



Liquidity
Panel
Session



French Liquidity Regulation

- ***Both quantitative (ratios)***
- ***And qualitative (principles-based) ...***
- ***With some minor amendments***
 - ▶ *Planned abolition of the « permanent resources coefficient »*

- ***Liquidity ratio (monthly)***

$$\frac{\text{Liquid assets} < 1 \text{ month}}{\text{Liabilities} < 1 \text{ month}} > 100\%$$

Severe haircuts (10% for Govies > 6 month, 50% for equities)

Volatile ratio

- ***Capital and permanent resources ratio (yearly)***

$$\frac{\text{Resources} > 5 \text{ years}}{\text{Liabilities} > 5 \text{ years}} > 60\%$$

- ***Planned abolition of the capital and permanent resources ratio***

rationale :

obsolete regulation (in euro only, restricted to the French affiliates)

The SGCB has developed other tools in order to assess the liquidity position

FINREP

CRBF 97-02 (february 20, 2007)

Reporting institutions shall have policies and procedures for the measuring and managing of their liquidity risk on an ongoing and forward-looking basis.

Alternative scenarios shall be considered. The assumptions underpinning the management of this risk shall be reviewed regularly. Contingency plans to deal with any liquidity crisis shall be in place.

... They shall set up risk monitoring and risk control systems, in particular with regard to credit risk, market risk, overall interest-rate risk, intermediation risk, settlement and liquidity risk, such systems providing for visible internal limits and means to assess whether compliance with these limits is effective.

Reporting institutions and the financial holding companies referred to at Article 2 of this Regulation shall also have systems for monitoring and controlling credit risk, market risk, overall interest-rate risk, settlement and liquidity risk that enable them to assess these risks on a consolidated basis under the conditions set forth at Article 17, paragraph 2 above.

... Systems for monitoring and controlling credit risk, market risk, overall interest-rate risk, intermediation risk, settlement and liquidity risk must contain overall limits.

Reporting principles (art 42)

Roles and responsibilities

Tools, methodology and indicators

Information on deposits and their diversification

Limits, frequency of their revision, breaches (number, amount and causes)

Procedures in case of limit breaches, remedies

Problems during the year

Stress-tests (assumptions, frequency of revision, validation process, result and communication to the board)

Main conclusions of the risk analysis

Description of the liquidity contingency plan