

<b>Client</b>	The client is the Luxembourg subsidiary of an international banking group with headquarters outside of the European Union		
<b>Project Name</b>	Implementation of the new liquidity risk regulatory regime (CSSF Circular 09/403)		
<b>Project Start Date</b>	September 2009	<b>Project End Date</b>	November 2009
<b>Industry</b>	<input checked="" type="checkbox"/> Commercial banking	<input type="checkbox"/> Insurance	
	<input type="checkbox"/> Fund Custody & Investment Services	<input type="checkbox"/> Investment banking	
	<input checked="" type="checkbox"/> Private banking	<input type="checkbox"/> Asset and wealth management	
	<input type="checkbox"/> Retail banking	<input type="checkbox"/> Corporate	
<b>Category of Service</b>	<input type="checkbox"/> Performance measurement and monitoring	<input checked="" 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 type="checkbox"/> Data Quality	<input type="checkbox"/> System selection and implementation	
<b>The Challenge</b>	<p>The subsidiary of an international banking group operating in Luxembourg was required to implement CSSF Circular 09/403, <i>Sound liquidity risk management</i>. The implementation project involved the development and embedding of enhanced liquidity and liquidity risk management processes as well as the documentation of such processes due for submission to the <i>Commission de Surveillance du Secteur Financier</i> ("CSSF").</p>		
<b>Approach and Solution</b>	<p>avantage consultants, including Treasury and Risk Management Professionals undertook the project and delivered the following:</p> <ul style="list-style-type: none"> <li> <b>CSSF Circular 09/403 (Liquidity) – Gap Analysis and Recommendations:</b> The report provided an evaluation of the Bank’s current liquidity risk management capabilities and recommendations on the measures the Bank should consider implementing to comply with the Circular. The recommendations were designed to be appropriate and proportionate to the size of the Bank and the complexity of its business.         </li> <li> <b>Excel-based tool for liquidity risk management and stress testing:</b> avantage developed a tool based on the existing data and reports available within the Bank. It provides a workbook which supports the Bank in managing and monitoring liquidity risk as well as conducting relevant stress tests. The workbook is a carefully balanced compromise between robustness/sophistication and pragmatism drawing exclusively on readily available data within the Bank in order to avoid unnecessary IT expenditures.         </li> <li> <b>The key elements of a liquidity risk management framework designed</b> </li> </ul>		

	<p><b>to meet the requirements of the Circular, including:</b></p> <ul style="list-style-type: none"> <li>○ Suggested modifications to the Internal Capital Adequacy Assessment Process (“ICAAP”) report;</li> <li>○ Input into the articulation of the Bank’s liquidity risk strategy;</li> <li>○ Procedures to manage liquidity crisis;</li> <li>○ Stress testing; and</li> <li>○ Monitoring of intraday liquidity.</li> </ul>
<p><b>Results and Benefits</b></p>	<p>Combining the expertise and experience of avantage consultants in wealth management and commercial banking, liquidity risk, and data quality, avantage provided the client with pragmatic solutions tailored to the size and complexity of its activities.</p>
<p><b>Software used</b></p>	<p>Matlab, Excel</p>