

Liquidity risk management under CRR

ASPECT ADVISORY ACADEMY
TECHNICAL SEMINAR



OVERVIEW:

Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) impose additional restrictions on buffer- and funding strategies. The LCR is conceptually complex, volatile across time and expensive to fulfil. The NSFR is less volatile which requires a long-term planning to identify potential shortfalls as early as possible. In this seminar, attendees learn how the basic product families (selling/ buying liquid assets, unsecured borrowing/ funding, repos/ reverse repos, collateral swaps) can be used to steer LCR and/or NSFR. Furthermore, an Excel model for the joint management and –forecast s discussed. Finally, we present a LCR – NSFR – compliant transfer pricing model to allocate the regulatory cost which to products.

AGENDA OUTLINE:

Day 1: Understanding the ratio mechanics

Day 2: Static and dynamic LCR-/ NSFR management

WHO SHOULD ATTEND:

We believe that this seminar is most useful for participants from:

- Treasury
- Risk management
- Regulatory reporting/ affairs
- Risk controlling
- Internal audit
- Capital Markets
- Regulators

SEMINAR FORMAT:

- This seminar will be conducted in English
- This session will be conducted via Microsoft Teams. On completion of your registration you will receive a link to the meeting

COURSE MATERIAL:

- Sessions are recorded and could be obtained on request at the end of the seminar
- Trainers presentation slide decks could be obtained on request at the end of the seminar
- Certificates will be awarded at the completion of the seminar

CERTIFICATE:

- Certificates will be emailed to the participants on completion of the seminar

Have a question? Send us a mail to:
aaa.aspectadvisory.eu

DAY 1

Day 1 : Understanding the ratio mechanics

09:00

1. Broader context:

1.1 Liquidity, Pillar I:

- Risk-based capital ratios, Leverage ratio, LCR, NSFR

10:30

1.2 Liquidity, Pillar II:

- Liquidity Risk Monitoring Tools (BCBS238)
- Monitoring tools for intraday liquidity management (BCBS248)
- ILAAP
- SREP

Morning coffee break

10:45

2. The Liquidity Coverage Ratio I

2.1 Why to introduce a minimum requirement for short-term liquidity?

2.2 Definition and Reporting

- Out- and inflows
- Liquidity buffer (eligibility, caps, unwind)

12:15

2.3 Excel-tool: how basic transactions affect the LCR and P&L

- Buying/ selling High Quality Liquid Assets (HQLA) and Non-HQLA
- Unsecured lending/ funding, $\leq 30d / > 30d$
- Repos/ Reverse Repos, $\leq 30d / > 30d$
- Collateral Swaps, $\leq 30d / > 30d$

DAY 1

Lunch Break

3. The Liquidity Coverage Ratio II

3.1 LCR-improvement

3.2 Buffer optimization

- HQLA – macro allocation (L1, L2A, L2B)
- HQLA – micro allocation (individual bonds/ stocks)
- Funded-/ unfunded reserve
- Tenor of reserve funding

13:30

15:00

Afternoon Coffee Break

4. The Net Stable Funding Ratio

4.1 Why to introduce a minimum requirement for long-term liquidity?

4.2 Definition and Reporting

- Required stable funding (Assets)
- Available stable funding (Funding)
- Special provisions: derivatives, covered bonds

15:15

17:00

4.3 Excel-tool: how basic transactions affect the NSFR and P&L

- Buying/ selling High Quality Liquid Assets (HQLA)
- Unsecured lending/ funding, $\leq 180d$ / $\leq 1Y$ / $> 1Y$
- Repos/ Reverse Repos/ Collateral swaps, $\leq 180d$ / $\leq 1Y$ / $> 1Y$

4.4 NSFR – improvement

Close of Day 1 Sessions

DAY 2

Day 2 : Static and dynamic LCR-/ NSFR management

5. Joint management of LCR and NSFR)

09:00

- 5.1 Identification of regulatory expensive/ favourable products
- 5.2 Three strategy families

10:30

- 5.3 Excel – tool with comprehensive overview of all strategies
- 5.4 Strategies and cost to simultaneously increase LCR and NSFR

Morning coffee break

6. Evolution of LCR and NSFR across time

10:45

- 6.1 LCR - and NSFR - Cliff effects
 - Origin of cliff effects
 - Strategies to smooth cliff effects

12:15

- 6.2 Balance sheet forecast
- 6.3 Excel – tool: LCR and NSFR forecast
- 6.4 Keep future LCRs within a user-defined interval

DAY 1

Lunch Break

13:30

7. Internal vs. regulatory liquidity models

7.1 Interdependencies between LCR (Pillar I) and internal liquidity models (Pillar II)

7.2 Deviations between regulatory and internal liquidity adequacy

15:00

7.2 Allocation principles of regulatory and internal liquidity cost

Afternoon Coffee Break

15:15

8. Funds transfer pricing under Basel III

8.1 Conceptual framework

8.2 How to embed both short-term (LCR) and long-term (NSFR) liquidity cost

8.3 Cost function and volume model

17:00

8.4 NSFR-compliant transfer prices

- Assets:
 - Bullet-, amortising-, open maturity structures Unsecured lending/ funding, $\leq 180d$ / $\leq 1Y$ / $> 1Y$
- Deposits:
 - Bullet-, amortising-, open maturity structures

8.5 Questions beyond NSFR-FTP

Close of Day 2 Sessions