



TITLE The interest term structure and Liquidity risk estimation
AUTHOR(S) Ricardo A. Tagliafichi

Key words: ICAAP, Dynamic Nelson and Siegel, Interest Term Structure, Liquidity Risk

Purpose of your paper: Show as easy parameters estimation of Dynamic Nelson and Siegel with different values of λ in different macroeconomic situations

Synopsis:

The Internal Capital Adequacy Assessment Process (ICAAP), among others risks, includes the evaluation of Interest Rate Risk and Liquidity Risk. In this sense, one of the most important tools we have for their analysis is the estimation of the interest term structure. This structure reflects the impacts of some important variables of the macroeconomics, like the GDP growth and inflation.

There are several papers explaining how to build this structure such as The spline lines, with the Nelson and Siegel model and The modifications of Diebold and Le, that focus on an important value like the coefficient that governs the form of this structure.

In this paper I develop several models that change the value in terms of the way we apply different structures, such as the normal structure used in developed and stable countries and the inverted curves that may appear in emerging countries during crisis period.

Every time we are in front of a robust estimation of the interest term structure, we can use these values in order to estimate the Liquidity Risk using the Gap Duration Analysis.

Finally, to complete this paper I have introduced a simple exercise in order to observe the proper way to use several interest term structures in a normal economy and in an economy that is facing a crisis situation.

Note: If you are not presenting a paper for this Colloquium, please include as much detail as possible in your Synopsis (maximum three pages) to enable delegates to prepare for your session.