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## Federal Banking Agencies Release Addendum on Interagency Statement on Liquidity Risk\*

In response to the bank failures earlier this year, the Federal Deposit Insurance Corporation, the Federal Reserve Board, the National Credit Union Administration, and the Office of the Comptroller of the Currency (together, the “Agencies”) issued an addendum to the Interagency Policy Statement on Funding and Liquidity Risks (“Addendum”). The interagency statement was published in the Federal Register on March 22, 2010. The Addendum, which was released on July 28, 2023, reminds financial institutions to maintain adequate contingency funding plans that take into account a range of possible stress scenarios.

The Addendum emphasizes the importance of assessing the stability of funding and maintaining a broad range of funding sources that can be accessed in adverse circumstances. The Addendum also recommends financial institutions adopt the operational steps necessary to obtain funding from contingency funding source, including the potential counterparties to such funding, the contact details, and the availability of collateral that may need to be pledged to secure the funding. Furthermore, the Addendum recommends that institutions regularly test their funding sources to ensure the institution’s staff knows how to access the funds (especially during a crisis situation). The Agencies further remind institutions to consider the possibility of certain funding sources not being available in a crisis event.

The Addendum also notes that in an environment where liquidity stress may be manifested quickly, the discount window is an important tool that institutions can utilize in managing liquidity risk. As a result, the Agencies are encouraging institutions to incorporate the discount window into their contingency funding arrangements. Additionally, institutions should be familiar with the process to pledge different types of collateral to borrow from the discount window, and be aware that pre-pledging collateral can be useful if liquidity needs arise quickly.

The Addendum can be accessed at the following link: <https://www.federalreserve.gov/newsevents/pressreleases/files/bcreg20230728a1.pdf>. The Interagency Policy Statement on Funding and Liquidity Risks originally published in the Federal Register on March 22, 2010 can be accessed at the following link: <https://www.govinfo.gov/content/pkg/FR-2010-03-22/pdf/2010-6137.pdf>.

For questions regarding the Addendum, please contact Joel Cook at [JCook@ABLawyers.com](mailto:JCook@ABLawyers.com).

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