EMERGENCY LIQUIDITY

Institution-specific issues and market conditions can combine to quickly deplete a credit union's on-balance sheet liquidity reserve. In such instances, emergency liquidity may be required for a credit union to meet its liquidity needs. Corporate One assists credit unions with access to the two NCUA-approved options for emergency liquidity, The Central Liquidity Facility (CLF) or the Federal Reserve Discount Window, by serving in a correspondent capacity.

FEDERAL RESERVE DISCOUNT WINDOW

The Discount Window is an instrument of monetary policy controlled by the Federal Reserve that allows eligible institutions to borrow money from the Fed, usually on a short-term basis, to meet temporary shortages of liquidity caused by internal or external disruptions.

It can take up to one week for an institution with no Federal Reserve relationship to file the necessary paperwork and pre-position collateral to borrow. Purchasing stock in a regional Federal Reserve Bank is not necessary to establishing borrowing privileges at the Discount Window.

Corporate One's Role: Corporate One members interested in establishing Discount Window access may use Corporate One as their correspondent bank. Simply complete the required agreement to designate Corporate One as your correspondent bank, and submit along with your packet to your local Federal Reserve Bank. If you designate Corporate One as your correspondent bank you do not have to open an account with the Fed; however, you can still access the Discount Window, providing you have sufficient collateral.

Regulations Part 741.12: Maintaining Access to Emergency Liquidity

To ensure credit unions have prearranged plans to access and/or establish access to emergency liquidity, the National Credit Union Administration has directed that federally insured credit unions have contingency funding plans that clearly set out strategies for addressing liquidity shortfalls in emergency situations. The regulation on emergency liquidity incorporates a three-tiered approach, based on the size of the federally insured credit union. Further, the final rule requires credit unions with more than $250 million in total assets to have access to a backup federal liquidity source.

GET STARTED

800/366-2677

investments@corporateone.coop

CENTRAL LIQUIDITY FACILITY (CLF)

The CLF was established in 1979 as a back-up, emergency liquidity provider for credit unions, and is operated by the NCUA. The CLF's lending activities are funded by its capital, subscriptions from credit unions, and by borrowing from outside sources like the Federal Financing Bank.

Direct CLF Membership: Credit unions can establish direct membership in the CLF, and Corporate One can serve as your correspondent. This correspondent role does not require a membership in Corporate One and it allows us to assist with the CLF membership process, assist with advances, and serve as the collateral administrator on behalf of the CLF.

There is no explicit membership fee, but a credit union must subscribe to the capital stock of the CLF and complete certain documentation. The required stock subscription amount equals ½ of 1 percent of the credit union's paid-in and unimpaired capital and surplus. One-half of this sum must be sent to the CLF, while the remaining portion is on-call by the NCUA Board. In return, the CLF pays a dividend based on its earnings and short-term interest rates.

Corporate One's Role: Corporate One will assist your credit union and the CLF with the following:

+ At the request of the credit union and/or the CLF, assisting credit unions with the documentation and other administrative tasks required to become regular members of the CLF.
+ Preparing documentation to request an advance from the CLF and seeking CLF approval for an advance
+ Serving as the collateral administrator and perfecting the security interest on behalf of the CLF
+ At your direction, assisting with the transfer of CLF payments

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