

## Banking economics

**ECTS** : 3

### **Description du contenu de l'enseignement :**

This course provides students with an in-depth introduction to banking economics. Students will be taken through the main challenges in Banking (financial stability, fire sales phenomena, regulation and moral hazard...) by studying some of the key papers in the literature and learning their main modelling techniques. Both long-lasting and more recent issues will be addressed, with a particular focus on the set of problems and debates that arose during the 2007-2009 Great Financial Crisis. Once equipped with the key concepts of banking theory, students will be introduced to the main policy instruments available to regulators for dampening the above-mentioned problems. We will study the nature and role of the Basel III agreements, as well as discuss their possible costs and benefits. We will also study the impact of other types of regulatory activities, notably stress tests and disclosures, and explain how policies aimed at market beliefs are complementary to those aimed at banks' balance sheet and operational decisions.

### **Compétence à acquérir :**

Students will get acquainted to the modern modelling tools for Banking economics. They will see how these tools allow to shed light on both traditional banking issues (bank runs, moral hazard) and more recent ones (shadow banking, regulatory arbitrage). We will then study how regulation can help in addressing these issues and aim at understanding the raison-d'être of several policy instruments, ranging from the Basel III rules to stress test results disclosure strategies.

### **Mode de contrôle des connaissances :**

Presentation 50% Written exam 50%