

## **Statement on thematic review of liquidity stress tests at Sydbank A/S**

### **Introduction**

In spring 2018 the Danish FSA conducted an inspection of liquidity stress tests at Sydbank A/S as part of a thematic review comprising four systemically important financial institutions (SIFIs).

The purpose was to examine the design of the institutions' own liquidity stress tests, including to assess whether these tests adequately cover the liquidity risk exposure of each institution. The Danish FSA thus examined the methods and assumptions used by the individual institutions in their liquidity stress tests.

### **Summary and risk assessment**

Sydbank uses the liquidity coverage ratio (LCR) as its institution-specific liquidity stress test and consequently does not monitor LCR developments under institution-specific stress scenarios.

The Danish FSA does not find that the LCR calculation qualifies as an institution-specific stress test as the LCR is a statutory requirement that applies to all credit institutions. Moreover Sydbank's liquidity stress tests do not show when the liquidity run-offs occur under a given stress scenario. On this basis Sydbank was ordered to design a new liquidity stress test.