

1-DAY COURSE ON RINGFENCING AND THE EU BANK RECOVERY & RESOLUTION DIRECTIVE

The official diagnosis of the 2008 financial crisis

- Putting savers' funds at risk in investment and international banking
- Banks too highly leveraged and irresponsible
- UK response:
 - "Changing banking for good"
 - The Financial Services Banking Reform Act
 - Ringfencing

What Ringfencing means for the five largest UK banks

- Activities that go into the Ringfenced bank
- Activities that go into the Non-ringfenced bank
- Activities that go into the ServiceCo that supports the IT and operations of both
- Protection for the services and customer types that are "vital to the national economy"

Balance sheets and depositor credit risk

- Balance sheet of the Ringfenced bank and what assets there will be to meet creditors who are not eligible for compensation under the Financial Services Compensation Scheme
- Balance sheet of the Non-ringfenced bank, whether depositors will be eligible for compensation under the Financial Services Compensation Scheme, and what assets there will be to meet unsecured creditors
- Where do place your money if you have more than £85,000?

EU response to the crisis

- Bank Recovery & Resolution Directive
- Arrangements to maintain activities "vital to the national economy"
- The Single Supervisory Body
- The European Banking Authority and its stress tests
- The requirement for member states to have a Deposit Compensation Scheme
- What is a "bail-in" and how should it work in practice?

Test case – Banco Popular Espanol

- Takeover by Santander arranged by the Single Supervisory Body supposedly in line with the Bank Recovery & Resolution Directive
- No "bail-in" or recourse to the Spanish Deposit Compensation Scheme
- Tier 1 and Tier 2 capital holders wiped out – and are now challenging the European Authorities through the courts