

LIQUIDITY RISK MANAGEMENT

Overview

Borrowing short and lending long is a traditional source of income for firms. But when depositors withdraw funds, it can lead to bank failure. There are also a surprising number of things that create liquidity risk. It has forced the hand of the authorities. It's why you need to assess how much liquidity you hold particularly under stressed conditions. This is then translated into a portfolio of high-quality liquidity that meets the risk appetite of the Board. In this way your business should be able to survive liquidity shocks within a particular time horizon. You will also need to assess whether your funding profile is suitable for the business you undertake. Furthermore, understanding how it all fits together is a real challenge.

Target Participants

- Risk Managers
- Risk Controllers
- Treasurers
- Analysts
- Fund Managers
- Account Managers
- IT-employees
- Financial Authorities
- Internal Auditors
- Compliance

Course Objectives

By the end of the course, you will be better equipped to work in or with the Liquidity Management function and achieve optimal levels of liquidity.

- Understand the issues relating to liquidity risk management.
- Define the sources and types of liquidity risk and how it is measured.
- Understand the need for intraday liquidity and how it is regulated Evaluate the potential impact of liquidity risk on Return on Equity
- Calculate Liquidity Coverage Ratio and Net Stable Funding Ratio and discuss potential optimization strategies in light of them

Do you need to know more?

This liquidity risk course gives you the opportunity to find answers to questions like:

- *What is liquidity arbitrage?*
- *What's the real definition of liquidity risk?*
- *Why do contractual cash flows need improvement?*
- *What are the main sources of liquidity risk?*
- *How does the regulatory process work?*
- *What's liquid and what's not?*
- *What's in the high-quality buffer?*
- *Why is behaviour so important?*
- *What qualitative & quantitative measures are used?*
- *What's the liquidity coverage ratio about?*
- *How do structural measures like the net stable funding ratio aim to reduce risk?*
- *What's stress testing all about?*
- *How severe should it be?*
- *How much does the liquidity buffer cost you?*
- *What's the real reason for a CFP?*
- *How do weak controls and poor management increase your costs?*
- *Why transfer price? How will this reshape the market?*

This liquidity risk course is properly structured, and there are case studies. It's not complicated, and you don't have to be an expert.

COURSE CONTENTS

The Liquidity Arbitrage

- How asset and liability mismatches make money.
- How and why firms exploited this "liquidity arbitrage"?

- What it's worth to your business

Money Market Products

- Loans and deposits
- Yield curves and rates

- Certificates of deposit
- Commercial paper
- Floating rate notes
- Treasury bills
- Central bank reserve accounts
- Repurchase agreements.

Defining Liquidity Risk

- The whole balance sheet.
- Contractual cash flows
- What liquidity gap reporting tells you
- The importance of granularity
- Dealers tool
- What's missing.

The Liquidity Regime

- Internal Liquidity Adequacy Assessment Process (ILAAP)
- Liquidity Supervisory Review & Evaluation Process (L-SREP)
- Individual liquidity guidance (ILG)

Measures & Responsibilities

- Board responsibilities
- Qualitative measures
- Quantitative measures
- Capital Requirement Directive IV (CRD IV)
- Survival days
- Buffer/High Quality Liquid Assets (HQLA)
- Liquidity Coverage Ratio (LCR)
- Turnover, sale and repo

Main Drivers of Liquidity Risk

- The run-off of retail funding
- The reduction of secured and unsecured wholesale funding
- The correlation and concentration of funding

- Additional contingent off-balance sheet exposures
- Funding tenors
- The impact of a deterioration in the firm's credit rating
- Foreign exchange convertibility and access to foreign exchange markets
- The ability to transfer liquidity across entities, sectors and countries.
- Estimates of future balance sheet growth
- The impact on a firm's reputation or franchise
- Marketable asset risk
- Non-marketable asset risk
- Internalization risk
- Intraday liquidity risk

Stress Testing

- Changes to stress testing
- Severity
- Scenarios

Contingency Funding Plan

- Early warning indicators
- Limits
- Reverse stress testing

Funding

- Funding plans
- Net Stable Funding ratio (NSFR)
- Objective & calculation
- Risk reporting

Funds Transfer Pricing

- The regulatory view
- The cost of money
- Pricing liquidity risk into products

End of Course & Closure.

COURSE DURATION	DELIVERY MODE	DELEGATE CLASS SIZE	COURSE FEE/PARTICIPANT
3 DAYS	In-Plant	8 (Guaranteed Minimum)	For quote, please click http://demvros.com/contact/
Discount is available for class size above the minimum. Please visit www.demvros.com or call 08056154199 or e-mail for enquiries.			