

**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), proposes to extend for three years, without revision, the Interagency Policy Statement on Funding and Liquidity Risk Management (FR 4198; OMB No. 7100-0326).<sup>1</sup> The Interagency Policy Statement on Funding and Liquidity Risk Management (Guidance)<sup>2</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). The recordkeeping provisions relate to liquidity risk management policies, procedures, and assumptions, and contingency funding plans (CFPs).

The estimated total annual burden for the FR 4198 is 154,592 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>

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<sup>1</sup> There are no formal reporting forms associated with the Interagency Policy Statement on Funding and Liquidity Risk Management (the FR 4198 designation is for internal purposes only.)

<sup>2</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>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 on large internationally active financial institutions, the Guidance emphasizes supervisory expectations for all domestic financial institutions including banks, thrifts, and credit unions.

## 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.

## 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.

## 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<sup>4</sup> (for state member banks, agreement corporations, and Edge corporations, respectively); section 5(c) of the Bank Holding Company Act<sup>5</sup> (for bank

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<sup>4</sup> 12 U.S.C. §§ 324, 602, and 625.

<sup>5</sup> 12 U.S.C. § 1844(c).

holding companies); section 10(b)(3) of the Home Owners' Loan Act<sup>6</sup> (savings and loan holding companies), and section 7(c)(2) of the International Banking Act<sup>7</sup> (state-licensed branches and agencies of foreign banks, other than insured branches). The FR 4198 recordkeeping provisions are contained within guidance, which is nonbinding, and therefore are voluntary.

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.<sup>8</sup> In addition, the information may also be kept confidential under exemption 4 for the FOIA, which protects public commercial or financial information, which is both customarily and actually treated as private by the respondent.<sup>9</sup>

### **Consultation Outside the Agency**

The Guidance was published jointly by the agencies. There has been no consultation outside of the Federal Reserve System with respect to this proposal.

### **Public Comments**

On April 6, 2022, the Board published an initial notice in the *Federal Register* (87 FR 19927) requesting public comment for 60 days on the extension, without revision, of the FR 4198. The comment period for this notice expires on June 6, 2022.

### **Estimate of Respondent Burden**

As shown in the table below, the estimated total annual burden for the FR 4198 is 154,592 hours. These recordkeeping provisions represent approximately 2 percent of the Board's total paperwork burden.

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<sup>6</sup> 12 U.S.C. § 1467a(b)(3).

<sup>7</sup> 12 U.S.C. § 3105(c)(2).

<sup>8</sup> 5 U.S.C. § 552(b)(8).

<sup>9</sup> 5 U.S.C. § 552(b)(4).

<b>FR 4198</b>	<i>Estimated number of respondents</i> <sup>10</sup>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Implementation of Recordkeeping Guidance	37	1	160	5,920
Ongoing Recordkeeping	4,646	1	32	<u>148,672</u>
<i>Total</i>				<u>154,592</u>

The estimated total annual cost to the public for this collection of information is \$9,144,117.<sup>11</sup>

### **Sensitive Questions**

These collections of information contain 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.

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<sup>10</sup> Of these respondents required to comply with this information collection, approximately 21 implementing recordkeeping and 2,961 maintaining ongoing recordkeeping are considered small entities as defined by the Small Business Administration (i.e., entities with less than \$600 million in total assets)

<https://www.sba.gov/document/support-table-size-standards>. There are no special accommodations given to mitigate the burden on small institutions.

<sup>11</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 \$20, 45% Financial Managers at \$73, 15% Lawyers at \$72, and 10% Chief Executives at \$95). 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 2020, published March 31, 2021 at <https://www.bls.gov/news.release/ocwage.t01.htm#>. Occupations are defined using the BLS Standard Occupational Classification System, <https://www.bls.gov/soc/>.