SUPPORTING STATEMENT
Funding and Liquidity Risk Management
(3064-0174)

The Federal Deposit Insurance Corporation ("FDIC") is requesting approval from the Office of Management and Budget ("OMB") to renew a collection of information associated with *Interagency Guidance* on *Funding and Liquidity Risk Management*. The information collection includes reporting and recordkeeping requirements related to sound risk management principles applicable to insured depository institutions.

A. JUSTIFICATION

1. Circumstances and Need

Turmoil in the financial markets has resulted in increased focus on the liquidity risk management practices of financial institutions. Various supervisory groups at both national and international levels, including the Basel Committee on Banking Supervision ("Basel Committee"), the Senior Supervisors Group, and the Financial Stability Board, have worked to assess the impact of current market conditions on an institution's assessment of its funding liquidity risk and the supervisor's approach to liquidity risk supervision. These assessments have highlighted deficiencies in a number of areas, including insufficient holdings of liquid assets, funding risk or illiquid asset portfolios with potentially volatile short-term liabilities, and a lack of meaningful cash flow projections and liquidity contingency plans, and resulted in the issuance of guidance by a number of entities on sound liquidity risk management practices. Such guidance includes the Basel Committee's *Principles for Sound Liquidity Risk Management and Supervision*, issued in September 2008, and the Institute of International Finance's *Final Report of the IIF Committee on Market Best Practices: Principles of Conduct and Best Practices Recommendations*, issued in July 2008. In a similar vein, the federal banking supervisory agencies have issued *Interagency Guidance – Funding and Liquidity Risk Management.* The 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 Basel Committee's *Principles for Sound Liquidity Risk Management and Supervision*. While the Basel Committee's liquidity document primarily focuses on large internationally active financial institutions, the agencies' guidance emphasizes supervisory expectations for all domestic financial institutions including banks, thrifts and credit unions.

2. Use of Information Collected

Documented policies and procedures that consider liquidity costs, benefits, and risks in strategic planning enable an institution and its supervisor to properly evaluate the liquidity risk exposure of an institution's individual business lines and for the institution as a whole. In addition, liquidity risk reports that provide detailed and aggregate information on items such as cash flow gaps, cash flow projections, assumptions used in cash flow projections, asset and funding concentrations, funding availability, and early warning or risk indicators enable management to assess an institution's sensitivity to changes in market conditions, the institution's financial performance, and other important risk factors.

3. Use of Technology to Reduce Burden

Financial institutions may use information technology to the extent they consider appropriate and feasible to document policies and procedures and generate required risk management reports.

4. Efforts to Identify Duplication

The recordkeeping and reporting requirements contained in the guidance are informed by the magnitude and scope of recent, unanticipated funding liquidity issues for financial institutions and are not duplicated elsewhere.

5. Minimizing the Burden on Small Entities

The burden imposed by the reporting and recordkeeping requirements in the guidance varies according to the complexity of an institution's operations and risk profile. The burden for small, less complex financial institutions is, in general, significantly less than that for large, more complex financial institutions.

6. Consequences of Less Frequent Collection

As a sound practice, an institution's board of directors should update its documented liquidity risk procedures, at least annually, to incorporate procedural changes and to ensure the program's effectiveness. The timing of liquidity risk management reports will vary according to the complexity of an institution's operations and risk profile.

7. Special Circumstances

Although the timing of management risk reports will vary from institution to institution based on the institution's business model and market exposure, the agencies anticipate that on average such reports will be prepared on a monthly basis.

8. Consultation with Persons Outside the FDIC

On April 6, 2016 (81 FR 19971), the FDIC solicited public comment for a 60-day period on renewal without change of its ‘‘Interagency Policy Statement on Funding and Liquidity Risk Management” (OMB No. 3064–0174). No comments were received.

9. Payment or Gift to Respondents

No payments will be made or gifts given to respondents.

10. Confidentiality

All documentation required under this supervisory guidance would be maintained by the bank and would not be shared publicly. Information will be kept private to the extent allowed by law.

11. Information of a Sensitive Nature

No information of a sensitive nature is requested.

12. Estimate of Annual Burden

The burden estimates are as follows:

	No. of Respondents	*Average Hours per Response*	*Responses Per Year*	*Total Hours*
***Paragraph 14** (Record Keeping)*				
Large Institutions (over $20 billion in assets)	*19*	*720*	*1*	*13,680*
Mid-size Institutions ($1 to $20 billion in assets)	*329*	*240*	*1*	*78,960*
Small Institutions (less than $1 billion in assets)	*3,599*	*80*	*1*	*287,920*
Paragraph 14 Subtotal	*3,947*			*380,560*
***Paragraph 20** (Reporting)*				
All supervised institutions	*3,947*	*4*	*12*	*189,456*
Total Burden Hours				***570,016***

13. Capital, Start-up, and Operating Costs

Capital and operating costs will vary from bank to bank depending upon a bank's individual circumstances, including the complexity of its operations and risk profile. Thus, an estimate of this cost component cannot be determined at this time.

14. Estimates of Annualized Cost to the Federal Government

None

15. Reason for Change in Burden

The change in burden is due to a reduction in the number and a redistribution of respondents among three asset size categories of institutions supervised by the FDIC that would be responding to this information collection.

16. Publication

The documented strategies for considering liquidity costs, benefits, and risks in strategic planning and budgeting processes, and liquidity risk reports will be used internally by financial institutions in support of liquidity risk management activities and by supervisory agencies to monitor and assess the adequacy of such activities. The FDIC has no plans to publish the information.

17. Exceptions to Expiration Date Display

None.

18. Exceptions to Certification

None.

B. STATISTICAL METHODS

Not applicable.