

## **RBC Dexia: Liquidity Risk Measurement a Core Concern for Asset Managers**

**Toronto, June 17, 2010** – RBC Dexia said today that calls for greater transparency and increased disclosure from investors are making it more important to accurately measure liquidity risk. A report released by RBC Dexia in partnership with RiskMetrics Group, entitled 'The Value of Liquidity', introduces a new framework for valuing and measuring liquidity, while reflecting the specific liquidity needs of the institution concerned.

The issue of liquidity has arguably been central to most financial crises, even its concrete definition remains elusive to the marketplace at large. Global investors and regulators are more focused on measures to ensure investor protection and are re-evaluating risks related to liquidity within asset pools.

Fay Coroneos, Head of Risk and Investment Analytics at RBC Dexia, said: "The notion of liquidity has never been more relevant, nor as frequently referenced as it is today. It's central to the understanding of risk in the asset management community, as a result it is imperative that there is progress in measuring, managing or controlling this elusive notion."

The paper is designed to provide valuable insights into the notion of liquidity against the backdrop of the liquidity constraints faced by asset managers. The framework articulates key areas of consideration for portfolio managers to better understand and manage liquidity risk, including an illustrative case study.

Christopher Finger of RiskMetrics, who authored the report with colleague Carlo Acerbi, commented: "Liquidity risk has been central to most financial crises historically, and yet a clean definition of liquidity risk is elusive. In the past, issues such as market depth have been treated in isolation from funding and redemption concerns. It is crucial to examine the interaction between these components."

While classical VaR (Value at Risk) measures may provide useful indications of portfolio risk in liquid markets, the recent crisis showed that they do not address risk in the presence of less than perfect market liquidity nor portfolio liquidity constraints. The paper notes that although regulators currently call for VaR measures as part of a robust overall risk management process, there is a desire from the industry to further refine this measure. Overall, it brings all these concepts together and defines an approach to value portfolios based on the external liquidity of the portfolio constituents and the internal constraints to which the portfolio owner is subject.

For more information, or to download the report, please visit [www.rbcdexia.com/liquidity](http://www.rbcdexia.com/liquidity)

### **About RBC Dexia Investor Services**

RBC Dexia Investor Services offers a complete range of investor services to institutions worldwide. Our unique offshore and onshore solutions, combined with the expertise of our 5,300 professionals in 16 markets, help clients grow their business and sustain enhanced performance through efficiency improvements and robust risk management practices.

Equally owned by RBC and Dexia, the company ranks among the world's top 10 global custodians with USD 2.5 trillion in client assets under administration.

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### **About RiskMetrics Group**

RiskMetrics Group is a leading provider of risk management and corporate governance products and services to participants in the global financial markets. By bringing transparency, expertise and access to the financial markets, RiskMetrics Group helps investors better understand and manage the risks associated with their financial holdings. Our solutions address a broad spectrum of risk across our clients' financial assets. Headquartered in New York with 20 global offices, RiskMetrics Group services some of the most prestigious institutions and corporations worldwide.

In June 2010, RiskMetrics Group was acquired by MSCI Inc., a leading provider of investment decision support tools to investors globally. MSCI products and services include indices, portfolio risk and performance analytics, and governance tools.

[www.riskmetrics.com](http://www.riskmetrics.com)

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