



EUROPEAN CENTRAL BANK

BANKING SUPERVISION

ECB-CONFIDENTIAL

# **Sensitivity Analysis of Liquidity Risk – Stress Test 2019 (LiST 2019)**

ECB Industry Workshop  
Frankfurt am Main, 6 December 2018

# Key Features of the Sensitivity Analysis of Liquidity Risk



## Key features

- Exercise will be a **sensitivity analysis** based on **idiosyncratic liquidity** shocks
  - **No macro-economic scenario nor market risk shock**
  - **Adverse** and **Extreme** instantaneous shocks calibrated based on **supervisory experience**
  - Shocks unfold in a **monetary policy-neutral** context
- Template based on **existing reporting requirements** and significantly **smaller than EBA ST 2018**
- Reported data will be **challenged by the ECB Banking Supervision** through a **Quality Assurance process** focused on data quality and peer benchmarking



## Timeline

- The exercise will be **launched in February 2019**
- We plan **Quality Assurance** interactions to run **through May 2019**
- **Banks** to discuss individual results as part of **SREP Supervisory Dialogue later in second half of 2019**
- **No disclosure** of individual results planned

# The envisaged LiST 2019 shall revolve around a core exercise complemented by ad-hoc deep dives

Legend		Baseline contractual cash flows	Adverse shock	Extreme shock	Business view
✓	Submission of template				
✗	No submission of template				
<b>“Core exercise”</b> (fully consolidated)		✓ Consolidated maturity ladder	✓ Consolidated maturity ladder	✓ Consolidated maturity ladder	✓ Consolidated maturity ladder
<b>“Deep dives”</b>	<b>FX</b>	✓ Single CCY maturity ladder	✓ Single CCY maturity ladder	✓ Single CCY maturity ladder	✗
	<b>Intragroup</b> (sub-consolidated)	✓ EA Subgroup maturity ladder	✓ EA Subgroup maturity ladder	✓ EA Subgroup maturity ladder	✗
		✓ Ex-EA Subgroups maturity ladders	✓ Ex-EA Subgroups maturity ladders	✓ Ex-EA Subgroups maturity ladders	✗
	<b>Collateral mobilisation</b>	✓ Ad-hoc reporting template	✗	✗	✗

Modified maturity ladders

Aim is to collect information on banks' ability to mobilise collateral beyond existing counterbalancing capacity

# The SSM 2018 Liquidity template constitute the basis for the 2019 LiST template

## 2018 SSM Liquidity Exercise

Launch: 25-Sep-18  
Delivery date: T+1  
Submissions: 5 days in a row  
Reference date: submission date

- Based on **ITS C.66 ladder** with a number of improvements
  - (Non maturing) **sight deposits** clearly distinguished from other O/N (contractual) liabilities
  - **Counterbalancing capacity** i) after haircut ('liquidity value'); ii) including self-originated collateral
  - Granularity in **contingent liquidity flows**

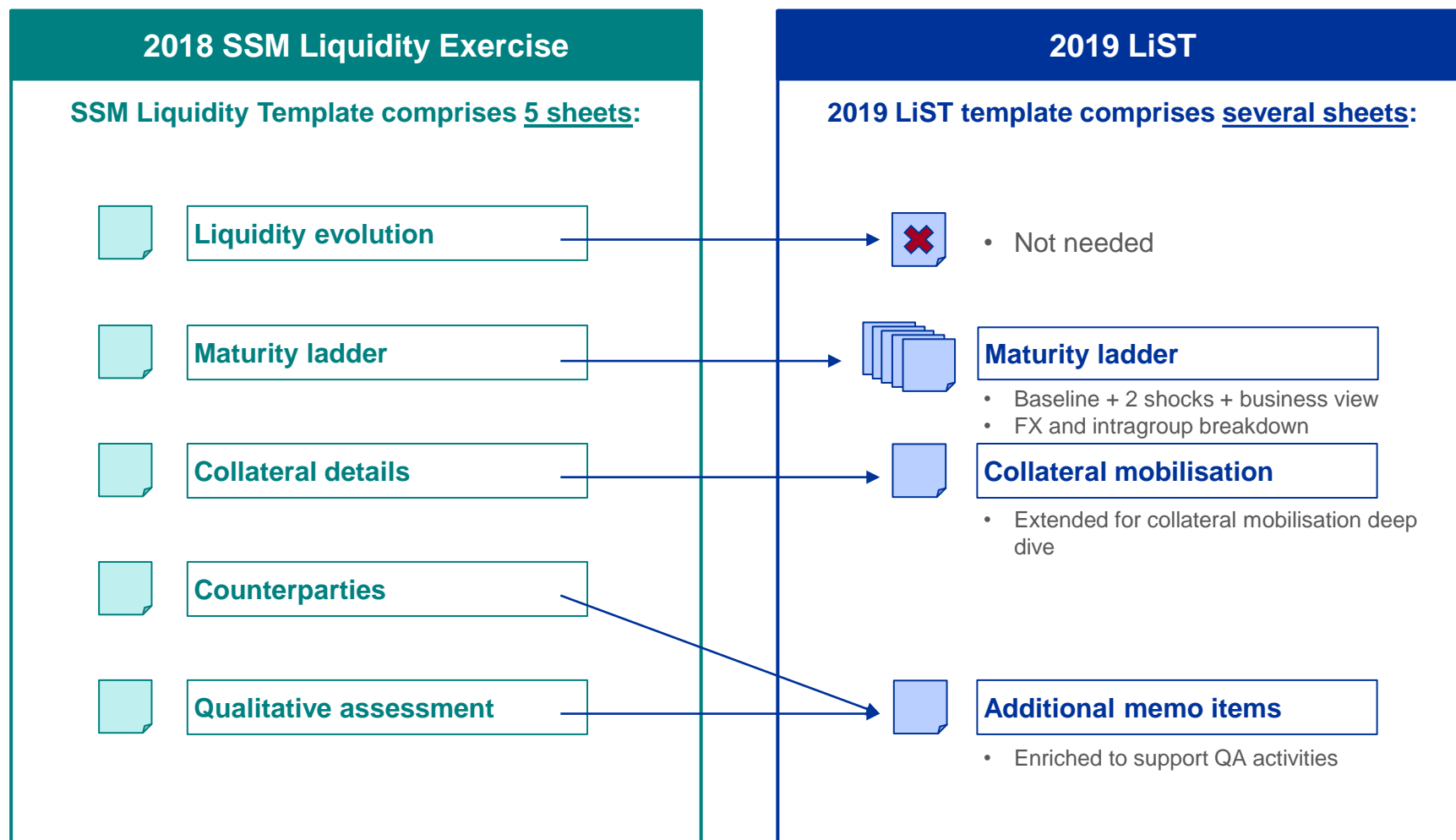
## 2019 LiST

Launch: February 2019, to be communicated  
Delivery date: 6 weeks from launch  
Submissions: single snapshot  
Reference date: to be communicated

- The LiST 2019 maturity ladder will address the same phenomena (**same rows**) of 2018 SSM liquidity exercise
- Main **difference** of **LiST 2019** maturity ladders
  - **6 months time horizon** (in line with the duration of the shocks)
  - Granularity of **time buckets**
- The maturity ladder will serve as a basis for **deep-dives** analyses

**Building upon the template of the yearly SSM Liquidity exercise shall allow banks to automatize the respective reporting procedures and thus, reduce the overall reporting burden.**

# Some elements of SSM LE dropped but additional maturity ladders collected to enable deep dives



## Next steps...

<b>February 2019</b>	<p>Launch of exercise, possibly through a telco with banks, press and analysts</p> <ul style="list-style-type: none"> <li>- Final version of template and instructions shared with banks</li> <li>- Further details on QA process</li> </ul>
<b>Launch + 6 weeks</b>	<p>Remittance date for data request for all participating banks and start of the Quality Assurance phase</p> <ul style="list-style-type: none"> <li>- Ex-ante inclusion of data quality checks</li> <li>- Ex-ante listing of external data points</li> </ul>
<b>Until approx. May 2019</b>	Quality Assurance interactions with banks
<b>Q3 2019</b>	First outcomes feed into the supervisory dialogue (timeline tbd)
<b>H2 2019</b>	Disclosure of aggregate results, if any