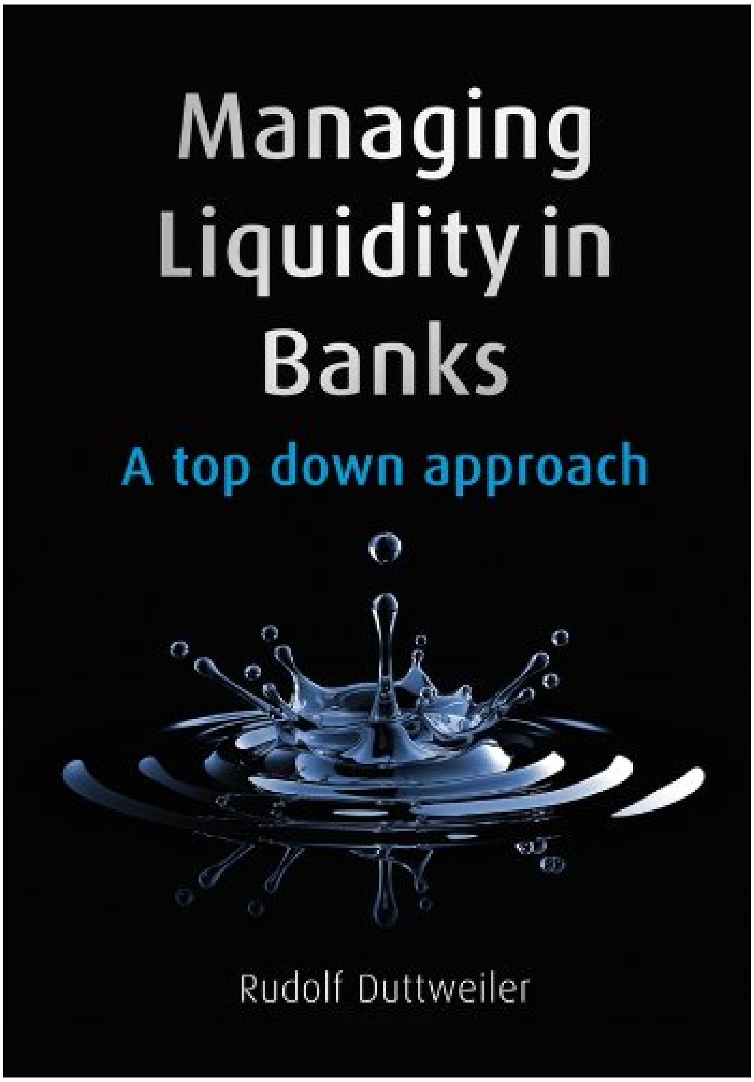
Managing Liquidity in Banks: A Top Down Approach

Rudolf Duttweiler



Rudolf Duttweiler : Managing Liquidity in Banks: A Top Down Approach before purchasing it in order to gage whether or not it would be worth my time, and all praised Managing Liquidity in Banks: A Top Down Approach:

0 of 0 people found the following review helpful. minimise liquidity squeezeBy W BoudvilleBanks have a fundamental problem. They borrow short, from depositors, and lend long, to borrowers like home owners who need mortgages. From this arises a liquidity danger, if enough depositors want their money back at the same time. The book addresses this issue. Perhaps it does not solve it, but at least it makes the reader aware of what steps a bank could do to mitigate the danger.It suggests that risk levels be defined, along with asset liquidity and liability liquidity, for the different assets and liabilities of the bank. There are also quantitative suggestions, including metrics like the funding ratio and liquidity ratio. You should also compare expected versus actual asset behaviour, where the expected is

defined by some model.Largely, the book is non-mathematical. Only a minimal of equations are proferred. Mostly the discussion is at a qualitative, managerial level.

"Liquidity risk is a topic growing immensely in importance in risk management. It has been much neglected by financial institutions and regulators in recent years and receives, in the course of the sub-prime crisis, sudden and great attention. This book is well-structured and provides a comprehensive and systematic approach to the topic. It will help risk controllers to systematically set up a liquidity risk framework in their bank." mdash;Peter NEU, European Risk Team Leader, The Boston Consulting Group, and co author of Liquidity Risk Measurement and Management "Mr Duttweiler's book is a welcome addition to the literature on liquidity risk measurement and management. In addition to his contributions to liquidity risk theory and liquidity pricing, the author provides a good overview of all of the critical elements." mdash;Leonard Matz, International Solution Manager, Liquidity Risk and co-author of Liquidity Risk Measurement and Management Liquidity Risk Management has gained importance over recent years and particularly in the last year, as major bank failures have led to a re-evaluation of the significance of liquidity in stressed market conditions. Liquidity risk is closely related to market risk and solvency, suggesting its significance in times of volatile and 'bear' markets, wherenbsp;a single bank's failure can have dramatic effects on market liquidity. The term liquidity is not well-define, and a comprehensive understanding of its common elements is often missing within a banking organisation. In too many cases, liquidity risk management has not been developed with a coherent framework and generally accepted terms and methods, creating weaknesses in its structure and vulnerability to market risk. In this title, Duttweiler advances the study of quantitative liquidity risk management with the concept of the 'Liquidity Balance Sheet', which allocates portfolios into a specific structure, and consequently is able to account for potentially negative surprises so that the necessary buffers can be quantified. The book begins with an overview of liquidity as part of financial policy and highlights the importance of liquidity as part of a general business concept and as protector and supporter of a business as a going concern. The author examines the role o liquidity in helping managers to achieve high-level liquidity aims to support operating units to achieve business goals. He looks at quantitative methods of assessing a banks liquidity levels, including LaR and VaR, to establish an integrated concept in which liquidity is incorporated into the framework of financial policies. He also presents methods, tools, scenarios and concepts to create a policy framework for liquidity and to support contingency planning.