

Session 5.2

Workshop Comprising Small Groups

Please provide responses to the following question:

“You are a regulator in an economy currently experiencing a significant degree of financial market turbulence and are concerned about the liquidity positions and liquidity management and planning by the banks your supervise. What are the five most important pieces of information (which could be particular numbers/statistics, descriptions of policies and procedures, commercial arrangements, simulations, etc.) you would demand from your banks to assess their liquidity exposure and their ability to manage this?”

You should also note other pieces of information you would like. Appoint a group representative to report back to facilitated discussion where similarities and differences between the lists developed by each group will be discussed.

Group 1

1. Maturity schedule (assets & liabilities) including duration and liquidity ratio
2. Money and interbank marketing
3. Collateral
4. Liquid assets
5. Off balance exposures

Group 2

1. Current condition of the bank – CAMEL relationships ‘solvent bank/not’ – ‘good money chases bad money’
2. Gap analysis structure of their assets and liabilities and off – B/S
 - a. Adequacy of liquid assets
 - b. Source of liquidity risk exposure
3. Policies on liquidity risk management – ‘do they actually follow policies?’
4. Robustness of EWS and stress test analysis
5. Contingency funding plans – strategy to access funding, arrangements with third party and support from parents?

Group 3

1. Ask banks about their investment portfolios structure
2. Supervisors ask banks to do some stress tests
3. Ask bankers to provide a detailed contingency plan
4. Daily reports of liquidity positions (domestic – foreign currency)
5. Liquidity reserves

Group 4

1. Liquidity risk management policy / strategy
2. Banking liquidity conditions (deposit profile, interbank lending, of B/S, underwriting exposure, liquefiable assets, intra-group liquidity)
3. Stress test and scenario analysis (institution specific, general market crisis)
4. Liquidity gap, maturity profile report in local and foreign currency
5. Contingency plan and contingent funding source