

Justification Statement
Funding and Liquidity Risk Management
OMB Control Number 3133-0180
2014

1. Necessity of Information Collection

The recent financial crisis demonstrated the importance of good liquidity risk management to the safety and soundness of financial institutions. The NCUA remains concerned about the largely diminished liquidity protection for the credit union system. Therefore in conjunction with the OCC, FRB, FDIC, and Conference of State Bank Supervisors (CSBS), have adopted the Interagency Policy Statement on Funding and Liquidity Risk Management. Additionally, for clarity of NCUA's expectation on the Interagency Policy Statement and to reduce the regulatory burden of credit union less than \$50million NCUA issued Regulation 741.12 Liquidity and Contingency Funding Plans.

The rule establishes a three tier framework for federally insured credit unions, based on asset size. Federally insured credit union with assets under \$50 million must maintain a basic policy, federally insured credit unions with assets of \$50 million and over must maintain a policy and a contingency funding plan, and federally insured credit unions with assets over \$250 million must maintain a policy, contingency funding plan and establish a federal liquidity contingency source.

In October 2013 NCUA amended Section 741.12 of NCUA's Rules and Regulation on liquidity and contingency funding plans for federally insured credit unions. This rule ensures all federally insured credit unions conduct sound liquidity planning, and requires large credit unions to establish access to at least one federal source of contingent liquidity.

2. Purpose and Use of the Information Collection

NCUA examiners will review credit union liquidity risk management procedures and policies during the regulatory examinations. The reviews will conclude if federally insured credit unions are maintaining appropriate liquidity levels for the amount of balance sheet risk exposure. As part of the routine examination process, these reviews help prevent losses to credit unions and the NCUSIF.

3. Consideration Given to Information Technology

The information collected is the responsibility of the credit unions and part of routine operations. FICUs may use any technology to develop policies and contingency plans.

4. Duplication

The information required is unique and it is not duplicated elsewhere.

5. Effect on Small Entities

To minimize the regulatory burden on small entities and provide regulatory consistency, NCUA established a tiered approach to the 12 C.F.R. §741.12 Liquidity and Contingency Funding Plans. Credit unions with less than \$50 million in assets will only have to develop a fundamental liquidity policy, covering the purpose of liquidity management, limits for liquidity measures, primary and secondary sources of liquidity, and periodic liquidity policy reviews.

6. Consequences of Not Conducting Collection

Sound liquidity planning and access to federal liquidity sources are vital to the safety and soundness of the credit union system. During the recent recession, many credit unions experienced significant financial stress because they did not manage their liquidity in a prudent manner. In some cases, these credit unions had difficulty meeting their obligations as they became due because sources of funding became severely restricted. Gathering liquidity information, followed by annual regulatory examinations and annual testing is crucial to ensuring the credit union system is resilience during periods of financial market stress.

7. Inconsistencies with Guidelines in 5 CFR 1320.5(d)(2)

There are no special circumstances. This collection is consistent with the guidelines in 5 CFR 1320.5(d) (2).

8. Consultations Outside the Agency

The required Federal Register notice with a 60-day comment period soliciting comments on this collection of information was published. No public comments were received.

9. Payment or Gift

No payment, gifts, or remuneration are provided for this collection.

10. Confidentiality

While the regulation does not have an express assurance of confidentiality, the request for approval, like all credit union data, is not available to the public if exempt under NCUA Freedom of Information Act regulation, 12 CFR Part 792.

11. Sensitive Questions

No questions of a sensitive nature are asked. The information collection does not collect any Personally Identifiable Information (PII).

12. Burden of Information Collection

NCUA estimates the information listed below by asset size for a credit union to complete the requirements of 12 C.F.R. §741.12 Liquidity and Contingency Funding Plans. These estimates include time to gather and maintain data in the required form, review instructions, and complete the information collection.

The information outlined below includes July 31, 2014 statistics.

Affected public: Federally insured credit unions.

Number of respondents: 6,468 total (786 large credit unions > \$250million), 1,458 mid-sized institutions (\$50 million to \$250 million), and 4,224 (less than \$50 million).

Burden under section 14: 1.5 hours per large respondent, 1 hour per mid-size respondent, and a 0.5 hour per small respondent.

Large respondents:	(1.5 hours x 786 respondents = 1,179 hours)
Mid-size respondents:	(1 hours x 1,458 respondents= 1,458 hours)
Respondents less than \$50 million:	(0.5 hours x 4,224 respondents= 2,112 hours)

1,179 (large) + 1,458 (mid-size) + 2,112(<250 million) = 4,749 total hours for section §741.12.

13. Costs to Respondents

Estimated annualized cost to respondents is calculated by multiplying the hours per respondent by the respondent's hourly wage. For credit union's senior executive officers, the average hourly rate was calculated using call report information. The number of submissions for senior executive officer was calculated by using June 30, 2014 federally insured credit union data.

The first year's cost to respond was calculated using an average hourly rate of \$31.89. The total cost for all federally insured credit unions to respond is \$151,446.

Additionally, NCUA estimates an additional cost of 0.00 for various printing materials:

- credit unions > \$250million - \$0 policies are kept in electronic format ;
- credit unions \$50 million to \$250 million - \$0 policies are kept in electronic format; and,
- credit union less than \$50 million - \$0 policies are kept in electronic format.

Based on this information, the estimated total cost to respondent including printing is \$151,446.

14. Costs to Federal Government

This collection does not involve any unique costs to the agency. Review of the submission is part of the usual and customary supervision of credit unions.

15. Changes in Burden

Estimated burden increased since the last implementation, due to the changes in NCUA regulations. NCUA has implemented a three tier framework for federally insured credit unions, based on asset size to address their liquidity concerns.

16. Information Collection Planned for Statistical Purposes

Not applicable. The information collection is not used for statistical purposes

17. Approval to Omit OMB Expiration Date

NCUA is not seeking approval to omit the expiration date.

18. Exceptions to Certification for Paperwork Reduction Act Submissions

This collection complies with the requirements in 5 CFR 1320.9.

Appendix A *Supporting Statement Requirements for ICs employing statistical methods*

If the collection of information does not involve any statistical methods, please use the following statement:

This collection does not involve statistical methods.