

Press Releases

March 17, 2010

OTS 10-010 - Federal Banking Agencies Issue Policy Statement on Funding and Liquidity Risk Management

Joint Release

**Board of Governors of the Federal Reserve System
Conference of State Bank Supervisors
Federal Deposit Insurance Corporation
National Credit Union Administration
Office of the Comptroller of the Currency
Office of Thrift Supervision**

For immediate release
March 17, 2010

Washington — The federal banking agencies,¹ in conjunction with the Conference of State Bank Supervisors (CSBS), released a policy statement today on their expectations for sound funding and liquidity risk management practices. This policy statement, adopted by each of the agencies, summarizes the principles of sound liquidity risk management issued previously and, when appropriate, supplements them with the “Principles for Sound Liquidity Risk Management and Supervision” issued in September 2008 by the Basel Committee on Banking Supervision.

Given the recent market turmoil, the agencies are reiterating the importance of effective liquidity risk management for the safety and soundness of financial institutions. This policy statement emphasizes the importance of cash flow projections, diversified funding sources, stress testing, a cushion of liquid assets, and a formal, well-developed contingency funding plan as primary tools for measuring and managing liquidity risk. The agencies expect each financial institution to manage funding and liquidity risk using processes and systems that are commensurate with the institution’s complexity, risk profile, and scope of operations.

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Attachment

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¹The federal banking agencies are the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision.

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- **10-010A JOINT RELEASE Interagency Policy Statement on Funding and Liquidity Risk Management** - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2010-10a.pdf>