TO: CHIEF EXECUTIVE OFFICER

SUBJECT: Common Questions and Answers on the Revised Uniform Financial Institutions Rating System

Attached is additional guidance on the revised Uniform Financial Institutions Rating System (UFIRS) or "CAMELS" rating system that was issued recently by the Task Force on Supervision of the Federal Financial Institutions Examination Council.

The question and answer document was developed on an interagency basis and coordinated with the Conference of State Bank Supervisors. The document explains and clarifies the revised UFIRS, and is being distributed to bankers and examiners to help ensure uniform implementation of the revised rating system.

The majority of the questions address the new "S" component, called "Sensitivity to Market Risk." For most institutions without active foreign exchange or trading operations, market risk primarily reflects exposure to changes in interest rates. The FDIC issued new interest rate risk examination procedures last fall that guide examiners toward a qualitative assessment of an institution's interest rate risk management and exposure. These examination procedures are designed to focus examiner resources on areas requiring additional attention, thereby reducing the burden on institutions.

Additional copies of the Q&A document can be obtained from the FDIC's home page at www.fdic.gov/banknews/fils. If you have any questions about the attachment or the revised CAMELS rating system, please contact your Division of Supervision Regional Office or Daniel M. Gautsch, Examination Specialist, at (202) 898-6912. Specific questions on the new "S" component can be directed to John Feid, Chief, Risk Management Unit, Office of Capital Markets, at (202) 898-8649.

Nicholas J. Ketcha Jr.
Director

Attachment (below)

Distribution: FDIC-Supervised Banks (Commercial and Savings)

Note: Paper copies of FDIC financial institution letters may be obtained through the FDIC’s Public Information Center, 801 17th St., NW, Room 100, Washington, D.C. 200434 ((703) 562-2200 or 800-276-6003)