



## AGENDA JOINT IMF-EBA COLLOQUIUM

### NEW FRONTIERS ON STRESS TESTING

March 1-2, 2017

EBA Headquarters, London

#### Day One

**Registration** **08:30-09:00**

**Opening remarks** **09:00-09:15**

*Andrea Enria (Chairperson, EBA)*

**Session I—Liquidity Stress Tests and Solvency-Liquidity Loops** **09:15-10:45**

*(Chair: Nellie Liang, former Federal Reserve Board)*

Presenters: Stefan Schmitz (Oesterreichische Nationalbank), Maral Shamloo (Monetary and Capital Markets Department, IMF) and Adam Dolson (Office of the Superintendent of Financial Institutions of Canada)

The session will discuss the latest methodologies and frameworks for the implementation of liquidity stress tests based on the time structure of contractual cash flows data. The focus will be on how to incorporate sequentially optimal asset liquidation and solvency-liquidity adverse loops into standard frameworks, from a conceptual and hands-on perspective.

**Coffee** **10:45-11:15**

**Session II—Macro-financial Feedback Effects in Stress Tests** **11:15-12:45**

*(Chair: Udaibir Das, Monetary and Capital Markets Department, IMF)*

Presenters: Jérôme Henry (European Central Bank), Dale Gray (Monetary and Capital Markets Department, IMF) and Olivier de Bandt (Banque de France)

Latest methodologies for analysing how stress and systemic interconnections affect institutions' behavioural responses, and two-way effects between these responses and macroeconomic variables at longer time horizons (i.e. quarters). The session will examine how bank's reactions could trigger migration of stress across banks and nonbanks, the evolution of banks' balance sheets under stress, the impact of balance sheet optimization on asset prices and credit markets, and the modelling of feedbacks between the financial sector and the real economy.

**Lunch** **12:45-13:45**

**Session III—Stress Testing and Capital Planning** **13:45-15:15**

*(Chair: Piers Haben, EBA)*

---



Presenters: Tim Clark (Federal Reserve Board), Klaus Duellmann (European Central Bank/Single Supervisory Mechanism) and Alison Scott (Bank of England)

The focus will be on how stress tests results can be used to make (re-) capitalization decisions and on the development of frameworks with explicit micro- and macro-prudential objectives for such purpose. Emphasis would be on experiences and best practices for implementation of capital adequacy frameworks including capital planning, and dividend policy actions. A key issue is coordination between system-wide and individual banks' regulatory capital buffers. The pros and cons of using contingent convertible instruments to set capital buffers will also be discussed.

**Coffee**

**15:15-15:45**

**Session IV—Panel of High-Level Policy Makers**

**15:45-17:15**

*(Chair: Tobias Adrian, Monetary and Capital Markets Department, IMF)*

Panellists: Ryozi Himino (Financial Services Agency, Japan), Andrea Enria (EBA) and Nellie Liang (former Federal Reserve Board)

Discussion of problems and issues related to the use of stress test results and implementation of policy conclusions coming out of stress test results. Institutional and organizational obstacles to effective implementation of stress testing results. Interagency coordination, data sharing and confidentiality issues that hinder effective policy implementation, as well as transparency of stress test outcomes and supervisory measures.

**Dinner**

**18:30**



## Day 2

### **Session V—Stress Testing and Macroprudential Policies**

**09:00-10:00**

*(Chair: Tim Clark, Federal Reserve Board)*

Presenters: Robert Bichsel (Swiss National Bank) and Eric Wong (Hong Kong Monetary Authority)

Recent experience in the use and effectiveness of macroprudential instruments to mitigate the build-up of systemic risk in the financial system and the use of stress tests for the design and calibration of these instruments. These might include instruments to mitigate mortgage and commercial real estate risks and other emerging risks. The discussions will focus on challenges to design frameworks ensuring consistency of micro and macro-prudential objectives, challenges in calibration, including data restrictions, regulatory arbitrage, benefits and costs of instruments (e.g. LTV, DTI, sectoral risk weights), discussion of macroeconomic and business cycle considerations that have to be accounted when calibrating such instruments.

### **Coffee**

**10:00-10:30**

### **Session VI—Governance and Integrity of Stress Testing**

**10:30-12:00**

*(Chair: Ryoza Himino, Financial Services Agency, Japan)*

Presenters: Willem Pieter De Groen (Centre for European Policy Studies), Mario Quagliariello (EBA) and Teresa Walsh (Financial Services – Information Sharing and Analysis Center)

Stress testing has evolved as a policy tool over the last five years. The focus will be on the four main questions debated in the literature and addressed in the economic policy arena: the design of stress testing; the role of the agency conducting the stress tests; the integrity of stress testing; and macroprudential vs. microprudential stress testing, including its use in banking supervision and policy making. In each of these issues, theory and practice do not offer clear-cut answers and unambiguous optimal solutions.

### **Closing Session – Where do we go from here?**

**12:00-13:00**

*(Chair: James Morsink, Monetary and Capital Markets Department, IMF)*

Panellists: Nellie Liang (former Federal Reserve Board), Udaibir Das (Monetary and Capital Markets Department, IMF), Piers Haben (EBA), Tim Clark (Federal Reserve Board) and Ryoza Himino (Financial Services Agency, Japan)

The concluding session will be a roundtable feedback session. The panellists will discuss the key issues that emerged from the discussions, and the work agenda going forward.

### **Lunch**

**13:00-14:00**



**Professional Workshop: Recent Stress Test Related Research by Selected Participants 14:00-16:00**

*(Coordinators: Udaibir Das, Monetary and Capital Markets Department, IMF & Piers Haben, EBA )*

Presenters:

Karlo Kauko (Bank of Finland), *Macro-Financial VAR Models*

Roberto Nygaard (Central Bank of Brazil), *Contagion of Car Wash Operation*

Tomiyuki Kitamura (Bank of Japan), *Macro Stress-Testing at the Bank of Japan*

Søren Korsgaard (Danmarks Nationalbank), *Incorporating Funding Costs in Top-down Stress Tests*

Elizaveta Danilova (Bank of Russia), *Stress-Testing the Mortgage Sector*