Date: [Insert Date]

To: The Chief Executive Officers and Boards of Directors of All Supervised Financial Institutions

Subject: Interagency Supervisory Guidance on Liquidity Risk Management Practices

1. Purpose
The [Agency Name 1], [Agency Name 2], and [Agency Name 3] are issuing this joint guidance to reiterate and update expectations for sound liquidity risk management. This guidance focuses on the importance of maintaining robust liquidity buffers and ensures that financial institutions are prepared to manage potential liquidity stresses.

2. Governance and Risk Management
Financial institutions should maintain a formal liquidity risk management framework commensurate with their complexity, risk profile, and scope of operations. The Board of Directors is responsible for establishing the institution's liquidity risk appetite and ensuring that senior management maintains adequate liquidity and oversight tools.

3. Liquidity Stress Testing
Institutions must conduct regular liquidity stress tests that incorporate a variety of institution-specific and market-wide scenarios. The results of these tests should directly inform the establishment of liquidity reserves and the size of the liquid asset buffer.

4. Contingency Funding Plans (CFP)
A comprehensive CFP is essential. Institutions should:

- Identify diverse sources of contingent liquidity.
- Ensure operational readiness to access funding from the Federal Reserve Discount Window and Federal Home Loan Banks.
- Test the activation of funding lines periodically to ensure there are no legal or operational impediments to execution during a crisis.

5. Liquid Asset Buffers
Institutions are expected to maintain a cushion of high-quality liquid assets (HQLA) that can be converted into cash easily and quickly in the event of a liquidity stress event. The composition of this buffer should be reviewed regularly to ensure it remains aligned with projected cash flow needs.

6. Conclusion
Supervisory teams will review liquidity risk management practices during upcoming examinations. Institutions are encouraged to evaluate their current frameworks against this guidance immediately.

Sincerely,

[Authorized Signatory Name/Title]
[Agency Name 1]

[Authorized Signatory Name/Title]
[Agency Name 2]