

Financial Services in Uncertain Time

Liquidity and Economic Capital

Context

- The financial difficulties of banks and other financial institutions have resulted in a lack of trust between them, and significantly decreased the availability of financing.
- Hence, financial institutions have been forced to secure missing interbank financing from other sources such as retail deposits. In this fight for liquidity, banks became involved in a “deposit war” that forced them to offer rates significantly higher than interbank rates.

Risks and Challenges

- Have you analysed the profitability of certain business lines, products, organisational units?
- Have the outcomes of the check been implemented into business activity?
- Have you optimised the capital management strategy?
- Have the economic capital principles been encompassed in day-to-day management?
- Is the cost of risk adequately reflected in the pricing of products and services?

How Deloitte can help

Deloitte offers a wide range of services in the area of economic capital and liquidity management:

- 1) Setting up the economic capital principles and policy (material risk catalogue, capital management, strategies for liquidity positions management).
- 2) Development and implementation of the RAPM methodologies e.g. RAROC, RORAC, tailored to the institution's constraints and limitations.
- 3) Development of liquidity management strategies and plans.

Contact us for more information: infoc@deloittece.com