



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D.C. 20551

DIVISION OF BANKING
SUPERVISION AND REGULATION

SR 12-2

January 13, 2012

TO THE OFFICER IN CHARGE OF SUPERVISION AT EACH FEDERAL RESERVE BANK AND TO BANKING ORGANIZATIONS SUPERVISED BY THE FEDERAL RESERVE

SUBJECT: Questions and Answers on Interagency *Advisory on Interest Rate Risk Management*

Applicability to Community Banking Organizations: This letter applies to all state member banks, bank holding companies, savings and loan holding companies, and U.S. offices of foreign banking organizations, including those with \$10 billion or less in consolidated assets. In particular, the attached frequently asked questions document is being issued in response to questions received from community banks and should aid these institutions in managing their interest rate risk.

On January 11, 2010, the Federal Reserve and the other financial regulators¹ published an *Advisory on Interest Rate Risk Management* (SR letter 10-1, "Interagency Advisory on Interest Rate Risk"). Since its release, examiners and the industry have requested clarification of some specific recommendations in the advisory. In response to these questions, the financial regulators jointly developed the attached frequently asked questions (FAQs) document that provides interpretive guidance on some of these issues.

The advisory, as well as these FAQs, are intended for use by banking organizations and supervisors as they assess organizations' management of interest rate risk. While the questions and answers are applicable to all institutions, many of these questions originated from community banking organizations. This guidance should be applied, as appropriate, to all banking organizations supervised by the Federal Reserve, taking into account each organization's size, nature, and balance sheet complexity.

This letter and the attached FAQs should be distributed to state member banks, bank holding companies, savings and loan holding companies, and foreign banking organizations with

¹ The Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, National Credit Union Administration, Office of the Comptroller of the Currency, and Federal Financial Institutions Examination Council (FFIEC) State Liaison Committee.

U.S. offices supervised by the Federal Reserve, as well as to supervisory and examination staff. For questions regarding this guidance, please contact Mary Aiken, Manager, Market, Liquidity, Credit, and Other Risk Policy, at (202) 721-4534; or Ricardo Crumble, Senior Supervisory Financial Analyst, Risk, at (202) 728-5852. In addition, questions may be sent via the Board's public website.²

Michael S. Gibson
Director

Attachment:

- [*Interagency Advisory on Interest Rate Risk Management: Frequently Asked Questions*](#)

Cross Reference:

- [SR letter 11-7](#), "Guidance on Model Risk Management"
- [SR letter 10-1](#), "Interagency Advisory on Interest Rate Risk"
- [SR letter 96-13](#), "Joint Policy Statement on Interest Rate Risk"

² See <http://www.federalreserve.gov/apps/contactus/feedback.aspx>.