



Press Release

For Immediate Release

January 7, 2010

Financial Regulators Issue Interest Rate Risk Advisory

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,¹ 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.

Attachment: [Advisory on Interest Rate Risk Management](#)

¹ The financial regulators consist of 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.

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The Federal Financial Institutions Examination Council was established by the Congress in 1979 to prescribe uniform principles, standards, and report forms for the federal examination of financial institutions, to make recommendations to promote uniformity in the supervision of financial institutions, and to conduct schools for examiners. The Council has six voting members: the Comptroller of the Currency, the Chairman of the Board of Directors of the Federal Deposit Insurance Corporation, a Governor of the Board of Governors of the Federal Reserve System, the Director of the Office of Thrift Supervision, the Chairman of the National Credit Union Administration, and the Chairman of the State Liaison Committee. Visit the Council's website for press releases and information on the mission and work of the Council at <http://www.ffiec.gov>.