

<b>Client</b>	The client is an international Investment Bank based in the UK.
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<b>Project Name</b>	Liquidity Risk Management Capability Diagnostic, including Review of Risk Measurement Capabilities
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<b>Project Start Date</b>	February 2007	<b>Project End Date</b>	July 2007
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<b>Industry</b>	<input type="checkbox"/> Commercial banking	<input type="checkbox"/> Insurance
	<input checked="" type="checkbox"/> Investment banking	
	<input type="checkbox"/> Private banking	<input checked="" type="checkbox"/> Asset and wealth management
	<input type="checkbox"/> Retail banking	
		<input type="checkbox"/> Corporate

<b>Category of Service</b>	<input checked="" type="checkbox"/> Performance measurement and monitoring	<input type="checkbox"/> Regulatory compliance and reporting
	<input type="checkbox"/> Portfolio risk management	<input checked="" type="checkbox"/> Business process improvement
	<input checked="" type="checkbox"/> Specialised risks	<input checked="" type="checkbox"/> Training and people change
	<input checked="" type="checkbox"/> Data Quality	<input type="checkbox"/> System selection and implementation

<b>The Challenge</b>	<p>The client was seeking:</p> <ul style="list-style-type: none"> <li>• An insight into the implications of depositor behaviours and the delivery of a liquidity risk framework to satisfy both business and regulatory requirements;</li> <li>• Integration of a liquidity management governance framework over products (including structured borrowings and the investment of short-term liquidity pools) and entities; and</li> <li>• Aggressive timescales for initial analysis of liquidity management requirements and formulation of liquidity risk management approach.</li> </ul> <p>The client required advantage to:</p> <ul style="list-style-type: none"> <li>• Formulate an analytical approach and deliver a liquidity model for everyday and contingency use;</li> <li>• Model and analyse potential deposit and loan behaviour in the context of liquidity and price trade-off;</li> <li>• Create a full suite of scenario tests supported by in-depth analyses; and</li> <li>• Introduce a replacement repo financing capability with operational and tested contingency back-up plan; and</li> <li>• Deliver and present liquidity management strategy, policies, and reporting framework to the Regulators, Board of Directors, and ALCO</li> </ul>
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<b>Approach and Solution</b>	<p>avantage:</p> <ul style="list-style-type: none"> <li>• Defined the client’s vision and strategic objective;</li> <li>• Evaluated the client’s liquidity risk management capability and its</li> </ul>
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	<p>capacity to implement the vision and achieve the strategic objectives;</p> <ul style="list-style-type: none"> <li>• Applied pragmatic approach to defining liquidity risk management requirements related to competitive, behavioural and strategic drivers;</li> <li>• Assessed the client’s current data, dealing, and product capability and how much effort required to achieve liquidity goals;</li> <li>• Evaluated effects on products, delivered behavioural research, forecast cash flow scenarios, built liquidity at risk, cash optimisation and contingency models;</li> <li>• Delivered liquidity strategy for normalised and contingency stress scenarios; and</li> <li>• Delivered governance, validation, procedures and ongoing behavioural and market analysis to support a robust liquidity process that optimised balance sheet liquidity.</li> </ul>
<p><b>Results and Benefits</b></p>	<p>avantage:</p> <ul style="list-style-type: none"> <li>• Reviewed liquidity management capabilities and recommended way forward for implementation based on business requirements covering methodologies, governance, processes, people and IT requirements rather than simply regulatory compliance; and</li> <li>• Freed up resources for other investment purposes due to more accurate projection of liquidity risk and liquidity optimisation.</li> </ul>
<p><b>Software used</b></p>	<p>Not applicable.</p>