



Liquidity Risk Management

We are pleased you have chosen our **Liquidity Risk Management** for your reference library.

In the past three years, over 300 banks have failed, perhaps in part because too many of those bankers only saw liquidity risk management as a compliance exercise. In response, the bank regulators — the Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, FDIC, Office of Thrift Supervision, and National Credit Union Administration — jointly published a major new policy document in March 2010. This was the regulators' rationale for the new issuance:

Given the recent market turmoil, the agencies are reiterating the importance of effective liquidity risk management for the safety and soundness of financial institutions. This policy statement emphasizes the importance of cash flow projections, diversified funding sources, stress testing, a cushion of liquid assets, and a formal, well-developed contingency funding plan as primary tools for measuring and managing liquidity risk.

This interagency policy statement summarizes the principles of sound liquidity risk management issued previously and, when appropriate, supplements them with the Principles for Sound Liquidity Risk Management and Supervision issued in September 2008 by the Basel Committee on Banking Supervision.

The 2011 edition of **Liquidity Risk Management** covers all of the topics in the interagency policy and Basel principles, and connects the manual text to the regulatory text.

The author, Leonard Matz, is often asked for a silver bullet answer to the question of how much "core deposit" loss should be assumed in so-called "worst case" stress testing. There is no silver bullet, but the manual contains step-by-step instructions for applying the author's method, including new worksheets and sample liquidity contingency funding and liquidity risk contingency plans.

This book does not just discuss abstract concepts of managing liquidity risk, it also provides practical information and examples on this important issue. It can be used as a management guide to liquidity risk, a regulatory compliance guide, and a resource for staff training.

About the Author

Leonard Matz is an author, consultant, and bank trainer specializing in risk management and ALM for financial institutions. Previously, he spent five years as a bank examiner and fifteen years in various bank management positions. Mr. Matz is the author or co-author of numerous risk management and investment books, including *Risk Management for Banks*, *Interest Rate Risk Management*, and *Self-Paced Asset/Liability Training*. He is a frequent speaker at industry conferences and training programs around the world and has been a member of the North American Asset/Liability Management Association since 1989.