

You are kindly invited to the Seminar in Financial Research co-organised by the National Bank of Belgium and the Belgian universities (KU Leuven, UA, UCL, UGent, ULB, ULg, UMons, UNamur, USaint-Louis, Vlerick and VUB)

by

Joseph E. Stiglitz (Columbia Business School), winner of the Nobel Prize in economics (2001)

on

Bail-ins and Bail-outs: Incentives, Connectivity and Systemic Stability

(co-authored by Benjamin Bernard and Agostino Capponi)

Abstract

This paper endogenizes intervention in financial crises as the strategic negotiation between a regulator and creditors of distressed banks. Incentives for banks to contribute to a voluntary bail-in arise from their exposure to credit and price-mediated contagion. In equilibrium, a bail-in is possible only if the regulator's threat to not bail out insolvent banks is credible. Contrary to models without intervention or government bailouts only, sparse networks are beneficial in our model for two main reasons: they improve the credibility of the regulator's no-bailout threat for large shocks and they reduce free-riding incentives among bail-in contributors when the threat is credible.

The seminar will take place on **Thursday, November 14th from 15:30 until 17:00**. The seminar will be held in the auditorium of the National Bank of Belgium, entrance: rue Montagne aux Herbes potagères 61, Brussels.

The welcome speech will be given by Jean Hilgers (Director of the NBB).

Please reply by email to nbbfinancial.seminar@nbb.be if you wish to participate to this seminar. **Due to security measures it is necessary that you register before Tuesday evening November 12th. Without registration, you will not be allowed in the seminar room.**

In case you want to access the NBB Parking (rue Montagne aux Herbes potagères 41), please also provide us with your name and the license plate of your car.

Kind regards,

P. Ilbas (NBB), T. Roukny (KU Leuven), M. Deloof (UA), L. Iania (UCL), K. Inghelbrecht (UGent), K. Oosterlinck (ULB), G. Hubner (ULg), L. Pozniak (UMons), J.Y. Gnabo (UNamur), A. Claes (USaint-Louis), D. Veredas (Vlerick) and S. Vanduffel (VUB)