

Basel III/CRD IV: Liquidity Risk Management

Reconciling regulatory requirements with long-term business sustainability



The changing regulatory environment for liquidity risk fundamentally impacts credit institutions and their business model

The new Capital Requirements Directive and the related regulation will oblige credit institutions to pay greater attention to the management of liquidity and liquidity risk.

While enhanced supervisory scrutiny is certainly only one aspect to bear in mind, the new liquidity risk regulation presents a fundamental challenge to credit institutions and their business model:

- **Economic role:** maturity and risk transformation are being limited and their costs increased
- **Group context:** credit institutions in Luxembourg will need to redefine their role within the group
- **Revenues at risk:** competition for market share will increase, with differentiating factors and productive resources becoming scarce (e.g. people, funding)

- **Increased cost pressure:** some activities might become prohibitively expensive or be penalised by the regulation. Moreover, demands on infrastructure in terms of personnel, processes and technology will increase
- **Conflicting information:** the new regulation requires several ratios to be managed in parallel, but conflicts among ratios are built into the system
- In this new landscape, leveraging on risk management is a key factor in ensuring long-term business sustainability

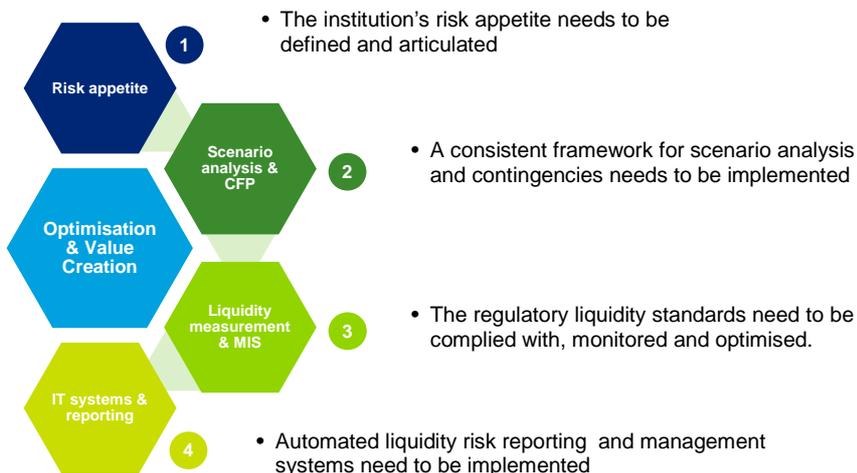
Can risk management support long-term value creation?

Our approach

We propose to our clients not only to achieve compliance with the regulation, but to leverage these developments to create tangible added value in internal liquidity management and strategic decision-making.

Our approach prioritizes and directly addresses areas that are:

- i. highly interconnected, and
- ii. necessary enablers for comprehensive risk management



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