
Guidelines for submission of liquidity budgets

WHEN APPLYING FOR CREDIT

When applying for credit, a financial institution must append a liquidity budget as well as historical information about the development in deposits, lending and liquidity over the last three months. Danmarks Nationalbank has prepared a spreadsheet to be used when applying for credit. Danmarks Nationalbank also accepts liquidity budgets prepared in accordance with the liquidity model of the Association of Local Banks, Savings Banks and Cooperative Banks in Denmark. The liquidity budget should reflect the financial institution's actual liquidity management and it may therefore cover the parent company or the group, depending on the institution structure.

- ◆ The liquidity budget must be up-to-date
- ◆ A letter must be appended describing the underlying assumptions and uncertainties of the liquidity budget.

FOLLOW-UP

To maintain the credit line based on excess capital adequacy, the financial institution must submit monthly liquidity budgets to Danmarks Nationalbank as outlined below.

- ◆ The liquidity budget must be submitted using the same form as for the budget submitted with the original application for a credit line at Danmarks Nationalbank. The liquidity budget should reflect any changes in the financial institution's assumptions.
- ◆ A letter must be appended to the liquidity budget, describing any changes in the assumptions, as well as actual liquidity developments since the previous month.
- ◆ The liquidity budget must be prepared at the end of the month and must be received by Danmarks Nationalbank by the 8th banking day of the following month.

- ◆ Liquidity budgets are to be prepared from the end of the month in which the credit line was granted. If the credit line is granted in mid-November, the liquidity budget as at end-November should thus be received by the 8th banking day in December.
- ◆ In the period from the submission of the first liquidity budget in connection with the application for a credit line until the credit line is granted, it is not necessary to submit a complete liquidity budget, but only actual data. If the application is based on a liquidity budget as at end-September and the credit line is granted in early November, it is thus sufficient to submit the actual data for end-October rather than a complete liquidity budget.
- ◆ Upon submission of the updated liquidity budget, the financial institution receives a receipt from Danmarks Nationalbank. If further information or clarification is required in relation to the liquidity budget, Danmarks Nationalbank will contact the financial institution.

Danmarks Nationalbank offers financial institutions the option of encrypting liquidity budget files using PGP (Pretty Good Privacy).

The updated liquidity budget and appended letter should be e-mailed to kma@nationalbanken.dk or sent on a CD-ROM to:

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Financial Markets
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DK-1093 Copenhagen K
Denmark