



Proposed Revisions to Camel Rating System

FIL-56-96
July 24, 1996

TO: CHIEF EXECUTIVE OFFICER
SUBJECT: *Request for Comment on Proposed Revisions to the
FFIEC's Uniform Financial Institutions Rating System*

On July 9, 1996, the Federal Financial Institutions Examination Council (FFIEC) proposed revisions to the agency's Uniform Financial Institutions Rating System, commonly referred to as the "CAMEL" rating system. A copy of the Federal Register notice containing the proposed revisions is attached. Comments are due by September 16, 1996.

The proposed revisions update the rating system to reflect changes that have occurred in the financial services industry and in supervisory policies and procedures since the rating system was first adopted in 1979. The proposed changes include:

- reformatting and clarifying the component rating descriptions;
- adding a sixth rating component addressing sensitivity to market risks;
- increasing emphasis on the quality of risk management processes in each of the rating components, particularly in the management component;
- adding language in the composite rating definitions to parallel the proposed changes in the component rating descriptions; and
- explicitly identifying the risk types that are to be considered when assigning component ratings.

The CAMEL rating system is an internal supervisory tool for evaluating the soundness of financial institutions on a uniform basis and for identifying those institutions requiring special supervisory attention or concern. State banking departments and the Farm Credit Administration also use the rating system.

Comments on the proposed revisions should be mailed to Joe M. Cleaver, Executive Secretary, FFIEC, 2100 Pennsylvania Avenue, N.W., Suite 200, Washington, D.C. 20037, or may be sent by facsimile transmission to (202) 634-6556.

For further information on the proposed revisions, please contact Daniel M. Gautsch, Examination Specialist in the Division of Supervision's Office of Policy, at (202) 898-6912.

Nicholas J. Ketcha Jr.
Director

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