

Optimal Bank Liquidity Regulation – Panel #1: Optimal Design

TCH/Columbia SIPA Research
Conference

February 9, 2018



“We also are developing benchmarks, tools and metrics that supervisors can use to promote more consistent liquidity standards for cross-border banks.”

- **Dr Nout Wellink**, President of the Netherlands Bank and Chairman of the Basel Committee on Banking Supervision (March 2009)

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“Two regulatory standards for liquidity risk which have been developed to achieve two separate but complementary objectives.”

- “The first objective is to promote the short-term resiliency of the liquidity risk profile of institutions by ensuring that they have sufficient high quality liquid resources to survive an acute stress scenario lasting for one month.” → **Liquidity Coverage Ratio**
- “The second objective is to promote resiliency over longer-term time horizons by creating additional incentives for banks to fund their activities with more stable sources of funding on an ongoing structural basis.” → **Net Stable Funding Ratio**
 - **Basel Committee on Banking Supervision:** “Consultative Document International framework for liquidity risk measurement, standards and monitoring (December 2009)

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1708-2397054
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