

Office of the Comptroller of the Currency
Supporting Statement
Interagency Policy Statement on
Funding and Liquidity Risk Management
1557-NEW

A. Justification.

1. Circumstances that make the collection necessary:

The Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, and the National Credit Union Administration in conjunction with the Conference of State Bank Supervisors, requested comment on proposed guidance on funding and liquidity risk management. The proposed guidance summarizes the principles of sound liquidity risk management that the agencies have issued in the past and, where appropriate, brings them into conformance with the “Principles for Sound Liquidity Risk Management and Supervision” issued by the Basel Committee on Banking Supervision (BCBS) in September 2008. The agencies are now finalizing the guidance in the form of a policy statement.

2. Use of the information:

Section 14 of the policy statement states that institutions should consider liquidity costs, benefits, and risks in their strategic planning and budgeting processes. Significant business activities should be evaluated for liquidity risk exposure as well as profitability. More complex and sophisticated institutions should incorporate liquidity costs, benefits, and risks in the internal product pricing, performance measurement, and new product approval process for all material business lines, products, and activities. Incorporating the cost of liquidity into these functions should align the risk-taking incentives of individual business lines with the liquidity risk exposure their activities create for the institution as a whole. The quantification and attribution of liquidity risks should be explicit and transparent at the line management level and should include consideration of how the institution’s liquidity would be affected under stressed conditions.

Section 20 would require that liquidity risk reports provide aggregate information with sufficient supporting detail to enable management to assess the sensitivity of the institution to changes in market conditions, its own financial performance, and other important risk factors. Institutions should also report on the use of and availability of government support, such as lending and guarantee programs, and implications on liquidity positions, particularly because these programs generally are temporary or reserved as a source for contingent funding.

3. Consideration of the use of information technology:

Respondents may use any available information technology.

4. Efforts to identify duplication:

The information required is unique and is not duplicated elsewhere.

5. Methods used to minimize burden if the collection has a significant impact on a substantial number of small entities:

Not applicable.

6. Consequences to the Federal program if the collection were conducted less frequently:

Good liquidity risk management is important to ensure the safety and soundness of financial institutions. Less frequent collection would put institutions at risk.

7. Special circumstances necessitating collection inconsistent with 5 CFR Part 1320:

The information collection is conducted in accordance with OMB guidelines in 5 CFR Part 1320.

8. Efforts to consult with persons outside the agency:

The guidance was issued for public comment on July 6, 2009 (74 FR 32035). Twenty-two comments were received collectively by the agencies. Fifteen comments were submitted to the OCC. Only one of the comments submitted to the OCC addressed the Paperwork Reduction Act. That comment stated that some community banks with less than \$10 billion in assets reported to them that the estimate of 80 burden hours for small respondents is accurate. Other community banks estimated that it would take significantly longer, especially in the first year of implementation. The OCC has determined that, on average, the burden estimate is accurate and, therefore it has not changed the burden estimates in the final policy statement.

9. Payment to respondents:

None.

10. Any assurance of confidentiality:

There is no assurance of confidentiality.

11. Justification for questions of a sensitive nature:

Not applicable.

12. Burden estimate:

Affected public: National banks, their subsidiaries, and Federal branches or agencies of foreign banks.

Number of respondents: 1,560 total (13 large (over \$100 billion in assets), 29 mid-size (\$10 - \$100 billion), 1,518 small (less than \$10 billion)).

Burden under section 14: 720 hours per large respondent, 240 hours per mid-size respondent, and 80 hours per small respondent.

Burden under section 20: 4 hours per month.

Total estimated annual burden: 212,640 hours.

13. Estimate of annualized costs to respondents:

Not applicable.

14. Estimate of annualized costs to the government:

Not applicable.

15. Changes in burden:

The increase in burden is due to the fact that this is a new collection.

16. Information regarding collections whose results are planned to be published for statistical use:

No publication for statistical use is contemplated.

17. Display of expiration date:

Not applicable.

18. Exceptions to certification statement:

Not applicable.

B. Collections of Information Employing Statistical Methods.

Not applicable.