



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

Financial Institution Letter
FIL-12-2016
March 1, 2016

Interagency Guidance on Funds Transfer Pricing Related to Funding and Contingent Liquidity Risks

Summary: The FDIC, with the Board of Governors of the Federal Reserve System and the Office of the Comptroller of the Currency, is issuing guidance to clarify supervisory expectations for an effective funds transfer pricing (FTP) framework. The guidance builds on the principles of sound liquidity risk management practices outlined in existing regulatory guidance.

Statement of Applicability to Institutions with Total Assets under \$1 Billion: This guidance is applicable to banks with consolidated assets of \$250 billion or more, domestic bank holding companies with consolidated assets of \$250 billion or more or foreign exposure of \$10 billion or more, and foreign banking organizations with combined U.S. assets of \$250 billion or more.

Suggested Distribution:

FDIC-Supervised Banks and Savings Associations

Suggested Routing:

Chief Executive Officer
Chief Financial Officer
Chief Risk Officer
Treasurer

Related Topics:

[FIL-13-2010, "Funding and Liquidity Risk Management Interagency Guidance"](#)

Attachment:

[Interagency Guidance on Funds Transfer Pricing Related to Funding and Contingent Liquidity Risks](#)

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Note:

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Highlights:

- An institution should effectively apply FTP to align risk-taking incentives of individual business lines with the firm's overall risk appetite. The interagency guidance describes four key principles that should comprise an FTP framework and includes examples for implementing these principles.
- FTP costs and benefits should be allocated based on funding risk and contingent liquidity risk. The cost or benefit of financing operations or holding standby liquidity may depend on the characteristics of funding sources and uses.
- Methodologies for allocating FTP costs and benefits should be transparent, repeatable, and sufficiently granular to align business decisions with the overall funding and contingent liquidity risk appetite. Allocating, reporting, and updating data on FTP costs and benefits should occur at an appropriate frequency.
- A robust governance structure should include a senior management group responsible for developing policies and the underlying FTP framework. Independent risk and control functions and internal audit should provide oversight of the FTP framework, including regular validation of models.
- Business incentives should be consistent with risk management and strategic objectives. FTP costs and benefits should be incorporated into product pricing, business metrics, and new product approvals for all material business lines, products, and activities.