Discussion of “Funding Liquidity Risk: Definition and Measurement” by M. Drehmann and K. Nikolaou

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Conference on “Central Bank Liquidity Tools”
NY Fed, February 20, 2009

The views expressed are not necessarily those of the ECB or the Eurosystem.
This paper

- Proposes a definition of funding liquidity risk:
  
  Risk that over a specific horizon a bank will become unable to settle obligations with immediacy
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Analyzes the link between funding and market liquidity
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- Analyzes the link between funding and market liquidity
Net liquidity demand, $NLD$, at $t + 1$:

$$NLD \leq p^D L^D_{new} + p^I B L^I B_{new} + p^A L^A_{sold} + p^C B CB_{new}$$

→ random volumes and prices
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- Proxy I, $LRP_t$ - using adjusted bids:

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Sample period: June 2005 - October 7, 2008
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- One crisis during the sample period
  - Berger and Bouwman (2008) - results differ between banking or market-related crises
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Thank you!