

COURSE OUTLINE

Liquidity Risk Management



Liquidity risk was one of the principal causes of the Global, Eurozone and Asian Financial Crises in 2008, 2011 and 1997 respectively. Banks and regulators have made substantial changes to risk management and regulation but challenges remain as business models and market conditions evolve.

The overall goal of this intensive two day workshop is to equip participants to analyse early warning signals of heightened liquidity risk and appreciate best practice in liquidity and funding risk management.

The workshop will be based around case studies of both liquidity stress and best practice management. Examples are drawn from both mature and emerging markets and address current market conditions as well as earlier crises.

A self-study eWorkbook is also available to build technical and regulatory knowledge.

Course Objectives

- Distinguish sources of liquidity risk and how they impact different types of financial institution, product and market
- Identify the key liquidity and funding sources and needs of a bank in both on-going and stressed environments
- Use lessons learned from market and idiosyncratic liquidity risk management failures to benchmark best practice
- Recognise the key challenges and potential solutions to intra-day, intra-group and cross currency liquidity management
- Review and anticipate the impact of regulatory change, specifically Basel III LCR and NSFR and derivative clearing and margining rules
- Evaluate liquidity risk management processes and governance in the context of business model and regulatory change

High Level Course Outline

Sources of liquidity risk	<ul style="list-style-type: none">• Market vs. funding liquidity risk; different types of bank and market• Drivers of market liquidity: global imbalances, QE, risk pricing, regulation, currency flows, market depth and breadth etc.• Idiosyncratic stress: funding, reputation, structure, rating triggers etc.• Key performance indicators of liquidity risk
Lessons learned and risk governance	<ul style="list-style-type: none">• Lessons learned from market crises: case studies e.g. Dexia / Lehman / RBS• Idiosyncratic failures e.g., Orient Express, Turan Alem, Chase Bank Kenya• Basel III liquidity risk management principles and regulations• Risk governance best practice and challenges• Inter-relationship between liquidity, capital and market infrastructure regulation
Liquidity coverage: sources and uses	<ul style="list-style-type: none">• Liquid assets: Basel III definition of HQLA; differences and challenges in implementation, strategies for generating liquid assets• Stress outflows: types of flow – funding (deposit and wholesale), contingent, inflows• Forecasting / modelling cash in / out-flows; contractual vs. behavioural• Off balance sheet activities: undrawn commitments, other contingents• Securitisation: types of exposure: lines of credit, downgrade triggers, repurchase• Margin requirements: derivatives, repos, securities lending; collateral types and management• Central bank liquidity and access: lessons learned and changing regulations• LCR ratio: global guidelines, local implementation; challenges e.g. currency, ring fencing
Stable funding sources	<ul style="list-style-type: none">• Funding strategies of different types of bank• Deposit funding: stability characteristics; operational vs. non-operational; deposit insurance• Wholesale funding: stability characteristics –rating sensitivity; diversity, security, tenor• Other liabilities: treatment of derivatives• Required stable funding: treatment of short term and revolving loans, securities, derivatives• NSFR - regulatory definitions, implementation challenges and expected impact
Closing case studies	<ul style="list-style-type: none">• Preparation and presentation of a full review of the funding and liquidity management of a bank• Potential compare and contrast liquidity risk of two banks e.g. an investment and commercial bank or a mature and emerging market bank



The **Liquidity and Funding eWorkbook** is designed to give a broad range of finance professionals a practical insight into how banks manage assets and liabilities in order to achieve stable and flexible funding and cover stress liquidity outflows from margin requirements, funding outflows and other requirements.



Objectives



- ▶ Appreciate how banks match the funding of different types of assets in order to meet liquidity and funding risk appetite.
- ▶ Understand the need for banks to maintain a buffer of high quality liquid assets to provide liquidity under stress.
- ▶ Recognise the changing nature of liquidity and funding regulation.
- ▶ Anticipate the impact of resolution on the funding choices made by banks and investor appetite.

Content



Asset & Liability Management

- ▶ Basel Liquidity Principles
- ▶ Risk Appetite & Governance
- ▶ Measuring & Pricing Liquidity Risk

Funding Sources

- ▶ Funding Strategy
- ▶ Basel Net Stable Funding Ratio
- ▶ Funding Options

Asset Liquidity

- ▶ Liquidity pool & Stress testing
- ▶ Liquidity Coverage Ratio (LCR)
- ▶ Contingency funding plans

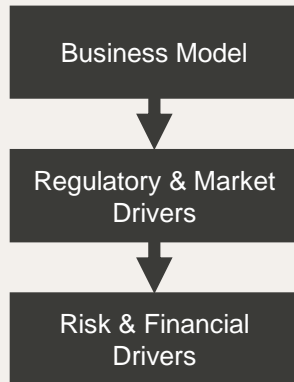
Resolution

- ▶ Resolution reform and legislation
- ▶ TLAC and MREL
- ▶ Ring fencing and group funding
- ▶ Bail-in and loss absorption mechanisms

Find out more about our approach to risk and regulatory training

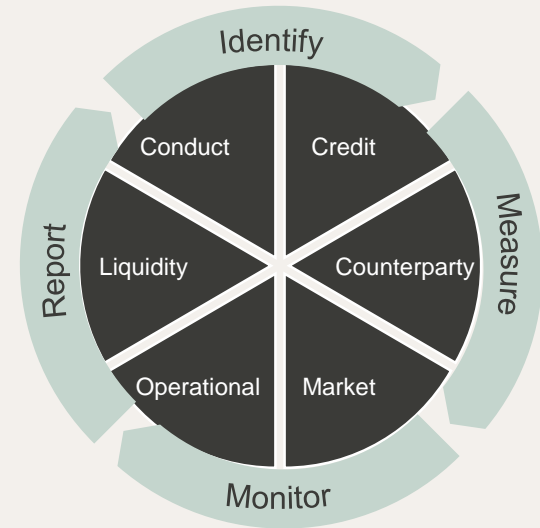
CORE CONCEPTS

Enable staff at all levels to better understand risk in the context of the bank's strategy, regulatory and business drivers.



MASTER CLASSES

Develop capability to respond to key risk and regulatory challenges. Support professional and leadership development.



Key features of our approach:

- Modular: we work with you to design a program of learning that fits with your talent development goals
- Blended: independent learning develops core knowledge; interactive classes focus on practice and application; post-course reflection and reinforcement
- Customised: reflecting your risk management frameworks, tools and strategy
- Multi-media: workshops, videos, eWorkbooks, webinars, assessments, surveys, assignments, credit clinics



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