

Liquidity Risk Indicators

Factor	Low	Moderate	High
Board and Operational Management Understanding	Fully understands all aspects of liquidity risk.	Reasonably understands key aspects of liquidity risk.	Does not understand, or chooses to ignore key aspects of liquidity risk.
Management Responsiveness	Anticipates and responds well to changes in market conditions.	Adequately responds to market condition changes.	Does not anticipate or take timely or appropriate actions in response to changes.
Liquidity Position and Risk Exposure	Favorable position with negligible exposure to earnings and capital.	Not excessively vulnerable to funding difficulties should an adverse change in market perception occur. Earnings or capital exposure is manageable.	Access to funds is impacted by poor market perception or market resistance, resulting in substantial exposure to loss of earnings or capital.
Funding Sources	Ample funding sources exist. Funding sources provide the credit union with a competitive cost advantage.	Sufficient funding sources exist to provide cost-effective liquidity.	Funding sources and portfolio structures suggest current or potential difficulty in sustaining long-term and cost-effective liquidity.
Borrowing Sources	Widely diversified, with little or no reliance on wholesale or other credit-sensitive funds providers.	Diversified with few providers or groups sharing common investment objectives and economic influences.	Concentrated in a few providers, or providers with common investment objectives or economic influences.
Future Liquidity Position	Market alternatives exceed demand for liquidity with no adverse changes expected.	Liquidity position is not expected to deteriorate in the near term.	Liquidity needs may be increasing with declining medium- and long-term funding alternatives.
Risk Management Process	Processes reflect a sound culture that has proven effective over time.	Processes are adequate.	Processes are deficient.
MIS Reporting	Timely, complete, reliable, and reviewed by management.	For the most part, timely, complete, reliable, and reviewed by management.	Do not provide useful information for managing liquidity risk.
Balance Sheet Management	Appropriate attention is given to balance sheet management and the cost effectiveness of liquidity alternatives.	Attention to balance sheet management is appropriate. Access to funding markets is properly assessed and diversified based upon size and complexity.	Attention to balance sheet management is inappropriate. Management has not realistically assessed the credit union's access to funds and has not paid sufficient attention to diversification.
Contingency Plans	Well-developed and effective.	Effective and the cost of liquidity alternatives is adequately considered.	Nonexistent or incomplete. Cost of alternatives has not been adequately considered. High probability exists that contingency funding sources are needed. Improvement is not expected in the near future.
Cash Flow Analysis	Effective, reliable and timely analyses are conducted.	Adequate analysis conducted based upon size and complexity.	Analysis not done or is inadequate.