Index

Page numbers in *italics* denote figures, those in **bold** denote tables.

2 x 2 deposit stability method .......................... 6
6 Step Framework *see* Six Step Framework ..............
ABCP (asset-backed commercial paper) ................ 3, 95, 97, 165
accounting
ALM, 15–16
mark-to-market, 16
market value, 16
ALCO *see* Asset-Liability Committee
alert levels
amber, 129, 129, 154, 157–9
Contingency Funding Plan, 153–5, 156–9
green, 129, 129, 154
red, 129, 129, 130, 154, 159
stress testing, 129–30, 129
yellow, 129, 129, 154, 156–7
ALM *see* asset-liability management
possible actions, 157–9
APRA (Australian Prudential Regulation Authority) 112
ASF (available stable funding) .......................... 186, 186
assets, 11, 27, 113
contagion, 3
funding from, 93
HQLA, 76, 77, 113, 117
illiquid, 113
liquid, 76, 77, 113, 116, 117
risk, 44, 44, 64–5
securitization, 161
unencumbered, 119
asset sales, 24, 26, 31, 161
asset-backed commercial paper (ABCP) ................ 3, 95, 165
Asset-Liability Committee (ALCO) ...................... 5, 9, 13, 16–17, 81, 82, 83, 86, 88, 156–7, 169, 170
areas of activity, 17–20, 18
duties and role, 17
local, 87
membership, 17
asset-liability management (ALM) ...................... 4, 9, 13–21, 95, 97, 98, 165, 171–2
and accounting, 15–16
centralization vs. decentralization, 14–15
definition, 13
enhanced role, 20–1
top-down approach *see* top-down approach
asset-liability mismatch, 19, 74
asymmetric information, 31–3
attractiveness of funding sources, 90–1
audit, internal, 171–2
Australia
funding plan, 88
‘Kangaroo’ market, 47
Australian Prudential Regulation Authority (APRA), 112
availability of funding, 90–1, 170
available intraday liquidity, 59
available stable funding (ASF), 186, 186
avoidance of risk, 10
back-to-back funding, 97
back-up lines, 157–8
BACS payment system, 57
Bagehot, Walter, 32
bail-outs, 66
balance sheet, 11–12, 11, 12, 27, 75, 113
balance sheet analysis, 112–15, 113
balance sheet ratios, 113–14
Fitch, 114
Moody’s, 114
Standard and Poor’s, 114
Baltic countries, 14–15
Bank of England, 66, 130
bank failures, 32
Bank for International Settlements (BIS), 173
bank runs, 21, 48, 50, 66
banks, 1, 5, 7–12
bail-outs, 66
balance sheets, 11–12, 11, 12, 27, 75
core deposits, 3
deposits, 15–16
as financial intermediaries, 7, 8
financial risk, 7–9, 8
investment banks see investment banks
risk management, 9–11
see also individual banks
Barclays Bank, risk appetite, 71
Basel Committee for Banking Supervision (BCBS), 8, 33, 58, 132, 173, 175, 177
intraday liquidity indicators, 58–60
liquidity reserve, 77
risk appetite, 78–9
‘Sound Principles’, 37, 38, 70, 112
Basel I, 31, 173–4
Basel II, 174, 174
Basel, 2.5 174
Basel III, 1, 6, 31, 33, 45, 50, 56, 77, 93, 112, 166, 173–86
definitions, 181–3, 182
Global Regulatory Framework for More Resilient Banks and Banking Systems, 174
International Framework for Liquidity Risk Measurement, Standards and Monitoring, 174, 177
liquidity coverage ratio, 1–2, 31, 58, 77, 93, 114, 131–2, 140, 175
Liquidity Coverage Ratio and Liquidity Monitoring Tools, 174
liquidity risk management, 117–21, 120
net stable funding ratio, 2, 58, 93, 113, 175, 177, 185–6
basis risk, 18
BCBS see Basel Committee for Banking Supervision
Bear Stearns, 65, 66
BIS (Bank for International Settlements), 173
Board of directors, 82–3, 82, 86, 87, 170
borrowing, 24
ceiling on, 74
intragroup, 161
secured, 124, 160–1
unsecured, 74, 160
business risk, 31
business strategy, 88–90
buy-backs, 179

call risk, 29
callable bonds, 27
Canada, ‘Maple’ programme, 47
capital, 30–1
capital markets, 1, 47
capital reforms, 174
capital reporting, 19
Capital Requirements Directive (CRD), 176–7
Capital Requirements Regulation (CRR), 176
capitalization, 31
cash balances, 58
cash capital calculations, 112
cash capital position, 114–15
cash flow, 117, 117
analysis, 57
contractual, 136, 142
forecasts, 157
intraday, 58, 59
minimum coverage ratios, 74–5
mismatch, 12, 47, 147
noncontractual (discretionary), 137, 138, 142
short-term, 29, 43
stress testing, 133–4
outcomes, 143
template, 134
timing, 43
cash flow analysis, 115–22
cash flow projections, 38, 73, 139, 142, 170, 171
counterbalancing capacity, 139
stressed scenarios, 144, 163, 164
cash outflows, 179
CBC (counterbalancing capacity), 132, 139, 175
collateralized debt obligations, 49
CDs (Certificates of Deposit), 35, 36, 41
CEBS (Committee of European Banking Supervisors), 175
centralized ALM, 14–15, 101
centralized with exceptions, 15
fully centralized, 15
CEO (Chief Executive Officer), 17
Certificates of Deposit (CDs), 35, 36, 41
CFDs (Contracts for Differences), 62
CFO (Chief Finance Officer), 17, 87, 170
CFP see Contingency Funding Plan
CGFS (Committee on the Global Financial System), 124
Chief Executive Officer (CEO), 17
Chief Finance Officer (CFO), 17, 87, 170
Chief Risk Officer (CRO), 17, 83, 87, 170
cliff risk, 93
CMC (Crises Management Committee), 159
Coeuré, Benoît, 69, 79
collateral, 58, 65, 77, 170, 179
collateralized debt obligations (CDOs), 49
Committee of European Banking Supervisors (CEBS), 175
Committee on the Global Financial System (CGFS), 124
commodities, 9
Index

common disclosure template, 183–5, 184
communication, 162
breakdown of, 164
competition, 32
Comptroller’s Handbook, 8
concentration limits, 74
contagion risk, 31–3, 48, 63, 66–7
Contingency Funding Plan (CFP), 45, 123, 146–66
alert levels, 153–5
communication, 162, 164
decisions and action plans, 155–9
definition, 147–8
do and don’ts, 165–6
early warning indicators, 38, 119, 150–3, 152
execution, 160–6
funding sources, 160–2
lessons learnt, 163–5
need for, 148–9
process, 149–50, 149
reasons for, 147
regulatory requirements, 148
stress scenarios, 126, 126, 155
working framework, 162–3, 162, 163
contingency funds, 6
in complex corporate structures, 164
contingency liquidity risk, 29, 61, 147
see also off-balance sheet liquidity risk
contingency planning, 38
see also Contingency Funding Plan
Contracts for Differences (CFDs), 62
contractual cash flows, 136, 142
contractual maturity mismatch, 118
core deposits, 3
COREP, 176
corporate bonds, 165
correlation risk, 44, 66–7
counter-cyclicality, 32, 78
counterbalancing capacity (CBC), 132, 139, 175
counterparty risk, 8, 174
country risk, 9
Countrywide, 48
coverage ratios, 74
CRD (Capital Requirements Directive), 176–7
credit lines, 58, 160
credit rating, 47
credit risk, 8–9, 10, 20, 30, 31, 70
Credit Risk Committees, 21
credit spreads, 1
Crisis Management Committee (CMC), 159
critical payments, 60
CRO (Chief Risk Officer), 17, 83, 87, 170
cross-currency liquidity risk, 44, 63
CRR (Capital Requirements Regulation), 176
daily maximum liquidity requirement, 58–9
decentralized ALM, 14–15
default, 25
deposit guarantee schemes (DGSs), 179, 181
deposit markets, 94
deposits, 15–16
core, 3
noncore, 115
on-demand, 107
retail, 178, 181
term, 107
wholesale, 178
deregulation, 1
deterministic (‘what if’) approach to stress testing, 127–9, 131–2
DGSs (deposit guarantee schemes), 179, 181
Dillon Read Capital Management, 105
discretionary (noncontractual) cash flows, 137, 138, 142
diversification, 91, 95
advantages of, 74
myth of, 66, 89–90
Dodd-Frank Act, 176
dotcom bubble, 1
dynamic cash flows, 116
early warning indicators (EWIs), 38, 119, 150–3, 152, 164, 170
monitoring metrics, 151
review of, 166
triggers, 151, 152, 164–5
see also alert levels
EBA (European Banking Authority), 56, 137, 140, 180
ECB (European Central Bank), 63, 133, 137
EMTN (Euro Medium Term Note), 29
enterprise-wide risk management, 20
equities, 9
ESCB (European System of Central Banks), 61
Euro Medium Term Note (EMTN), 29
Europe
liquidity coverage ratio, 1–2, 31, 58
net stable funding ratio, 2, 58
European Banking Authority (EBA), 56, 137, 140, 180
European bond market, 91
European Central Bank (ECB), 63, 133, 137
European System of Central Banks (ESCB), 61
European Union, Capital Requirements Directive, 176–7
EWIs see early warning indicators
execution risk, 9
Executive Committee (Exco), 16, 17, 19, 81, 83, 86, 170
extendables, 35, 36, 41
external shocks, 1, 43
Federal Reserve System, 176
financial literacy, 169
financial risk, 7–9, 8
Financial Services Association (FSA), 37, 175
FINREP, 176
firm-specific stresses, 124, 164
Fitch balance sheet ratio method, 114
fixed rate bonds, 27
flight to quality, 2, 160, 161, 179
floating rate note (FRN), 101
foreign exchange risk, 9
franchise-viability risk, 44
FRN (floating rate note), 101
FSA (Financial Services Authority) now PRA (Prudential Regulation Authority), 37, 175
FTP see funds transfer pricing
fund transfer pricing (FTP), 6, 14
funding availability, 90–1, 170
concentration, 44, 65–6, 118–19
concentration risk, 124
cost risk, 44, 44, 63–4
gap, 19
liquidity risk, 26, 29
mismatch, 170
policy, 6
scorecard, 54–7, 55, 57, 90–1, 92
secured, 92, 94
unsecured, 92, 157
funding sources, 52, 90–1, 170
attractiveness of, 90–1
scorecard approach, 54–7, 55, 57, 90–1, 92
shift in, 94
stickiness of, 52, 53
UK, 2 x 2 deposit stability method, 52–4, 52, 54
funding strategy, 88–95
availability and attractiveness, 90–1
business strategy, 88–90
lessons learnt, 94–5
MARS acronym, 89
medium-long term, 91–3, 92
myth of diversification, 66, 89–90
objectives, 89
plan requirements, 88–90
stand-alone, 89
viability, 93
funds transfer pricing (FTP), 38, 95–108
application of, 105–8, 106
assignment, 99, 99, 101–3, 102
direct costs, 100, 100
example, 102–3, 102
indirect costs, 100, 100
matched funding method, 98, 104, 104
model, 98–9
objectives, 97–8
pooled (average) cost method, 103, 103, 104
principles, 97–8
rate determination, 99, 99, 100–1, 100
transfer pricing curves, 99, 100–1, 100
two-dimensional approach, 98–9
uses, 97
future planning, 88
gap analysis, 180
glide-path ratio, 130
global liquidity cycles, 69
global liquidity standard, 177–8
Global Regulatory Framework for More Resilient Banks and Banking Systems, 174
globalization, 1
governance, 37, 38, 40, 81–109
ALCO see Asset-Liability Committee
Board of directors, 82–3, 82, 86, 87
Executive Committee, 16, 17, 19, 81, 83, 86
funding strategy, 88–95
funds transfer pricing, 38, 95–108
liquidity management framework, 84–5, 84
Liquidity Policy, 6, 45, 85–8
management structure, 87
senior management, 83–4
structure, 82
top-down approach, 4, 16, 20, 36, 37, 39, 76, 84
green alert level, 129, 129, 154
Group of Senior Supervisors, 81
haircuts, 66, 74, 75, 77, 94, 115, 157, 160, 179
hedge funds, 48
hedging, 10
Heraclitus of Ephesus, 2
Herfindahl Index, 65
HQLA see high-quality liquid assets
Icelandic banks, 63, 161
ILAA (Individual Liquidity Adequacy Assessment), 37–8, 81, 130
ILG (Individual Liquidity Guidance), 130–1
illiquid assets, 113
illiquidity, 3, 31, 64
Individual Liquidity Adequacy Assessment (ILAA), 37–8, 81, 130
Individual Liquidity Guidance (ILG), 130–1
individual liquidity risk, 43, 44
Index 197

information
agenda, 169–70
asymmetric, 31–3
Institute of International Finance (IIF), 37, 81, 88
integrated treasury operations, 20
interbank market, 95, 165
interest gap risk, 15–16, 18
interest rate risk, 9, 10, 97
management, 18
internal audit, 171–2
internal controls, 171–2
International Convergence of Capital Measurements and Capital Standards, 173–4
International Framework for Liquidity Risk Measurement, Standards and Monitoring, 174, 177
intraday cash flows, 58, 59
intraday liquidity risk, 44, 57–60, 59, 145–6
intragroup borrowing, 161
intragroup liquidity risk, 44, 60–1
investment banks, 1, 48
LCR see liquidity coverage ratio
LDR see loan to deposit ratio
legal risk, 9
Lehman Brothers, 132
lender of last resort (LLR), 32
lending risk, 8, 10
leverage, 1, 175
liabilities, 11, 27, 53, 113
funding from, 93
repricing, 64
LIBID (London Inter-Bank Bid Rate), 105
LIBOR (London Interbank Offered Rate), 105
liquid asset ratio, 122
liquid assets, 116
HQLA, 76, 77, 113, 117
liquidity, 23–34
available intraday, 59
costs, 96, 97
definition, 23–4
lack of see illiquidity
macroeconomic perspective, 31–3
recycling, 46, 47
regulatory focus, 36–8
sources of, 24, 24
liquidity buffer see liquidity reserve
Liquidity Contingency Plan see Contingency Funding Plan
liquidity coverage ratio (LCR), 1–2, 31, 58, 77, 93, 114, 140, 175, 178–85
challenges, 180–1
common disclosure template, 183–5, 184
components of, 178–9
disclosure, 182
what-if scenario, 131–2
Liquidity Coverage Ratio and Liquidity Monitoring Tools, 174
liquidity crises, 1, 3
liquidity gap, 26–7, 116
see also maturity mismatch
liquidity management framework, 84–5, 84, 97
liquidity management team (LMT), 158–9
liquidity measures, 111–22
balance sheet analysis, 112–15, 113
Basel III metrics, 117–21, 120
cash flow analysis, 115–22
use of, 121
liquidity monitoring, 86
Liquidity Policy, 6, 45, 85–8
objectives, 85
overlap of duties, 87
qualitative requirements, 86
quantitative requirements, 86
responsibilities, 86
risk tolerance, 86
scope, 85–6
liquidity pool, 114
liquidity reserve, 19, 24, 31, 43, 61, 63, 76–9, 157
composition, 77
cost of, 101
scope of see liquidity coverage ratio
size, 76–7
UK, 78
untouchable, 78
useable, 78
liquidity risk, 2, 7, 8, 9, 10–11, 23, 25–7, 26, 36–7, 70, 72, 93, 147
definition, 25, 26, 115
individual, 43, 44
intraday, 44, 57–60, 59, 145–6
management, 18–19, 37, 84–5, 84, 97, 111–22
sources of, 43–67, 44, 126
systemic, 43, 44
tactical, 29
technical, 43, 44
timing factor, 27, 29–30, 29, 30
see also Six Step Framework
liquidity risk appetite (LRA), 71
see also risk appetite
liquidity risk statement
survival time period, 75–6
tolerance limit approach, 73–5
liquidity risk tolerance limit approach, 72
liquidity shocks, 36–7
liquidity stability score, 54–7, 55, 57
liquidity stress time horizons, 132–3, 133
Lloyd’s Bank, maturity mismatch report, 28
LLR (lender of last resort), 32
LMT (liquidity management team), 158–9
loan to deposit ratio (LDR), 52, 74
loans
  corporate lending, 75
  lending risk, 8, 10
  revaluation of outflows, 158
  securities lending, 93
London Inter-Bank Bid Rate (LIBID), 105
London Inter-Bank Offered Rate (LIBOR), 105
long-term bonds, 29
long-term funding, 91–3, 92
long-term funding gap, 51
long-term maturities, 51
losses, 31
low probability high impact (LPHI) risk, 45
LPHI (low probability high impact) risk, 45
LRA (liquidity risk appetite), 71
LRD (loan to deposit ratio), 52, 74
macroeconomics, 1, 31–3
management failure, 81
management reporting, 169–71
margin calls, 27
mark-to-market accounting, 16
market funding, 114
market liquidity
  overreliance on, 165
  risk, 26, 29
market risk, 9, 18, 31
market value accounting, 16
market-related monitoring tools, 119
market-wide risk, 43
market-wide stresses, 124
marketable assets, 64
MARS acronym, 89
matched funding, 98, 104, 104
maturity, 89
maturity gap, 86
  cap on funding, 74–5
  maturity mismatch, 12, 27, 28, 96, 115
  contractual, 118
  maturity transformation, 23, 27, 97–8
  Matz, Leonard, 128
maximum gap risk, 74–5
medium-term funding, 91–3, 92
meeko chart, 54
minimum cash flow coverage ratios, 74–5
minimum liquidity reserve amount, 73
minimum survival period, 73
mismatch
  asset-liability, 19, 74
  cash flows, 12, 47, 147
  contractual maturity, 118
  liquidity risk, 29
  maturity, 12, 27, 28, 96, 115, 118
  mitigation of risk, 10
  model risk, 9
monetary easing, 78
monitoring metrics, 151
Monte Carlo simulations, 127
Moody’s balance sheet ratio method, 114
Moody’s cash capital position, 114–15
moral hazard, 32
myth of diversification, 66, 89–90
Net Interest Margin, 95
net stable funding ratio (NSFR), 2, 58, 93, 113, 175, 177, 185–6, 186
new funds, 46
nonbank financial institutions, 107
noncontractual cash flows, 137, 138, 142
noncontractual contingencies, 164
noncore deposits, 115
nonfinancial institutions, 107
nonmarketable assets, 64
Northern Rock, 33, 48, 66
NSFR (net stable funding ratio), 2, 58, 93, 113, 175, 177, 185–6, 186
off-balance sheet
  activities, 96, 117, 140, 166
  liquidity risk, 44, 61–3, 165
  on-demand deposits, 107
  one size fits all, 14, 35, 39
  operational liquidity risk, 29
  operational risk, 9
  origin of risk, 29
pooled (average) cost FTP, 103, 103, 104
PRA see Prudential Regulatory Authority
pragmatism, 2
price to win, 157
Prince, Chuck, 48
Principles for Sound Liquidity Risk Management and Supervision Guidance, 125
pro-cyclical incidents, 175
product approval, 96
product pricing, 96, 97
profitability measurement, 97
Prudential Regulation Authority (PRA), 33, 41, 44, 64, 140
liquidity risk list, 67
risk severity guidance, 130–1
putable CDs see extendables
Quantative Framework, 90
quantitative liquidity risk framework, 111–22
rating agencies, 113–14
recycling of liquidity, 46, 47
red alert level, 129, 129, 130, 154
  possible actions, 159
refinancing, 25, 26
Index 199

regulatory requirements, 36–8
  Contingency Funding Plan, 148
see also specific instruments
regulatory risk, 9
repayments, 24
reporting, 169–72
repos, 93, 94
  optimization, 156
repricing, 64
required stable funding (RSF), 186, 186
residential mortgage backed security (RMBS) market, 65, 66
resilience, short-term, 177, 178
retail deposits, 178
definition, 181
retail funding risk, 44, 45–6, 50, 52–7, 55, 57
  funding sources, 52
scorecard approach, 54–7, 55, 57
UK, 2 x 2 deposit stability method, 52–4, 52, 54
reverse stress testing, 146
risk, 89
  asset, 44, 44, 64–5
  avoidance of, 10
  basic, 18
  business, 31
call, 29
cuff, 93
correlation, 44, 44, 66–7
country, 9
credit, 8–9, 10, 20, 30, 31, 70
cross-currency liquidity, 44, 63
correlation, 44, 66–7
counterparty, 8, 174
country, 9
credit, 8–9, 10, 20, 30, 31, 70
cross-currency liquidity, 44, 63
correlation, 44, 44, 66–7
intraday liquidity, 44, 44, 67–60, 59, 145–6
intragroup liquidity, 44, 60–1
legal, 9
lending, 8, 10
liquidity, see liquidity risk
low probability high impact, 45
market, 9, 18, 31
market liquidity, 26, 29
maximum gap, 74–5
mitigation, 10
operational, 9
origin of, 29
regulatory, 9
retail funding, see retail funding risk
  term, 29
risk appetite, 39–40, 69–79, 89, 126
  appropriate level, 70, 71–3
  Barclays Bank, 71
  liquidity reserve, 24, 76–9
  liquidity risk tolerance limit approach, 72
  minimum liquidity reserve amount, 73
  minimum survival period, 73
  qualitative measures, 72
  quantitative measures, 72
  review of, 78–9
scenario-based limits, 73
risk appetite statement, 69–70
drawing up, 70–6
risk aversion, 95
Risk Committee, 169, 170
risk horizon, 124
risk limits, 19–20
risk management, 3, 9–11
  acceptance, 10
  avoidance, 10
  mitigation, 10, 96
  transfer, 10
risk scenarios, 73, 75
risk tolerance, 86
risk-reward relationship, 70–1
RMBS (residential mortgage backed security) market, 65, 66
rollovers, 93
RSF (required stable funding), 186, 186
run-off rates, 114, 131, 178, 179

sale of assets, 24, 26, 31, 161
scenario-based stress testing, 73, 75, 127
  analysis of outcome, 141–5, 142–5
  Contingency Funding Plan, 126, 126, 155
definition of scenarios, 134–5, 135
deterministic, 128–9
increased frequency, 157
liquidity coverage ratio, 131–2
playing out, 135–41, 136, 138, 139
sensitivity analysis, 145
step-by-step approach, 133–4
  survival horizon, 144
scorecard approach, 54–7, 55, 57, 90–1
secured borrowing, 124, 160–1
secured funding, 92, 94
securities houses, 11
securities lending, 93
securitization, 35, 48, 61, 90, 92, 113, 158, 174, 161
self-sufficiency, 60
senior management, 83–4
sensitivity analysis, 29, 125, 145
sensitivity-based stress testing, 127
settlement risk, 9
short-term cash flows, 29, 43
short-term funding, 92, 93, 115
short-term funding gap, 51
short-term maturities, 51
short-term resilience, 177, 178
shot gun approach, 2
Single Rulebook, 176
SIVs (special investment vehicles), 48, 95
Six Step Framework, 4, 5, 30, 35–41, 39
Contingency Funding Plan, 45, 123, 146–66
governance and high-level policy, 81–109
quantitative liquidity risk framework, 111–22
reporting and management information, 169–72
risk appetite, 39–40, 69–79
Sources of Liquidity Risk, 43–67
asset risk, 44, 64–5
correlation risk, 44, 66–7
cross-currency liquidity risk, 44, 63
funding concentration risk, 44, 65–6
funding cost risk, 44, 66–7
individual/idiosyncratic, 43, 44
intraday liquidity risk, 44, 57–60, 59
intragroup liquidity risk, 44, 60–1
off-balance sheet liquidity risk, 44, 61–3
retail funding risk, 44, 45–6, 50, 52–7, 52, 54, 55, 57
systemic, 43, 44
technical/timing, 43, 44
wholesale funding risk, 44, 45–50, 51
Sources of Liquidity Risk Report, 39, 90
SPADE see Contingency Funding Plan
special investment vehicles (SIVs), 48, 95
stability, 89
Standard and Poor’s balance sheet ratio method, 114
stickiness of funding sources, 52, 53
stock-based stress testing, 134
stress assumptions, 181–5, 182, 184
stress testing, 6, 29, 38, 39, 71, 77, 85, 94, 116, 123–67
alert levels, 129–30, 129
choice of model, 126–7
deterministic (‘what if’) approach, 127–9, 131–2
glide-path ratio, 130
performance of, 124
principles, 125
reasons for failure, 124–5
reverse, 146
scenario-based, 73, 75, 127
analysis of outcome, 141–5, 142–5
Contingency Funding Plan, 126, 126, 155
definition of scenarios, 134–5, 135
deterministic, 128–9
liquidity coverage ratio, 131–2
playing out, 135–41, 136, 138, 139
sensitivity analysis, 145
step-by-step approach, 133–4
survival horizon, 144
sensitivity-based, 127
severity, 129–32, 129
stock-based, 134
time horizons, 132–3, 133
VaR model, 127
within Six Step Framework, 126, 126
Stress Testing at Major Financial Institutions: Survey Results and Practice, 124
structural liquidity risk, 29
structured investments, 1
subprime mortgages, 1, 66, 105
Supervisory Liquidity Review Process (SLRP), 130
survival time period, 75–6
SWOT analysis, 66
systemic liquidity risk, 43, 44
tactical liquidity risk, 29
technical liquidity risk, 43, 44
term deposits, 107
term risk, 29
time-specific payments, 60
timing of cash flows, 43
tolerance limit approach, 73–5
cap on maturity gap funding, 74–5
ceiling on borrowing, 74
concentration limits, 74
maximum LDR, 74
too big to fail, 32
top-down approach, 4, 16, 20, 36, 37, 39, 76, 84
total payments, 59–60
trading book, 174
transfer pricing curves, 99, 100–1, 100
transformation risk, 12
trends vs. numbers, 170
triggers, 151, 152, 164–5
hard, 165
two by two deposit stability method, 52–4, 52, 54
UBS, 105
UK
2 x 2 deposit stability method, 52–4, 52, 54
BACS payment system, 57
<table>
<thead>
<tr>
<th>Term</th>
<th>Page(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual Liquidity Adequacy Assessment</td>
<td>37–8</td>
</tr>
<tr>
<td>liquidity reserve</td>
<td>78</td>
</tr>
<tr>
<td>Northern Rock</td>
<td>33, 48, 66</td>
</tr>
<tr>
<td>Prudential Regulation Authority</td>
<td>33, 41, 44, 64, 67</td>
</tr>
<tr>
<td>unencumbered assets</td>
<td>119</td>
</tr>
<tr>
<td>unpredictability</td>
<td>10–11</td>
</tr>
<tr>
<td>unsecured borrowing</td>
<td>74, 160</td>
</tr>
<tr>
<td>unsecured funding</td>
<td>92, 157</td>
</tr>
<tr>
<td>USA</td>
<td></td>
</tr>
<tr>
<td>bank failures</td>
<td>32</td>
</tr>
<tr>
<td>Bear Stearns</td>
<td>65, 66</td>
</tr>
<tr>
<td>Countrywide</td>
<td>48</td>
</tr>
<tr>
<td>Dodd-Frank Act</td>
<td>176</td>
</tr>
<tr>
<td>Federal Reserve System</td>
<td>176</td>
</tr>
<tr>
<td>subprime mortgages</td>
<td>1, 66, 105</td>
</tr>
<tr>
<td>value at risk (VaR)</td>
<td>18</td>
</tr>
<tr>
<td>vanilla fixed income instruments</td>
<td>1</td>
</tr>
<tr>
<td>VaR stress test model</td>
<td>127</td>
</tr>
<tr>
<td>what-if (deterministic) approach to stress testing</td>
<td>127–9, 131–2</td>
</tr>
<tr>
<td>wholesale deposits</td>
<td>178</td>
</tr>
<tr>
<td>wholesale funding risk</td>
<td>44, 45–50, 51</td>
</tr>
<tr>
<td>advantages</td>
<td>48–9</td>
</tr>
<tr>
<td>disadvantages</td>
<td>49</td>
</tr>
<tr>
<td>emphasis and benefits</td>
<td>46–9</td>
</tr>
<tr>
<td>new and recycled funds</td>
<td>46, 47</td>
</tr>
<tr>
<td>yellow alert level</td>
<td>129, 129, 154</td>
</tr>
<tr>
<td>possible actions</td>
<td>156–7</td>
</tr>
<tr>
<td>yield curve shifts</td>
<td>18</td>
</tr>
</tbody>
</table>