in the Session II. The discussant focused on protection/market integrity, moral hazard, safety net cooperation and possibility of systemic risks relating to each channel of cross-border banking. In closing, he addressed some policy implications relating to oversight regimes (i.e. regulation, supervision, surveillance market discipline) for each of cross-border instability channels:

(1) As for cross-border financial institutions, it is desirable to have national regulation and supervision with home and host cooperation and indirect surveillance as participation to host country's surveillance. As well, market discipline works partially for these large international banks;
(2) As for international financial markets, it is not available to regulate and supervise over-the-counter (OTC) activities. However, direct surveillance can be reached in both national and international level and market discipline work as a primary oversight regime to avoid the market from instability; and
(3) Finally, market discipline is the only exclusive oversight regime, and no regulation and supervision efforts are desirable to hedge funds.

In the **Q&A session**, the presenters were asked: *Do hedge funds pose systemic risks? Is private counterparty risk management sufficient to oversight hedge funds?*; *Do hedge funds need to be regulated?* A participant from the Swiss National Bank noted that systemic risks coming from hedge funds are relatively low. The speakers mentioned that even though there is systemic risk relating to some hedge funds, systemic risk can not be a sole reason for the justification of hedge funds regulation. Mr. Danielsson underscored that the very reason of creating hedge funds was that there was a strong need to have some funds outside of (free from) regulatory powers, so it is not desirable to regulate hedge funds directly. It was also noted that even if some countries consider regulating risky activities of pension funds those regulatory efforts should be focused on demand side. Mr. Schinasi also reminded that U.S. regulation on hedge funds in 1970s only contributed to the establishment of another big financial market in London.

Does data collection from hedge funds mean regulation? Regardless of the purpose of data collection, some of the audience and speakers shared the view that there is a need to establish an institution to collect hedge fund data, while others insisted that data collection effort by an authority would bring enormous burden to hedge fund managers and would not work effectively mainly because of the rapidly changing hedge fund investment strategies.

Session III: Prudential Supervision

Moderator: Dalvinder Singh, Journal of Banking Regulation and Oxford Brookes University

Robert Eisenbeis from the Federal Reserve Bank of Atlanta examined the issues surrounding the negative externalities that may occur under a large bank failure. He noted that the chief negative externalities are associated with credit risk and losses of liquidity and these losses may be critically affected by how promptly an insolvent institution can be closed, how quickly depositors can gain access to their funds, and how long it takes borrowers to re-establish credit relationships. One conclusion was that the regulatory concerns about systemic risk should be directed first at closing institutions promptly, at reforming bankruptcy statutes to admit special procedures for handling banking failures and to provide mechanisms to give creditors and borrowers prompt and immediate access to their funds and lines of credit.

Richard Herring from the University of Pennsylvania gave a presentation on conflicts and potential solutions between home and host country prudential supervisors. He began with a brief historic review on international efforts to coordinate prudential supervision: the Concordat (1975), the Revised Concordat (1983), Minimum Standards for Supervision i.e. the Re-Revised Concordat (1992), Core Principles for Effective Banking Regulation (1997), Principles for Cross-Border Implementation of Basel II (2006), and so forth.

The first international efforts to allocate responsibilities between home and host supervisors are found in the Concordat (1975). The Revised Concordat (1983) emphasized on consolidated comprehensive supervision, enabling home country supervisor to have oversight of the entire corporate entity – branches and subsidiaries. The Re-revised Concordat (1992) enabled host country to impose restrictive measures or prohibit cross-border banking establishment. However, these principles were not enforceable. According to **Mr. Herring**, the framework of Basel II (2006) even requires deep cooperation among supervisors, but it may intensify conflicts.

Attention then focused on some conflicting approaches: *At what point does a weak bank require resolution? Which entity initiates the bank resolution process (home or host)?; Which jurisdiction will be the insolvency jurisdiction?; How are foreign creditors treated (universal or territorial approach)?* **Mr. Herring** noted that asymmetries between home and host may create additional conflicts. In closing, He noted that policy perspective may differ on whether a specific crisis resulting from the failure of a cross-border bank is systemic in either parent bank or its foreign branch or subsidiary.

Paul Wright from the UK FSA focused on cross-border financial risks from non-banks - i.e. broker dealers, reinsurance, hedge funds - and its supervisory implications. **Mr. Wright** noted that dealing with cross-border sources of risk requires regulatory collaboration among supervisors. The presenter also mentioned that effective (getting the job done) and efficient (minimising costs and duplication for the regulated community) cross-border collaboration is, in reality, very difficult to achieve due to differences in supervisory authority's objectives, scope, powers, approach, risk preferences, skills and access. Hence, he stressed that even if host country regulator or supervisor can not rely unquestioningly on others, the judicious mutual reliance between home and host supervisory authorities may be important to achieve regulatory effectiveness and efficiency. One important conclusion by the speaker was that it is desirable to have maximum feasible collaboration with home country regulator when host country branches or subsidiaries are systemically important and ideal to fully rely on home supervisory authority when the branches or subsidiaries are *n*ot systemic.

Eric Rosengren made a general overview on the presentation topic and reinforced why the issues addressed in the session have important implications in the context of cross-border banking and effective prudential supervision. In the Q & A session, there was a question on hedge funds regulation again. *Should hedge funds be regulated**?*** **Mr. Wright** responded that the FSA did not seek to regulate fund themselves but address risks via managers and prime brokers.

Dinner Keynote Speech

Speaker: Sheila C. Bair, Chairman, Federal Deposit Insurance Corporation

Sheila Bair began by thanking the organizers for inviting her to speak for putting together an excellent program. She then talked about areas the FDIC views as critical for ensuring global stability and confidence: strong international capital standards, credible deposit insurance systems and an international strategy for large bank resolution.

With regard to international capital standards, **Chairman Bair** proposed the issue of international supplemental capital measures, such as a leverage ratio. She noted "As Basel II moves forward, the question of supplemental capital measures such as leverage ratio will assume greater importance. Deposit insurers, in particular, should be part of this debate, given the importance of capital as a first line of defense against bank failures."

Chairman Bair stressed that while capital helps prevent a financial crisis, an effective deposit insurance system can mitigate its effects. She mentioned countries without an explicit, limited-coverage deposit insurance system in place tended to resort to *ad hoc* strategies for bank failures, providing guarantees to all depositors and creditors, usually at 100 percent; delaying problem bank resolution; or forbearing on problem bank resolutions and thereby increasing moral hazard and the likelihood of future crisis.

In addition, **Ms. Bair** pointed out that the final key to global stability and confidence should be an international strategy for large bank resolution. She further suggested that legally binding multi-lateral agreements on the treatment of failed bank creditors be useful in a crisis but may be difficult to attain. As a concluding remark she stressed "Strong and fair international capital regulation, well-constructed deposit insurance systems and an orderly and collaborative approach to a large international bank failure are three cornerstones to preserving stability and confidence on the global stage."

Session IV: Government Safety Nets

Moderator: David K. Walker, Director, Policy and International, Canada Deposit Insurance Corporation

Victor Gaspar from Banco de Portugal examined the classical lender of last resort role of central banks. He mentioned that LLR should be, first and foremost, understood as a monetary function and the prescriptions from the classical lender of last resort doctrine are appropriately reflected in the Eurosystem's operational framework for monetary policy. The speaker, however, pointed out that European financial integration raises other interesting challenges: "The deepening of cross-border banking linkages, increased integration of bond and equity markets, the consolidation of market infrastructure, the emergence of large pan-European banking groups and the attenuation of home bias in portfolios mean the European architecture will likely be reviewed and debated intensively in the next few years." **Mr. Gaspar** believed that the classical doctrine of LLR is still relevant and helps us to frame the contemporary debate.

In closing, **Mr. Gaspar** said that it is very important to think about the issues of burden sharing in cases of a financial crisis with significant cross-border effect. In this regard, he noted that Coase's Theorem might provide a good approximation, to the outcome of negotiations, among government, officials in an environment of costly bargaining and imperfect information.

The FDIC's **Michael Krimminger** focused on the key challenges faced by national authorities in responding to financial instability in a cross-border bank and identifying some of those practical steps. Considering that there are few international rules and norms to govern the linkages between financial institutions, payment systems, and markets, and national laws almost exclusively define the relationships between internationally active banks and other financial institutions, Mr. Krimminger noted that there is a need to develop regulatory and legal norms that allow the benefits of increased global interaction to blossom while mitigating the more troubling consequences of global finance.

Mr. Krimminger also mentioned that the home and host country authorities may face a mismatch between supervisory control, access to information, and responsibility for protecting the local economy. It was also noted that the law in one country or more countries may preclude effective cooperation, as where there are legal limitations on sharing of confidential information, or the law may mandate certain crisis management tools or require particular resolution strategies, such as "ring fencing". The home country of the cross-border bank faces uncertainty about how the host country's laws and authorities will respond. These uncertainties, and the potential for "ring fencing" by the host country, make successful crisis management and crisis resolution much more difficult for the home country as well. The same can be applied to the host country.

How can the national authorities respond to these risks? **Mr. Krimminger** concluded that:

(1) As a first step, the key participants in the management and resolution of a crisis need to recognize and understand the considerations that will affect their and other parties' responses to potential crisis;
(2) In recognition of the different interests and incentives, more specific and practical contingency will be needed and it should focus on the critical goals of crisis management and resolution depending on whether the failing cross-border bank is systemically significant;
(3) The use of a bridge bank may offer significant advantages to propping up the entire bank where the failing cross-border bank is systemically significant entire to the home country or host country;
(4) If a resolution is necessary, it is imperative that the responsible authorities continue to share key information about the failing bank. In this regard, greater harmonization of key elements of effective resolutions would be an important step forward; and
(5) Further improvements can be achieved through national legal reforms and international protocols that allow authorities to take prompt and decisive action to continue systemically significant functions.

Andrew Powell from the Inter-American Development Bank focused on developing a simple model of an international bank where the liability of the bank is limited to the capital invested. **Mr. Powell** attempted to show with using econometric model that with local deposit insurance, in a risky environment it will be in the interest of the bank to consider its liability limited to the capital invested and maintain a very low level of capital in the relevant subsidiary. On the other hand, the speaker said, subsidiaries in low risk environments may attract full guarantees to form the core of the bank. Within the core, consolidated supervision is fully appropriate as the bank would survive or fail as one but where it comes to the periphery consolidated supervision, while necessary, may not be sufficient.

Mr. Powell also noted that if home supervisors get tougher in imposing tight minimum capital standards or harsh penalties on banks that face capital deficiencies, then the incentives to place a subsidiary in the periphery and limit liability increase. He further mentioned that this might provoke "tensions" between the host regulator and the bank, and possibly even with the home regulator, that may favour a consolidated approach in the name of greater regulatory home-geneity and efficiency.

Thorsten Beck began by thanking the three speakers for their presentations. He intended to look at interaction of the different components - i.e. Deposit Insurance System (DIS), Bank Failure Resolution (BFR) and Lender of Last Resort (LLR) - with a focus on *ex-ante* moral hazard problems. **Mr. Beck** noted some important interactions between the three main components of financial safety net:

(1) Unlimited access to LLR can give perverse incentives to BFR authorities to not intervene in order to avoid losses to LLR authorities;
(2) Unlimited access to LLR can increase losses to DIS; and
(3) BFR that provides bail-outs for owners and large creditors undermines an explicit DIS with limited coverage, while efficient BFR can maintain DIS financially viable;

To avoid such conflicts and duplication among financial safety net players, **Mr. Beck** noted that it is important to have institutional links or MOUs, information sharing arrangements, consistent incentive structure. However, those institutional coordination, information sharing and consistent incentive structure are very difficult to achieve in cross-border banking because of different legal frameworks, different financial safety net players and interest groups, and different accounting standards between home and host country.

In conclusion, he stressed three points: focus on moral hazard risks when assessing financial safety net and its components, consistency and interaction across different components, and considerations on interaction of different interest groups i.e. bankers, depositors, safety net managers and owners.

In the **Q&A session**, the importance of establishing and strengthening ex-ante rules such as prompt corrective actions to avoid moral hazards was noted. **J P. Sabourin** pointed out that deposit insurers are not vested with sufficient powers and there is a strong need of the assessment on appropriate powers considering the relevant interactions among financial safety net components.

Session V: Insolvency Resolution

Moderator: John Raymond LaBrosse, Secretary General, IADI

Rosa Maria Lastra from the University of London explored some of the various issues at stake in the cross-border resolution of banking crises, as well as an analysis of the status quo concerning crisis management in the EU, which illustrates the multi-faceted and complex nature of the problems involved in the effective resolution of failing or failed banks.

One important conclusion was that the need for a coordinated liquidation of multinational banks would be best served by the adoption of an international convention or regime on cross-border bank insolvency, based upon: *lex specialis* (i.e. special insolvency regime as is the case in Canada, Italy and USA); single entity approach to liquidation (the parent bank and its foreign branches are considered as a single entity under this approach); and unity and universality of bankruptcy. Unity and universality means that there is only one competent court to decide on the bankruptcy of the bank, and that the bankruptcy law of the country in which the insolvency has been initiated is effective in all other countries in which the parent bank has assets or branches. **Professor Lastra** noted that single entity and unit/universality principles can only be accepted in an environment of mutual trust. She further stressed that mutual recognition assumes a degree of mutual trust, and requires the prior minimum harmonization of essential rules.

In closing, **Ms. Lastra** suggested the substantive elements needed to be in mind in a bank insolvency regime: clear definition of the triggers for the commencement of insolvency proceedings including PCA rules; provisions concerning the role of supervisors, courts and other authorities; rules on minimum rights and obligations of debtors and creditors; clear rules on set-off, netting and treatment of financial contracts; rules concerning burden sharing; and protection of the payment systems and prompt resolution.

David Mayes from the Bank of Finland focused on how activities that are thought to be too important to the stability of the financial system to stop can be kept working if the bank that provides them fails. In particular, he discussed the role of bridge bank's operation under the control of a resolution agency, whereby ownership can be removed from the original owners by the authorities according to predetermined benchmarks of solvency, to avoid any break in service and yet minimize the loss. He developed an incentive structure which requires an institutional and legal framework along with the practical difficulties that have been addressed in this area of research.

Mr. Mayes' presentation was concluded by exploring how the systemic risks can be reduced in a framework of large international banks whose operations run across national borders. He suggested in particular that in the European Union some form of international resolution agency be required.

Larry Wall from the Federal Reserve Bank of Atlanta began by stating the purpose of their research paper was: to identify key conceptual approaches and institutional structures needed for PCA to be effective; and to identify the charges needed to adopt an effective version of PCA in general and, in particular, in Europe. He then noted that prompt corrective action seeks to minimize expected losses to the deposit insurer and taxpayer by limiting supervisor's ability to engage in forbearance and as well PCA also should reduce banks' incentive to engage in moral hazard behaviour by reducing or eliminating the subsidy to risk-taking provided by mispriced deposit insurance. He then focused on how PCA can work effectively. **Mr. Wall** pointed out that an effective PCA policy requires on one hand the acceptance of key aspects of the philosophy underlying structured early intervention and resolution SEIR/PCA, on the other, an international framework supportive of supervisors' disciplinary action.

Three aspects of the philosophy underlying SEIR/PCA addressed by the presenter were:

(1) The primary goal of prudential supervisors should be to minimize deposit insurance losses and result in a reduction of the expected social costs of financial problems;

(2) Prudential supervisory discretion to engage in forbearance should be limited; and
(3) Banks should be subject to mandatory closure at positive levels of regulatory capital ratio.

The speaker also pointed out four preconditions on which an institutional framework supportive of prudential supervision disciplinary action is based:

(1) Supervisors must have operational independence from the political and judicial systems;
(2) Supervisors must have access to a broad range of supervisory measures to bring out timely corrective action including the license withdrawal requirement;
(3) The supervisors must be provided with adequate resolution procedures; and
(4) Prudential supervisors must have access to accurate and timely financial information on banks' financial condition.

Peter Brierley from the Bank of England said that the three papers all raised major issues about optimally resolving systemic banks. He commented that **Maria Nieto and Larry Wall** supported pre-determined triggers for intervention, arguing that these would reduce the risks of regulating forbearance. As well, it was mentioned that both **Ms. Lastra and David Mayes** focused on resolving international banks, covering such issues as "too big to fail" and problems that stem from the structure of international banks. **Mr. Brierley** then addressed key requirements needed to preserve financial stability as also noted in the three presentations: balance between maintaining financial stability and limiting moral hazard such as "too big to fail"; and need for pre-emptive strike prior to insolvency such as PCA/SEIR and Pre-insolvency workout.

Then, asked if a separate regime for systemic bank insolvency is necessary. He commented that key advantages of separate insolvency regime were well described in Maria Nieto and Larry Wall's presentation. However, he pointed out, substantial legislative changes would be required in countries which use corporate insolvency regime in bank resolution.

When resolving a systemic bank with international operations, **Mr. Brierley** said, we may face even more complicated issues and problems which were addressed in detail in the Lastra and Mayes's presentation. In closing, the discussant commented that many suggested solutions for these international banks would require changes to legislation, so bilateral deals would not really be an option, and supranational authorities as noted in the Mayes' presentation is not yet practical. He concluded his comments by stressing that improved cross-border co-operation might be the only realistic current option.

In the **Q&A session**, it was pointed out that harmonization of different accounting standards would be a critical precondition to resolve a systemic bank with cross-border operations in an efficient and effective manner. Some of the audience shared the view that the single entity resolution regime addressed by Maria Rosa Lastra is more equitable. There was also a question on whether in the USA PCA has ever challenged by the court; the response was “never”.

Luncheon Keynote Speech: Benign Financial Conditions, Asset Management, and Political Risks: Trying to Make Sense of Our Times

Speaker: Raghuram G. Rajan, International Monetary Fund

The Economic Counselor and Director of Research of the International Monetary Fund**, Raghuram Rajan,** began with a brief sketch of recent world productivity growth and investment restraint. He pointed out that despite widespread strong productivity growth, investment has remained relatively weak for the world as a whole, while desired savings is strong. As a consequence of an imbalance between desired savings and realized investment, **Mr. Rajan** said, even as the Federal Reserve has raised policy rates, long term interest rates have fallen further.

Attention then focused on the increasing institutionalization of, and competition within, advanced financial markets. **Mr. Rajan** noted that now individuals invest a significant portion of their savings indirectly *via* mutual funds, insurance companies, pension funds, venture capital funds, hedge funds, and other forms of private equity. As competition between these various institutional forms for the public’s investment increases, each one attempts to assure the public that they will offer superior performance.

Mr. Rajan best summarized the first two issues as: “We are experiencing a widespread phenomenon of high productivity growth, but low investment relative to desired savings, which has pushed down interest rates and pushed up asset prices. With plentiful liquidity, investment managers have reduced the premia for risk as they search for yield. In an attempt to generate alpha - i.e. the measure to assess the investment managers’ performance -, many managers may be taking on *beta* risk - i.e. systemic risk -, and even underpricing it.”

He further noted that the search for yield and for illiquidity knows no borders as oceans of capital spread the globe, and asset prices across the globe are being pumped up. He stressed that his concern is a “soft” landing and as a better balance between desired savings and investment is achieved, interest rates move up slowly, credit becomes less easy, and illiquidity seeking and risk seeking reverse without major blow-ups.

In closing, **Mr. Rajan** expressed a worry about whether compensation for investment managers that are given too much incentive to take risk and whether pay is sufficiently linked to the managers’ performance.

Session VI: Cross-Border Crisis Prevention: Public and Private Strategies

Moderator: Richard J. Rosen, Federal Reserve Bank of Chicago

Arnoud W. A. Boot from the University of Amsterdam explored some key issues related to supervisory arrangements in the EMU countries, and particularly those relating to the LOLR (lender of last resort) structure and crisis management, with a focus on the responsibilities and powers of individual countries *vis-à-vis* those at the European level (EU and ECB).

One primary conclusion was that a centralization of the LLR function within the Euro countries is urgent, and actually could help facilitate convergence and centralization of prudential supervisory practices. Considering that cross-border banking poses enormous challenges for regulators and supervisors, **Mr. Boot** recommended that the ECB needs to be vested with explicit responsibility over the LLR function, while national central banks get a more operational role. He pointed that the political feasibility of a centralized LOLR responsibility is also related to the issue of fiscal authority such as burden sharing for efficient cross-border crisis management.

In closing, he noted, "As cross-border banking goes beyond the borders of the EU and Euro countries, even a fully coordinated and efficient EU crisis management structure is not sufficient. International harmonization and integration of regulatory and supervisory practices is needed."

David Hoelscher' from the IMF presented a general overview of current cross-border banking frameworks, challenges and options going forward in the context of the supervision and crisis management mechanism. Most issues addressed by the speaker were also well discussed in the previous sessions.

David Mengle from the International Swap and Derivative Association explored private sector crisis avoidance efforts with a focus on OTC derivatives and credit derivatives. He first explained the profile of the International Swap and Derivatives Association (ISDA), ISDA role in governance and main features of the ISDA Master Agreement. Then, he noted ISDA's efforts to promote legal certainty of the contracts in the derivatives market. He also explained main features of credit derivatives such as credit default swap. The speaker said that credit derivatives, which themselves promote financial stability, serve as an example of working of OTC infrastructure.

Session VII: Where to from Here: Policy Panel

Moderator: George Kaufman, Loyola University

Mutsuo Hatano led off with remarks on the Deposit Insurance Corporation of Japan's challenges in fulfilling its collection and recovery function effectively and efficiently *via* Resolution and Collection Corporation (RCC), with noting that RCC is 100% subsidiary of the DICJ which purchases and recovers bad assets of the failed banks in the resolution process of those banks, and is supposed to conduct its task in a cooperative manner with the DICJ.

Mr. Hatano said that the DICJ and RCC had to face the obstacle of the cross-border issues when an evil debtor hide some of his assets outside of Japan or invested his capital jointly with other investors in a foreign country. In this case, he added, even if the DICJ and RCC strongly believed the debtor had the intention of evildoing, they could not exercise their investigative right and power abroad. However, **Mr. Hatano** showed his belief that solving the problem should be crucial to secure the social justice and fairness and to minimize the social cost because those may get damaged if any evil debtor would realize this way of hiding assets would work.

In closing, he commented that bilateral agreements for maintenance of confidentiality between related deposit insurance organizations may be one of the options, but this needs mutual understandings and any adjustments regarding both legal system and it may take a lot of time and cost. As a conclusion, **Mr. Hatano** suggested that a multilateral agreement or MOUs would be desirable to solve the problem and a multilateral organization such as IADI is expected to help setting up such an international norm.

Andrei Melnikov from the Deposit Insurance Agency of the Russian Federation focused on practical issues relating to development of a unified approach of deposit insurance when cross-border banks fail. Some opinions addressed by him were: (1) home country deposit insurer where the parent bank is located should guarantee depositor protection for its branches in host country; (2) when the insurance coverage of host country is higher, depositors in the host country branch should be allowed to participate in the host country's deposit insurance system; (3) when the insurance coverage of host country is lower, it would not be appropriate to obligate the depositors in the host country branch to participate in the host country's deposit insurance system; and (4) equal treatment or no discrimination in insurance coverage is desirable between deposits denominated in national or foreign currencies, as well as deposits owned by residents and non-residents.

Attention then focused on what approaches might be appropriate when considering efficient cross-border bank resolution. **Mr. Melnikov** commented a single entity approach would be fair in a way that all insolvent cross-border bank's assets, including its branch's located overseas should be included in a single entity estate. Funds obtained as a result of asset disposition, he noted, should be distributed among depositors and other creditors in accordance with unified rules and regulations. He pointed out that the principle of “ring fencing” would not be fair in dealing with cross-border bank resolution.

Then, **Arthur Murton** of the Federal Deposit Insurance Corporation began his talk by showing a difficult exponential equation. He mentioned that the way to find the optimal solution of large bank failure resolution will be very difficult, but thinking to find the difficult solution is worth and more than important. He also noted some comments on “ring fencing”, bridge bank and depositor preference.

Guy Saint-Pierre addressed issues dealing with cross-border bank failures, based on his rich experience with Canada Deposit Insurance Corporation, while **Lawrence Uhlick** of the Institute of International Bankers offered some comments on the new capital standards from a market point of view.

In the **Q&A session**, the panellists were asked about the implication of increasing host country regulation, the application of Basel II to US banking sector, and the fairness of “ring fencing”. One panellist said that host country regulation will make it more difficult for large foreign banks to open branches and subsidiaries in the country; thereby it will make the entrance barrier to the host country’s banking industry higher. As well, some in the audience and panellists shared the need for implementing “umbrella supervision”, in order to avoid duplicative efforts of regulation for the branches of cross-border financial institutions. As well, some pointed out that when Basel II is fully applied to US banks, supervisors and regulators may need to consider the banks’ duplicative reporting burdens.

List of Participants at the Chicago Conference

First Name	Last Name	Organization	Country
Philip	Hoffman	American 1 Federal Credit Union	United States
Pablo	Graf	Banco de Mexico	Mexico
Peter Kakai	Cheloti	Deposit Protection Fund Board (Kenya)	Kenya
Ibrahim	Stevens	Centre for Central Banking Studies, Bank of England	United Kingdom
Patrizia	Baudino	European Central Bank	Germany
Nancy	Wentzler	Office of the Comptroller of the Currency	United States
Alexander	Gancz	Bank Medici AG	Austria
Emre	Ergungor	Federal Reserve Bank of Cleveland	United States
Dorothy Meadow	Sobol	Johns Hopkins School of Advanced International Studies	United States
Ganiyu	Ogunleye	Nigeria Deposit Insurance Corporation	Nigeria
Martin	Lagos	SEDESA	Argentina
Marina Abdul	Kahar	Bank Negara Malaysia	Malaysia
Hsou-Yuan	CHUANG	Financial Supervisory Commission, Taiwan, ROC	Taiwan
Dirk	Cupei	European Forum of Deposit Insurers /German Banking Association	Germany
Simon	Hall	Bank of England	United Kingdom
Ole-Jorgen	Karlsen	Norwegian FSA	Norway
Jakob G.	Rotte	De Nederlandsche Bank NV	The Netherlands
MD Khairuddin	HJ Arshad	Malaysia Deposit Insurance Corporation	Malaysia
Saifulrizam	Zainal	Malaysia Deposit Insurance Corporation	Malaysia
Kong Kuan	Lim	Malaysia Deposit Insurance Corporation	Malaysia
Gye Hwang	Cho	International Association of Deposit Insurers	Switzerland
Ferruh	Tunc	Saving Deposits Insurance Fund	Turkey
Ahmet	Erturk	Saving Deposits Insurance Fund	Turkey
Ridvan	Cabukel	Saving Deposits Insurance Fund	Turkey
Toby	Fiennes	Reserve Bank of New Zealand	New Zealand
In-Wook	Rhee	Financial Supervisory Service	Republic of Korea
Adam	Pawlikowski	National Bank of Poland	Poland
James	Whitelaw	Reserve Bank of Australia	United States
Ahmet	Mutlu	Savings Deposit Insurance Fund	Turkey
Charles	Cornut	Fonds de Garantie des Dépôts	France
Sunday John	Henry	Ambassador of Christ Musicall Ministries(ACMM)	Nigeria
Bashir	Dada Umar	Nigeria Deposit Insurance Corporation	Nigeria
Mark	Jickling	Congressional Research Service	United States
Michael	Mackey	Deloitte	Canada
Raymond	Tsai	Hong Kong Deposit Protection Board	China
Fred	Carns	Federal Deposit Insurance Corporation	United States
Ralf	Dobringer	Oesterreichische Nationalbank	Austria
Daniel	Heller	Swiss National Bank	Switzerland
Marcel	Wormser	Banque de France	France

First Name	Last Name	Organization	Country
Lawrence	Kowalski	Federal Deposit Insurance Corporation	United States
Frank	Elderson	De Nederlandsche Bank NV	The Netherlands
Christiaan	van Laecke	Ministry of Finance	The Netherlands
Michael	Würz	Oesterreichische Nationalbank	Austria
Junior	Frederick	Deposit Insurance Corporation (Trinidad & Tobago)	Trinidad & Tobago
Mustafa	Korhan	Banking Regulation and Supervision Agency of Turkey	Turkey
Erkan	Sever	Banking Regulation and Supervision Agency of Turkey	Turkey
G	Gopalakrishna	Reserve Bank of India	India
Alain	Michaud	Government of Canada - Finance Canada	Canada
John	Chakanyuka	Deposit Protection Board (Zimbabwe)	Zimbabwe
John Mafungei	Chikura	Deposit Protection Board (Zimbabwe)	Zimbabwe
Bryan P.	Davies	Canada Deposit Insurance Corporation	Canada
Yutaka	Soejima	Bank of Japan	Japan
Dairo	Estrada	Central Bank of Colombia	Colombia
Simon	Matafu	Deposit Insurance Board	Tanzania
Jack	Reidhill	Federal Deposit Insurance Corporation	United States
Umberto	Viviani	Bank of Italy	Italy
Fernando	Torreno	Bangko Sentral ng Pilipinas	Philippines
Joshua	Lattimore	Canada Deposit Insurance Corporation	Canada
Ingimundur	Fridriksson	Central Bank of Iceland	Iceland
Michel	Cloutier	Invest Quebec	United States
Carlos	Isoard	Instituto para la Protección al Ahorro Bancario	Mexico
Jorge	Familiar	Instituto para la Protección al Ahorro Bancario	Mexico
Hyun-Yeol	Shin	The Bank of Korea	Republic of Korea
Mario Alberto	Beauregard Alvarez	Instituto para la Protección al Ahorro Bancario	México
David	Wall	Federal Deposit Insurance Corporation	United States
Guillermo	Lopez Zamora	Instituto para la Protección al Ahorro Bancario	Mexico
Jorge	Palacios	Instituto para la Protección al Ahorro Bancario	Mexico
Dean	Corno	Department of Finance	Canada
Michael	Osmeña	Philippine Deposit Insurance Corporation	Philippines
Arild	Lund	Norges Bank	Norway
Jack	Sustman	Institute for Enterprise Finance	United States
Antonio Carlos	Bueno de Camargo Silva	Fundo Garantidor de Créditos	Brazil
Carlos	Carrion	Fondo de Seguro de Depositos	Peru
Angelo Francesco	Carriero	Banca d' Italia	United States
Richard	Gaffin	Office of Thrift Supervision	United States
Andras	Fekete-Gyor	National Deposit Insurance Fund of Hungary	Hungary

First Name	Last Name	Organization	Country
Greg	Caldwell	Bank of Canada	Canada
Sangjae	Lee	Korea Deposit Insurance Corporation	Republic of Korea
Dong-Il	Kim	Korea Deposit Insurance Corporation	Republic of Korea
Preston	Cooper	FDIC	United States
Harrison Horng-Chyi	Hwang	Central Deposit Insurance Corporation	Taiwan
Alice	Goodman	Federal Deposit Insurance Corporation	United States
Konstantin	Kriventsov	Deposit Insurance Agency	Russian Federation
Rana	Tahboub	Deposit Insurance Corporation of Jordan	Jordan
Rajmonda	Malaj	Albanian Deposit Insurance Agency	Albania
Christine	Blair	Federal Deposit Insurance Corporation	United States
Gillian	Garcia	GGH Garcia Associates	United States
Yvonne	Yi-Tuan Fan	Central Deposit Insurance Corporation	Taiwan
Missy	Craig	Federal Deposit Insurance Corporation	United States
Rose	Kushmeider	Federal Deposit Insurance Corporation	United States
Michèle	Bourque	Canada Deposit Insurance Corporation	Canada
Lucia Ileana	Villalón Trujillo	Instituto para la Protección al Ahorro Bancario	México
Sylvia	Plunkett	Federal Deposit Insurance Corporation	United States
Anne	Bagan	CME Inc	United States
Maria Leonida	Fres-Felix	Philippine Deposit Insurance Corporation	Philippines
Shadya	Yazback	Federal Reserve Bank of Cleveland	United States
Ma. Ana Carmela	Villegas	Philippine Deposit Insurance Corporation	Philippines
Catherine	Bourke	Federal Reserve Bank of Chicago	United States
Fiona Hsiu-Ching	Yeh	Central Deposit Insurance Corporation	Taiwan
Kim	Taylor	Chicago Mercantile Exchange	United States
G Michael	Newton	U S Treasury	United States
David Andrew	Singer	Massachusetts Institute of Technology	United States
Larry	Wall	Federal Reserve Bank of Atlanta	United States
Stefan	Ingves	Sveriges Riksbank	Sweden
John Raymond	LaBrosse	International Association of Deposit Insurers	Switzerland
Robert	Eisenbeis	Federal Reserve Bank of Atlanta	United States
Gary	Schinasi	International Monetary Fund	United States
David	Mayes	Bank of Finland	Finland
Mutsuo	Hatano	Deposit Insurance Corporation of Japan	Japan
Andrei	Melnikov	Deposit Insurance Agency (Russian Federation)	Russia
Guy	Saint-Pierre	Canada Deposit Insurance Corporation	Canada
David	Walker	Canada Deposit Insurance Corporation	Canada
Sander	Oosterloo	Ministry of Finance, Netherlands	The Netherlands
Lawrence	Uhlick	Institute for International Bankers	United States
Douglas	Evanofff	Federal Reserve Bank of Chicago	United States

First Name	Last Name	Organization	Country
George	Kaufman	Loyola University Chicago	United States
Peter	Brierley	Bank of England	United Kingdom
Eric	Rosengren	Federal Reserve Bank of Boston	United States
James	Barth	Milken Institute	United States
Thorsten	Beck	World Bank	United States
Arnoud	Boot	University of Amsterdam	Netherlands
Gerard	Caprio	Williams College	United States
Jon	Danielsson	London School of Economics	United Kingdom
Charles	Evans	Federal Reserve Bank of Chicago	United States
Craig	Furfine	Federal Reserve Bank of Chicago	United States
David	Hoelscher	International Monetary Fund	United States
Luc	Laeven	International Monetary Fund	United States
Giovanni	Majnoni	World Bank	United States
David	Mengle	International Swap and Derivatives Association	United States
Michael	Moskow	Federal Reserve Bank of Chicago	United States
Arthur	Murton	Federal Deposit Insurance Corporation	United States
Andrew	Powell	Inter-American Development Bank	United States
Raghuram	Ragan	International Monetary Fund	United States
Dalvinder	Singh	Oxford Brookes University	United Kingdom
Bent	Vale	Bank of Norway	Norway
William	White	Bank of International Settlements	Switzerland
Paul	Wright	Financial Services Authority	United Kingdom
Glenn	Yago	Milken Institute	United States
Dirk	Schoenmaker	Ministry of Finance, Netherlands	The Netherlands
Victor	Gaspar	Bank of Portugal	Portugal
J.P.	Sabourin	Malaysia Deposit Insurance Corporation	Mayaysia
Carl-Johan	Lindgren	Economic Consultant	United States
Michael	Krimminger	Federal Deposit Insurance Corporation	United States
Maria	Nieto	Bank of Spain	Spain
Rosa	Lastra	Queen Mary, University of London	United Kingdom
Gabriele	Galati	Bank for International Settlements	Switzerland
Sheila	Bair	Federal Deposit Insurance Corporation	United States
Richard	Herring	University of Pennsylvania	United States
David	Parker	International Monetary Fund	United States
Adrian	D'Silva	Federal Reserve Bank of Chicago	United States
Cathy	Lemieux	Federal Reserve Bank of Chicago	United States
Cabray	Haines	Federal Reserve Bank of Chicago	United States
Mark H.	Kawa	Federal Reserve Bank of Chicago	United States
Richard	Cahill	Federal Reserve Bank of Chicago	United States

Chicago Conference Program

Thursday, October 5	
9:00 a.m.	**Registration**
9:40 a.m.	**Welcoming Remarks** *Michael H. Moskow, President and Chief Executive Officer, Federal Reserve Bank of Chicago* *J. P. Sabourin, Chair of the Executive Council, International Association of Deposit Insurers*
10:00 a.m.	**Session I: Landscape of International Banking and Financial Crises** *Moderator: Douglas D. Evanoff, Federal Reserve Bank of Chicago* Current State of Cross-Border Banking *Dirk Schoenmaker, Ministry of Finance, Netherlands* Actual and Near-Miss Cross-Border Crises *Carl-Johan Lindgren, Economic Consultant* Review of Country Financial Stability Reports *Sander Oosterloo, Ministry of Finance, Netherlands* *Discussant: Luc Laeven, International Monetary Fund*
12:00 p.m.	**Luncheon and Keynote Address** *Moderator: Gordon Werkema, First Vice President and Chief Operating Officer, Federal Reserve Bank of Chicago* *Speaker: Stefan Ingves, Governor, Bank of Sweden (Riksbank)*
2:00 p.m.	**Session II: Causes and Conditions for Cross-Border Instability Transmission and Threats to Stability** *Moderator: Craig H. Furfine, Federal Reserve Bank of Chicago* Contagion Links *Bent Vale, Norges Bank* Cross-Border Currency Crises *Jon Danielsson, London School of Economics, and Gabriele Galati, Bank for International Settlements* Hedge Funds and Other Nonbanks *James R. Barth, Triphon Phumiwasana and Glenn Yago, Milken Institute* *Discussant: Garry J. Schinasi, International Monetary Fund*
3:45 p.m.	**Break**

4:00 p.m.	**Session III: Prudential Supervision** *Moderator: Dalvinder Singh, Journal of Banking Regulation and Oxford Brookes University* Home Country/Cross-Border Externalities *Robert Eisenbeis, Federal Reserve Bank of Atlanta* Home–Host Country Conflicts *Richard J. Herring, University of Pennsylvania* Nonbank Supervision *Paul Wright, Financial Services Authority, United Kingdom* *Discussant: Eric Rosengren, Federal Reserve Bank of Boston*
6:00 p.m.	**Reception**
6:45 p.m.	**Dinner and Keynote Address** *Moderator: Michael H. Moskow, President and Chief Executive Officer, Federal Reserve Bank of Chicago* *Speaker: Sheila C. Bair, Chairman, Federal Deposit Insurance Corporation*
Friday, October 6	
7:30 a.m.	**Continental Breakfast**
8:15 a.m.	**Session IV: Government Safety Nets** *Moderator: David K. Walker, Canada Deposit Insurance Corporation* Lender of Last Resort across Borders *Victor Gaspar, Bank of Portugal* Deposit Insurance across Borders *Michael H. Krimminger, Federal Deposit Insurance Corporation* Intercountry Conflicts *Andrew P. Powell, Inter-American Development Bank, and Giovanni Majnoni, World Bank* *Discussant: Thorsten Beck, World Bank*
10:00 a.m.	**Break**

10:15 a.m.	**Session V: Insolvency Resolution** *Moderator: Ray LaBrosse, International Association of Deposit Insurers* Cross-Border Resolution Conflicts *Rosa Maria Lastra, Queen Mary, University of London* Bridge Banks and Too Big to Fail/Systemic Risk Exemption *David G. Mayes, Bank of Finland* Prompt Corrective Action/Structured Early Intervention and Resolution *María J. Nieto, Bank of Spain, and Larry Wall, Federal Reserve Bank of Atlanta* *Discussant: Peter G. Brierley, Bank of England*
12:15 p.m.	**Luncheon and Keynote Address** *Moderator: Charles L. Evans, Federal Reserve Bank of Chicago* *Speaker: Raghuram G. Rajan, International Monetary Fund*
2:15 p.m.	**Session VI: Cross-Border Crisis Prevention: Public and Private Strategies** *Moderator: Richard J. Rosen, Federal Reserve Bank of Chicago* Multinational Cooperation and Lead Supervisor *Arnoud Boot, University of Amsterdam* Multinational/Transnational Organizations *David S. Hoelscher and David Parker, International Monetary Fund* Private Organizations *David Mengle, International Swap and Derivatives Association* *Discussant: Gerard Caprio, Jr., Williams College*
4:00 p.m.	**Break**
4:15 p.m.	**Session VII: Where to from Here: Policy Panel** *Moderator: George G. Kaufman, Loyola University Chicago and Federal Reserve Bank of Chicago* *Mutsuo Hatano, Deposit Insurance Corporation of Japan* *Andrei G. Melnikov, Deposit Insurance Agency (Russian Federation)* *Arthur J. Murton, Federal Deposit Insurance Corporation* *Guy Saint-Pierre, Canada Deposit Insurance Corporation* *Lawrence R. Uhlick, Institute for International Bankers*
6:00 p.m.	**Reception**

6:45 p.m.	**Dinner and Keynote Address** *Moderator: John Raymond LaBrosse, Secretary General, International Association of Deposit Insurers* *Speaker: J. P. Sabourin, Chair of Executive Council, International Association of Deposit Insurers*