National Credit Union Administration
Supporting Statement
Interagency Policy Statement on
Funding and Liquidity Risk Management
3133-0180
2013

A. Justification.

1. Circumstances that make the collection necessary:

On March 22, 2010, 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, issued a policy statement on funding and liquidity risk management.[1] The guidance summarized 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.

2. Use of the information:

Section 14 of the policy statement provides 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 requires 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 also should report on the use of and availability of government support, such as lending and guarantee programs, and the implications on liquidity positions, particularly because these programs generally are temporary or reserved as a source for contingent funding.

1 75 FR 13656 (March 22, 2010).

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:

Notice of the proposed information collection was published with a 60-day comment period in the Federal Register on July 29, 2013 (78 FR 45572). NCUA did not receive any comments regarding the collection.

9. Payment to respondents:

None.

10. Any assurance of confidentiality:

There is no assurance of confidentiality.

11. Justification for questions of a sensitive nature:

There are no questions of a sensitive nature.

12. <u>Burden estimate:</u>

<u>Affected public</u>: Federally insured credit unions.

<u>Number of respondents</u>: 6,753 total (4 large credit unions ($10 to $100 billion in assets), 769 mid-sized institutions ($250 million to $10 billion), and 5,980 (less than $250 million)).

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

Large respondents:	(240 hours x 4 respondents = 960 hours)
Mid-size respondents:	(80 hours x 769 respondents= 61,520 hours)
Respondents less than $250 billion:	(20 hours x 5,980 respondents= 119,600 hours)

960 (large) + 61,520 (mid-size) + 119,600 (<250 million) = 182,080 total hours for section 14

<u>Burden under section 20</u>: 2 hours per month. 2 hours x 12 months = 24 hours per year.

Large respondents:	(24 hours x 4 respondents = 96 hours)
Mid-size respondents:	(24 hours x 769 respondents= 18,456 hours)
Respondents less than $250 million:	(24 hours x 5,980 respondents= 143,520 hours)

96 (large) + 18,456 (mid-size) + 143,520 (<250 million) = 162,072 total hours for section 20

182,080 (section 14) + 162,072 (section 20) = 344,152 hours.

<u>Total estimated annual burden</u>: 344,152 hours.

13. <u>Estimate of annualized costs to respondents:</u>

None. Usual and customary business.

14. <u>Estimate of annualized costs to the government</u>:

Not applicable.

15. <u>Changes in burden:</u>

This is a reinstatement of a previously approved collection. A decrease in burden from previous estimates is due to the decreased number of respondents.

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

No publication for statistical use is contemplated.

17. <u>Display of expiration date:</u>

Not applicable.

18. <u>Exceptions to the certification statement:</u>

There are no exceptions to the certification statement.

B. Collections of Information Employing Statistical Methods.

The collection does not employ statistical methods.