

# Monitoring tools for intraday liquidity management

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# Outline

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**Annex: Definitions and sources and usage of intraday liquidity**

# I. Introduction

**The BCBS, in consultation with CPSS, developed a set of quantitative tools on intraday liquidity management**

## **Monitoring purpose**

- *To enable banking supervisors to monitor banks' liquidity risks and their ability to meet payment and settlement obligations on a timely basis, in normal and stress conditions.*

## **No public disclosure**

- *Internationally active banks (at minimum) will collect and submit the monitoring data for the tools to their supervisors (or by FMI overseers).*

**The new tools shall lead to closer cooperation with FMI overseers in the monitoring of banks' payment behaviour.**

## II. Monitoring Tools

### Three categories of tools:

- **Category A:** for all reporting banks
  1. Daily Maximum intraday liquidity usage:
  2. Available intraday liquidity at start of business day:
  3. Total payments
  4. Time-specific obligations
- **Category B:** for correspondent banks service providers
  5. Value of customer payments
  6. Intraday credit lines to customers
- **Category C:** for direct participants in FMIs
  7. Intraday throughput

# III. Intraday liquidity stress scenarios

**Banks shall also consider the impact of stress conditions on their intraday liquidity requirements.**

**Four (non-exhaustive) stress scenarios:**

- i. Own financial stress**
- ii. Counterparty stress**
- iii. A customer bank's stress**
- iv. Market-wide credit or liquidity stress**

Banks do not need to report the impact on monitoring tools of each scenario on a regular basis.

Instead, banks should use the relevant scenario(s) for their particular circumstances and business model

- to assess changes to their intraday liquidity profile in stress conditions
- to identify how to address any adverse impact either through contingency arrangements or a wider intraday liquidity risk management framework.

# IV. Application and Implementation

**Scope of application** – *subject to clarification by supervisors*

## Systems

**Direct participants** in LVPSs should report on each LVPS on a system-by-system basis, except linked LVPS (assimilated to ASs). No need for separate reporting for FMI settling in an LVPS as AS.

**Correspondent banking customers** should report per correspondent bank.

- *Discuss with supervisor when aggregation is possible.*

## Currency

Banks managing their intraday liquidity on a currency-by-currency basis should report on an individual currency basis, except for currencies with *de minimis* activity.

Banks managing their liquidity on a cross-currency basis could discuss with supervisors if, in addition, they can report aggregated positions across currencies.

# IV. Application and Implementation

**Scope of application** – *subject to clarification by supervisors*

## **Organisational structure**

Supervisors shall determine the appropriate organisational level for each bank's reporting data, most likely at individual legal entity level.

When there are no impediments or constraints to transferring intraday liquidity between two or more legal entities, intraday liquidity requirements could be aggregated.

## **Responsibility of home and host supervisors**

**If a bank operates abroad via a branch:** the home supervisor should have the option to receive a full set of tools. The host supervisors should have the option to require foreign branches to report, subject to materiality

**If a bank operates abroad via a subsidiary:** the host supervisor should receive the report for that subsidiary. The home supervisors of the parent bank should have the option to require foreign subsidiaries to report, as appropriate

# IV. Application and Implementation

## Implementation:

- **Start of reporting: 1 Jan 2015 (as for LCR)**
  - For internationally active banks
  - For other banks, subject to supervisor's determination
- **Possible extension for correspondent bank services, by 1 January 2017**

**Reporting frequency: monthly basis**

***Banks shall agree with supervisors the scope of application, including the reporting arrangements between home and host authorities.***