



NEWS RELEASE

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OCC Offers New Guidance on Liquidity Risk

WASHINGTON -- The Office of the Comptroller of the Currency issued new guidance this week to help examiners and banks understand and manage liquidity risk.

The new OCC [handbook](#) notes that liquidity risk is a greater concern and management challenge for banks today than in the past. Increased competition for consumer deposits, a wider array of wholesale and capital market funding products, and technological advances have resulted in structural changes in how banks are funded and how they manage their liquidity risk. The Liquidity handbook 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.

“Meaningful contingency funding information is critical in today’s operating environment,” said Kathryn Dick, Director of Treasury and Market Risk. “As banks increasingly rely on credit and rate sensitive borrowers for marginal funding needs, robust scenario analysis is essential. Analysis that focuses on the probable behavior of sensitive funds providers under various market environments and bank specific situations will serve as a prudent tool for identifying potential liquidity risk vulnerabilities.”

The handbook recommends that bankers use their contingency funding plan (CFP) to integrate liquidity analysis into the day-to-day liquidity management process. The CFP can assist in identifying an appropriate amount of liquid assets, measuring and projecting funding requirements during various scenarios, and managing access to existing and alternative funding sources. The handbook also advises bankers to evaluate liquidity risk from a number of perspectives, using tools such as a rollover report to identify significant maturity gaps and a funding concentration report to identify changes in significant funds providers.

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The OCC charters, regulates and examines approximately 2,200 national banks and 56 federal branches of foreign banks in the U.S., accounting for more than 55 percent of the nation’s banking assets. Its mission is to ensure a safe and sound and competitive national banking system that supports the citizens, communities and economy of the United States.