



Comptroller of the Currency
Administrator of National Banks

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To: All *Comptroller's Handbook* Subscriber's

The enclosed booklet, "Liquidity," is part of an ongoing update and revision of *the Comptroller's Handbook*. The booklet updates and replaces the liquidity portion of the "Funds Management" section of *the Comptroller's Handbook for National Bank Examiners*, dated March 1990.

The OCC expects all national banks, consistent with sound risk management philosophy, to implement risk management processes commensurate with the level of risk undertaken. This requires processes that effectively identify, measure, monitor, and control risk.

Changes across the industry in balance sheet structures and funding sources highlight the need for sound liquidity risk management. Accordingly, this booklet emphasizes the importance of understanding the inherent risks associated with reduced asset liquidity, increased wholesale funding dependence, growing funding concentrations, and higher exposures to rollover risk. Because problem banks' ability to raise funds is limited, strong management information systems and meaningful contingency funding plans are essential to the day-to-day management of liquidity risk.

Questions and comments regarding this booklet should be directed to NBE Stephen Sage in the Treasury & Market Risk Division at (202) 874-5670.

Copies of the booklet are now available on the OCC's Internet site at www.occ.treas.gov. To order printed copies of the booklet, please send your request and \$15 for each booklet to the Comptroller of the Currency, P.O. Box 70004, Chicago, IL 60673-0004.