INTERBANK CONTINGENT LIQUIDITY FUNDING EXCHANGE FACT SHEET

ABOUT US

The Interbank Contingent Liquidity Funding Exchange is designed to provide an efficient method for community banks to bolster their Contingency Liquidity Pool while also enhancing their profitability. This mechanism is built on the mutual exchange of Irrevocable Stand-by Letters of Credit between participating banks.

THE ASSETS CAN BE USED TO

Fortify the liquidity position of CFP or release assets into higher yielding core loans. Diversify funding sources within the bank's contingency funding plan (CFP). Used to swap out other, more expensive lines which may require collateral, include haircuts, are subject to modification, or whose interest rates may be more expensive.

OUR ROLE

Our team powers the Interbank Contingent Liquidity Funding Exchange—giving banks a smarter, faster way to boost liquidity, unlock capital, and tap into reliable support exactly when it's needed most.

CONTACT US

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THE PROCESS

Issuance of Letters of Credit:

- Bank A issues an Irrevocable Stand by Letter of Credit (SBLC) to Bank B for an amount of $250,000.
- Concurrently, Bank B issues an Irrevocable Stand-by Letter of Credit to Bank A for the same amount of $250,000.

CONTINGENCY TRIGGER

- The Letters of Credit (LoCs) can only be activated if a beneficiary bank (either Bank A or Bank B) experiences a Liquidity Event. This event must be specified within their internal contingency funding plan.
- The occurrence of such a Liquidity Event must be formally certified in writing by the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) of the affected bank.
- **ONLY** In the case of a liquidity event (certified by bank's CEO/CFO), a bank would draw on the letters of credit and each counterparty bank will deposit $250,000 into a FDIC-insured one year time deposit at the drawing institution.

INCREASE LIQUIDITY POOL

- Each participating bank effectively increases its liquidity pool by $250,000. This is crucial for managing unexpected liquidity shortfalls.

PROFITABILITY IMPROVEMENT

- By participating in this exchange, banks can improve their financial stability and potentially their profitability, given the enhanced liquidity position

ADDITIONAL CONSIDERATIONS

- Common Instrument: Letters of Credit are widely used in banking and are well understood instruments for managing liquidity and credit risk.
- Accounting Treatment: The accounting treatment for these Letters of Credit is supported by an accounting opinion provided by the accounting firm BDO. This endorsement ensures that the financial impacts of these.
- Bauer Financial Due Diligence Performance Report is included, quarterly, for all counterparties (for Reg F compliance) at no extra cost.