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**INFLUENCE OF THE FINANCIAL CRISIS ON REGULATORY
APPROACH TO LIQUIDITY RISK IN THE LIGHT OF GUIDELINES
OF THE BASEL COMMITTEE ON BANKING SUPERVISION**

Introduction

Liquidity has recently re-emerged as a central point within bank risk management, following the financial markets turmoil that started in mid-2007. In this paper, liquidity risk is studied in the context of the international regulatory approach, including some major changes in approach to liquidity as a consequence of the financial crisis. Liquidity problems have repeatedly proven to affect other types of bank risk and to be crucial for the survival of financial institutions at times of market stress. During the financial crisis of 2007/08, banks lacking liquidity support were on the brink of collapse, despite potentially sound underlying profitability. As a result, liquidity issues are vital to banks, notwithstanding other main risks. Empirical studies of bank liquidity are however strongly limited, due to asymmetric information problems and restricted data availability. This may possibly change in the future, as bank supervisors and financial market participants press for higher transparency and more accessible data, e.g. regarding interbank transactions. For the time-being, such data is almost exclusively available to bank supervisors.

This article presents the international regulatory framework of bank liquidity along the guidelines prescribed by the Basel Committee on Banking Supervision

(“the Basel Committee”). The study specifically depicts changes that the Basel Committee has been implementing after negative repercussions of the financial crisis of 2007/08. Such detailed regulatory background may be used as an important reference point to measuring and assessing liquidity risk from a single bank perspective in the international and national context. In addition, it demonstrates regulatory efforts in curbing excessive bank risk that are aimed to avoid future systemic problems, of the kind that were witnessed in 2007/08.

The Basel Committee on Banking Supervision has been continuously updating its guidelines regarding an international framework for assessing and managing liquidity risk. A basic framework regarding measuring and managing liquidity published in 1992 was thoroughly reviewed in 2000, and published as “Sound Practices for Managing Liquidity in Banking Organisations” in BIS (2000) and referred to as “Liquidity Guidelines 2000”. Nonetheless, rapid changes in banking activities and particularly an unprecedented growth in financial instruments and innovations that followed this publication called for another revision. In order to carry out this task, the Basel Committee established a Working Group on Liquidity (WGL) in 2006. The financial market turmoil that surfaced in mid-2007 spurred even more intensive work on modified liquidity principles and WGL published a revised liquidity framework in September 2008 in BIS (2008b), and referred to as “Liquidity Guidelines 2008”.¹ Following numerous discussions among practitioners, researchers and supervisors, a consultative document on more explicit liquidity measurement and standards was issued in December 2009 (BIS 2009), and is currently under discussion. Due to the fact that the Basel Committee holds a reputation for numerous changes in its consultative papers, the BIS (2009) document cannot be considered final before its full implementation and thus is not discussed here.

This paper presents the most important features of the regulatory approach to liquidity risk presented by the Basel Committee on Banking Supervision in the two Liquidity Guidelines documents. The main points comprise general definitions and approach to liquidity risk management by banks, treatment of specific tools used in this process and the changing view on wholesale funding, as well as recommendations towards public disclosure and role of national supervisors.

¹ This was preceded by a more general comment on liquidity, “Liquidity Risk: Management and Supervisory Challenges” issued in February 2008 in BIS (2008a).

1. Liquidity risk definitions and general regulatory approach

Liquidity Guidelines 2000 replaced earlier regulations from 1992, which are not discussed here. The 2000 version was aimed primarily at large banks, however most principles were regarded by the Basel Committee to be applicable to all players. An important feature of liquidity rules of 2000 (and in fact these of 2008) was that – in contrast to capital adequacy regulations – they did not prescribe any particular limits or ratios that had to be observed by banks in their liquidity management. Setting detailed liquidity risk guidelines was delegated to national supervisors. The 2000 Guidelines sketched out general principles that were recommended to be observed by banks and their supervisors, but the interpretation and implementation of these principles was left at full discretion of national supervisors.

Liquidity Guidelines 2008 were published in September 2008, after the negative experiences of the banking crisis of 2007/08 and – especially – following liquidity problems suffered sectorwide, even by large established banks. Although modified, the new guidelines base roughly on the framework sketched by previous regulations, so they are demonstrated in the paper only when they are substantially different from the earlier norms.

The impact of the financial crisis of 2007/08 upon the regulatory approach to liquidity risk can be seen already on the level of definitions relating to liquidity. The Liquidity Guidelines 2000 defined liquidity as “the ability to fund increases in assets and meet obligations as they come due” (BIS 2000, p. 1). Liquidity Guidelines 2008 see liquidity as ‘the ability of a bank to fund increases in assets and meet obligations as they come due, **without incurring unacceptable losses**’ (BIS 2008b, p. 1). This opening line illustrates the mind-set of the whole document, where the banking turmoil of 2007/08 is repeatedly mentioned and used as reference for underlining the crucial role of liquidity risk management. Already in the – previously inexistent – ‘Fundamental principle for the management and supervision of liquidity risk’, which is the first principle of Liquidity Guidelines 2008, liquidity risk management is strongly advised. Robust liquidity risk management should have conservative assumptions and assure meeting liquidity obligations also during periods of stress, of both bank-specific and market-wide origin. Banks should ensure sufficient liquidity, with an explicitly recommended “cushion of unencumbered, high quality liquid assets to withstand a range of stress events, including those involving the loss or impairment of both unsecured and secured funding sources” (BIS 2008b, p. 6). In addition, the fundamental

principle underlines and strengthens the role of supervisors in monitoring and regulating liquidity risk, as banks may face incentives to treat it not as prudently as would be optimal to their individual safety and the system as a whole.

Liquidity definitions appearing in the literature are similar to the approach of the Basel Committee. Halaj (2008) presents a broad literature study of bank liquidity, indicating two types of bank liquidity: current liquidity and structural liquidity. The first one regards an ability of meeting obligations as they come due and is of a short-term character that takes into account short-term, liquid means. The second one implies an adequate structure of assets, liabilities and off-balance sheet items, with mismatches minimised in the long term. These liquidity approaches correspond to current liquidity risk (inability of meeting obligations as they come due) and funding risk (inability of receiving funding in order to continue activities in line with an agreed strategy, i.e. loan granting). Similar divisions are used by many authors, see for example Heffernan (2008), Iwanicz-Drozowska and Nowak (2002). The general definition of liquidity is sometimes extended, by stating that it is “the risk of being unable to satisfy claims without impairment to (a bank’s) financial or reputational capital” (Greenbaum and Thakor (2007), p. 172). This broader version is similar to the approach in Liquidity Guidelines 2008.

Importantly, all authors underline the difference between liquidity risk and insolvency risk. The latter emerges when the value of liabilities exceeds the value of assets. Liquidity risk does not refer to the true, underlying value of assets but rather their marketability, or the easiness with which they can be converted to cash. Nonetheless, serious liquidity problems may lead to insolvency, as in case of a deposit run, when most funds are withdrawn and a bank is (understandably) not able to liquidate all of its long-term assets for their full value. It is at this point that the lender of last resort comes into consideration. One of the roles of this institution is providing liquidity lines to banks that are facing liquidity problems, but are otherwise sound. As Heffernan (2004) puts it, “the central bank will have to be reasonably certain that that the problem is one of illiquidity and not insolvency” (p. 124). Nonetheless, this readiness to deliver relatively cheap liquidity causes a moral hazard for banks, which may be tempted to stretch their risks excessively, knowing they can rely on outside help in case of trouble. On the other hand, new directions of research in recent literature indicate that stable deposit funding, in contrast to capital market funding, has a risk-reducing effect on liquidity risk exposures. As Gatev et al. (2009) put it: “rather than open banks to liquidity risk, transactions deposits today help banks hedge that risk”. Thus,

the post-financial market liquidity risk approach shows some new, distinctive features.

In general, the Basel Committee has attempted to make Liquidity Guidelines 2008 stricter than their previous version. Nonetheless, it is difficult to pinpoint the more stringent standards, apart from a generally more severe and conservative tone of the whole document. As previously, the Basel Committee does not force upon banks any specific minimum ratios of liquidity, unlike in the case of capital requirements. The potential rationale behind this is that liquidity management is much more bank-specific than capital levels. Depending on the type of activities, level of bank sophistication and size, operating environment, liquidity of local markets, legal system specifications (e.g. for enforcing collateral) and regulatory environment, liquidity management may vary. Requiring a stiff level of e.g. liquid assets versus liquid liabilities across banks and markets would inevitably cause inefficiencies in some banks – from holding too many liquid assets – and liquidity risk in other banks, entailed by maintaining too few liquid assets, given e.g. market surroundings. As a result, the need of entrusting the banks themselves with liquidity risk management has obviously been taken into account. Liquidity risk supervision and regulations have been left in the national supervisors' hands. As a result, the new rules do not anticipate a possibility of directly shaping ratios or liquidity mismatches and in that sense they do not bring about a drastic change.

As an example, in principle 2 of Liquidity Guidelines 2008, banks are recommended to clearly articulate a liquidity risk tolerance, through “a variety of qualitative and quantitative ways”. National supervisors will assess the appropriateness of risk tolerance and any changes to it. Although this seems strict, it is not much different from principle 3 in Liquidity Guidelines (2000), stating that “banks should set and regularly review limits on the size of their liquidity positions over particular time horizons”, and that these limits should be reviewed by supervisors, or alternatively supervisors could set the limits. New rules make it possibly somewhat more explicit, but a large field of interpretation remains.

2. Stable general guidelines regarding liquidity risk management

Following the financial crisis of 2007/08, the regulatory approach to overall liquidity risk management in banks has not changed drastically. Similar general principals can be observed in BIS (2000) and BIS (2008b), in the areas of

managing, supervising and controlling liquidity management and procedures. Some changes have been introduced in the area of specific tools applied in the liquidity risk management process, but they are described in the next section.

The publication of the revised capital adequacy standards (BIS 2006) by the Basel Committee has been an important step in setting international norms of bank risk management. Although the new capital framework deals primarily with credit risk, market risk and operational risk, it also underlines the crucial role of liquidity management: *Liquidity is crucial to the ongoing viability of any banking organisation. Banks' capital positions can have an effect on their ability to obtain liquidity, especially in a crisis. Each bank must have adequate systems for measuring, monitoring and controlling liquidity risk. Banks should evaluate the adequacy of capital given their own liquidity profile and the liquidity of the markets in which they operate*, BIS (2006), p. 208.

This approach is similar to the ones expressed in both Liquidity Guidelines documents. In BIS (2000), the Basel Committee's guidelines towards managing liquidity were expressed as 14 'principles' and grouped into five main areas. These areas comprised ongoing liquidity management², foreign currency liquidity management, internal controls for liquidity management, role of public disclosure in improving liquidity and role of supervisors. The first area set out the framework for sound liquidity risk management within banks. This included defining appropriate strategies, ensuring managerial oversight, and implementing sound processes for measuring, monitoring and controlling liquidity risk. All banks were recommended to have strategies for continuous management of liquidity, including general policies regarding e.g. the composition of assets and liabilities, foreign currency and country liquidity management, financial instruments' usage, liquidity of assets and liquidity disruptions. In addition, quantitative targets should be set within this strategy. The strategy had to be communicated throughout the bank to all business units and not only the treasury side, which was no longer considered the sole generator of potential liquidity problems. The importance of maintaining both the bank's board of directors and senior management permanently involved in liquidity management was underlined, as well as their understanding of other risks influencing liquidity. Execution of liquidity strategy was to be monitored by appropriate senior management representatives, which should also be permanently involved in setting policies and reviewing liquidity decisions. A responsibility for

² Ongoing liquidity management included: developing a structure for managing liquidity, measuring and monitoring net funding requirements, managing market access and contingency planning.

liquidity management could be given to an Asset/Liability Committee (ALCO) comprised of senior management representatives, or to a treasury or risk department. Exact mechanisms of managing liquidity were left up to bank discretion, but the importance of overall implementation of liquidity strategy and policies was underlined, as well as communication between various departments potentially feeding into a bank's liquidity position. A crucial role of management information systems was put forward, as it affects timely information delivery and adequate decision making. The system should enable a continuous and precise assessment of liquidity exposures, including currency exposures, pre-defined period exposures, etc. Another regulatory area referred to internal control systems in banks. Banks were urged to establish internal control systems, in order to regularly assess liquidity risk management and introduce modifications, if necessary. Results were to be made available to national supervisors.

As mentioned at the beginning, the principles regarding developing and implementing a liquidity risk management strategy in the Liquidity Guidelines 2008 are largely similar to the 2000 version. Again, the role of both the supervisory board (board of directors) and senior management in monitoring and actively participating in risk management is underlined. Adequate management information systems are advised. Liquidity risk has to be monitored throughout the whole banking group, across all legal entities, business lines and currencies. In general it is also strongly suggested to make reporting more transparent, to translate policies into more specific operating standards. A separate principle has been added, stating that liquidity risk should be adequately priced and incorporated into all bank activities and products. The earlier version included a similar, but more general recommendation.

3. Modifications of regulatory stance towards specific tools in liquidity risk management

Both liquidity documents issued by the Basel Committee contained few specifications of tools that banks can use to manage liquidity risk. Liquidity Guidelines 2000 recommended that in order to ensure adequate liquidity, banks should set various limits reviewed by supervisors, or national supervisors themselves could force their own limits upon banks. These limits could refer to e.g. cumulative cash flow mismatches over particular periods and ratios of liquid assets versus short

term liabilities. Limits should be set depending on the size and activities of a bank, as well as on the outcome of stress scenarios in particular banks.

The Liquidity Guidelines 2008 introduce a concept of early warning indicators that identify any negative liquidity trends and mitigate a bank's exposure. These indicators can be both quantitative and qualitative and refer to a wide range of events. They comprise more technical, balance-sheet factors that are internal (such as rapid asset growth, increases in currency mismatches, deterioration in earnings or asset quality) and external (stock price decreases, rating downgrades, rising wholesale funding costs). In addition, qualitative or judgmental factors should also be accounted for, e.g. negative publicity, difficulties in accessing longer-term funding, counterparties requesting additional collateral etc.

As to the systems used in assessing liquidity, the Liquidity Guidelines 2000 encouraged banks to use scenario analysis, applying a conservative approach in constructing different versions of their maturity ladders. Main areas of assumptions affecting liquidity were grouped into: assets, liabilities, off-balance sheet activities and others. In terms of assets, they were assessed towards their potential for growth (in terms of new loans, roll-overs etc.) and marketability of existing asset classes. At this point, the Basel Committee did warn against overreliance on securitisations and sale of assets to provide liquidity and pointed out asymmetry in higher credit risk and structured finance markets, with potential liquidity shortages during a downturn. Liabilities analysis included studying behaviour of funds during normal conditions and testing this for adverse circumstances, partitioning funds into these likely to remain and likely to disappear in a crisis. Interbank funding was briefly mentioned, as 'in some countries some types of interbank funding may stay, but a bank's roll-over experience and other troubled institutions experience should help'. Again, a prudent approach was recommended here, with wholesale deposits considered as rather unreliable, dependent on historical relationships and bank reputation.

The separate but general treatment of 'what-if scenarios' of 2000 was replaced in 2008 by detailed instructions on stress testing, bearing marks of negative market experiences of 2007/08. Numerous factors that should be covered are identified in the BIS (2008b) guidelines, including e.g. simultaneous liquidity dry-ups in a few previously liquid markets, restrictions on currency convertibility, or severe constraints in accessing secured and unsecured funding. Interdependencies between many liquidity needs and across markets, products, settlement systems and currencies should be accounted for. At all times, a conservative approach

to constructing scenarios is regarded as crucial. This is especially important as regulators realise limitations of using historical data and events only, and recognise the significant role of a banker's judgmental views. Results of stress tests are required to be implemented primarily in bank contingency planning, but also in day-to-day risk management, limit setting, and strategic planning, including e.g. asset-liability composition decisions.

In Liquidity Guidelines 2008, a new principle is added to account for collateral treatment. The regulators point at the necessity of banks managing their collateral positions, differentiating between encumbered and unencumbered assets. In terms of liquidity risk, it is vital that banks are able to precisely identify their levels of available collateral, its current usage and all operational and timing requirements associated with accessing it, in case of urgent needs. Importantly, additional collateral needs that are embedded in some instruments (e.g. derivatives) have to be accounted for. Such needs can be triggered by changes in market positions, a bank's credit rating or its financial position.

As mentioned at the beginning, special attention has been accorded in BIS (2008b) to maintaining an adequate cushion of unencumbered, liquid assets that may be used in case of liquidity shortages. Access to such a safety net should be continuous and instant, so that they can be sold or pledged at all times to obtain additional funding, if other sources dry out. The amount of this form of security should be linked to estimates derived from liquidity scenario stress-analyses and should fall within the stated risk tolerance of a bank. The core of liquid assets should be comprised of cash and high quality government bonds or similar instruments, while other unencumbered marketable assets may be used to insure against less intense but longer duration stress events. This approach distinctly demonstrates that the negative consequences of the financial crisis 2007/08 were taken into account by the regulators, along with a possibility of temporary liquidity shortages. This is strongly visible in the more prudent regulatory approach to risk related with wholesale funding, described in the next part.

4. A more prudent regulatory view of risk connected with wholesale funding

In the conservative, old-fashioned banking world, the bulk of funding was originated through retail deposits, with a marginal role played by wholesale funding. This has dramatically changed in recent times, where banks expand their

loanbooks on the basis of interbank funds and money market activities have gained on importance. In consequence, measuring and monitoring of net funding requirements became crucial. However, as many authors point out, the access to the interbank market should not be treated as a given. As Iwanicz-Drozdowska (2010) underlines that emergency liquidity lines on the interbank market “are possible only when the bank is assessed as a reliable partner” (p. 155).

In Liquidity Guidelines 2000, the Basel Committee specifically referred to the development of funding sources other than traditional core deposits. Constructing maturity ladders in cash in- and outflow comparisons was suggested, with appropriate time-frames, including intra-day liquidity, especially for banks relying on short-term funds. Liquidity positions in longer term had to be monitored and funding gaps possibly diminished through appropriate matching of transaction maturities.³ Remaining gaps should remain within a range that a bank was capable of easily funding in the market. Here, the Committee indicated that “banks which are active in short-term money markets (...) are in a position to fill funding gaps at short notice”, which from today’s point of view does not seem an obvious conclusion to make. Following this, it was stated that “even this latter category of banks may find it worthwhile to tailor the maturity of new transactions to offset gaps further out in the future” (BIS 2000, p. 8). In consequence, it is obvious that even the supervisors themselves have not seriously considered a possibility of a sharp liquidity crisis of a kind met in 2007/08 and their restrictions towards liquidity management were in fact quite lax.

Liquidity Guidelines (2000) recommended banks to periodically review their abilities to receive funds from the market, both in terms of loans and asset sales, during normal and adverse conditions. Building strong relationships with potential funding providers was regarded as crucial, as well as maintaining a diversified funding structure by instrument types, funding providers, geographical concentration etc. Banks were advised to have contingency plans for handling liquidity crises, especially witnessing an increasing reliance on funding other than retail deposits. Adequate and timely information flows were underlined, as well as a flexibility towards own assumptions and strategic patterns of behaviour that could prove wrong in adverse conditions and would need to be rapidly modified. Maintaining strong relationships with various asset-, liability- and off-balance sheet counterparties was again brought forward.

³ For gap analysis description, see Heffernan (2004), Iwanicz-Drozdowska (2010).

These rules were not enough to curb risk appetites of banks and limit their liquidity exposures. The 2007/08 crisis pointed at severe weaknesses in the funding positions of banks, most visibly exposing excessive reliance on wholesale funding. Modified rules of BIS (2008b) specifically point at potential volatilities on the funding side if market funding is used instead of retail deposits. The 2000 belief in bank abilities of “filling funding gaps on money markets at short notice” is thus replaced. Matching of asset and liability future cash flows is presented in a similar way, with a suggestion of realistic assumptions, and strong stress-testing at all times. The 2008 Guidelines repeatedly underline the necessity of a prudent approach, suggesting that “funding might dry up in times of stress” or “a bank should not assume that the funding will automatically roll over”.

A separate principle relates to funding, which should be diversified and regularly re-assessed. Although the 2000 rules also recognised the importance of funding reliability and reputational issues, the new rules attach even more weight to this. Again, the volatility and unreliability of wholesale funding is emphasized, alongside a necessity of maintaining and monitoring bank market access. This market access overview should regard funding needs in terms of loans and potential asset sales, again allowing for a black scenario that “sources of funds may dry up and markets may close” (BIS 2008b, p. 19). As a result, negative repercussions from the crisis are visible in the new approach, even if the interpretation of Liquidity Guidelines 2008 is left largely to national supervisors and individual banks.

5. Public disclosure and the role of supervisors

One of obvious problems exposed by the financial crisis of 2007/08 was weak transparency of bank information. The Liquidity Guidelines 2000 accounted for disclosure very briefly. The rules stated that an adequate level of disclosure of information about the bank would ensure better management of public perception of the bank, especially in times of stress. Proper public relations management was seen as decreasing the effect of adverse information (e.g. rumours) that could fuel deposit runs and funding squeezes.

The 2008 Liquidity Guidelines present a visibly modified attitude towards public disclosure, in comparison to the 2000 version. The latter seemed to advise using public disclosure in order to manage liquidity, in that e.g. successful

offsetting of negative rumours can prevent bank runs. The new approach turns this around, emphasising the crucial role of adequate information delivery in reducing uncertainty on the markets and in strengthening market discipline. As a result, it is the bank's obligation to contribute to the markets' and shareholders' ability of making informed judgments about its liquidity, rather than managing the public view in such a way as to prevent forming negative impressions. The specification of information that could be delivered to the public is also included in the document, basing on existing practices of some players and shareholder and market needs. In general, such information should comprise both quantitative and qualitative data, regarding limits, ratios, mismatches, liquidity cushion, on- and off-balance sheet item liquidity breakdowns, as well as general strategies, lines of responsibility, stress testing and liquidity risk management policies and techniques.

The last important issue broadly discussed after the financial crisis, both in academic circles and in the public opinion context, are shortcomings in the behaviour of bank supervisors, blamed for the lax treatment of sizeable bank exposures to risk. According to Liquidity Guidelines 2000, national supervisors had to evaluate bank strategies, policies, procedures and practices in the area of liquidity risk. They should have obtained sufficient and timely information, allowing to properly assess liquidity risk levels and contingency plans. Supervisors were to make sure that banks adhered to Liquidity Guidelines 2000, and they could possibly issue additional standards for liquidity risk management. These could include specific national requirements towards pre-defined limits or ratios and provide definitions of key variables (such as liquid assets). The day-to-day adherence to national requirements was suggested to be verified through a standardised reporting framework and management reports, on both short- and long term liquidity. Additional reporting of foreign currency liquidity positions should be considered for banks with important activities in this area. Aggregate banking sector liquidity positions in foreign currencies were to be compared to central bank abilities in terms of providing foreign exchange. Individual bank liquidity positions should be assessed in conjunction with capital adequacy. The Liquidity Guidelines 2000 previewed that higher liquidity risk could lead supervisors to enforce more stringent capital requirements, asset composition changes or funding rearrangements. Bank internal control systems would also be reviewed by supervisors. National supervisors were envisaged to have their own contingency plans for dealing with liquidity problems at individual banks and in the market

as a whole, where again the crucial role of accurate and timely information was underlined.

In the new rules of BIS (2008b), the role of supervisors is strongly reinforced. A broad scope of regular reviews of bank liquidity risk is specified, including all liquidity management elements described above. Qualitative and quantitative checks are to assure adequate dealing with risk, starting from overall policy assessments to specific ratio/limit analyses, possibly supplemented by supervisors' own issuance of quantitative liquidity requirements. Stress testing and contingency planning should both be particularly well studied, as well as the implementation of their results in a bank's day-to-day activities. The format of records provided to supervisors may be based on individual bank internal models, but a standardised reporting framework could facilitate peer comparisons and overall market liquidity assessments. Data delivered by banks should be enhanced by market and other publicly available information. Communication with other relevant supervisors and public authorities (such as central banks), both domestic and foreign, should be carried out on a regular basis, with a higher frequency at times of stress. If problems in liquidity management are identified, supervisors should have various intervention tools at their disposal, to enforce timely remedial action by banks. The range of such tools is specified in the guidelines, varying from suggesting general improvements in liquidity risk management up to requiring higher capital levels.

Conclusion

Summarising the above overview of regulatory changes that took place and existing guidelines, it is evident that treatment of liquidity management has gained more attention of supervisory authorities. The Basel Committee had to face criticism of its shortcomings in liquidity risk treatment following the banking turmoil of 2007/08. More severe and detailed guidelines towards managing liquidity risk published in 2008 are a response to these negative voices, but only time will tell if they are sufficient.

The position of international bank supervisors is difficult. During boom periods, market participants strive towards minimised supervisory controls that turn a blind eye on banks taking extortionate risks, which allow to reach maximum profitability. Under adverse economic conditions, the same players criticise

supervisors for an overly lax approach. The primary role of international and national supervisory authorities is to balance these two items: recognising and keeping up with the newest internal risk management techniques at banks on one hand, and assuring banking system stability on the other hand, with no excessive risk taking by market participants. The new Liquidity Guidelines 2008 are an attempt to form a regulatory barrier protecting the investors from their own risk appetites during economic boom periods. This is given that national supervisors implement this framework and interpret its implications in a similarly strict fashion. If this is enough to curb future excessive liquidity risk, it is difficult to assess as yet.

Last but not least, it has to be underlined that minimising bank liquidity risk has severe effects on profitability, thus banks are unwilling to maintain excessive liquid funds. As Gup and Kolari (2005) put it, “liquidity should not be too high because there is an opportunity cost in the sense of excessive near-cash assets that could be earning higher rates of return” (p.329). In consequence, despite regulatory efforts liquidity risk is likely to remain partly uncovered by most banks, due to profitability effects that such an open position generates.

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**WPLYW KRYZYSU FINANSOWEGO NA REGULACYJNE PODEJŚCIE
DO RYZYKA PŁYNNOŚCI W ŚWIETLE WYTYCZNYCH
BAZYLEJSKIEGO KOMITETU NADZORU BANKOWEGO**

Streszczenie

Artykuł przedstawia międzynarodowe regulacje dotyczące ryzyka płynności w bankach. W artykule podkreślono zmiany, które zostały wprowadzone w opublikowanych wytycznych Bazylejskiego Komitetu Nadzoru Bankowego w następstwie kryzysu finansowego 2007/08. Zwrócono uwagę, że twórcy regulacji międzynarodowych nie przewidzieli skali potencjalnych problemów w zakresie płynności, które miały miejsce w trakcie szczytowej fazy kryzysu. Nowe zasady dotyczące płynności opublikowane w 2008 roku mają charakter bardziej konserwatywny, ale wciąż pozostawiają istotny obszar dowolności działania, zarówno dla krajowych nadzorców, jak i poszczególnych banków.

Tłumaczenie Dorota Skąła