CIRCULAR CSSF 09/403

Re: - Sound liquidity risk management

- Amendment to Circular CSSF 07/301

Ladies and Gentlemen,

Articles 5(1a) and 17(1a) of the law of 5 April 1993 on the financial sector, as amended, require Luxembourg credit institutions and investment firms as well as the branches of such credit institutions and investment firms of non-EU origin to have effective processes to identify, manage, monitor and report the risks they are or might be exposed to. The aim of this circular is to specify the implementation of these articles in the field of liquidity risk management. In accordance with Article 45(3) of this law, the circular also applies to Luxembourg branches of banks authorised in another Member State of the European Union.

The term "institutions", used hereafter, refers to the above defined banks and investment firms.
Chapter I. Introduction

1. Circular CSSF 07/301, as amended, (the "ICAAP Circular") includes the general provisions applicable to the institutions' risk management.¹ These provisions apply to all risks, including liquidity risk. The institutions are required to put in place adequate internal governance for risk management, and to have the necessary capacity - financial bases and technical and human means - to cover all the risks they are or might be exposed to.

2. The ICAAP Circular transposes EU risk management rules into Luxembourg regulation. These rules, codified in the "GL03" guidelines of the Committee of European Banking Supervisors (CEBS), are part of the "Basel II" framework and address, consequently, the adequacy of internal own funds. However, the sound management of institutions depends both on the capital adequacy and on the adequacy of their liquidity situation.

3. CEBS recently published new guidelines that complement the GL03 guidelines with respect to liquidity. These guidelines, which fully take into consideration the specific characteristics of liquidity risk, are essentially an answer to the weaknesses that came up in the institutions’ liquidity risk management framework during the recent financial crisis.

4. This circular aims at transposing into national regulation the CEBS guidelines on sound liquidity risk management.²

The circular consists of five chapters. Chapter II, which includes the regulatory requirements on sound liquidity risk management, is presented as a technical annexe. This annexe has been drawn up upon consultation with the Banque centrale du Luxembourg, in accordance with Article V of the law of 24 October 2008 improving the legislative framework of the Luxembourg financial centre. This law highlights the importance of a sound cooperation between the institutions involved in the supervision of liquidity in order to avoid an unnecessary increase of the charges imposed on institutions. Chapter III deals with the relation between this circular and the ICAAP Circular. Chapter IV provides explanations on how the supervisory review process of the CSSF applies to the new rules on sound liquidity risk management. Chapter V includes the final provisions.

Chapter II. Regulatory requirements on sound liquidity risk management

5. The regulatory requirements on sound liquidity risk management are included in the technical annexe to this Circular.

¹The scope of the ICAAP Circular does not include the branches of institutions authorised in another Member State of the European Union. However, for the needs of this circular, the requirements set out in the ICAAP Circular, restricted to liquidity risk, will be applicable to the EU branches of credit institutions.

Chapter III. Links to Circular CSSF 07/301

6. The ICAAP Circular also applies to liquidity risk. The reference to own funds is replaced, from this viewpoint and where relevant, by a reference to liquidity.

7. As regards solvency, prudential and internal own funds represent a buffer against risks that materialize as direct financial losses. The ICAAP Circular, which admits that own funds are not necessarily the most efficient means to protect against liquidity risk, did not, at that time, impose an alternative buffer against liquidity shortages. Through its recommendations 16 and 9, CEBS introduces an obligation for institutions to keep adequate liquidity buffers, made up of cash and available and liquid assets in order to face a liquidity crisis. As a consequence, the ICAAP structure described in sub-chapter II.3 of the ICAAP Circular includes, in the context of liquidity risk, the following two sub-processes:

- an internal process for identifying, measuring, managing and reporting the liquidity risks to which the institution is exposed. This process allows the institution to control its risks and to assess its available liquidity buffer needs and, where appropriate, its internal capital needs.
- an internal process for planning and managing the available liquidity buffer, which allows the institution to ensure adequacy of the available liquidity buffer on an ongoing basis.

8. The principle of proportionality, as set out in point 17 of the technical annexe, applies to the provisions of this circular.

Chapter IV. Application of the supervisory review process to liquidity risk

9. The supervisory review process as described in Chapter III of the ICAAP Circular applies to all risks, including liquidity risk. When applying the supervisory review process to liquidity risk, the CSSF shall apply CEBS Recommendations 19 to 30, which aim at a harmonised application of the supervisory review process as far as liquidity is concerned at EU level.

10. This process is based in particular on the ICAAP report referred to under points 17 and 26 of the ICAAP Circular. Insofar as the material scope of the ICAAP Circular covers all risks, including liquidity risk, the ICAAP report must include an assessment on the materiality and the management of liquidity risk. The implementation of CEBS Recommendation 16 entails that institutions are also required to give their opinion on the adequacy of available liquidity buffers for liquidity risk to which they are or might be exposed.

11. When carrying out on-site inspections in relation to liquidity risk management, in particular in accordance with point 42 of the ICAAP Circular, the CSSF will coordinate these controls with the Banque centrale du Luxembourg in order to comply with the requirements set out in Article V of the law of 24 October 2008 improving the legislative framework of the Luxembourg financial centre.

12. The supervisory review process for liquidity risk also relates to liquidity risk linked to intragroup transactions. In its risk assessment, the CSSF considers in particular the
quality of the risk management and the risk profile of the group to which the Luxembourg institution belongs, whether there are mitigation factors (for example netting agreements), the counterparties' credit worthiness, transformation risk (in terms of maturities and currencies), as well as the overall rationale for these transactions. In accordance with point 47 of the ICAAP Circular, the CSSF reserves the right to limit intragroup transactions which appear to be contrary to the principle of sound and prudent liquidity management of Luxembourg institutions.

Chapter V. Entry into force, amending and final provisions

13. This circular comes into force with immediate effect.

14. Circular CSSF 07/301, as amended by Circular CSSF 08/338, is amended as follows:

- A new paragraph with the following content is added at the end of point 19: "The authorised management appoints one of its members as the person directly in charge of the risk management function. The name of this person, as well as any subsequent change in this respect must be reported by the management to the CSSF."

- A new point 17a with the following content is added: "Where the board of directors becomes aware that the development of incurred risks is no longer adequately supported by internal risk management systems or internal capital, it requires the authorised management to promptly provide corrective measures and immediately informs the CSSF."

- The following sentence is added at the end of point 24: "In this case, the authorised management shall immediately inform the board of directors and the CSSF."

15. As far as credit institutions are concerned, Circular IML 93/104, of which this circular is the qualitative complement, remains in force. The ratio and the B1.5 reporting, which no longer allow following the liquidity risk in all its prudential dimensions, will be amended at the end of the discussions which are currently being held at international level. Meanwhile, the requirement for available internal liquidity buffers aims at completing the prudential requirement of table B1.5. Moreover, the instructions relating to table B1.5 have been modified in order to no longer penalise the institutions that deposit assets with central banks in exchange for the availability of undrawn credit lines. Under the current regime, such a transaction, positive from a prudential point of view, is penalizing for the institution as it decreases its liquidity ratio B1.5. In order to clear out this penalization, the CSSF decided to exclude such assets pledged from the elements to deduct from liquid assets through the application of the haircuts provided for in the instructions of table B1.5.
Yours faithfully,

COMMISSION DE SURVEILLANCE DU SECTEUR FINANCIER

Claude SIMON        Andrée BILLON        Simone DELCOURT        Jean GUILL
Director            Director              Director                    Director General

Technical annexe: Regulatory requirements on sound liquidity risk management
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This technical annexe includes the regulatory requirements applicable to credit institutions and investment firms as regards sound liquidity risk management. It has been elaborated upon consultation with the Banque centrale du Luxembourg, in accordance with Article V of the law of 24 October 2008 improving the legislative framework of the Luxembourg financial centre.

The technical annexe is composed of two chapters. Chapter I includes the definition of the personal scope. Chapter II includes the general requirement imposed on the institutions to comply with the CEBS recommendations. This chapter includes sub-chapters II.1 to II.5 which focus on the main novelties and particular attention points of the CEBS recommendations for the Luxembourg financial sector.

Two annexes are appended to the technical annexe:

Annexe 1: CEBS recommendations for institutions
Annexe 2: CEBS recommendations applicable to the supervisory review process related to liquidity

Chapter I. Scope

1. Credit institutions and investment firms incorporated under Luxembourg law, branches of non-EU credit institutions and investment firms and Luxembourg branches of credit institutions authorised in another Member State of the European Union are subject to the provisions of this technical annexe.

The term "institutions", used hereafter, refers to the above defined banks and investment firms.

Chapter II. Regulatory requirements on sound liquidity risk management

2. Institutions must implement a sound liquidity risk management which complies with the 18 CEBS recommendations included in Annexe 1 of this technical annexe.
Sub-chapter II.1. Responsibilities of the board of directors and the authorised management

3. The **board of directors** is responsible for establishing, documenting and communicating to the authorised management the main principles and objectives (“strategies”) governing liquidity risk taking and liquidity risk management as well as liquidity planning, management and adequacy. The board of directors entrusts the authorised management with the implementation of these strategies through adequate policies (risk policy and liquidity policy) and procedures. The board of directors monitors this implementation and takes a position, at least once a year, on the way the institution manages its liquidity and the related risks.

4. The strategies that the board of directors adopts in relation to liquidity govern the daily liquidity management and set out also a prudent approach as far as medium and long-term liquidity management and planning is concerned.

5. Where the board of directors becomes aware that the development of incurred risks is no longer adequately supported by internal risk management systems or available liquidity buffers, it requires the authorised management to promptly provide corrective measures and immediately informs the CSSF.4

6. In its implementation of a sound liquidity management, the **authorised management** shall ensure in particular

   ▪ An exhaustive taking into account of all the liquidity risk dimensions, in accordance with CEBS Recommendations 4, 6, 8 and 13. This consideration shall be based on the real nature of risks incurred and operate beyond simplistic categorisations (CEBS Recommendation 6), take into account all the activities performed by the institution, irrespective of their accounting treatment (on balance sheet or off-balance sheet), including the liquidity risk resulting from intragroup transactions and asset management activities, as well as the nature of these activities and the funding characteristics which result from it (per maturity and per currency structure) and pay attention to the existing interactions between liquidity risk and other risks.

   ▪ An adequate management of concentration risk relating to liquidity (CEBS Recommendation 17). This concentration potentially exists with respect to counterparties, including related counterparties, and concerns all the characteristics of liquidity, notably in terms of maturities, currencies and products.

   ▪ Methodologies for the establishment of the liquidity situation, for the calculation of liquidity buffers and stress tests. These methodologies, duly approved by the authorised management, focus in particular on the treatment

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3For EU bank branches, the term "authorised management" refers to the persons in charge of the management of the Luxembourg branch; "board of directors" shall refer to the board of directors of the head office. In the context of EU bank branches, the responsibilities of the board of directors set out in this technical annexe are considered as met at head office level, through the application of CEBS recommendations at EU level.

4In the context of EU bank branches, the board of directors of the head office shall ensure that this requirement is complied with.
of positions with optional features (explicit or implicit options, including instruments with implicit maturities) (CEBS Recommendations 13, 14 and 16).

- A liquidity crisis management procedure (CEBS Recommendation 15).
- Appropriate incentives for an adequate consideration of all liquidity risk dimensions in the institutions' activities (CEBS Recommendation 2).
- Adequate information disclosure to the market on the liquidity risk control, both in normal times and stressed times (CEBS Recommendation 18).

7. The authorised management shall periodically review the adequacy of the risk and liquidity policy as well as its implementation and its compliance. Any observed deviation shall involve prompt and adequate corrective measures. This is particularly the case where the development of incurred liquidity risk is no longer adequately supported by internal management systems or available liquidity. In this case, the authorised management shall immediately inform the board of directors and the CSSF.

Regular reviews shall be based in particular on the provisions included in CEBS Recommendation 13.

8. The authorised management shall ensure that competent and sufficient executing personnel as well as a technically appropriate infrastructure are available to guarantee the sound management of liquidity and liquidity risk and the full achievement of the objectives included in the risk and liquidity policy. The monitoring of liquidity risk at the Luxembourg level must rest with a dedicated risk management function within the institution in Luxembourg. Management decisions as well as the management and monitoring of liquidity risk may under no circumstances be outsourced.

Sub-chapter II.2. Stress tests and plans for management of a liquidity crisis

9. Stress tests related to liquidity risk shall be performed on a regular basis by the institutions based on the provisions included in CEBS Recommendation 14. These stress tests shall take into account the overall liquidity risk situation of the Luxembourg institution, on an individual, and where applicable, (sub-) consolidated basis, and shall be fully integrated in the daily management of the institution. They must in particular allow the authorised management to take those proactives measures which are necessary in order to maintain a sound liquidity situation in Luxembourg.

10. Risk and liquidity policies as well as the related procedures include adequate provisions to allow a liquidity management in stressed times (ability to deal with a liquidity crisis as per CEBS Recommendation 15). The ability to manage liquidity crises is subject to regular reviews and tests.
Sub-chapter II.3. Special provisions in relation to intraday liquidity management, management of collateral and liquidity buffers

The provisions included in this sub-chapter reflect in particular lessons learnt from the financial "subprime" crisis.

11. Institutions shall keep adequate liquidity buffers made up of cash and available and liquid assets in order to face liquidity crisis situations (CEBS Recommendations 16 and 9).

12. Institutions whose liquidity needs significantly fluctuate during the day shall set up the capacities - infrastructure and liquidity buffers - that allow them to manage and cope with these fluctuations in normal and in stressed times. These capacities will allow in particular meeting their obligations arising from their participation in payment and clearing and settlement systems (CEBS Recommendations 10, 11 and 12).

13. Over time, the part of collateralized transactions has increased. In stressed times, the capacity to rapidly mobilise collateral has become vital. In this context, institutions shall implement appropriate management systems for their collateral and their collateral needs. These systems include the infrastructure and the procedures that allow them to monitor, assess, allocate and recover their collateral based on their needs and obligations. They shall in particular take into account the legal and operational constraints ruling the allocation, the recovery and the transformation of their collateral against liquidity.

Sub-chapter II.4. Special provisions for institutions which are branches or subsidiaries

14. For institutions which are branches or subsidiaries, the inclusion of the Luxembourg institution in the process of liquidity risk management in order to ensure the sound management on a consolidated basis is necessary, but insufficient as regards national requirements. Institutions in Luxembourg must have their own capacity to manage local liquidity risk, to perform stress tests on liquidity risk of the Luxembourg institution and to manage situations of liquidity crisis.

15. This local responsibility also applies to available liquidity buffers at the Luxembourg institution.

16. Liquidity risk generated in the context of intragroup transactions constitutes a risk on its own. Luxembourg subsidiaries must have an adequate internal risk management capacity, regardless of the fact that intragroup exposures may benefit from a preferential treatment in the context of prudential regulation, such as the large exposures regime. Liquidity risk linked to intragroup transactions must be specifically dealt with in the subsidiary's risk and liquidity policy.
Sub-chapter II.5. Proportionality

17. Institutions implement the requirements included in this technical annexe proportionnally to the scale, diversity and complexity of their activities and organisation. This is the case for infrastructure and liquidity buffers requirements.

For investment firms, the nature of the activity does not always involve liquidity risk. As a consequence, there may be cases where the risk management framework described in this technical annexe is not applicable. The CSSF expects the authorised management of such investment firms to fully analyse, assess and document the absence of liquidity risk before deciding that certain, or even all provisions included in this technical annexe are not applicable. This decision must be regularly reviewed and confirmed by the authorised management.
Annexe 1: CEBS recommendations for institutions

**Recommendation 1** – The Board of Directors should approve the liquidity strategy, policies and practices developed by senior management. The Board should ensure that risk management policies are suited to the institution’s level of liquidity risk, its role in the financial system, its current and prospective activities, and its level of risk tolerance. The Board should have a clear view of the risks implied by the institution’s degree of reliance on maturity transformation and should ensure that an adequate level of long-term funding is in place. The strategy, policies and practices should consider both normal and stressed times and should be reviewed regularly, including (at a minimum) when there are material changes. The Board should ensure that senior management defines adequate processes and organisational structures to implement these strategies and policies.

**Recommendation 2** - Institutions should have in place an adequate internal mechanism – supported where appropriate by a transfer pricing mechanism – which provides appropriate incentives regarding the contribution to liquidity risk of the different business activities. This mechanism should incorporate all costs of liquidity (from short to long-term, including contingent risk).

**Recommendation 3** – The organisational structure should be tailored to the institution and should provide for the segregation of duties between operational and monitoring functions in order to prevent conflict of interests. Special attention should be paid to the powers and responsibilities of the unit in charge of providing funds. All time horizons, from intraday to long-term, should be considered when tasks are allocated, as they entail different challenges for liquidity risk management. The institution should have sufficient well trained staff, adequate resources, proper coordination and overview, and independent internal control and audit functions.

**Recommendation 4** – At the highest level of all groups there should be awareness of the strategic liquidity risk and liquidity risk management as well as adequate knowledge of the liquidity positions of members of the group and the potential liquidity flows between different entities in normal and stressed times, taking into account all potential market, regulatory, and other constraints.

**Recommendation 5** - Institutions should have appropriate IT systems and processes that are commensurate with the complexity and materiality of their activities and the techniques they use to measure liquidity risks and related factors. The adequacy of the IT systems and processes should be reviewed regularly.

**Recommendation 6** – The liquidity of an asset should be determined based not on its trading book/banking book classification or its accounting treatment but on its liquidity-generating capacity. Supervisory distinctions between the trading and banking books should not have a major or undue impact on liquidity management.
**Recommendation 7** - When using netting arrangements institutions should consider and address all legal and operational factors relating to the agreements in order to ensure that the risk mitigation effect is assessed correctly in all circumstances.

**Recommendation 8** - The liquidity risk due to documentation risk and possible implicit support should be taken into account in the overall liquidity risk management framework. In particular, covenants in contracts for complex financial products, such as those related to securitisation and/or ‘originate to distribute’ business, should be identified and addressed explicitly in liquidity policies. Institutions should consider whether SPV’s/conduits should be consolidated for liquidity management purposes. The related liquidity risk should be determined by stress tests and addressed in an appropriate Contingency Funding Plan. Institutions’ liquidity management should consider explicitly the extent to which contingent liquidity risk should be addressed by readily available liquidity reserves as opposed to other counterbalancing capacity. Covenants linked to supervisory actions or thresholds should be strongly discouraged.

**Recommendation 9** - In order to ensure sound collateral management institutions should:
- have policies in place to identify and estimate their collateral needs as well as all collateral resources, over different time horizons;
- understand and address the legal and operational constraints underpinning the use of collateral, including within control functions;
- have an overall policy, approved by senior management, that includes a conservative definition of collateral and specifies the level of unencumbered collateral that should be available at all times to face unexpected funding needs; and
- implement these policies and organise collateral management in a way that is suited to the operational organisation.

**Recommendation 10** - Institutions should have cash and collateral management systems that adequately reflect the procedures and processes of different payment and settlement systems in order to ensure effective monitoring of their intraday needs, at the legal entity level as well as at the regional or group level, depending on the liquidity risk management in place.

**Recommendation 11** - Regardless of whether an institution uses net or gross payment and settlement systems, it should actively manage its intraday liquidity positions to meet payment and settlement obligations on a timely basis under both normal and stressed conditions and thus contribute to the smooth functioning of payment and settlement systems.

**Recommendation 12** - Institutions should adopt an operational organisation to manage short-term (overnight and intraday) liquidity within the context of their strategic longer-term objectives of structural liquidity risk management. Institutions should also set up continuous monitoring and control of operations, have at their disposal sufficient intraday funding, assign clearly defined responsibilities, and establish adequate back-up procedures to ensure the continuity of operations. Special attention should be paid to monitoring sources of unexpected liquidity demands under stressed conditions.
**Recommendation 13** - Institutions should verify that their internal methodology captures all material foreseeable cash inflows and outflows, including those stemming from off-balance sheet commitments and liabilities. They should assess the adequacy of their methodology for their risk profiles and risk tolerance. Internal methodologies should be tested regularly according to predefined policies. If assumptions or expert opinions are used they should also be assessed regularly. These reviews should be documented adequately and their results communicated to senior management.

**Recommendation 14** - Institutions should conduct liquidity stress tests that allow them to assess the potential impact of extreme but plausible stress scenarios on their liquidity positions and their current or contemplated mitigants. They should regularly project cash flows under alternative scenarios of varying degrees of severity, taking into account both market liquidity (external factors) and funding liquidity (internal factors). To provide a complete view of various risk positions, stress testing of other risks may be usefully considered in constructing ‘alternative liquidity scenarios’. When assessing the impact of these scenarios on their cash flows institutions should employ a set of reasonable assumptions that should be reviewed regularly. The results of stress tests should be reported to senior management and used to adjust internal policies, limits, and contingency funding plans when appropriate.

**Recommendation 15** - Institutions should have adequate contingency plans, both for preparing for, and for dealing with a liquidity crisis. These procedures should be tested regularly in order to minimise delays resulting from legal or operational constraints, and to have counterparties ready to be involved in any transaction.

**Recommendation 16** - Liquidity buffers are of utmost importance in time of stress, when an institution has an urgent need to raise liquidity within a short timeframe and normal funding sources are no longer available or do not provide enough liquidity. These buffers, composed of cash and other highly liquid unencumbered assets should be sufficient to enable an institution to weather liquidity stress during its defined ‘survival period’ without requiring adjustments to its business model.

**Recommendation 17** - Institutions should actively monitor their funding sources to identify potential concentrations, and they should have a well diversified funding base. Potential concentrations should be understood in a broad sense, encompassing concentrations in terms of providers of liquidity, types of funding (secured vs. unsecured), marketplaces, and products, as well as geographic, currency, or maturity concentrations.

**Recommendation 18** - Institutions should have policies and procedures that provide for the disclosure of adequate and timely information on their liquidity risk management and their liquidity positions, both in normal times and stressed times. The nature, depth, and frequency of the information disclosed should be appropriate for their different stakeholders (liquidity providers, counterparties, investors, rating agencies, and the market in general).
Annexe 2: CEBS recommendations applicable to the supervisory review process related to liquidity

**Recommendation 19** - Supervisors should have methodologies for assessing institutions’ liquidity risk and liquidity risk management. Appropriate resources should be allocated specifically to supervising liquidity risk and how it is managed by institutions.

**Recommendation 20** - When setting priorities for the supervision of liquidity risk, supervisors should take into account:
- the liquidity risk profiles of institutions in order to apply a proportionate approach to their supervision; and
- the level of systemic risk that they present.

**Recommendation 21** - When assessing an institution’s liquidity risk profile, supervisors should pay special attention to the institution’s process for identifying all liquidity risks and – at a minimum – to its reliance on wholesale sources of funding, the concentration of funding sources, the level of maturity transformation, the position within a group, and, more generally, its business profile, risk tolerance, and stress resistance. The overall exposure to other risks and its possible negative impact on the level of liquidity risk should be analysed in conjunction with the institution’s funding profile. Special attention should be paid to collateral management.

**Recommendation 22** - Supervisors should verify the adequacy and effective implementation of the strategies, policies, and procedures setting out institutions’ liquidity risk tolerance and risk profiles, and ensure that they cover both normal and stressed times.

**Recommendation 23** - When assessing the quality of liquidity risk management, supervisors should pay particular attention to the adequacy of the institution’s liquidity risk insurance, especially for stressed situations. Supervisors should pay particular attention to the marketability of assets and the time that the institution would actually need to sell or pledge assets (taking into account the potential role of central banks).

**Recommendation 24** - Supervisors should verify that institutions have dedicated policies and procedures in place for crisis management. Supervisors should pay particular attention to the existence of appropriate stress tests, the composition and robustness of liquidity buffers, and the effectiveness of contingency funding plans. In particular, supervisors should verify that robust and well-documented stress tests are in place and that their results trigger action. The assumptions used should be appropriate and sufficiently conservative, and regularly reviewed. Supervisors should check that contingency funding plans build on the stress test exercises and are regularly tested.
**Recommendation 25** - Supervisors should consider whether their quantitative supervisory requirements, if any, could be supplemented or replaced by reliance on the outputs of institutions’ internal methodologies, providing that such methodologies have been adequately assessed and provide sufficient assurance to supervisors.

**Recommendation 26** - Under the proportionality principle, supervisors may consider their standardised regulatory approach (if they have one), as a key element in the internal liquidity risk management of less sophisticated institutions.

**Recommendation 27** - When using internal methodologies for supervisory purposes, supervisors should assess the adequacy of governance, the soundness of methodologies - including their conservatism and completeness-, the timeliness of reviews, the robustness of stress testing, and resilience to liquidity crises, taking into account external constraints on the transferability of liquidity and the convertibility of currencies.

**Recommendation 28** - Supervisors should have at their disposal precise and timely quantitative and qualitative information which allows them to measure the liquidity risk of the institutions they supervise and to evaluate the robustness of their liquidity risk management.

**Recommendation 29** – The supervisors of cross-border groups should coordinate their work closely, in particular within the colleges of supervisors, in order to better understand groups’ liquidity risk profiles and endeavour to avoid unnecessary duplication of requirements, notably through enhanced exchanges of information. When appropriate, they should actively consider the delegation of tasks relating to the supervision of branches’ liquidity.

**Recommendation 30** - Supervisors should use all the information at their disposal in order to require institutions to take effective and timely remedial action when necessary. They should explore the possibility of having tools that provide them with early warnings to facilitate preventive supervisory action.