Liquidity risk includes unmanageable reductions or changes in funding sources. Liquidity risk also stems from the failure to identify or resolve changes in market conditions that affect the ability to liquidate assets quickly and lose money with minimal value. Monitoring liquidity refers to the total or total amount of liquid assets traded in the economy. (Adrian and Shin, 2008). Attempt to solve the main reason for the mismatch of bank assets and liabilities through a literature review. Poor liquidity management may lead to bankruptcy. We cannot distinguish between liquidity and solvency of banks. Sometimes, banks that cannot be repaid may be insolvent; on the other hand, banks that cannot be repaid may be insolvent. This is why the adequate performance of capital and liquidity is the main concern of commercial banks. (Good Hart, 2008).

Assignment Objectives

1. Under key economic strategies and conditions, the impact of liquidity risk on bank stability.

2. Manage liquidity risk in the UK banking industry.

3. What regulatory measures have banks adopted to limit liquidity risk?

4. The importance of internal risk management framework for internal governance of the banking industry.

5. Identify and identify risk reduction recommendations.