

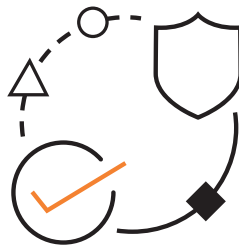
TLM[®] Cash & Liquidity Management

Intraday Liquidity Stress Testing

Robust stress testing - ensuring a high degree of accuracy for making more informed decisions and meeting intraday liquidity reporting requirements



**ON DEMAND TESTING,
RESULTS IN MINUTES**



**A WIDE RANGE
OF TEST SCENARIOS**



**EXTENSIVE REAL-TIME
REPORTING**

Intraday liquidity stress testing is now more essential than ever

In response to the coronavirus pandemic, financial authorities in several jurisdictions have deferred, but not done away with, BCBS 248 intraday liquidity stress testing. Yet the pandemic, and the turbulent conditions it has created, has made this type of stress testing more essential than ever. Banks must now ask a greater number of 'what ifs', in order to identify threats and counter possible liquidity crunches. Credit risk is increasing with direct impact on a bank's liquidity. The ability to model the potential impact of such occurrences is no longer simply a regulatory box-ticking exercise but a matter of self-protection, and even of survival.

Carrying out a stress test – defining its scope, gathering data, and running the test – currently can take up to eight weeks, as well as requiring a large team and a good deal of manual effort. The cumbersome nature of the process makes running ad hoc scenarios virtually impossible, preventing a more proactive, dynamic approach to risk analysis.

How does the new stress testing technology work?

SmartStream's intraday liquidity stress testing module allows banks to define and run stress tests on demand, utilising existing data.

Setting up a test scenario using the new technology is quick and easy. The solution supports both BCBS 248 and additional scenarios to meet in country and internal requirements, offering a range of parameters – including required date range, liquidity pools, scope, scale of impact – which can be adjusted at will. Multiple scenario elements – such as loss of overdraft lines or non-receipt/delayed payments – can also be combined freely, providing even greater flexibility.

On demand test execution means that results are available in a matter of minutes. So, there is no need to wait hours, or even overnight, for a test to run.

The module provides extensive, real-time reporting, as well as sophisticated analytical capabilities and liquidity risk metrics.

It enables risk managers both to create a hypothetical stress situation and to ask a variety of questions of it: would throughput targets be met or not? Are time-critical, or non-time critical payments likely to be met? What additional daily liquidity would be needed?

The Stress Testing module integrates quickly and easily with SmartStream's TLM® Cash and Liquidity Management solution. It is available on a standalone basis, too, including via the cloud*.

It has been estimated that if a bank cuts its buffer by \$6bn, it may save as much as \$50m per year**

What value does it bring to financial institutions?

SmartStream's advanced intraday liquidity stress testing technology assists financial institutions to satisfy regulations, as well as model additional scenarios – but without the need for large teams of staff or weeks of laborious manual effort.

By simplifying the complex and time-consuming testing process, the solution allows banks to run a variety of stress scenarios in a short space of time. Financial institutions can therefore be proactive in their risk analysis and so better prepare to counter liquidity crunches. Its ability to generate risk reports quickly and accurately also facilitates more informed and timely decision-making.

Importantly, through the powerful analytical capabilities, quantifiable data, and metrics it provides, the module can help banks understand whether they are able to reduce regulatory liquidity buffers. It has been estimated that if a bank cuts its buffer by \$6bn, it may save as much as \$50m per year** – a strong incentive for banks to take a second look at whether they could make savings in this area. Other savings are possible too, including reduced carry and operating costs. Increased balance sheet availability can also be achieved.

*If choosing the standalone option, customers must supply their own data using APIs

**Cash & Liquidity Stress Testing Business Requirements, Created by Baringa Partners for SmartStream (13.06.2019)

About SmartStream

SmartStream is a recognised leader in financial transaction management solutions that enables firms to improve operational control, reduce costs, build new revenue streams, mitigate risk and comply accurately with regulations.

By helping its customers through their transformative digital strategies, SmartStream provides a range of solutions for the transaction lifecycle with artificial intelligence and machine

learning technologies embedded – which can also be deployed in the cloud or as managed services.

As a result, more than 2,000 clients – including 70 of the world's top 100 banks, rely on SmartStream Transaction Lifecycle Management (TLM®) solutions to deliver greater efficiency to their operations.

For more information about SmartStream visit:
smartstream-stp.com