



TRAINING COURSE

LIQUIDITY REGULATION: CONCEPTS, METHODS AND APPLICATIONS

Organised by: The Florence School of Banking and Finance

Course Instructors:

Bart P.M. Joosen | VU University, Solicitor (course director)

Stefano Cappiello | Bank of Italy

Jeroen Van Bommel | European Central Bank

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Sala Europa

Villa Schifanoia, Via Boccaccio 121 - Florence

27-28 SEPTEMBER 2018

INTRODUCTION

Since 2014 European Banking laws have been supplemented with harmonised rules for liquidity management and reporting. These rules fundamentally impact the conduct of banking business, and have significant implications in case of banking failure. The course focuses on the legal and regulatory aspects of this new framework for banks, by looking at both stages of going concern (ILAAP...) and gone concern (liquidity as the driver of failure; management of liquidity in resolution) By close reading the relevant rules and regulations adopted since 2014 course participants will get acquainted with the full details of this complex framework and the impact it has on the (contractual) relationship between banks and its customers and liquidity providers, and its consequences for banks' resolvability.

PROGRAMME

27 SEPTEMBER

09.15 - 09.30 Welcome and presentation of the Florence School of Banking and Finance

09.30 - 11.00

Session 1.

Basel III: International framework for liquidity risk measurement, standards and monitoring (Bart Joosen)

- Background of the Basel III framework, rationale and innovative elements
- Qualitative and quantitative liquidity management
- Calibration and ongoing work of the Basel Committee to finalise the Basel III framework, impact on sector

11.00 - 11.30

Coffee break

11.30 - 13.00

Session 2:

Liquidity Risk Management, a Banker's Perspective (Instructor: Jean Jacques van Helten)

- Three Lines of Defence ("LOD") model with focus on 2LOD as the provider of independent oversight, risk assessment & effective challenge across the Bank ;
- Performance by Treasury & Risk of discrete & complementary functions within the Overall Liquidity Adequacy Rule (OLAR) based around a Liquidity & Funding Risk Management Framework including Risk Appetite Statement, limit setting, funding & asset liquidity risk assessments, liquidity buffer;
- Stress tests and dry runs to explore the resilience of the bank against liquidity shocks including Contingency Funding Plan and Recovery Plan and relevant warning indicators

13:00 - 14.00

Lunch

14.00 - 15.30

Session 3.

Implementation of the Liquidity Coverage Ratio and Net Stable Funding Ratio in European law (Bart Joosen)

- LCR-Regulation of European Commission, and its revisions
- Place of the NSFR rules in the Capital Requirements Regulation proposals of November 2017
- Relationship with Deposit Guarantee Scheme

15.30 - 16.00	<i>Coffee break</i>
16.00 -17.30	Session 4. Case: classification of Securitisation Products and Covered Bonds as High Quality Liquid Assets (Bart Joosen)
18.00	<i>Social Activities outside the EUI</i>

28 SEPTEMBER

09.00 - 11.00	Session 5. The role of Collateral, repo's and interbank lending in the context of liquidity management (Bart Joosen) <ul style="list-style-type: none"> ▪ Uncollateralised assets as prerequisite of available liquidity ▪ Permissible transactions in the context of definition of High Liquid Assets for LCR purposes ▪ Interaction NFSR and LCR in determination of "available" liquid assets and supporting the stability in funding
11.00 - 11.30	<i>Coffee break</i>
11.30 - 13.00	Session 6. Internal Liquidity Adequacy Assessment Process (Jeroen Van Bommel) <ul style="list-style-type: none"> ▪ ILAAP in the context of liquidity risk management ▪ ILAAP in the context of the Supervisory Review and Evaluation Process
13.00 - 14.00	<i>Lunch</i>
14.00 -15.30	Session 6 continues <ul style="list-style-type: none"> ▪ How to use regulatory reporting in liquidity monitoring <ul style="list-style-type: none"> - Asset Encumbrance - Additional Liquidity Monitoring Metrics - Funding plans
15.30 - 16.00	<i>Coffee break</i>
16.00 - 17:30	Session 7. Liquidity Management in the context of Recovery and Resolution (Stefano Cappiello)

- Measuring liquidity and forecasting the Point of Non-Viability
- Measuring and managing liquidity in resolution
- Access to private and public sources of liquidity in resolution
- Liquidity support versus capital support

17.30 - 17.40

Closing remarks (Bart Joosen)