PRESS RELEASE
Federal Deposit Insurance Corporation

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FDIC ISSUES FINAL RULE, SEEKS ADDITIONAL COMMENTS ON EVALUATING BANK EXPOSURE TO INTEREST RATE RISK

FOR IMMEDIATE RELEASE

The FDIC Board of Directors today agreed to amend its risk-based capital standards to include a bank's exposure to changes in interest rates as a factor in evaluating the institution's capital adequacy. The final rule implements Section 305 of the FDIC Improvement Act of 1991, which applies to the three federal bank regulatory agencies. The revised rule is scheduled to take effect 30 days after it appears in the Federal Register.

The FDIC's rule applies only to the 6,283 state-chartered banks that are not members of the Federal Reserve System and the 606 FDIC-supervised savings banks. In the near future, the Federal Reserve Board and the Office of the Comptroller of the Currency are expected to issue similar revisions to their capital standards for the 3,958 commercial banks they supervise.

The final rule does not codify the method the banking agencies would use to measure a bank's interest rate exposure. Instead, the banking regulators are issuing for public comment a proposed policy statement that would serve as the basis for measuring and monitoring interest rate risk. After the banking agencies and the industry evaluate the reliability and the accuracy of the proposed framework, the regulators will consider issuing a proposed regulation that would set definitive capital requirements.

Mindful of the need to avoid unnecessary regulatory burdens, the agencies are proposing to exempt low-risk institutions, primarily small banks, from having to complete the additional paperwork required to monitor interest rate exposure. Based on data for March 31, 1995, the FDIC estimates that approximately 7,025 out of the 10,847 commercial banks and FDIC-supervised savings banks nationwide would be exempt from additional reports about interest rate risk. Those 7,025 institutions hold about 25 percent of the total assets of the 10,847 institutions.

Comments on the proposed joint policy statement will be accepted for 60 days after the notice appears in the Federal Register.

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