Sign on to the Integrated Risk Management Blog for Bankers Today!

My risk management blog is now up and running and I encourage everyone to log in to read my previous articles and to engage me and your peers on the topics I cover.

Signing on is easy! Go to the following link:
http://metavante.tushausweb.com

In the user name field type your email address:
john.hurlock@metavante.com

In the password field type: ***metablog***

Once you've signed on you can view previous thought leadership pieces, engage your peers, or ask me questions as it relates to the topics I have covered. As an added bonus you can also view my latest web cast on Stress Testing of Commercial Loan Portfolio's, so sign in today!

Does Your Liquidity Contingency Plan Align with Your Business Continuity Plan?

Starting off the New Year, I was engaged in a conversation with a banker regarding risk ratings. We were discussing the fact that everything from credit stress testing to anti-money laundering to systemic risk requires some sort of low, moderate, or high rating. These activities, however, vary widely by definition, application, and interpretation. The question arose: do they need to?

I bring up this topic due to recent work we have been doing in the area of Liquidity Contingency Planning. Several years ago, these plans were developed primarily to be placeholders in ALCO compliance. Each consisted of a one-page plan that identified sources and uses of funds, as well as where a bank might go for capital in a crisis. The plans were dusted off once a year, reviewed, approved, and put back on the shelf. If a crisis hit, it was rare if an institution used the plan to work through it, mainly because the plan was so general.

Fast forward to today. The liquidity crisis is upon us. Many banks are struggling for survival without backup lines of credit or other strategies that would enhance the survival

chances of the institution.

So, what are the key components of a Liquidity Contingency Program (LCP)? See if the bullets listed below sound familiar.

- Defining the objectives of the LCP
- Assigning an LCP Coordinator
- Defining stages for a liquidity crisis
- Creating a Liquidity Response Team with assigned roles
- Identifying parameters and triggers for early identification of a crisis
- Assigning communications and spokesperson roles
- Defining actions as the crisis unfolds (where to access funds, saving collateral for later use, etc.)
- Developing logs for documentation purposes

If these seem similar to the components of your Business Continuity Plan, you are not far from the mark. This plan even includes keeping copies outside the bank for use during the crisis. So, are these plans like apples and oranges? Similar programs with non-comparable activities and goals? The short answer is not necessarily. They can be developed along similar lines and indeed should reference one another. After all, a disaster is very likely to be accompanied by a liquidity event.

I bring all of this up to remind you of why we call our consulting practice Integrated Risk Management. Integrated Risk Management refers to the fact that while we currently treat risks in silos, we strive to create an environment where risks have relationships, and the need for integrated planning is paramount.

You may see this as a good discussion over beers, but, like with everything else, we are moving rapidly into this environment.

If you want more information on this, I would refer you to the following book, *Liquidity Risk, Measurement and Management*, edited by Leonard Matz and Peter Neu (John Wiley and Sons, 2007). And, as always, please share your thoughts on my blog page.

John Hurlock
Director, Integrated Risk Management
Consulting and Professional Services

Click here to unsubscribe. Privacy Statement. You are receiving this e-mail because you are either a client of Metavante Corporation or have expressed an interest in Metavante.

©2009 Metavante Corporation. All rights reserved worldwide.