Office of the Comptroller of the Currency
Supporting Statement
Interagency Policy Statement on
Funding and Liquidity Risk Management
OMB Control No. 1557-0244

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 (Policy Statement).[1] The Policy Statement summarized the principles of sound liquidity risk management that the Federal banking 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 of the Policy Statement 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:

Not applicable.

8. Efforts to consult with persons outside the agency:

On February 29, 2016, the OCC published a notice for 60 days of comment concerning the collection, 81 FR 10364. One comment was received from an individual.

The commenter stated that the collection is burdensome and that the regulatory expectations have no practical utility. Specifically, the commenter questioned whether there is any empirical evidence showing the association between inaccurate performance measurements and liquidity risk and whether it should be labeled operational risk instead. The commenter noted the lack of guidance on how product pricing, performance measurement, and internal approval processes impact liquidity risk, which they believe is likely due to the lack of connection between these factors and an institution's ability to meet its obligations. The commenter suggested that the OCC remove the portions of the guidance regarding the risk in internal product pricing, performance measurement, and new product approval process and replace them with definitions, explanations, or examples.

The comprehensive set of reports used by banks to identify, measure, monitor and control liquidity risk have been shown to be effectiveby helping identify risk so that management can implement appropriate mitigation actions. An institution's obligations, and the funding sources used to meet those obligations, depend significantly on its business mix, balance-sheet structure, and the cash flow profiles of its on- and off-balance sheet obligations. A necessary part of controlling liquidity risk is understanding how liquidity risk can be created. While it is prudent for banks to understand the product pricing, performance measurement and internal approval processes, the agencies restricted those expectations to complex and sophisticated organizations.

9. Payment to respondents:

None.

10. Any assurance of confidentiality:

The information collected will be kept private to the extent permitted by law.

11. Justification for questions of a sensitive nature:

Not applicable.

12. Burden estimate:

Estimated Number of Respondents: 1,469 total, 15 large (over $100 billion in assets), 46 mid-size ($10 - $100 billion), 1,408 small (less than $10 billion).

Estimated Burden per Respondent under Section 14: 360 hours per large respondent, 120 hours per mid-size respondent, and 40 hours per small respondent.

Estimated Burden per Respondent under Section 20: 24 (2 hours per month).

Estimated Burden for Large Institutions: 15 respondents x (360 + 24) = 5,760 hours.

Estimated Burden for Mid-size Institutions: 46 x (120 + 24) = 6,624 hours.

Estimated Burden for Small Institutions: 1,408 x (40 + 24) = 90,112 hours.

5,760 + 6,624 + 90,112 = 102,496 hours.

Total Estimated Burden Hours: 102,496 hours.

Cost of Hour Burden: 102,496 x $101 = $ 10,352,096

To estimate average hourly wages we reviewed data from May 2015 for wages (by industry and occupation) from the U.S. Bureau of Labor Statistics (BLS) for depository credit intermediation (NAICS 522100). To estimate compensation costs associated with the rule, we use $101 per hour, which is based on the average of the 90th percentile for seven occupations adjusted for inflation (2 percent), plus an additional 30 percent to cover private sector benefits. Thirty percent represents the average private sector costs of employee benefits.

13. Estimate of annualized costs to respondents:

Not applicable.

14. Estimate of annualized costs to the government:

Not applicable.

15. Changes in burden:

Current burden:

125,232 Total Burden Hours

New burden:

102,496 Total Burden Hours

Difference:

-22,736 Burden Hours

The decrease in burden is due to the decrease in the number of regulated entities.

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.