

## **Philipp M Hildebrand: Liquidity - a challenge for banks**

Public lecture by Dr Philipp M Hildebrand, Member of the Governing Board of the Swiss National Bank, at the Swiss National Bank Conference "Liquidity - a challenge for banks", Zurich, 11 January 2005.

*The complete speech can be found in German on the Swiss National Bank's website ([www.snb.ch](http://www.snb.ch)).*

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The resilience of the international financial system has been strengthened in recent years thanks to the extensive efforts of financial institutions, central banks and regulatory bodies. Nonetheless, given the steadily increasing volume of transactions in global financial markets, securing liquidity remains a fundamental task for banks.

During times of crises, liquidity can suddenly contract or dry up altogether. The challenge for banks is to set up liquidity planning procedures to secure reliable liquidity sources for exceptional circumstances. Liquidity risks must be correctly assessed and assets must be secured to serve as collateral when necessary.

In Switzerland, the repo market is the forward-looking liquidity management instrument for the banks. It minimises counterparty risk in lending and provides access to a crisis-resistant, collateralised interbank market. The Swiss National Bank is itself a participant in the repo market. It uses the repo platform to implement monetary policy and to provide for liquidity in both normal and exceptional circumstances.