

Abstract

Avantage Reply has extensive experience in ECB SREP related processes, including ILAAP (as modelled on the previous DNB approach).

Avantage Reply is supporting a number of European and Global clients in continuing Liquidity Risk Management improvements. In doing this we typically ensure alignment across regulatory requirements, such as UK PRA ILAA or US Federal Reserve CLAR.



THE CLIENT

Our client is a US domiciled, Globally Systemically Important Bank (G-SIB), with significant operations in Europe. In addition to following US Fed guidelines with regards to Liquidity Risk (CLAR related), the 2015 year-end Internal Liquidity Adequacy Assessment Process (ILAAP) needed to be prepared following the latest standards and practices expected as part of the ECB's Supervisory Review & Evaluation Process (SREP).

THE CHALLENGE

Our client was restructuring a number of legal entities across Europe and ECB SSM area during the time of the ILAAP. For 2015 year end a number of aligned initiatives were required for the ECB regulatory consolidation scope:

- ICAAP year-end submission;
- Regulatory stress test;
- ILAAP submission;
- Recovery & Resolution Plan.

The client asked us to leverage our expertise with DNB based ILAAPs to ensure that their first ECB ILAAP fully met regulatory expectations in this dynamic environment.

APPROACH AND SOLUTION

Avantage Reply deployed a small international team of experienced consultants to prepare a plan and execute it. We did this via interviewing senior staff, engaging all stakeholders, reviewing SREP materials and guidelines, reviewing liquidity limits and policies, and drafting the 2015 ILAAP submission package: Concise Statement, Readers Manual, Qualitative and Quantitative ILAAP, including Stress Testing, Self-Assessment and Annexes.

Best practice input from fora such as the EBF was sought to ensure correct interpretations and compliance with standards around topics such as Liquidity Funds Transfer Pricing, Contingency Funding, Intraday Liquidity Risk and Liquidity Risk Modelling in regards to deposits runoff.

Lessons learnt and action points were agreed and planned for follow up during 2016, and aligned with the existing portfolio of global projects and resources. Executive training for Board was provided as part of the project.

RESULTS AND BENEFITS

The ILAAP was delivered in time for internal review and governance processes, such as ALCO and Board meetings in Europe and the USA. It was well received and submitted on time in line with the aligned SREP year-end packages such as ICAAP.

As our solution was embedded in the organisation, the client now has a repeatable process that complies with ECB ILAAP, as well as global Liquidity Risk Management expectations.

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