

14-CU-05 Liquidity Requirements Take Effect March 31

Summary

*Prepared by NASCUS Legislative & Regulatory Affairs Department
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NCUA has issued Letter to Credit Unions 14-CU-05 (LTCU 14-CU-05) to provide credit unions with [guidance the agency had prepared for its field staff](#) on examining for credit union compliance with NCUA Regulation §741.12 on Liquidity and Contingency Funding Plans. NCUA issued a final rule amending Part 741.12 in October 2013, and new regulatory requirements associated with that rulemaking are effective on March 31, 2014.

The Supervisory Letter to field staff outlined the three-tier system of liquidity risk management established by the final rule and provided a revised Liquidity Review Questionnaire for use during exams. Enhanced exam procedures have also been finalized and will be incorporated into NCUA's automated examination system. The letter advises field staff to refer to [LTCU 13-CU-10](#) for specific guidance on NCUA expectations regarding credit unions adherence to Part 741.12.

As a reminder, NCUA's Liquidity and Contingency Funding Plan Final Rule created the following requirements for all federally insured credit unions except corporate credit unions:

Credit Unions with Less Than \$50 Million in Assets

Must maintain a basic written liquidity policy that provides a board-approved framework for managing liquidity and a list of contingent liquidity sources the credit union can employ under adverse circumstances. The policy must include all of the following elements:

- Purpose and goals of liquidity management
- Thresholds or limits for liquidity measures and reporting requirements
- Primary and secondary sources of liquidity
- Tools for liquidity risk management
- Periodic review and revisions, as needed

Credit Unions with \$50 Million or More in Assets

Must maintain a written liquidity policy as outlined above, and a contingency funding plan that sets out the policies, procedures, projection reports, and action plans designed to ensure a credit union's sources of liquidity are sufficient to fund operating requirements under contingent liquidity events.

Credit Unions with \$250 Million or More in Assets

Must maintain a written liquidity policy, a contingency funding plan, and access to at least one contingent federal liquidity source. The contingent federal liquidity source can be either the Discount Window or the CLF.

Additional reference materials include:

- Letter to Credit Unions, [*Guidance on How to Comply with NCUA Regulation §741.12 Liquidity and Contingency Funding Plans*](#) (13-CU-10)
- Letter to Credit Unions, [*Interagency Policy Statement on Funding and Liquidity Risk Management*](#) (10-CU-14)
- 12 CFR, Part 741.12, [*Liquidity and Contingency Funding Plans*](#)