

SUPPORTING STATEMENT
Funding and Liquidity Risk Management
(OMB Control No. 3064-0174)

INTRODUCTION

The Federal Deposit Insurance Corporation (FDIC) is requesting a three-year renewal of the information collection titled, “Funding and Liquidity Risk Management” (3064-0174). The information collection includes reporting and recordkeeping requirements related to sound risk management principles applicable to insured depository institutions. This information collection expires on October 31, 2019.

A. JUSTIFICATION

1. Circumstances that make the collection necessary:

Various supervisory groups at both national and international levels, including the Basel Committee on Banking Supervision (“Basel Committee”), the Senior Supervisors Group, and the Financial Stability Board, have worked to assess the impact of market conditions on an institution’s assessment of its funding liquidity risk and the supervisor’s approach to liquidity risk supervision. These assessments highlighted deficiencies in a number of areas, and resulted in the issuance of supervisory guidance on sound liquidity risk management practices. The federal banking supervisory agencies have issued *Interagency Guidance – Funding and Liquidity Risk Management*. The guidance summarizes the principles of sound liquidity risk management and made revisions to bring the guidance into conformance with the Basel Committee’s *Principles for Sound Liquidity Risk Management and Supervision*.

2. Use of the information:

Documented policies and procedures that consider liquidity costs, benefits, and risks in strategic planning enable an institution and its supervisor to properly evaluate the liquidity risk exposure of an institution’s individual business lines and for the institution as a whole. In addition, liquidity risk reports that provide detailed and aggregate information on items such as cash flow gaps, cash flow projections, assumptions used in cash flow projections, asset and funding concentrations, funding availability, and early warning or risk indicators enable management to assess an institution’s sensitivity to changes in market conditions, the institution’s financial performance, and other important risk factors.

3. Consideration of the use of improved information technology:

Financial institutions may use information technology to the extent they consider appropriate and feasible to document policies and procedures and generate required risk management reports.

4. Efforts to identify duplication:

The recordkeeping and reporting requirements contained in the guidance are informed by the magnitude and scope of recent, unanticipated funding liquidity issues for financial institutions and are not duplicated elsewhere.

5. Methods used to minimize burden if the collection has a significant impact on a substantial number of small entities:

The burden imposed by the reporting and recordkeeping requirements in the guidance varies according to the complexity of an institution's operations and risk profile. The burden for small, less complex financial institutions is, in general, significantly less than that for large, more complex financial institutions.

6. Consequences to the Federal program if the collection were conducted less frequently:

As a sound practice, an institution's board of directors should update its documented liquidity risk procedures, at least annually, to incorporate procedural changes and to ensure the program's effectiveness. The timing of liquidity risk management reports will vary according to the complexity of an institution's operations and risk profile.

7. Special circumstances necessitating collection inconsistent with 5 CFR Part 1320.5(d)(2):

None. This information collection is conducted in accordance with the guidelines in 5 CFR 1320.5(d)(2).

8. Efforts to consult with persons outside the agency:

On July 12, 2019 the FDIC published a Federal Register notice proposing to extend the Funding and Liquidity Risk existing information collection (84 FR 33262). The FDIC did not receive any comments addressing this collection of information.

9. Payments or gifts to respondents:

None.

10. Any assurance of confidentiality:

Information collected will be kept private to the extent allowed by law. All required records are subject to the confidentiality requirements of the Privacy Act. In addition, any information deemed to be of a confidential nature would be exempt from public disclosure in accordance with the provisions of the Freedom of Information Act (5 U.S.C. 552).

11. Justification for questions of a sensitive nature:

No information of a sensitive nature is requested.

12. Estimate of hour burden including annualized hourly costs:

Estimated Annual Burden

Information Collection (IC) Description	Type of Burden	Obligation to Respond	Estimated Number of Respondents	Estimated Frequency of Responses	Estimated Time per Response (Hours)	Frequency of Response	Total Estimated Annual Burden (Hours)
Par. 14 - Strategies, policies, procedures, and risk tolerances	Recordkeeping	Mandatory	3,489	1	96.42	On Occasion	336,409
Par. 20 - Liquidity risk management measurement, monitoring and reporting	Reporting	Mandatory	3,489	12	4	Monthly	167,472
Total Estimated Annual Burden Hours							503,881

Annualized Cost of Internal Hourly Burden:

The estimated labor cost¹ is calculated as follows:

Personnel Category	Hourly 75 th Percentile Wage	Percent Weighted	Dollar Value Weighted
Executives & Managers *	\$119.67	10%	\$11.97
Professionals and Managers **	\$152.94	15%	\$22.94
Financial Analysts†	\$83.11	45%	\$37.40
Clerical ‡	\$31.99	30%	\$9.60
Weighted Average Wage		100%	\$81.90

Source: Bureau of Labor Statistics: "National Industry-Specific Occupational Employment and Wage Estimates: Depository Credit Intermediation Sector" (May 2018), Employer Cost of Employee Compensation (March 2019), Consumer Price Index (March 2019).

* Occupation (SOC Code): Top Executives (111000)

** Occupation (SOC Code): Lawyers, Judges, and Related Workers (231000)

† Occupation (SOC Code): Financial Analyst (132051),

‡ Occupation (SOC Code): Office and Administrative Support Occupations (430000)

The dollar value of the 503,881 hours of total estimated annual burden is \$41,267,854 (503,881 hours x \$81.90).

13. Estimate of start-up costs to respondents:

None..

14. Estimate of annualized costs to the government:

None.

15. Analysis of change in burden:

There is no change in the method or substance of this information collection. The 66,135 decrease in burden hours is a result of economic fluctuation. In particular, the number of respondents has decreased while the hours per response and frequency of responses have remained the same.

16. Information regarding collections whose results are planned to be published for statistical use:

¹ The 75th percentile wage information reported by the BLS in the Specific Occupational Employment and Wage Estimates does not include health benefits and other non-monetary benefits. According to the December 2018 Employer Cost of Employee Compensation data compensation rates for health and other benefits are 33.7 percent of total compensation. Additionally, the wage has been adjusted for inflation according BLS data on the Consumer Price Index for Urban Consumers (CPI-U) so that it is contemporaneous with the non-wage compensation statistic. The inflation rate was 1.40 percent between May 2018 and March 2019.

The results of this collection will not be published for statistical use.

17. Display of expiration date:

Not applicable.

18. Exceptions to Certification

None.

B. Collection of Information Employing Statistical Methods

Not Applicable.