

Interest Rate Risk &

Liquidity Management Reviews

We can evaluate your financial institution's interest rate risk (IRR) model, including management supervision, controls, and monitoring.

SYSTEM INPUT PROCESS REVIEW

A system input process review will evaluate the adequacy and appropriateness of the following:

- ✓ The level of knowledge & skill of the individuals responsible for the measurement system
- ✓ The reconciliation of the measurement system's data to the financial institution's general ledger
- ✓ The rules & methods of account aggregation used in the measurement system
- ✓ The accurate capture of contractual terms within the measurement system
- ✓ The source, completeness, accuracy, & procedures for external data feeds

► ASSUMPTION REVIEW

Assumption reviews will address the following issues:

- The process of developing assumptions for all material asset, liability, & off balance sheet exposures
- The process for reviewing & approving key assumptions
- The periodic review of assumptions for relevance, applicability, & reasonableness
- The completeness of assumption analysis & its supporting documentation

SYSTEM OUTPUT & REPORTING

System output and reporting assessments will include coverage of the following:

- The inclusion of a sufficiently broad range of potential rate scenarios
- The accuracy of the IRR measurement & the assurance that all material exposures are captured
- The timeliness & frequency of reporting to management & the board of directors
- The compliance with operating policies & approved risk limits
- The performance & documentation of variance analyses
- Translation of model output into understandable management reports that support decision making

LIQUIDITY MANAGEMENT

- Corporate governance consisting of oversight by the board of directors & active involvement by management in an institution's control of liquidity risk
- Strategies, policies, procedures, & limits used to manage & mitigate liquidity risk
- Liquidity risk measurement & monitoring systems that are commensurate with the complexity & business activities of the institution
- Mix diversity of existing & potential future funding sources
- Levels of highly liquid marketable securities free of legal, regulatory, or operational impediments that can be used to meet liquidity needs in stressful situations
- Contingency funding plans that sufficiently address potential adverse liquidity events & emergency cash flow requirements
- Internal controls & internal audit processes sufficient to determine the adequacy of the institution's liquidity risk management process



► SUPPORTING FINANCIAL INSTITUTIONS

Financial institutions operate in a complex environment, and your decision makers need to have all the information before moving forward. Since 1966, KPM has served institutions at all stages – from organizational and development planning to multi-institution holding companies.

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