

NCUA LETTER TO CREDIT UNIONS

**NATIONAL CREDIT UNION ADMINISTRATION
1775 Duke Street, Alexandria, VA 22314**

DATE: August 2010 **LETTER NO.:** 10-CU-14

TO: Federally Insured Credit Unions

SUBJ: Strengthening Funding and Liquidity Risk Management

ENCL: Final Interagency Policy Statement on Funding and Liquidity Risk Management

REF: [Letter to Credit Unions #02-CU-05: Examination Program Liquidity Questionnaire](#)

Dear Board of Directors:

The Federal Financial Institutions Examination Council (FFIEC)¹, working in accordance with NCUA, recently issued guidance for all financial institutions on funding and liquidity risk management. The enclosed guidance describes sound practices to manage funding and liquidity risk, and strengthen overall liquidity risk management.

NCUA expects each federally insured credit union to manage liquidity risk using processes and systems that are commensurate with their own credit union's complexity, risk profile, and scope of operations.

The guidance clarifies the process that should be followed to appropriately identify, measure, monitor, and control funding and liquidity risk. For example, the guidance provides five strategies to measure and manage liquidity risk:

- Project cash flows;
- Diversify funding sources;
- Stress test;
- Cushion liquid assets, and;
- Develop a formal contingency funding plan.

¹ Federal Financial Institutions Examination Council member agencies include the Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, National Credit Union Administration, Office of the Comptroller of the Currency, Office of Thrift Supervision, and the State Liaison Committee.

This new guidance supplements existing guidance provided in Letter to Credit Unions No. 02-CU-05.

If you have any questions regarding this guidance, please contact your district examiner, regional office, or state supervisory authority.

Sincerely,

/s/

Debbie Matz
Chairman

Enclosure