Letter from the Director

The FDIC strives to make information available to our readers to help them navigate changes in laws, regulations, and the economic climate. This issue of *Supervisory Insights* focuses on recent trends in liquidity risk management and compliance with the *Bank Secrecy Act* (BSA).

The FDIC has observed an increase in the use of non-core and wholesale funding sources and a decrease in holdings of liquid assets at a number of the institutions we supervise. At a few institutions, asset quality problems have resulted in significant liquidity stress. Although such situations have been infrequent, they illustrate the importance of effective management of liquidity risk. "Community Bank Liquidity Risk: Trends and Observations from Recent Examinations" discusses the process for developing liquidity risk management policies and procedures that are tailored to the risk profile of the bank, and emphasizes the importance of planning for high-impact, unexpected liquidity events. The article features a guide for developing and reviewing a bank's contingency funding plan.

FDIC examiners are receiving questions from bankers about compliance with the BSA. "The Bank Secrecy Act: A Supervisory Update" describes the purpose, development, and changes to the BSA over the years. The article provides an overview of the examination process and includes information on recent trends in BSA examination findings. The article notes that the majority of FDIC-supervised institutions have in place adequate systems of BSA-related internal controls, and that when compliance deficiencies are identified, they are resolved in the vast majority of instances through the supervisory process in the normal course, without the need for a formal enforcement action. The article also provides examples of rare, but significant, failures in BSA/AML compliance programs.

This issue of *Supervisory Insights* also includes our regular summary of recently released regulations and supervisory guidance.

We hope you read both articles in this issue and find the information useful. We encourage our readers to provide feedback and suggest topics for future issues. Please email your comments and suggestions to SupervisoryJournal@fdic.gov

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