

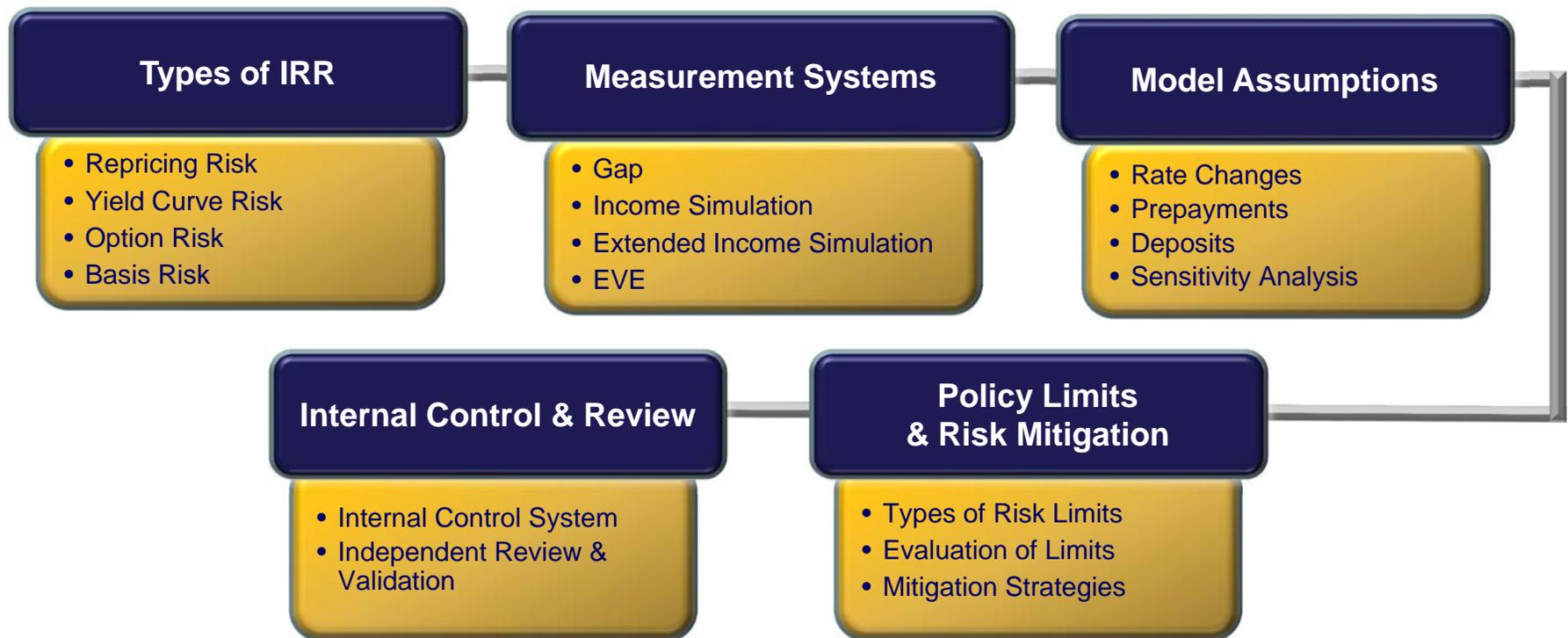


## Interest Rate Risk

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### VIII. Review & Additional Resources

# Review of Presentations



# IRR Management Process



# Standards for Safety and Soundness

- **Appendix A to Part 364 – Interagency Guidelines Establishing Standards for Safety and Soundness**
- **Requires banks to adequately manage interest rate risk**
- **Requires periodic reporting to the board of directors**

# 1996 Policy Statement

- **Establishes guidance on prudent IRR management principles**
- **Program tailored to the bank**
- **Board and senior management oversight**
- **Comprehensive risk management process**
- **Corrective action**

# Items Clarified in the 2010 Advisory

- **Economic value of equity**
- **Sensitivity testing of key assumptions**
- **Static / Dynamic modeling**
- **Non-parallel rate scenarios**
- **Interest rate shock scenarios**

# 2012 IRR Advisory FAQ

- **Measurement methodologies**
- **Types of interest rate risks to be analyzed**
- **Magnitude of rate shocks**
- **Modeling new strategies**
- **Stress scenarios and risk limits**
- **Model due diligence and validation**

# Managing Sensitivity to Market Risk in a Challenging Interest Rate Environment

- **Issued in 2013 (FIL-46-2013)**
- **Re-emphasizes the importance of effectively managing interest rate risk in a challenging interest rate environment**
- **Reminds bankers of previously issued guidance**

# Additional Resources

- [www.fdic.gov](http://www.fdic.gov)
- Regional Senior Capital Markets and Securities Specialists
- Mailbox: [supervision@fdic.gov](mailto:supervision@fdic.gov)
- FDIC Risk Management Manual of Examination Policies
- Winter 2014 Supervisory Insights (FIL-61-2013)
- Technical Assistance Video Program:  
[www.fdic.gov/regulations/resources/director/video.html](http://www.fdic.gov/regulations/resources/director/video.html)
- Directors' Resource Center: [www.fdic.gov/resourcecenter](http://www.fdic.gov/resourcecenter)