**Implementation of Thrift Bulletin 13-1**

**Summary:** Institutions may revise their interest rate risk exposure limits from time to time without regulatory criticism. Institutions that are below $500 million in assets, and not investing in high risk mortgage derivative products, do not need to purchase asset/liability software or consulting services to comply with TB 13.

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**For Further Information Contact:**
The FHLBank District in which you are located or the Industry Analysis Division of the Office of Regulatory Activities, Washington, DC.

**Thrift Bulletin 13-1**

Thrift Bulletin 13 (TB 13), “Responsibilities of the Board of Directors and Management with Regard to Interest Rate Risk,” issued on January 26, 1989, requires all insured institutions to establish interest rate risk exposure limits, defined in terms of the interest rate sensitivity of net interest income and the market value of portfolio equity, by June 30, 1989. This Thrift Bulletin, TB 13-1, clarifies the regulatory policy on establishing and revising exposure limits and provides guidance on the purchase of asset/liability management software and consulting services.

**Interest Rate Risk Exposure Limits**

Institutions establishing the prescribed interest rate sensitivity limits by June 30 will not be subject to regulatory criticism if they subsequently revise those limits. The overriding objective of the Federal Home Loan Bank System in adopting TB 13 is to ensure that the board of directors and management give serious, constructive thought to measuring and managing their institution’s exposure to interest rate risk. TB 13 does not prevent a board of directors from changing their interest rate risk policy whenever they perceive the need to do so (although such adjustments should not be made merely to rationalize an existing level of exposure). In fact, as boards of directors and managers gain greater familiarity with the measures of interest rate risk described in TB 13, they may want to change the exposure limits to reflect their experience with those measurement techniques.

**Software and Consulting Services**

TB 13 requires institutions with more than $500 million in assets, or that invest in high risk mortgage derivative products, to be able to perform the prescribed interest rate sensitivity analysis by December 31, 1989. Other institutions are not required to purchase or develop asset/liability software or to purchase consulting services to comply with TB 13. Furthermore, the purchase of such software or consulting services by any institution will not, of itself, ensure compliance with TB 13. Having the ability to perform such analysis can be a valuable management tool for any institution. There is no advantage to an institution, however, in owning such software if it does not meet the management needs of that institution. The decision to purchase software or consulting services should be carefully evaluated.

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**Section: 420**

TB 13-1

May 9, 1989

**Handbook: Thrift Activities**

Subjects: Interest Rate Risk Management

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— Darrel W. Dochow, Executive Director