

APPENDIX

How to Establish Access to the Federal Reserve Discount Window and Central Liquidity Facility

The NCUA Board adopted a final rule on liquidity and contingency funding plans to ensure all credit unions conduct sound liquidity planning. In addition to a written liquidity policy and contingency funding plan required for smaller credit unions, FICUs with assets of \$250 million or more must establish access to at least one contingent federal liquidity source: the Discount Window and/or CLF. The NCUA Board believes it is essential for every credit union to have a sound process for identifying, measuring, monitoring, and controlling liquidity risk that is commensurate with each credit union's needs. And for larger credit unions, it is essential to have established access to a federal liquidity source.

How does my credit union establish access to CLF?

The best way for you to get familiar with how to establish access to CLF is to visit the CLF homepage on the NCUA website. Instructions for regular membership and copies of the necessary legal forms can be obtained there.

To view the CLF website page, go to: www.ncua.gov/Resources/CLF

A summary of the key actions steps necessary to become a CLF member are listed below:

1. Print, complete, and sign the "Application and Agreements for Regular Membership in the National Credit Union Central Liquidity Facility."
2. Print, review, and sign the "NCUA Central Liquidity Facility Repayment, Security and Credit Reporting Agreement."
3. Send the original signed documents along with copies of the most recent month-end:
 - Balance Sheet
 - Statement of Income and Expense
 - Delinquent loan report showing the number and dollar amount of delinquent loans by delinquent category (2 months to less than 6 months, 6 months to less than 12 months, 12 months and over, or such other categories as may be required by the state regulatory authority).
 - For state-chartered credit unions only, include a copy of the credit union's charter and bylaws.
4. Include a check for the calculated amount of the required capital stock subscription with the application and other required documents.
5. If you need to contact CLF, please write or call at the address/numbers listed below:

Address: National Credit Union Administration
Central Liquidity Facility
1775 Duke Street
Alexandria, VA 22314
Email: CLFMail@NCUA.gov
Phone: 703-518-6428

How does my credit union establish access to a Federal Reserve Bank Discount Window?

The best way for you to get familiar with how to establish access to a Federal Reserve Bank Discount Window is to begin with the “Getting Started” page on the Federal Reserve System’s website. The site provides you with a step-by-step walkthrough of the process as well as links to relevant operating circulars (OC-10), Reserve Bank contact information, and required legal documents necessary to establish a relationship.

To view the Getting Started page, go to: www.frbdiscountwindow.org/started.cfm

You can find the necessary forms, agreements and resolutions in Operating Circular 10, which is available on the site. You are encouraged to contact your local Discount Window staff for further assistance.

How do collateral requirements impact access to CLF and the Discount Window?

In order to ensure access to either of these facilities, your credit union will be required to take certain actions. You must ensure that unencumbered collateral is available to secure these transactions. For the Discount Window, pre-positioning of such collateral is required in order to execute a borrowing. For the CLF, such actions are not required; however, it is imperative that credit union officials have taken steps to ensure that unencumbered collateral is available should CLF borrowing be needed.

You should work with CLF and Discount Window personnel to familiarize yourself with their collateral processes. In general, you will need to resolve potential inter-creditor conflicts that arise if you have relationships with multiple market and federal liquidity providers. You may need to establish collateral subordination agreements between your various providers to ensure that you have access to each. You should be aware that most providers of credit require a first priority security interest in the assets collateralizing an advance. Discount Window and CLF staff will coordinate with you to establish the subordination agreements necessary to resolve any collateral conflicts between them.

It is your responsibility to identify conflicts and take the necessary steps to work out any needed subordination agreements. Failure to do so may prevent you from obtaining contingency funding in a timely manner.