TO: CHIEF EXECUTIVE OFFICER
SUBJECT: Joint Agency Final Rule Amending Risk-Based Capital Standards to Include Exposure to Interest Rate Risk

The FDIC Board of Directors has approved a final rule revising its risk-based capital standards to include a bank’s exposure to changes in interest rates as a factor in evaluating the institution’s capital adequacy. The rule, implementing Section 305 of the FDIC Improvement Act of 1991, was also approved by the Federal Reserve Board and the Office of the Comptroller of the Currency. The revised rule takes effect on September 1, 1995.

This final rule is intended as the first part of a two-step process to ensure that risk-based capital specifically includes an assessment of a bank’s exposure to changes in interest rates in determining capital adequacy. The second step will be to issue a proposed rule in the future that would establish an explicit minimum capital charge for interest rate risk, based on the level of a bank’s measured interest rate risk exposure.

Concurrent with the publication of this final rule, the banking agencies are issuing for comment a separate proposed joint agency policy statement that describes the process the banking regulators will use to measure and assess interest rate risk. Refer to FIL-55-95 for details regarding the proposed joint agency policy statement. Questions regarding this proposal may be directed to William A. Stark, Assistant Director, Division of Supervision (DOS) at 202-898-6972, or Phillip J. Bond, DOS Senior Capital Markets Specialist at 202-898-3519.

Nicholas J. Ketcha Jr.
Acting Director

Attachment: PDF Format (37 kb), HTML Format
Distribution: FDIC-Supervised Banks (Commercial and Savings)