

National Credit Union Administration  
**SUPPORTING STATEMENT**

Liquidity and Contingency Funding Plans  
12 CFR 741.12  
OMB Control Number 3133-0180

**A. Justification**

**1. Circumstances that make the collection of information necessary**

The 2008 financial crisis demonstrated the importance of good liquidity risk management to the safety and soundness of financial institutions. The NCUA remains concerned about the liquidity protection for the credit union system. In conjunction with the OCC, FRB, FDIC, and Conference of State Bank Supervisors (CSBS), adopted the Interagency Policy Statement on Funding and Liquidity Risk Management in March of 2010<sup>1</sup>. In October 2013 to clarify NCUA's expectation on the Interagency Policy Statement and to reduce the regulatory burden on small credit unions NCUA codified the requirements for Liquidity and Contingency Funding Plans as §741.12.<sup>2</sup> Section 741.12 does not require credit unions less than \$50 million in assets to establish and document a Contingency Funding Plan and does not require additional liquidity risk reports. Section 741.12 does require credit unions above \$50 million to establish and document a CFP and requires large credit unions to establish access to at least one federal liquidity source.

**2. Purpose and Use of the Information Collection**

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 contingency funding plan, and federally insured credit unions with assets over \$250 million must maintain a contingency funding plan and establish a federal liquidity contingency source.

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. Use of Information Technology**

The NCUA does not prescribe any particular form for this information collection. An FICU may use any technology to develop policies and contingency plans.

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<sup>1</sup> March 22, 2010; 75 FR 13656

<sup>2</sup> October 30, 2013; 78 FR 64883

**4. Duplication of Information**

The information required is unique and it is not duplicated.

**5. Efforts to Reduce Burden on Small Entities**

To minimize the regulatory burden on small entities and provide regulatory consistency, NCUA established a tiered approach to the §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 2008-2009 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. Requiring basic liquidity funding plans, followed by annual regulatory examinations and annual testing (for larger credit unions) is crucial to ensuring the credit union system is resilient 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 with Persons Outside the Agency**

A 60-day notice was published in the *Federal Register* on December 7, 2017, at 82 FR 57786, soliciting comments from the public. No public comments were received in response to this notice.

**9. Payment or Gifts to Respondents**

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

**10. Assurance of Confidentiality**

There is no assurance of confidentiality other than those provided by law. Credit union examination reports and any documents related thereto are exempt from the Freedom of Information Act disclosure, pursuant to exemption 8, 5 U.S.C. 552(b)(8).

**11. Questions of a Sensitive Questions Nature**

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

**12. Burden of Information Collection**

The information outlined below are based on information from the June 30, 2017, Call Report.

Information Collection(Recordkeeping*)	# Respondents	# Responses Per Respondent (Frequency)	Total Annual Responses	Time per Response (Hours)	Total Annual Burden
§741.12(a) – Small – FICU with assets under \$50 million must maintain a basic policy	3,398	1	3,398	0.5	1,699
§741.12(b) – Mid-size – FICU with assets of \$50M and over must maintain a policy and a contingency funding plan	1,443	1	1,443	1.0	1,443
§741.12(c) – Large – FICU with assets over \$250M must maintain a policy, contingency funding plan, and establish a federal liquidity contingency source	855	1	855	1.5	1,282.5
Totals	5,696	1	5,696	0.78	4,424.50

*\*NCUA provides record retention guidelines for credit unions in Appendix A to Part 749 and recommends that the credit union’s board of directors approve a records retention schedule authorizing the disposal of certain records on a continual basis upon expiration of specified retention period. It is also advised that records, for a particular period, should not be destroyed until both a comprehensive annual audit by the supervisor committee and a supervisory examination by the NCUA have been made for that period.*

Based on the labor wage rate of \$35 per hour, the total cost to respondents is \$154,857.50.

**13. Capital Start-up or On-going Operation and Maintenance Costs**

There are no capital start-up or maintenance costs.

**14. Costs to Federal Government**

This collection does not involve any unique costs to the agency. Review of the information is a usual and customary part of the examination review.

**15. Changes in Burden**

This is an extension of a currently approved collection. A reduction of 324 hours is due to an adjustment in the number of credit unions in each category of respondent.

**16. Information Collection Planned for Statistical Purposes**

Not applicable. The information collection is not used for statistical purposes and will not be published.

**17. Request Non-display the Expiration Date of the OMB Control Number**

The OMB control number and expiration date associated with is information collection will be displayed on the Federal government's electronic PRA docket at [www.reginfo.gov](http://www.reginfo.gov).

**18. Exceptions to Certification for Paperwork Reduction Act Submissions**

There are no exceptions to the certification statement.

**B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS**

This collection does not involve statistical methods.