



How can SWIFT help you mitigate liquidity risk?

Sibos, Hong Kong

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How can SWIFT help you mitigate liquidity risk?

The importance of managing liquidity risk

Peter Akwaboah, Global Head of Treasury Operations,
Royal Bank of Scotland

Time for reflection...



Video



Where have we come from...

Where could we go...

Environment

Bull Market



Financial Innovation



Globalisation



Focus on growth & acquisition



Better Liquidity Management



Regulatory focus



Risk management

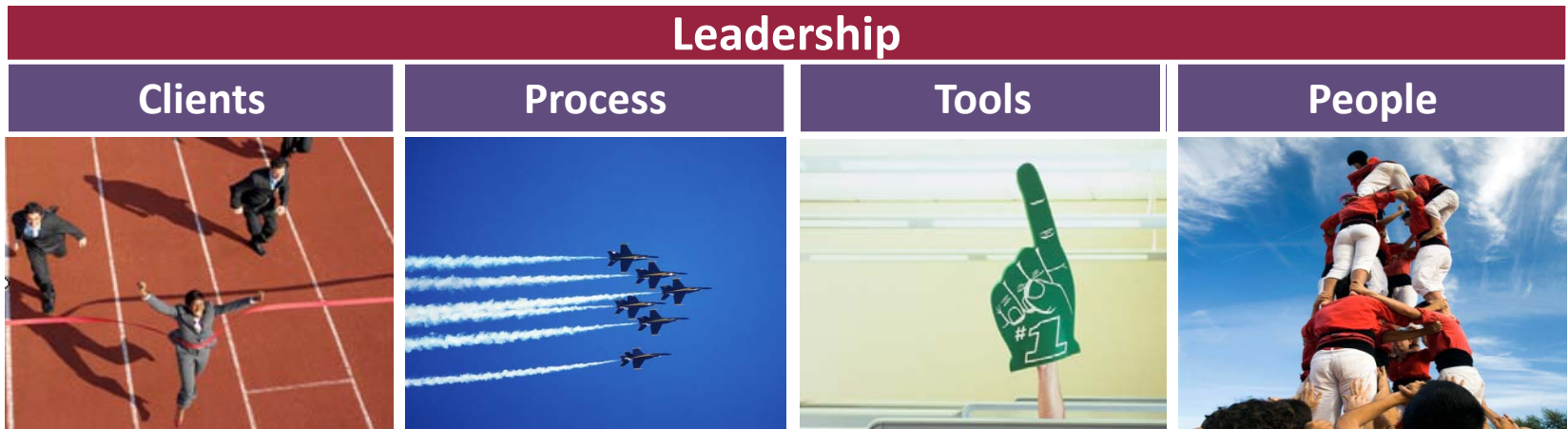


Core markets





How do we ensure that we meet our payments and settlement obligations even under stressed conditions?





How can SWIFT help you mitigate liquidity risk?

Liquidity Management – Regulation, Process, Measurement, Predictability

Maurice Cleaves, Head of Regional Product
Management – EMEA, GTB, Cash Management,
Deutsche Bank

Liquidity Risk

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Popular: Politics Exclusive Madoff Industries Currencies

Libor Rises to a Seven-Year High on Subprime Concern (Update6)

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By Anchalee Worrachate and Ye Xie

Sept. 5 (Bloomberg) -- The interest rate banks charge each other to borrow in dollars for three months rose for a 10th day on concern that losses on securities linked to U.S. subprime mortgages will increase, keeping lenders from offering cash for any time longer than a few days.

The London interbank offered rate for three-month dollar deposits rose 4.76 percent to 4.76 percent.

Lending provisions said it on corporate payments.

Telegraph.co.uk

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Northern Rock shares plunge on emergency loan from BoE

By Richard Mather and Richard Blackden

STORY PHOTO VIDEO

ECB Offers Unlimited Cash as Bank Lending Costs (Update8)

By Gavin Fisher and Gwyneth Jones



Aug. 9 (Bloomberg) -- The European Central Bank, in an unprecedented response to a sudden demand from banks roiled by the subprime mortgage collapse in the U.S., offered 94.8 billion euros (\$130 billion) to assuage a credit crunch.

The overnight rates banks charge each other to lend in dollars soared to their highest in six years within hours.

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Can't completely remove Liquidity Risk without replacing it with Credit Risk

So, how to manage Liquidity Risk ?

biggest French bank halting withdrawal of mortgages. The London interbank offered rate for three-month dollar deposits jumped to 5.35 percent and in euros jumped to 5.35 percent.

The ECB said it would provide unlimited overnight Libor since June 2004 significant money just as investors retreat because of the slump. Paris-based **BNP Paribas** said it is pulling out of U.S. funds today because the French bank's U.S. and Europe fell, a turnaround from last year. The bank concluded that credit market risks were too high.

Bank of England in policy U-turn



The Bank of England has made a U-turn in its treatment of banks struggling to deal with the credit crunch.

It has announced that it will inject £10bn into the money markets in an attempt to bring three-month inter-bank interest rates down.

Crucially, the assets that banks are allowed to use as collateral will be wider than usual and will include their mortgage debt.

The Bank had previously said it was not its job to lower three-month rates.

BBC Business Editor Robert Peston says that under the Bank of England injection, individual banks can only apply for £1.5bn each under the £10bn facility.

The Bank also says that Northern Rock would have needed far greater funds - and that if this facility had been provided three weeks ago or so, the liquidity would not have eliminated the Rock's funding difficulties.

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Liquidity Risk - a bank is unable to meet its obligations when they fall due and to replace funds when they are withdrawn, with consequent failure to repay depositors and fulfil commitments to lend.

Principles for Sound Liquidity Management and Supervision

Basel Report September 2008 - Principle 8

- A Bank should actively manage its intraday liquidity positions and risks to meet payment and settlement obligations on a timely basis under both normal and stressed conditions and thus contribute to the smooth functioning of payment and settlement systems



Why?

A Bank's failure to manage intraday liquidity has the following consequences:

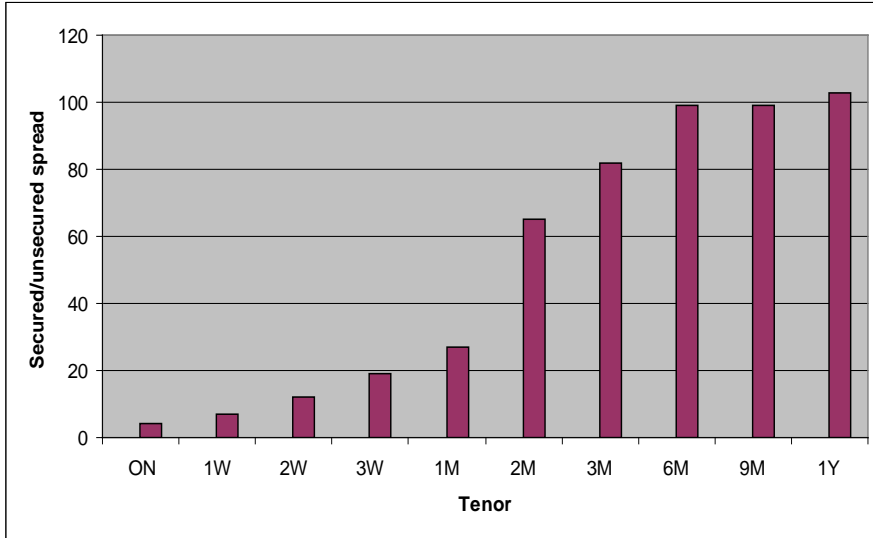
- Could leave counterparties unexpectedly short of funds
- Impair those counterparties ability to meet payment obligations
- Could lead to liquidity dislocations
- Could affect conditions in money markets
- Could alter many banks intraday or overnight funding needs
- Could cause other institutions to postpone their own payments

How?

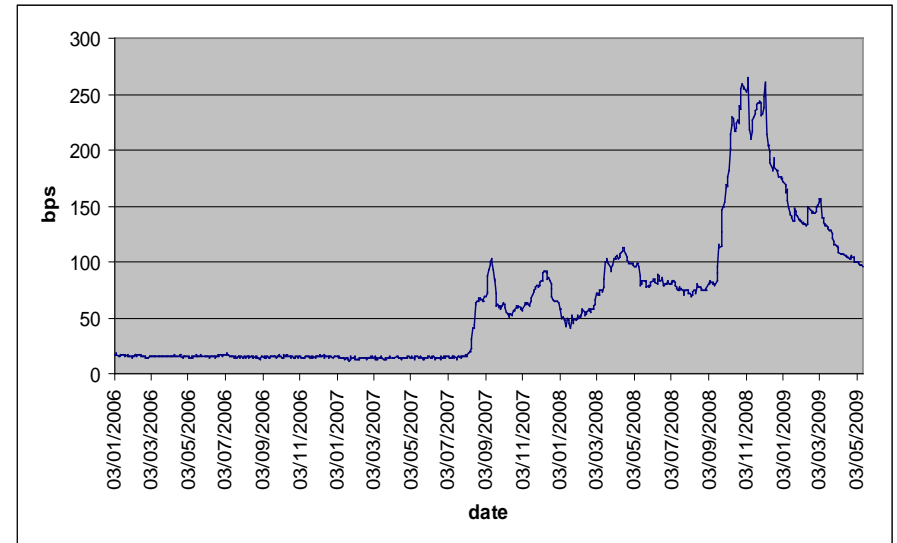
- Identify and prioritise time specific obligations
- Settle less critical obligations as soon as possible
- Manage its provision of credit to its customers

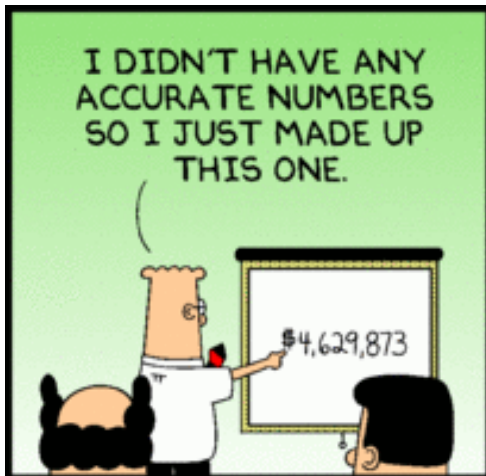


Liquidity Costs (GBP)

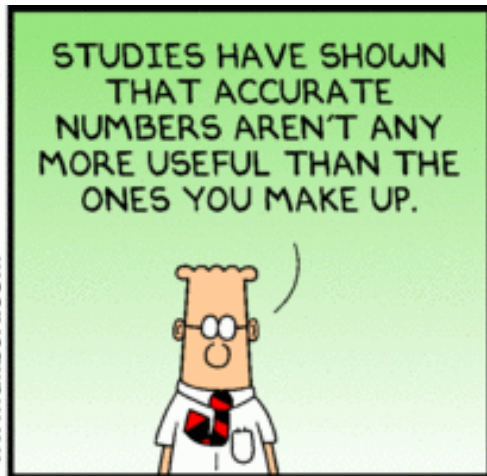


- how should we estimate cost ?
- is the market ready for the cost ?
- what about the cost of compliance ?
- what does this mean for the payments market ?

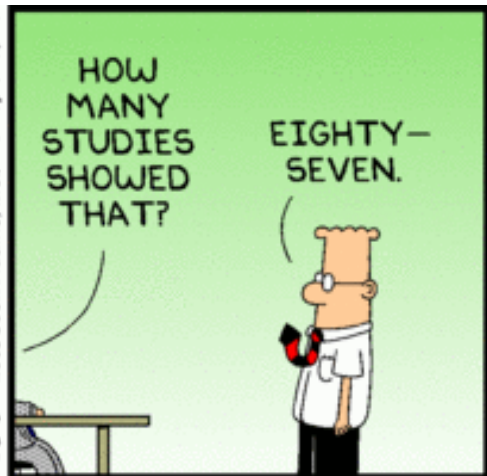




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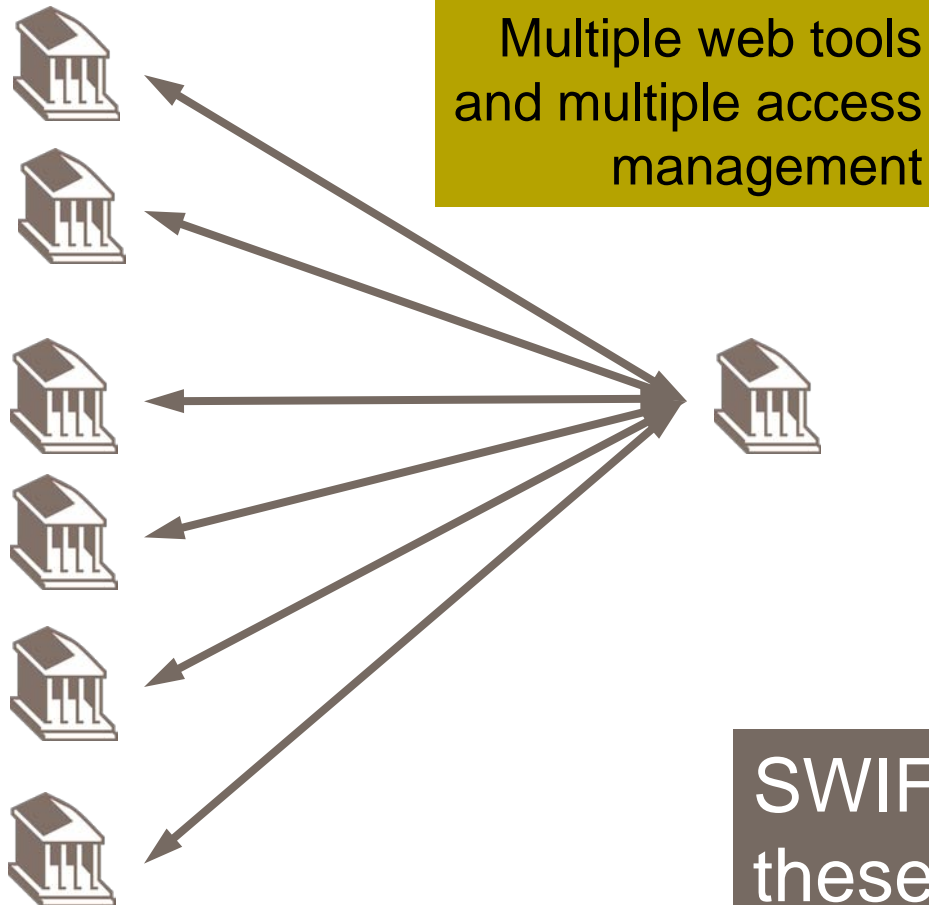


How can SWIFT help you mitigate liquidity risk?

Increase cash visibility and
reduce liquidity risk

Aseem Goyal, Head Payments and
Cash Management Market for Asia Pacific,
SWIFT

Many FIs do not have a complete view of their global liquidity

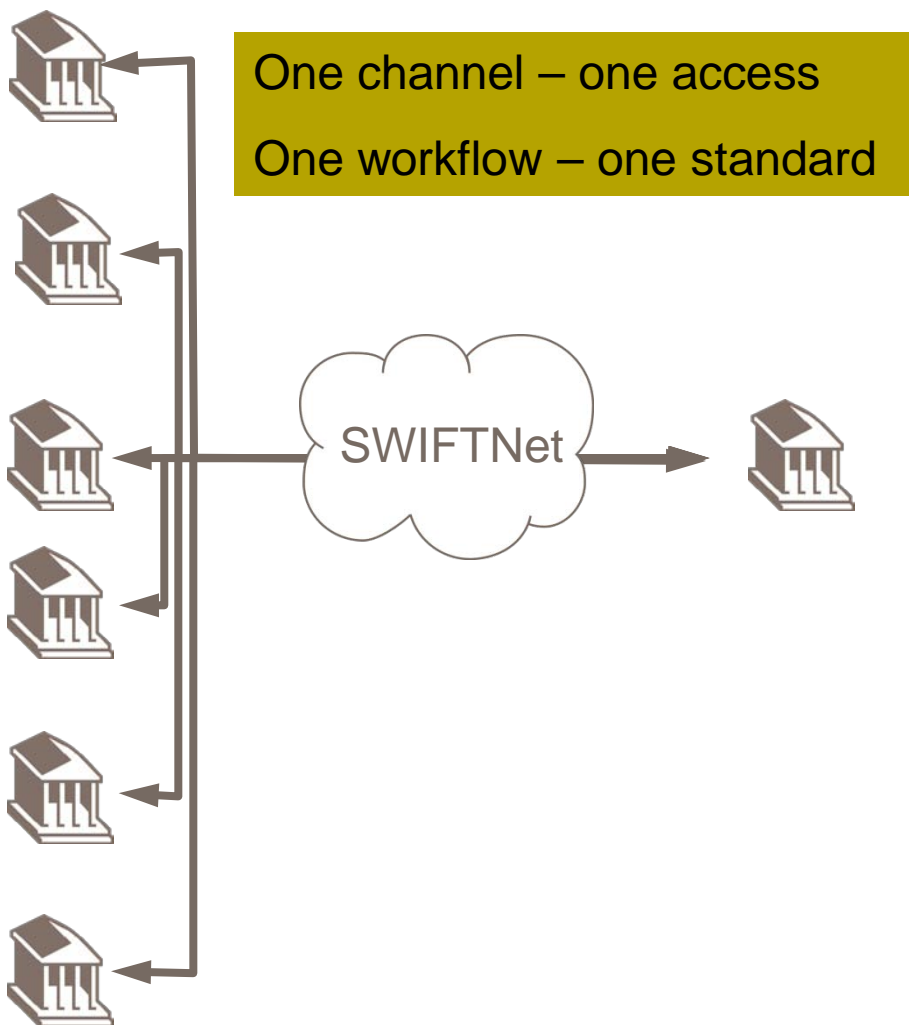


- Disparate systems
- Manual process
- Liquidity information comes in batch
- Lack of consolidated view of liquidity positions

SWIFT's solutions address these challenges



SWIFT enables FIs to increase visibility and reduce risk



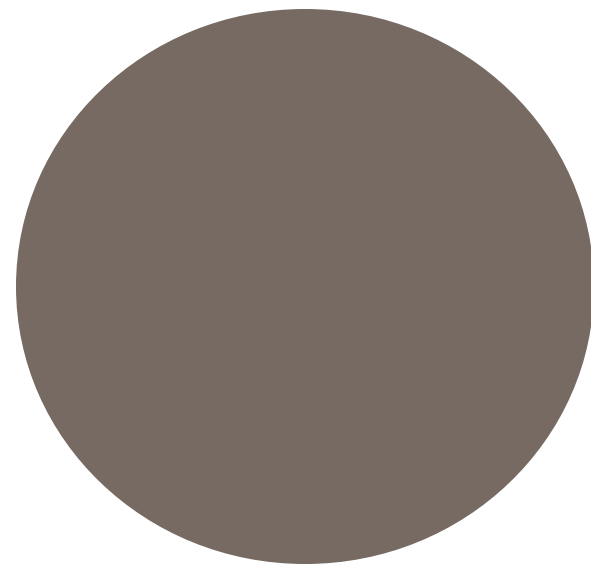
- Single interface
- Granular and standardised information
- Automated data gathering in real-time



- Centralised view of liquidity risk management
- Opportunities to maximise returns on cash
- Satisfy increasing regulators' scrutiny

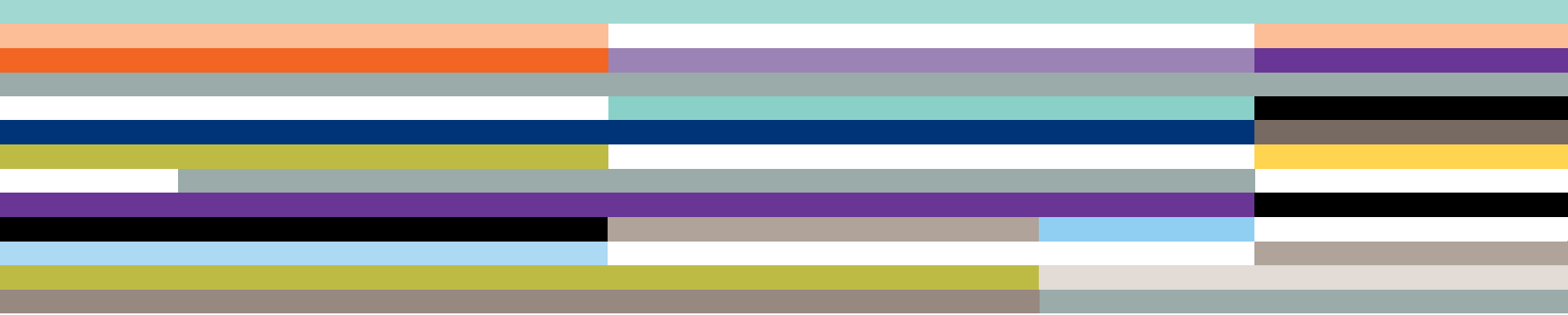


Q&A



Wrap up





Thank you

