

**National Credit Union Administration  
Supporting Statement  
Interagency Policy Statement on  
Funding and Liquidity Risk Management  
3133-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 policy statement summarizes the principles of sound liquidity risk management that the agencies have issued in the past and, when appropriate, supplements them with the “Principles for Sound Liquidity Risk Management and Supervision” issued by the Basel Committee on Banking Supervision (BCBS) in September 2008.<sup>1</sup>

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.

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<sup>1</sup> NCUA is not a member of the Basel Committee on Banking Supervision and federally-insured credit unions are not directly referenced in the principles issued by the Committee

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. Five comments were submitted to the NCUA. Only two of the comments submitted to the NCUA addressed the Paperwork Reduction Act. These two comments were submitted by trade organizations regarding section III, items (a) through (e) of the Paperwork Reduction Act. One commenter stated that no additional information should be required of credit unions if they are following current procedures addressed in NCUA's Examiner's Guide. Sections 14 and 20 of the proposed guidance include specific analysis and reporting expectations based on the complexity of the credit union and risk profile. The time estimates provided by NCUA reflect the estimated amount of time if credit unions complied with those expectations. The time burden estimate is not in addition to complying with NCUA Examiner's Guide and such analysis and reporting are existing expectations for complex, higher risk credit unions (refer to Letter to Credit Unions 02-CU-05).

It is difficult to accurately estimate how many credit unions would have an implementation burden for Sections 14 and 20 under the proposed guidance and the extent of that additional burden. It is largely dependent upon the structure of the credit union and the inherent risks present, which will fluctuate over time. The initial comment period for the guidance solicited comments on time burden estimates. No specific responses were provided from credit unions to support or challenge the time estimates provided. The time estimates provided are an average per credit union based on asset size alone and may not accurately reflect the time necessary for a

particular credit union to comply with the expectations of Sections 14 and 20.

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: Federally insured credit unions.

Number of respondents: 7,736 total (153 large (over \$100 billion in assets), 501 mid-size (\$10 - \$100 billion), 7,082 small (less than \$10 billion)).

Burden under section 14: 240 hours per large respondent, 80 hours per mid-size respondent, and 20 hours per small respondent.

Burden under section 20: 2 hours per month.

Total estimated annual burden: 404,104 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.