PRESS RELEASE
Federal Deposit Insurance Corporation ● Each Depositor insured to at least $250,000

FOR IMMEDIATE RELEASE
January 7, 2010

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FDIC Issues Interest Rate Risk Advisory

The Federal Deposit Insurance Corporation (FDIC), in coordination with the other member agencies of the Federal Financial Institutions Examination Council (FFIEC), released an advisory today reminding institutions of supervisory expectations for sound practices to manage interest rate risk (IRR). This advisory, adopted by each of the financial regulators, reiterates the importance of effective corporate governance, policies and procedures, risk measuring and monitoring systems, stress testing, and internal controls related to the IRR exposures of depository institutions. It also clarifies elements of existing guidance and describes some IRR management techniques used by effective risk managers.

The financial regulators recognize that some IRR is inherent in the business of banking. At the same time, institutions are expected to have sound risk-management practices to measure, monitor, and control IRR exposures. The financial regulators expect each depository institution to manage its IRR exposures using processes and systems commensurate with its complexity, business model, risk profile, and scope of operations.

The financial regulators remind depository institutions that an effective IRR management system does not involve only the identification and measurement of IRR, but also addresses appropriate actions to control this risk. If an institution determines that its core earnings and capital are insufficient to support its level of IRR, it should take steps to mitigate its exposure, increase its capital, or both.

The member agencies of the FFIEC include the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, and the FFIEC State Liaison Committee. The FDIC currently chairs the FFIEC.

Attachment: FFIEC Advisory on Interest Rate Risk Management - PDF (PDF Help)