

Liquidity Risk Implications for Banks and Other Financial institutions due to Covid-19



- More frequent liquidity stress testing, both in terms of reporting to regulators and internally
- Most institutions have either considered or activated contingency funding plan/recovery plan
- Worsening liquidity positions driven by market volatility, increasing drawdown of credit facilities, and customer deferral of payments
- Broad support by regulators to mitigate market constraints



- Proper and timely reporting on key liquidity metrics, and responding to regulatory/stakeholder requests
- Proper monitoring around key liquidity outflows
- Close management of positions including intraday flows
- Ongoing refreshment and review of contingency funding plan and recovery plan measures
- Consider liquidity indicators supporting real time measurement of liquidity



- Revise liquidity stress testing framework and parameters to take into account Covid-19 impact
- Ensure short term liquidity capabilities are considered, including intraday liquidity
- Develop and refresh capital contingency, and recovery & resolution plan
- Consider upgrade reporting capabilities including considering additional liquidity metrics

How KPMG Can Help

- Provide near term visibility on liquidity, and review/assist in preparing detailed liquidity projections
- Recommend immediate measures to stabilize cash flow
- Guidance for any new government and regulatory requirements
- Capital and liquidity stress testing, including evaluating core assumptions in financial models to stress test key assumptions
- Review and assist with refreshing Recovery and Resolution planning, and Business planning.

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