

Press Releases

February 16, 2000

OTS 00-18 - OTS Awards Software Contract to Enhance Existing Interest Rate Measurement Tool

Office of Thrift Supervision

FOR RELEASE at 1:30 P.M. EST

For further information

Wednesday, February 16, 2000

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OTS 00-18

202/906-6693

OTS Awards Software Contract to Enhance Existing Interest Rate Measurement Tool

WASHINGTON, D.C., Feb. 16, 2000 - The Office of Thrift Supervision (OTS) announced today it has awarded a contract to Quantitative Risk Management, Inc. (QRM), Chicago, to license an asset/liability software system. The QRM system will be used as a platform to further enhance performance of the agency's Net Portfolio Value (NPV) model, which has measured interest rate risk of thrift institutions since 1991.

The software is an integrated platform for market value analysis. OTS will use it as the infrastructure for the agency's NPV model, a computer simulation program that measures potential changes in the net value of a thrift institution's portfolio of assets, liabilities, and off-balance sheet instruments under different interest rate scenarios. OTS's Risk Management Division developed its NPV model in 1991 as a way to measure and monitor interest rate risk of thrift institutions.

The model is an important tool for the thrift industry. Currently, 1,013 thrifts, or 91 percent of the industry, file consolidated maturity/rate (CMR) data with OTS, which runs the information through the model and provides each thrift with a report on its interest rate risk. Only larger thrifts are required to file the report -- 407 institutions or 37 percent of the industry. The rest file voluntarily to assist them with managing their interest rate risk.

Once OTS's existing model is loaded into the new software, future modifications and extensions of the model will be easier, explained Tony Cornyn, director of risk management. "The new software will facilitate improvements to the NPV Model and provide access to advanced technologies and resources of QRM," he said.

The competitively awarded contract is valued at up to \$95,000 for a three-month test phase, with an additional \$120,000 allocated for each of five years the contract may be renewed. QRM will provide training and technical support as well as the use of the software.

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The Office of Thrift Supervision (OTS), an office of the U.S. Treasury, regulates and supervises the nation's thrift industry. OTS's mission is to ensure the safety and soundness of thrift institutions and to support their role as home mortgage lenders and providers of other community credit and financial services. For copies of news releases or other documents visit the OTS web page at www.ots.treas.gov.