

AGENDA

- 1. Overview**
- 2. Stress Test**
- 3. IT Architecture**
- 4. Charge Process**
- 5. Emerging Trends**

1. Overview of Intraday Liquidity Management

A. What's Intraday Liquidity Management?

B. Differences in Intraday Payment Systems

C. Organizations for Intraday Liquidity Management

D. Impact of Quantitative Monetary Policies



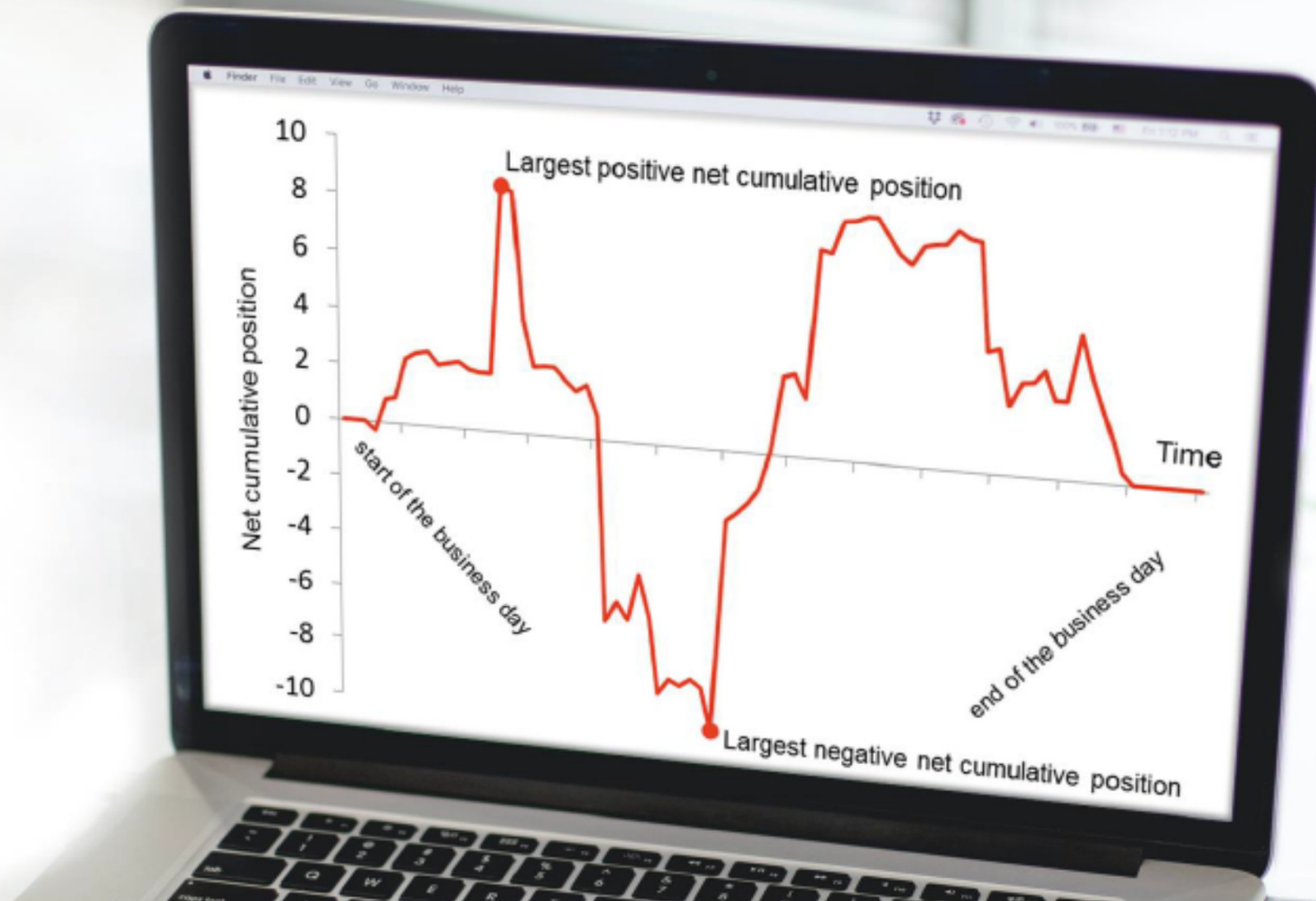
ALMA

ASSET & LIABILITY MANAGEMENT ASSOCIATION

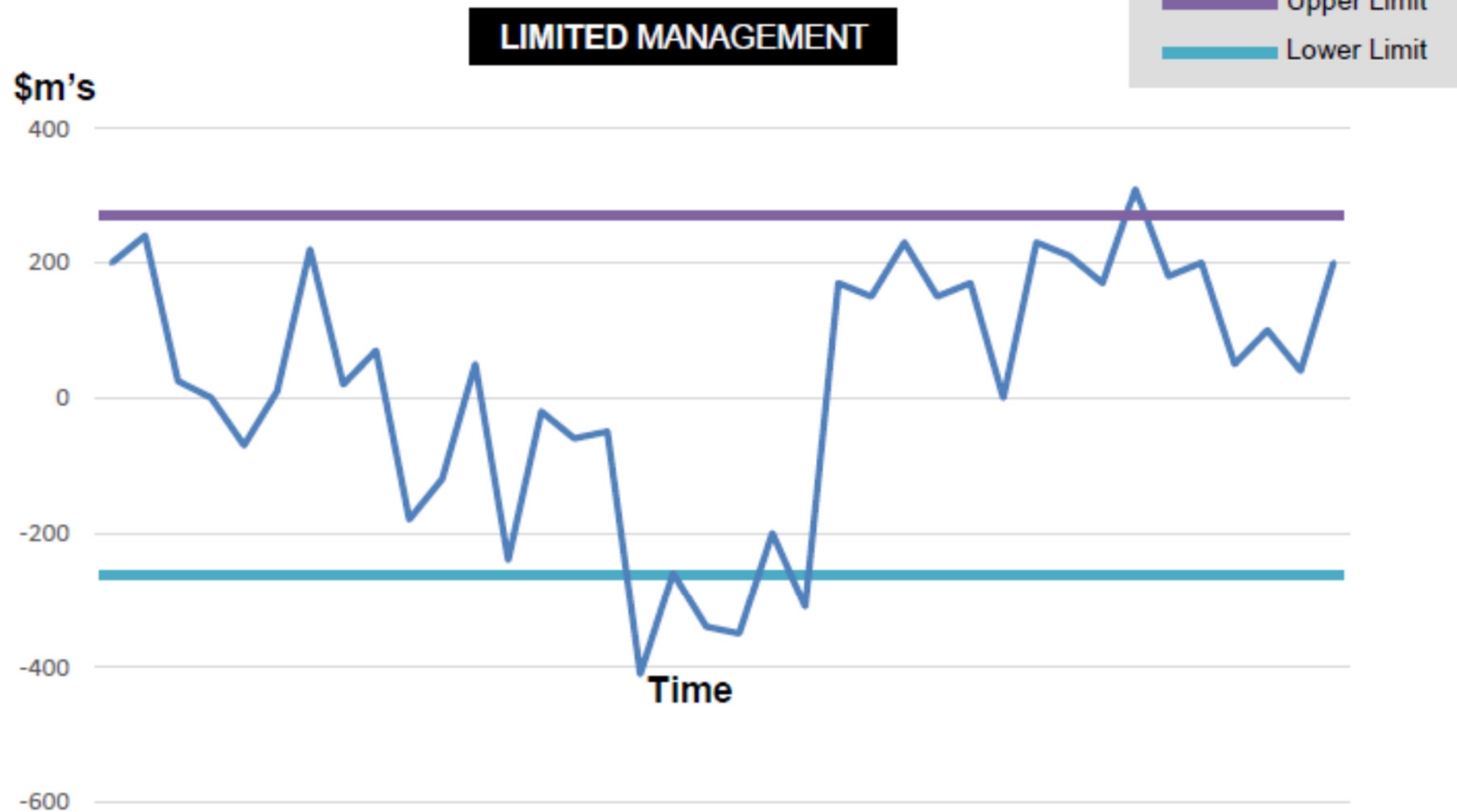
ALMA AND AFGAP INTRADAY

Chris Blake

INTRADAY – DIRECT CLEARING

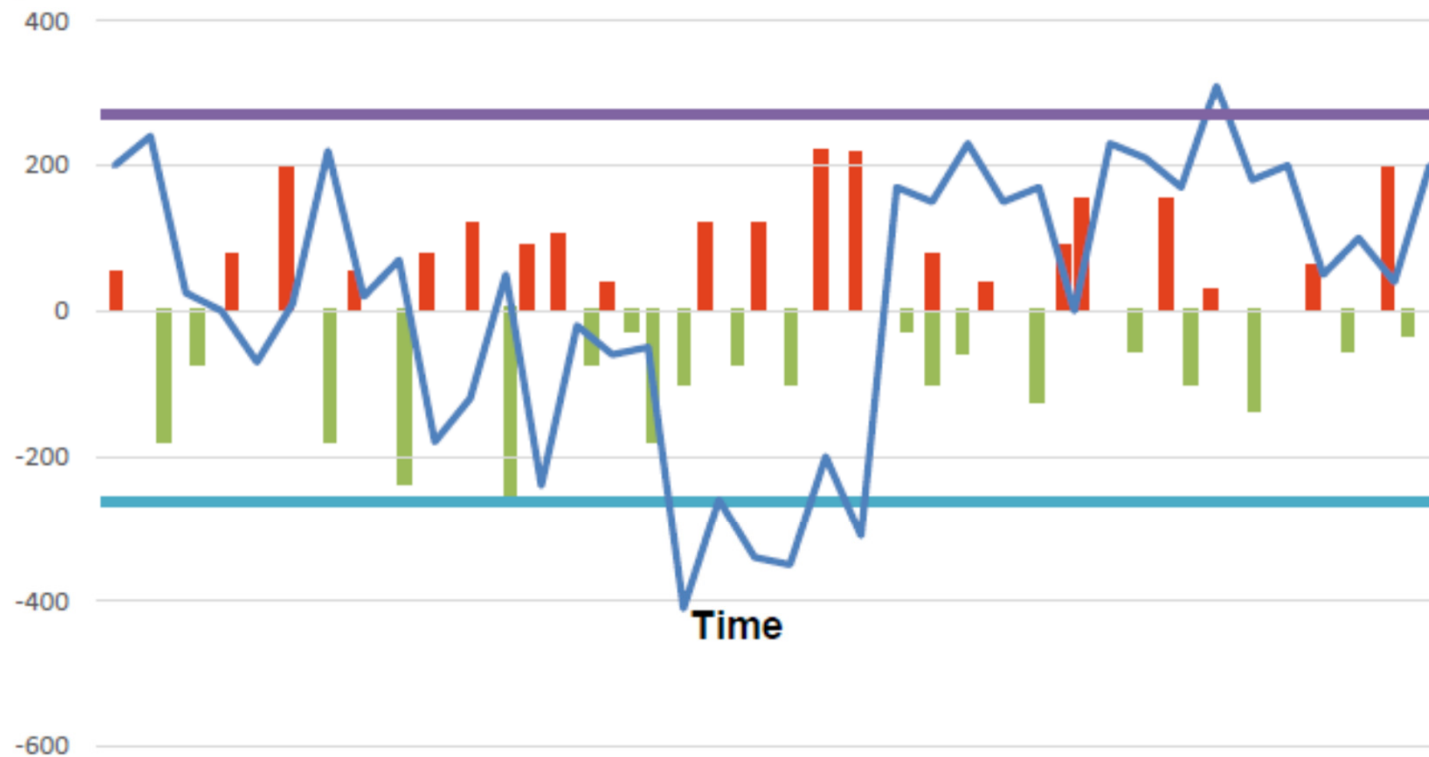


MANAGEMENT

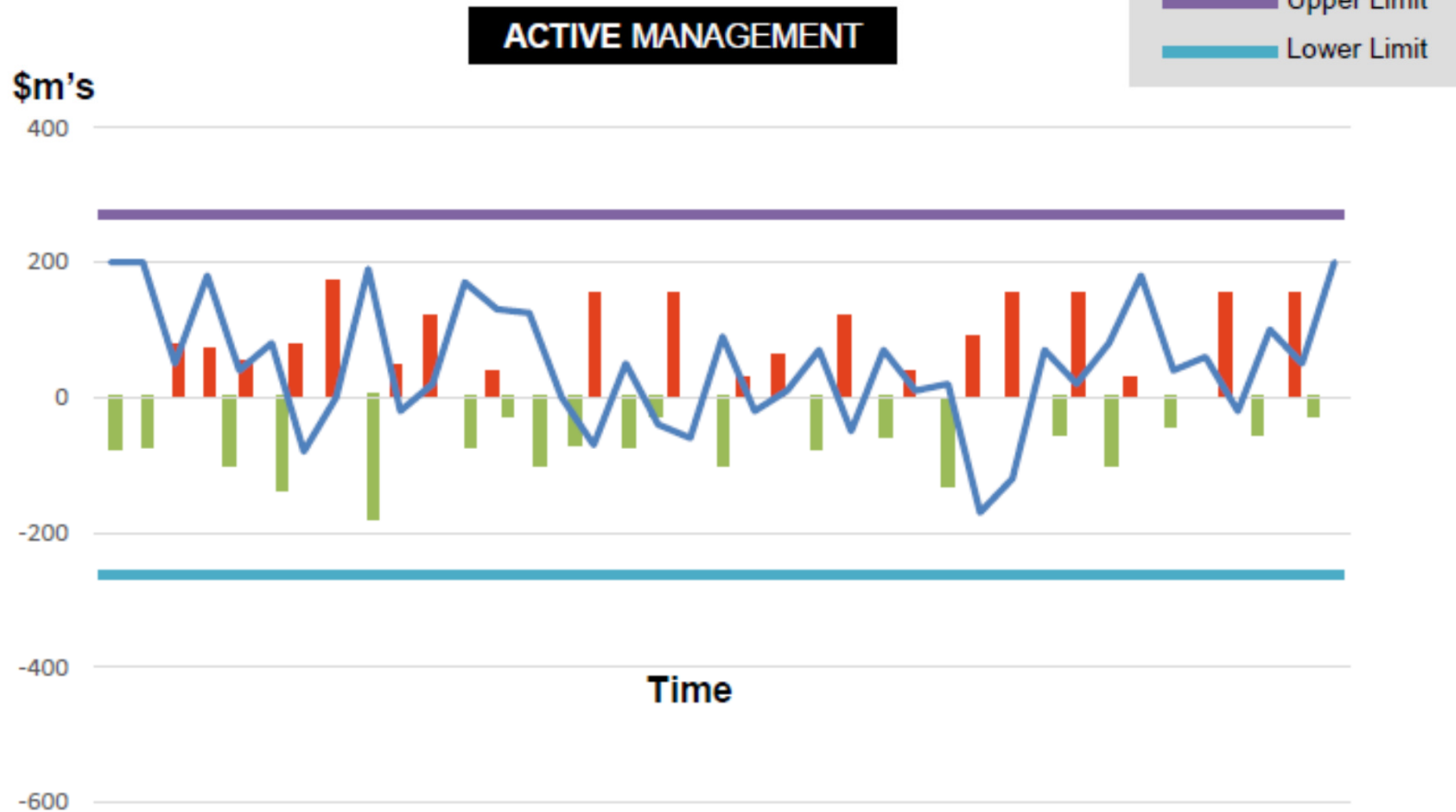


MANAGEMENT

\$m's

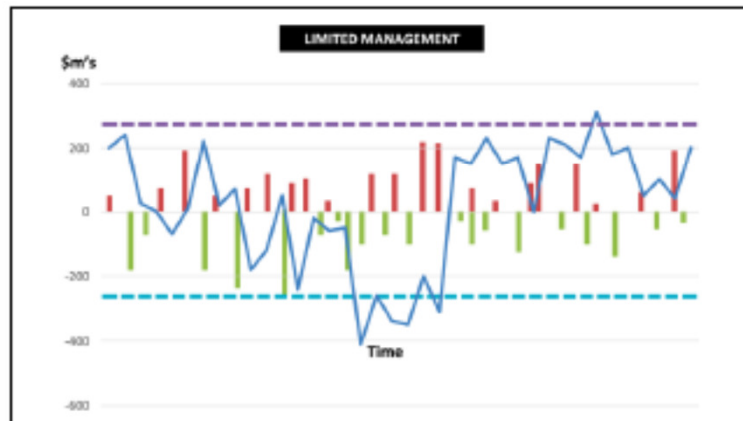


MANAGEMENT



MANAGEMENT – LIMITED VS ACTIVE

Limited Management



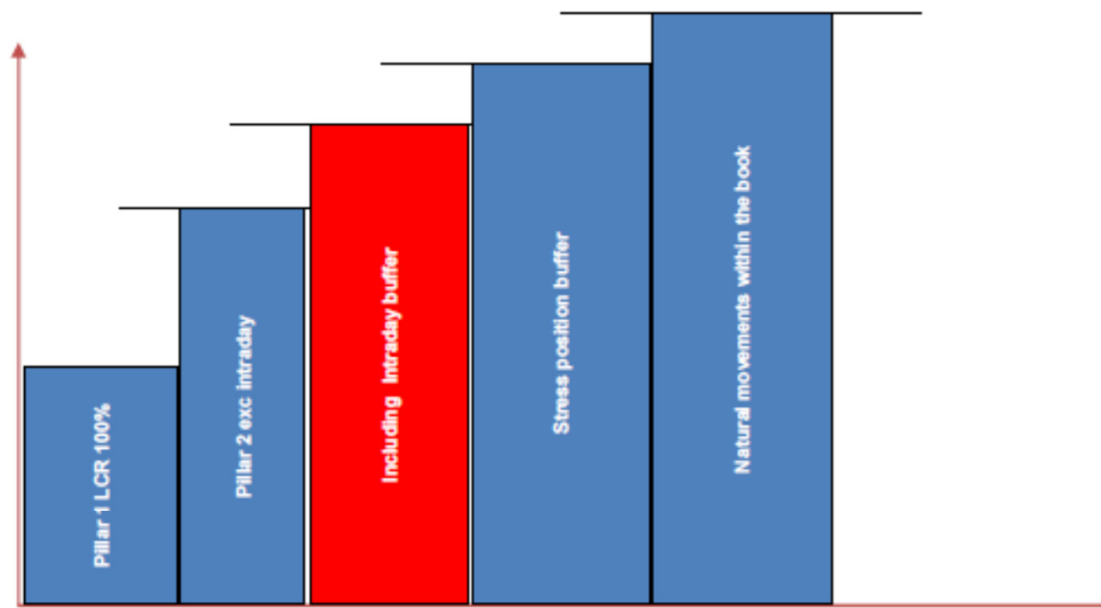
- No scheduling of payments
- Payments released automatically
- No throttling of payments
- Lack of payment control
- Lack of payment management

Active Management



- Possible scheduler in place
- Active release management
- Throttling of payments in place
- Payment control in place
- Active payment management

Intraday in relation to risk appetite setting



2. Intraday Liquidity Stress Test

- A. Stress Test of Intraday Funding Requirements**
- B. Stress Uplift for Intraday Funding Requirements**
- C. Articulation with Overall Liquidity Stress Framework**
- D. Open Issues**

2. Intraday Liquidity Stress Test

Considerations from the UK PRA

Excerpts from « Pillar II Liquidity »
June 2019

2. Intraday Liquidity Stress Test

Double duty

5.5 - Mitigating the risk of **double duty** is a primary reason for including a calibration of intraday liquidity risk in a firm's liquid asset buffer. Double duty is the use of a liquid asset buffer held for **wider liquidity** resilience, to **also support payments and securities settlement activities intraday**, where intraday liquidity risk is not included as a risk in the calibration of the liquid asset buffer.

5.6 - While double duty can reduce the cost of participation in payment and securities settlement systems through lower liquid asset holdings, it carries risks. Conceptually, there is a significant risk associated with using the same assets for two separate purposes: when the assets are used for one purpose they are not available for another purpose. In practice this manifests itself in two ways: (i) Balance sheet resilience risk: if a firm's liquid asset buffer is serving the purpose of providing intraday liquidity then it cannot be as effective as a buffer against a run on liabilities. (ii) Intraday liquidity risk: if a firm suffers a prolonged balance sheet liquidity stress, this uses up the firm's liquid asset buffer meaning that the bank has insufficient funds available to operate effectively in payments and securities settlement systems.

2. Intraday Liquidity Stress Test

Stress scenarios

5.19 - The following, based on the stress scenarios detailed in Basel Committee on Banking Supervision (BCBS) 'Monitoring tools for intraday liquidity management' are ways in which an intraday stress may manifest: **(a) a credit or liquidity shock affecting the firm directly**, reducing counterparties' willingness to make payments to it in a timely fashion; **(b) an operational, credit or liquidity shock** affecting the ability of **a major counterparty** in the payment system to make payments to the settlement firm as expected; **(c) a credit or liquidity shock affecting a major customer** or group of customers of the settlement firm, preventing them from receiving payments as expected; and **(d) market conditions change** which mean that a given pool of assets generates less intraday liquidity.

5.20 - Scenarios (a) to (c) capture the risk of a change in the payment profile of a firm which can in turn affect the maximum net debit position, while scenario (d) affects the ability of the firm to fund its intraday liquidity position. These stresses are applicable to both direct and indirect participants. For more detail on the manifestations of these stress scenarios, see BCBS Monitoring tools for intraday liquidity management.

5.21 - A significant impact of stress (a) on a firm that uses correspondent banking services may be the withdrawal of intraday credit line(s) by its correspondent bank(s). This may require the firm to prefund or collateralise its intraday credit line(s).

Stress uplift

5.22 - The stress uplift reference point is based on historical evidence gathered during stressed conditions of the type described above, and for both market stress and idiosyncratic stresses. Firms should develop their own stress scenarios in line with their risk appetite.

5.23 - The stress uplift applied will be subject to supervisory judgement. Factors taken into account will include, but are not limited to, the sophistication of the firm's intraday liquidity management systems, how the firm connects to the respective payment and securities settlement systems it uses, and the business model of the firm.

5.24 - The PRA expects firms to consider the risk of haircut and collateral eligibility changes in their assessment of intraday liquidity risk.

3. IT Architecture for Intraday Liquidity Management

A. Deal with Fragmentation

B. Central Role of Treasury

C. Focus on Data

D. Analytics

4. Intraday Liquidity Charge Process

A. IT Challenges

B. Business-as-Usual vs. Wrong Behavior

C. Business vs. Bank View

D. FTP Incentives

5. Emerging Trends

A. Atomic Settlement

B. Connections with New Technologies

C. Remarkable New Transactions

Questions & Answers

The floor is yours