Department of the Treasury

Office of Thrift Supervision

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Attached is a final rule that adds interest rate risk to the risk-based capital requirement for thrift institutions.

Thrift institutions with a greater than normal interest rate exposure must take a deduction from the total capital available to meet their risk-based capital requirement. That deduction is equal to one-half of the difference between the institution's actual measured exposure and the normal level of exposure.

The institution's actual measured interest rate risk is expressed as the change that occurs in its net portfolio value (NPV) as a result of a hypothetical 200 basis point increase or decrease in interest rates (whichever leads to the lower NPV) divided by the estimated economic value of its assets. An above normal decline in NPV is one that exceeds 2 percent of an institution's assets expressed in terms of economic value.

The regulation is effective January 1, 1994.

Using a computer model, OTS will calculate changes in each institution's NPV based on financial data the institution submits on Schedule CMR of the Thrift Financial Report (TFR). OTS will then advise each institution of its interest rate risk capital requirement. The first time thrifts will be required to incorporate interest rate risk into their risk-based capital calculations will be July 1, 1994, based on TFR data as of December 31, 1993.

The regulation implements section 305 of the Federal Deposit Insurance insurance Improvement Act of 1991 (FDICIA).

The rule is published in the *Federal Register*, Vol. 58, No. 167, pp. 45799–45827.

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Attachment