UniversalOwner

Introduction to LiquidityMargin

October 2012
Luxembourg

Liquidity Risk Management

1. Protection of shareholder value

Lessons learned

from the financial crisis

2. Regulatory compliance

UCITS IV, AIFMD
CSSF Circular 09/403, MaRisk...
Basel III, Liquidity Coverage Ratio (LCR),
Net Stable Funding Ratio (NSFR),...

Liquidity Risk Management

1. Liquidity buffer of cash-like assets

Flight-to-Safety: zero or negative interest rates.

2. ECB's dilemma:

Bloomberg 2012-08-29: ECB to urge weaker Basel liquidity rule on crisis concerns, pushing global banking regulators to relax a draft liquidity rule so that lenders can use further securities and loans to businesses in a buffer... The ECB thinks the draft version of the LCR, may hamper efforts to combat the euro-area debt crisis by curtailing lending...

LiquidityMargin

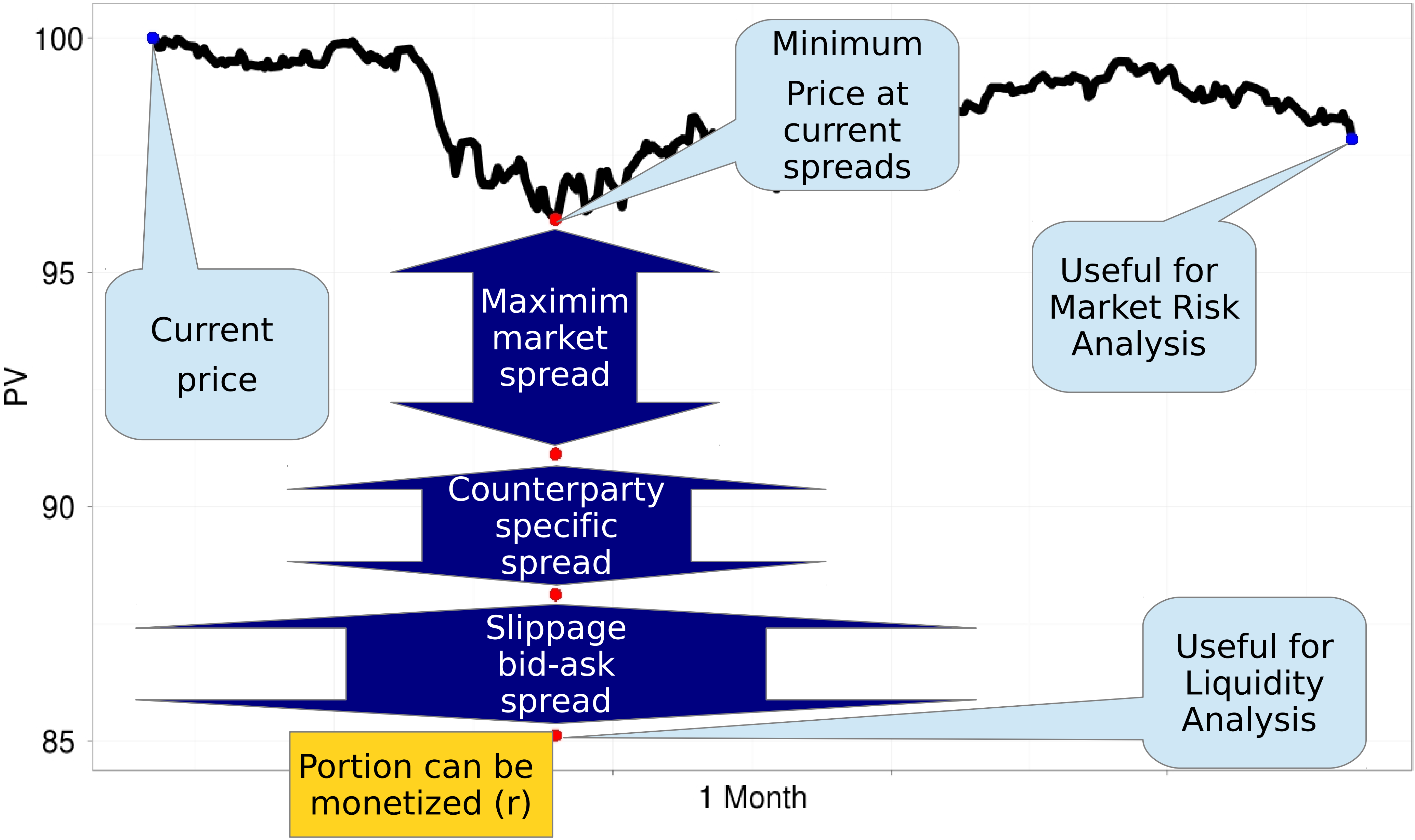
Liquidity risk tool to

- Allocate cost of liquidity management per counterparty
- Calculate required liquidity spread per asset
- Measure the future profitability per asset / counterparty
- Prepare for existing and upcoming regulation
  (LCR / EBA Guidelines on Liquidity Cost Benefit Allocation)
- Set appropriate internal incentives regarding the allocation of liquidity management costs

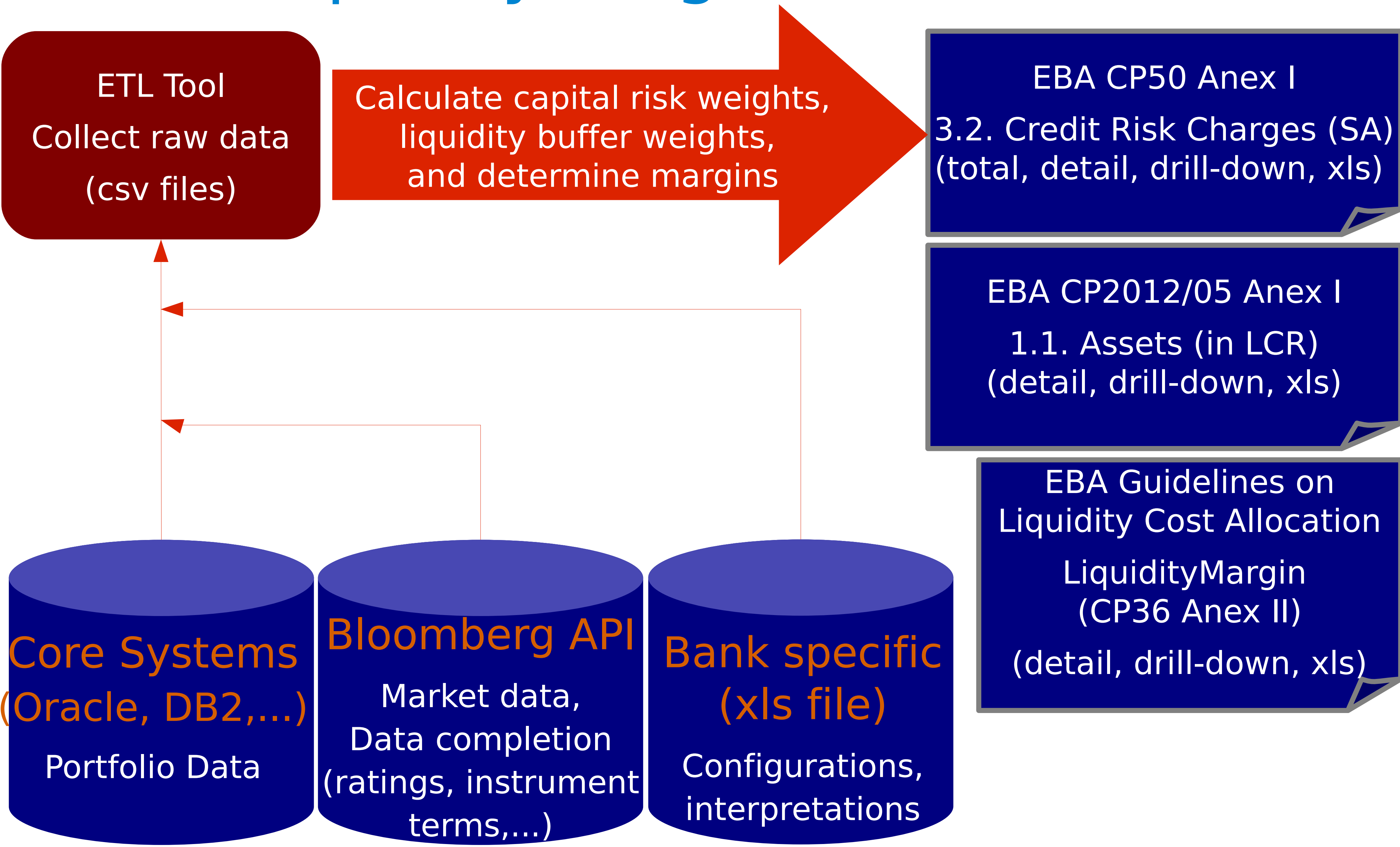
Quantitative modelling approach

- Builds upon intuitive economic model
- Measures the minimum cash inflow through asset sales under normal and stress conditions

LiquidityMargin Element



LiquidityMargin Data Flow



Please let us know your questions and suggestions:

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