



Capital Markets Advisors

# Liquidity Risk Management

## *LCR, NSFR, Management and Governance*

### Seminar Info:

May 19th, 2015

CMA Midtown  
1410 Broadway  
23rd Floor  
NY, NY 10018

Presented by:  
Jonathan Greenman

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## The course

An institution's liquidity risk is the risk that an institution will not be able to, or perceived unable to, meet its obligations. This course will examine the process for identifying, measuring, managing, and monitoring funding and liquidity risk. Specific emphasis will be placed on reviewing the Basel III and US regulatory requirements for computing and determining the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). An overview of different techniques for measuring liquidity risk measurement will be addressed including cash flow projections and mismatches, unencumbered liquid asset reserves, asset concentrations, funding source diversification, contingent liabilities including unfunded commitments, and impact of instruments such as securitizations and derivatives on mitigation strategies.

The course will have a key goal of familiarizing participants with all facets of regulatory compliance associated with the advancements in liquidity risk management regulation. The course will be conducted in an interactive presentation format, and there will be dedicated dialogue on the incorporation of liquidity considerations into the strategy, planning, pricing, capital management, and performance measurement functions of the bank.

## Who Should Attend

This course is targeted towards individuals at regulated banks in Treasury, Risk Management, Controllers, Strategic Planning, Basel III program office, and front office risk treasury functions, in addition to regulatory compliance, technology, operations, and audit personnel focused on Basel III and liquidity risk management programs.

# What the seminar will cover

Morning: Liquidity Risk Measurement	Afternoon: Liquidity Risk Measurement
<p><u>I. Introduction</u></p> <ul style="list-style-type: none"> <li>A. Key trends, themes, and goals</li> <li>B. Overview of liquidity risk definition, and regulatory principles</li> <li>C. Examples of recent liquidity risk crises</li> <li>D. State of regulatory implementation and timelines</li> <li>E. Foreign bank rules, IHCs, and applicability</li> </ul>	<p><u>V. Governance and management frameworks for liquidity risk</u></p> <ul style="list-style-type: none"> <li>A. Limit setting</li> <li>B. Organizational roles and responsibilities</li> <li>C. Reporting and early warning mechanisms</li> </ul>
<p><u>II. Liquidity Coverage Ratio, LCR</u></p> <ul style="list-style-type: none"> <li>A. LCR ratio definition and HQLA, High Quality Liquid Assets</li> <li>B. Criteria for HQLA eligibility</li> <li>C. Definitions of different HQLA asset classes, Level 1, 2A, and 2B</li> <li>D. Net cash outflows definition and examples</li> <li>E. Contrast between Basel and US regulatory guidance</li> </ul>	<p><u>VI. Contingency Funding Plans</u></p> <ul style="list-style-type: none"> <li>A. Funding asset growth</li> <li>B. Liability maturation profile</li> <li>C. Economic conditions and perceptions</li> <li>D. Payments and Settlements disruptions</li> <li>E. Internal controls</li> </ul>
<p><u>III. Net Stable Funding Ratio, NSFR</u></p> <ul style="list-style-type: none"> <li>A. Definition of NSFR</li> <li>B. Funding tenor, instrument and counterparty types</li> <li>C. Available Stable Funding, ASF, definition, characteristics and liability categories</li> <li>D. Required Stable Funding, RSF, definition and asset categories</li> </ul>	<p><u>VII. Intraday Liquidity Risk Management</u></p> <ul style="list-style-type: none"> <li>A. Monitoring and measuring cash inflows and outflows</li> <li>B. Collateral management</li> <li>C. Currency, legal entity, and business line considerations</li> <li>D. Prioritizing obligations</li> </ul>
<p><u>IV. Stress testing techniques for the LCR</u></p> <ul style="list-style-type: none"> <li>A. Scenario specifications and definitions</li> <li>B. Modeling practices</li> </ul>	<p><u>VIII. Business Practices and Incentives</u></p> <ul style="list-style-type: none"> <li>A. Designing business planning and decision tools to optimize liquidity risk management</li> <li>B. Diversification considerations</li> <li>C. Front line origination optimization of liquidity amongst multiple risk-return levers</li> <li>D. Funds transfer pricing</li> </ul>
	<p><u>IX. High-level Scenarios</u></p> <ul style="list-style-type: none"> <li>A. Where is the next big crisis possible?</li> <li>B. Data and systems considerations and infrastructure</li> <li>C. What is the likelihood of a 2008 repeat, and is our system better equipped than before to navigate unexpected turbulence?</li> </ul>

## How Participants will benefit

- Understanding of the sound principles for liquidity risk measurement as specified via interagency regulatory guidance focused on the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR)
- Practical techniques to optimize a financial institution's strategies, policies, procedures, and risk tolerances for liquidity risk management
- Ability to link liquidity risk into the general dashboard for risk and financial management including stress testing, capital management, and leverage ratios
- Develop ideas for tangible solutions to engage the front office, Treasury and business line in optimizing firm liquidity, and alignment with performance measurement
- Networking with industry practitioners to gain understanding of current best practices in addition to

### Trainer Biography

**Jonathan Greenman** is an experienced professional in risk management for financial services. He has worked in a number of roles in both the industry and consulting. Jonathan began his career at Oliver Wyman, specializing in consulting to top tier bank CFOs, Chief Risk Officers, and Treasurers in North America and Europe. Following that, Jonathan worked in several industry roles as a Managing Director at Citi and AIG, as well as a consultant to Morgan Stanley, focused on topics including Basel III, strategic planning, stress testing, economic capital, client profitability, risk rating models, loan loss reserves, and return on risk. He has a depth of experience implementing future state architecture and infrastructure solutions for risk technology, and advising senior professionals on risk governance. Jonathan graduated from Harvard University with a magna cum laude in Astrophysics and Astronomy and Physics.

### Registration Information

The seminar price is \$995. Lunch is included

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