

Press Releases

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OTS 10-001- OTS Notifies Thrifts of Advisory on Interest Rate Risk

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Washington, D.C. — The Office of Thrift Supervision (OTS) notified OTS-regulated thrifts today about a new interagency advisory regarding managing interest rate risk (IRR).

The advisory describes some effective IRR management techniques and reminds institutions about the importance of sound practices to measure, monitor and control IRR exposures.

The advisory was issued by the Federal Financial Institutions Examination Council (FFIEC), an interagency group of bank and thrift regulators that includes the OTS. The advisory is on the FFIEC website at: <http://www.ffiec.gov/press.htm>.

Because most OTS-regulated institutions focus on single-family mortgages, interest rate risk management has overriding importance for the thrift industry and the OTS has long focused closely on this kind of risk.

Rather than replace existing OTS policy guidance on IRR, the interagency advisory reiterates and, where necessary, supplements the guidance in Thrift Bulletin 13-a, Interest Rate Risk, Investment Securities, and Derivative Activities (TB-13a).

In addition to its IRR policy guidance, the OTS employs its long-standing Net Portfolio Value Model to identify thrifts exposed to excessive interest rate risk, to assess important industry trends and to aid in the supervision of institutions identified as high-risk concerns.