



BANK OF ENGLAND

News release

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Financial Stability: Managing Liquidity Risk in a Global System - Speech by Sir Andrew Large

Speaking at the Fourteenth Central Banking conference this morning, Sir Andrew Large put the case for central banks and regulators in all jurisdictions to review the appropriateness of current liquidity standards. He saw today's relatively benign environment as a time to reflect on such issues, which were increasingly important given the increasingly global nature of financial firms and their activities and with liquidity cushions as the first line of defence in the event that periods of stress arise.

He emphasised also that globalisation means there is a case to look again at consistency of liquidity standards across jurisdictions. This is important for the financial authorities as they seek to achieve a high level of soundness in their respective financial systems. He did not argue that this required full harmonisation of liquidity standards in the way that capital standards have been harmonised. But central banks and regulators needed, at least, a common understanding of what they were individually seeking to achieve with liquidity regulation. Sir Andrew raised a number of questions where common understanding is important, for example on the elusive dividing line between ex ante insurance, and ex post resolution.

Key Resources

Financial Stability: Managing Liquidity Risk in a Global System

Speech by Sir Andrew Large, Deputy Governor, at the Fourteenth City of London Central Banking and Regulatory Conference on 28 November 2005

<http://www.bankofengland.co.uk/archive/Documents/historicpubs/speeches/2005/speech261.pdf>