Ebook

Intraday liquidity management: the opportunity for strategic change
BCBS 248 requires banks to implement new monitoring tools for intraday liquidity management by January 2017. It states that:

“A bank should actively manage its intraday liquidity positions and risks to meet payment and settlement obligations on a timely basis under both normal and stressed conditions and thus contribute to the smooth functioning of payment and settlement systems.”

It defines intraday liquidity as:

“...funds which can be accessed during the business day usually to enable banks to make payments in real-time.”

BCBS 248 is one of three key liquidity measures that Basel III introduces to strengthen the financial system:

**Liquidity coverage ratio (LCR)** to ensure banks have sufficient liquidity to survive normal and stressed market conditions

**Net Stable Funding Ratio (NSFR)** to encourage a more stable model for funding long-term activities

**Intraday monitoring** to improve the control of exposure from payment and settlement activities across multiple channels throughout the day
THE REQUIREMENTS:

BCBS 248 requires all reporting banks to monitor and report on:

- Daily maximum intraday liquidity usage
- Available intraday liquidity at the start of the business day
- Total payments
- Time-specific obligations
- Their own financial stress, counterparty stress, a customer bank stress and market-wide credit or liquidity stress

Additionally, those that provide correspondent banking services must report on:

- Value of payments made on behalf of correspondent banking customers
- Intraday credit lines extended to customers

THE CHALLENGE IS:
CURRENT SYSTEMS ARE ABLE TO REPORT ON END-OF-DAY POSITIONS BUT WILL STRUGGLE TO MOVE TO INTRADAY LIQUIDITY USAGE.

A major hurdle is that systems will need to aggregate multiple pieces of information from various disparate sources. This information will likely use different formats, labels and time series, so piecing it all together to compute total payment, for instance, will be problematic.
INTRODUCING ACTIVEPIVOT: INTRADAY LIQUIDITY SOLUTION:

BEFORE
- Siloed payment systems
- End of Day reporting
- Start and end of day metrics
- Account balance
- End Of Day KPI
- No stress test
- Start and end of day collateral position

AFTER
- Consolidated hub
- Real time reporting
- Real time metrics
- Liquidity flow
- Real Time KPI and Alert
- Stress Tests
- Real Time inventory and Collateral Management

Real-time metrics call for one consolidated payments hub to aggregate all data and transaction-level rather than account balance-level calculations.

Real-time monitoring of collateral will rely on an up-to-date inventory so banks can understand how to mobilize assets during the day.

Real-time incremental monitoring means there will be far more data to handle. Banks will have to automate quality checks and embed audit capabilities throughout.
THE REQUIREMENTS:

By working with the limitations of existing systems and avoiding wide-scale replacement, IT divisions can equip banks with a strategic and cost-effective approach to regulation that goes beyond compliance.

Reconciliation
- Good for identifying process exceptions
- No analytics for intraday metrics

Data warehouse
- Long-term storage and historic data mining
- No real-time monitoring

Payment systems
- Typically exists in silos, so only allows access to subsets of the full transactional activity relevant to intraday monitoring

Liquidity Risk
- Focus on balance sheet and EOD position calculations
- Not designed to track intraday flows

Regulatory Reporting System
- Limited to static reports based on structured data
- Unable to perform interactive monitoring nor capture real-time data

Accounting
- Often lacks the granularity of data required for intraday reporting

Must acquire data from multiple sources, aggregate it in multi-dimensional environment, query and update data at the same time. A standard database is not enough.
ACQUIRE AND NORMALIZE DATA

1. Acquire balances from existing accounting/Liquidity Management systems

2. Acquire bank-wide cash flow events (and predictions)

3. Normalise and match to give real-time view of cash flow

- **Acquire**
  - Open, non-invasive integration and mapping tools accelerates data capture project

- **Normalise**
  - High performance, flexible aggregation engine ensures real-time information

- **Match**

- **Aggregate**

Intraday Liquidity analytical platform
INTRODUCING ACTIVEPIVOT: INTRADAY LIQUIDITY SOLUTION

**ACQUIRE DATA**
Acquire and normalize Cash Flow data from the existing processing infrastructure in an asynchronous way.

- **Start of Day Data**
  - Balance & Reference data including collateral position
- **Reconciliation systems**
- **Continuous Payment data stream**

**POSITION CASH AND COLLATERAL**
Aggregate cash positions by currency, Clearing Mechanism (CSM), customer etc...
Aggregate intraday margin calls and maintain up to date collateral position.

**FORECAST CASH AT FIRM-WIDE LEVEL**
Provide a forecast of future liquidity positions.

**ANALYSE AND STRESS**
Analyze provision and use of liquidity over time.
Ability to build predictive position.

**ADJUST AND REPORT**
Adjust funding and operational activities to be consistent with known and forecast liquidity availability.
MULTIPLE VIEWS / ADDITIONAL BENEFITS

Clients & Market
- Visibility of overall cash position in real-time
- Multi-currency view
- Forecast cash positions
- Status of key transactions

Front office
- Better visibility of the collateral position
  And intraday margin calls

Treasury & Operations
- Available liquidity
- Consumers / providers of liquidity
- Intraday forecasting
- Short term (weeks) forecasting
- Status of key transactions
- Unexpected cash movements
- Drill down investigation of cash flows

Reporting & MIS
- Habitual consumers / providers of liquidity
- Behavioural patterns of clients and market
- Timely reporting (regulatory and MIS)

One data set, multiple views across wide range of users

Real-time, bank-wide
Flexible inquiry / reporting
At the same time, banks have to integrate existing regulations and meet impending deadlines for new mandates.

**Having the right tools is paramount.** Banks must steer their activity carefully – and it is their ability to do so quickly and cost-effectively that will be the key to success.

Future market events will undoubtedly add new layers of complexity – and banks will need to be prepared and able to react swiftly. One example is the EU referendum on 23 June 2016, which will determine whether or not the UK remains in the European Union. The IMF warned that a Brexit could cause “severe regional and global damage” and cut its UK growth forecast from 2.2% to 1.9% for 2016.
About ActiveViam

ActiveViam provides precision data analytics tools to help organizations make better decisions faster. ActiveViam started in 2005 with the vision of leveraging in-memory technology to create an analytics platform where businesses could leverage the largest data sets without restrictions, keep them up-to-date in real time and use them to empower their decision makers.

Our goal at ActiveViam, is to let organizations not only make decisions faster, but better; to not only reach their data, but their potential; to not only see their data, but find their way into the future. ActiveViam is a privately owned company with offices in Paris, London, New York, Hong Kong and Singapore.

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