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## Joint Press Release

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March 17, 2010

### Federal Banking Agencies Issue Policy Statement on Funding and Liquidity Risk Management

Board of Governors of the Federal Reserve System

Conference of State Bank Supervisors

Federal Deposit Insurance Corporation

National Credit Union Administration

Office of the Comptroller of the Currency

Office of Thrift Supervision

For immediate release

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The federal banking agencies,<sup>1</sup> in conjunction with the Conference of State Bank Supervisors (CSBS), released a policy statement today on their expectations for sound funding and liquidity risk management practices. This policy statement, adopted by each of the agencies, summarizes the principles of sound liquidity risk management issued previously and, when appropriate, supplements them with the "Principles for Sound Liquidity Risk Management and Supervision" issued in September 2008 by the Basel Committee on Banking Supervision.

Given the recent market turmoil, the agencies are reiterating the importance of effective liquidity risk management for the safety and soundness of financial institutions. This policy statement emphasizes the importance of cash flow projections, diversified funding sources, stress

testing, a cushion of liquid assets, and a formal, well-developed contingency funding plan as primary tools for measuring and managing liquidity risk. The agencies expect each financial institution to manage funding and liquidity risk using processes and systems that are commensurate with the institution's complexity, risk profile, and scope of operations.

*Federal Register* notice: [HTML](#) | [91 KB PDF](#)

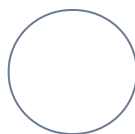
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1. The federal banking agencies are the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision. [Return to text](#)

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