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Basel II: An Economic Assessment

Bank for International Settlements

Basel, 17–18 May 2002

PROGRAM

Friday, 17 May

8:00 Registration

8:30 Opening Remarks by Andrew Crockett (Bank for International Settlements)

Session 1 Chair: Urs Birchler (Basel Committee and Swiss National Bank)

8:45 **Regulatory and "Economic" Solvency Standards for Internationally Active Banks**
Patricia Jackson (Bank of England)
William Perraudin (Birkbeck College and CEPR)
Victoria Saporta (Bank of England)

9:30 Discussion by Arnout Boot (Universiteit van Amsterdam and CEPR)
Discussion by Giovanni Majnoni (World Bank)
General discussion

10:00 **The Relationship between Average Asset Correlation, Firm Probability of Default and Asset Size**
Jose A. Lopez (Federal Reserve Bank of San Francisco)

10:40 Discussion by George Pennacchi (University of Illinois)
Discussion by Akira leda (Bank of Japan)
General discussion

11:10 Coffee

11:40 **Are Capital Buffers Pro-Cyclical?**
Juan Ayuso (Banco de España)
Daniel Pérez (Banco de España)
Jesús Saurina (Banco de España)

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12:20 Discussion by George Sheldon (Universität Basel)
Discussion by Ed Ettin (Federal Reserve Board)
General discussion

13:00 Lunch

Session 2 Chair: Anjan Thakor (University of Michigan and *JFI*)

14:20 **Banks, Internal Models, and the Problem of Adverse Selection**
Christian Ewerhart (Universität Mannheim)

15:00 Discussion by Sudipto Bhattacharya (London School of Economics)
Discussion by Bertrand Rime (Swiss National Bank)
General discussion

15:30 **Is the New Basel Accord Incentive Compatible?**
Paul Kupiec (International Monetary Fund)

16:10 Discussion by Paola Sapienza (Northwestern University)
Discussion by Klaas Knot (Nederlandsche Bank)
General discussion

16:40 Tea

17:00 **Capital Requirements, Market Power, and Risk-Taking in Banking**
Rafael Repullo (CEMFI and CEPR)

17:40 Discussion by Oved Yosha (Tel Aviv University)
Discussion by Jürg Blum (Swiss National Bank)
General discussion

18:10 End of Friday Sessions

19:00 Dinner at the Basel Hilton
Remarks by Danielle Nouy (Secretary General, Basel Secretariat)

Saturday, 18 May

Session 3 Chair: Claudio Borio (Bank for International Settlements)

9:00 **The Three Pillars of Basel II: Optimizing the Mix in a Continuous-Time Model**
Jean Paul Décamps (Université de Toulouse)
Benoît Roger (Université de Toulouse)
Jean-Charles Rochet (Université de Toulouse and CEPR)

9:40 Discussion by Henri Pagès (Banque de France)
Discussion by Joao Santos (Federal Reserve Bank of New York)
General discussion

10:10 **Value-at-Risk vs. Building Block Regulation in Banking**
Thomas Dangl (Technische Universität Wien)
Alfred Lehar (Universität Wien)

10:50 Discussion by Rajna Gibson (Universität Zürich)
Discussion by Reint Gropp (European Central Bank)
General discussion

11:20 Coffee

11:40 **The Optimal Capital Structure of an Economy**
Hans Gersbach (Universität) Heidelberg)

12:20 Discussion by Javier Suarez (CEMFI, Madrid, and CEPR)
Discussion by Eriend Nier (Bank of England)
General discussion

13:00 Lunch

Session 4 Chair: Ernst-Ludwig von Thadden
(Université de Lausanne, CEPR and *JFI*)

14:00 **Some Evidence on the Consistency of Banks' Internal Credit Ratings**
Mark Carey (Federal Reserve Board)

14:40 Discussion by Xavier Freixas (Universitat Pompeu Fabra and CEPR)
Discussion by Philip Lowe (Bank for International Settlements)
General discussion

15:10 **Basel II, Sovereign Ratings and Transfer Risk: External versus Internal Ratings**
Stijn Claessens (Universiteit van Amsterdam and CEPR)
Geert Embrechts (Rabobank International)

15:50 Discussion by Juan Carlos Garcia (BBVA)
Discussion by
General discussion

16:20 Tea

16:40 **Bank Regulation and Supervision: What Works Best?**
James R. Barth (Auburn University)
Gerard Caprio, Jr. (World Bank)
Ross Levine (University of Minnesota)

17:20 Discussion by Mitch Petersen (Northwestern University)
Discussion by Myron Kwast (Federal Reserve Board)
General discussion

17:50 End of Saturday Sessions

Workshop Organisers

Urs Birchler (Basel Committee and Swiss National Bank)
Rafael Repullo (CEMFI and CEPR)
Stephen Senior (Basel Committee)
Ernst-Ludwig von Thadden (Université de Lausanne, CEPR and *JFI*)
Anjan Thakor (University of Michigan and *JFI*)