

**Supporting Statement for the  
Interagency Policy Statement on Funding and Liquidity Risk Management  
(FR 4198; OMB No. 7100-0326)**

**Summary**

The Board of Governors of the Federal Reserve System (Board), under authority delegated by the Office of Management and Budget (OMB), has extended for three years, with revision, the recordkeeping provisions associated with the Interagency Policy Statement on Funding and Liquidity Risk Management (FR 4198; OMB No. 7100-0326). The Interagency Policy Statement on Funding and Liquidity Risk Management (Guidance)<sup>1</sup> was issued to provide consistent interagency expectations on sound practices for managing funding and liquidity risk. The Guidance includes a number of voluntary recordkeeping provisions that apply to bank holding companies, savings and loan holding companies, state-licensed branches and agencies of foreign banks (other than insured branches), corporations organized or operating under sections 25 or 25A of the Federal Reserve Act (agreement corporations and Edge corporations) and state member banks (collectively, financial institutions). There are no required reporting forms associated with the Guidance (the FR 4198 designation is for internal purposes only).

The Board adopted a revision of the FR 4198 to account for certain aspects of the Guidance that include recordkeeping provisions related to liquidity risk management policies, procedures, and assumptions, and contingency funding plans (CFPs).<sup>2</sup> The current estimated total annual burden for the FR 4198 is 727,456 hours, and would decrease to 158,048 hours.

**Background and Justification**

The financial market stress experienced in 2007-2009 demonstrated the importance of liquidity risk management to the safety and soundness of financial institutions. Following the financial crisis, financial supervisory authorities worked on an international and national level through various groups (e.g., the Basel Committee on Banking Supervision (BCBS), the Senior Supervisors Group, and the Financial Stability Forum) to review institutions' assessment of liquidity risk and supervisors' approach to liquidity risk supervision.

As part of these efforts, the agencies issued the Guidance, which became effective May 21, 2010. The Guidance summarizes principles of sound liquidity risk management that the agencies had identified in the past and, where appropriate, harmonized those principles with the "Principles for Sound Liquidity Risk Management and Supervision" issued by the BCBS in September 2008.<sup>3</sup>

---

<sup>1</sup> "Interagency Policy Statement on Funding and Liquidity Risk Management," 75 FR 13656 (March 22, 2010). The Guidance was published jointly by the Board, Office of the Comptroller of the Currency (OCC), Office of Thrift Supervision, Federal Deposit Insurance Corporation (FDIC), and National Credit Union Administration (collectively, the agencies).

<sup>2</sup> Previous versions of the OMB Supporting Statement for the FR 4198 included references to certain aspects of the Guidance that do not constitute collections of information under the Paperwork Reduction Act. These references have been removed in this version.

<sup>3</sup> Basel Committee on Banking Supervision, "Principles for Sound Liquidity Risk Management and Supervision," September 2008. See <https://www.bis.org/publ/bcbs144.htm>. While the BCBS liquidity principles primarily focus

## **Description of Information Collection**

The Guidance includes two voluntary recordkeeping provisions:

### *Liquidity Risk Management Policies, Procedures, and Assumptions*

The Guidance states that financial institutions should develop and document liquidity risk management policies and procedures commensurate with the institution's complexity, risk profile, and scope of operations. Sections 3 and 6 of the Guidance provide that financial institutions should maintain such policies and procedures. The content that should be included in such policies and procedures are set forth in sections 9, 11, 12, and 13 of the Guidance. Additionally, section 15 of the Guidance provides that financial institutions should document the assumptions that they use when measuring liquidity risk.

### *CFPs*

Section 6 of the Guidance states that financial institutions should have a CFP that sufficiently addresses potential adverse liquid events and emergency cash flow requirements, and section 34 of the Guidance states that the CFP should be documented. The content that should be included in a CFP are set forth in sections 31, 34, 35, and 37 of the Guidance.

## **Respondent Panel**

The FR 4198 panel comprises bank holding companies, savings and loan holding companies, state-licensed branches and agencies of foreign banks (other than insured branches), corporations organized or operating under sections 25 or 25A of the Federal Reserve Act (agreement corporations and Edge corporations), and state member banks.

## **Adopted Revisions to the FR 4198**

The Board adopted a revision to FR 4198 to account for all of the recordkeeping provisions set forth in the Guidance related to liquidity risk management policies, procedures, and assumptions and CFPs. The FR 4198 currently does not account for the recordkeeping provisions related to CFPs, and does not fully account for the recordkeeping provisions related to liquidity risk management policies, procedures, and assumptions.

## **Time Schedule for Information Collection**

The documentation required by the Guidance is maintained by each institution; therefore, the documentation is not collected or published by the Federal Reserve System. The voluntary recordkeeping described in the Guidance is ongoing.

---

on large internationally active financial institutions, the Guidance emphasizes supervisory expectations for all domestic financial institutions including banks, thrifts, and credit unions.

## **Public Availability of Data**

There is no data related to this information collection available to the public.

## **Legal Status**

The recordkeeping provisions of the Guidance are authorized pursuant to sections 9(6), 25, and 25A of the Federal Reserve Act (for state member banks, agreement corporations, and Edge corporations, respectively) (12 U.S.C. §§ 324, 602, and 625, respectively); section 5(c) of the Bank Holding Company Act of 1956 (for bank holding companies) (12 U.S.C. § 1844(c)); section 10(b)(3) of the Home Owners' Loan Act (savings and loan holding companies) (12 U.S.C. § 1467a(b)(3)); and section 7(c)(2) of the International Banking Act of 1978 (state-licensed branches and agencies of foreign banks, other than insured branches) (12 U.S.C. § 3105(c)(2)). Because the recordkeeping provisions are contained within guidance, which is nonbinding, they are voluntary.<sup>4</sup>

Because these records would be maintained at each banking organization, the Freedom of Information Act (FOIA) would only be implicated if the Board obtained such records as part of the examination or supervision of a banking organization. In the event the records are obtained by the Board as part of an examination or supervision of a financial institution, this information is considered confidential pursuant to exemption 8 of the FOIA, which protects information contained in “examination, operating, or condition reports” obtained in the bank supervisory process (5 U.S.C. § 552(b)(8)). In addition, the information may also be kept confidential under exemption 4 for the FOIA, which protects commercial or financial information obtained from a person that is privileged or confidential (5 U.S.C. § 552(b)(4)).

## **Consultation Outside the Agency**

The Guidance was published jointly by the agencies. There has been no consultation outside of the Federal Reserve System with regard to the adoption of the extension of the FR 4198 for three years, with revision.

## **Public Comments**

On June 25, 2019, the Board published an initial notice in the *Federal Register* (84 FR 29862), requesting public comment for 60 days on the extension, with revision, of the FR 4198. The comment period for this notice expired on August 26, 2019. The Board did not receive any comments. The Board adopted the extension, with revision, of the FR 4198 as originally proposed. On October 18, 2019, the Board published a final notice in the *Federal Register* (84 FR 55957).

## **Estimate of Respondent Burden**

As shown in the table below, the estimated total annual burden for the FR 4198 is 727,456 hours, and would decrease to 158,048 hours with the revisions. Certain recordkeeping

---

<sup>4</sup> See SR 18-5 / CA 18-7: Interagency Statement Clarifying the Role of Supervisory Guidance (September 11, 2018).

provisions included in the FR 4198 overlap with substantively identical requirements in the Board’s Regulation YY. The estimated total burden for the FR 4198 does not include the burden of complying with these Regulation YY requirements, which are accounted for in the Paperwork Reduction Act clearance for the Reporting, Recordkeeping, and Disclosure Requirements Associated with Regulation YY (OMB No. 7100-0350).

The revisions to FR 4198 result in an increase to the estimated ongoing recordkeeping burden for those respondents that have already implemented the recordkeeping provisions of the Guidance. However, the total estimated burden decreased due to a significant decrease in the estimated number of respondents that would newly implement the recordkeeping provisions of the Guidance, as the Board believes that most respondents have already implemented those provisions. These recordkeeping provisions represent approximately 1.4 percent of the Board’s total paperwork burden.

<b>FR 4198</b>	<i>Estimated number of respondents<sup>5</sup></i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
<b>Current</b>				
Section 14				
Strategic Planning and Budgeting Processes:				
Large institutions	28	1	720	20,160
Mid-sized institutions	73	1	240	17,520
Small institutions	5,351	1	80	428,080
Section 20				
Liquidity Risk Reports	5,452	12	4	<u>261,696</u>
<i>Current Total</i>				727,456
<b>Proposed</b>				
Implementation of Recordkeeping Guidance	30	1	160	4,800
Ongoing Recordkeeping	4,789	1	32	<u>153,248</u>
<i>Proposed Total</i>				158,048
				<i>Change</i>
				(569,408)

<sup>5</sup> Of these respondents, approximately 29 implementing recordkeeping and 4,693 maintaining ongoing recordkeeping are considered small entities, as defined by the Small Business Administration (i.e., entities with less than \$550 million in assets), <https://www.sba.gov/document/support--table-size-standards>. There are no special accommodations given to mitigate the burden on small institutions.

The current estimated total annual cost to the public for this information collection is \$41,901,466 and would decrease to \$9,103,565 with the adopted revisions.<sup>6</sup>

### **Sensitive Questions**

This collection of information contains no questions of a sensitive nature, as defined by OMB guidelines.

### **Estimate of Cost to the Federal Reserve System**

Because the records maintained pursuant to the Guidance are maintained at the financial institutions and not collected by the Federal Reserve System, the estimated cost to the Federal Reserve System is negligible.

---

<sup>6</sup> Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rates (30% Office & Administrative Support at \$19, 45% Financial Managers at \$71, 15% Lawyers at \$69, and 10% Chief Executives at \$96). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor and Statistics (BLS), *Occupational Employment and Wages May 2018*, published March 29, 2019, <https://www.bls.gov/news.release/ocwage.t01.htm>. Occupations are defined using the BLS Standard Occupational Classification System, <https://www.bls.gov/soc/>.