



Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990

Financial Institution Letter
FIL-37-2009
June 30, 2009

FUNDING AND LIQUIDITY RISK MANAGEMENT PROPOSED INTERAGENCY GUIDANCE

Summary: The federal banking agencies and the National Credit Union Administration (collectively, the Agencies) are seeking comment on the attached proposed *Interagency Guidance on Funding and Liquidity Risk Management (Guidance)*. The Agencies developed the Guidance to provide sound practices for managing funding and liquidity risk and strengthening liquidity risk management practices. Where appropriate, this proposed Guidance conforms the Agencies' liquidity risk principles with guidance issued by the Basel Committee on Banking Supervision titled "Principles for Sound Liquidity Risk Management and Supervision." Comments on the proposed Guidance are due 60 days after the date of publication in the *Federal Register*.

Distribution:

FDIC-Supervised Banks (Commercial and Savings)

Suggested Routing:

Chief Executive Officer
Chief Financial Officer
Chief Risk Officer

Related Topics:

Principles for Sound Liquidity Risk Management and Supervision
<http://www.bis.org/publ/bcbs144.htm>
Liquidity Risk Management, FIL-84-2008
Part 337.6 of the FDIC's Rules and Regulations -
Brokered Deposits

Attachment:

Notice of Proposed Rulemaking, Interagency Guidance on Funding and Liquidity Risk Management

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Note:

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Highlights:

- Recent turmoil in the financial markets emphasizes the importance of effective liquidity risk management to the safety and soundness of financial institutions.
- The proposed Guidance clarifies the process that financial institutions should follow to appropriately identify, measure, monitor and control funding and liquidity risk, including effective corporate governance; provides an overview of appropriate strategies, policies and procedures, which include risk limits for managing and mitigating risks; and discusses the management of intraday liquidity and collateral.
- Institutions are expected to have in place appropriate measurement, monitoring and reporting systems commensurate with the risk profile and business activities of the institution. These systems should include provisions for stress testing an institution's liquidity position under various adverse scenarios.
- The Guidance emphasizes the importance of certain tools for sound liquidity and funding risk monitoring and management, including cash-flow projections, diversified funding sources, a cushion of liquid unencumbered assets, and a well-developed, documented, and Board reviewed contingency funding plan.
- Financial institutions should implement effective liquidity and funding management internal controls and review procedures to monitor compliance with supervisory directives, internal policies, and management reporting.
- This proposed Guidance is intended to supplement existing guidance. FIL-84-2008, "Liquidity Risk Management," issued by the FDIC in 2008, still remains in effect.