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271

Office of Thrift Supervision

Department of the Treasury

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This document and any attachments are superseded by OCC 2012-5.

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MEMORANDUM FOR: CHIEF EXECUTIVE OFFICERS OF ALL INSTITUTIONS THAT FILE SCHEDULE CMR

FROM: Timothy T. Ward *Timothy T. Ward*

SUBJECT: Interest Rate Risk - Interim Changes to the NPV Model and TB13a

The OTS's NPV Model uses scenario analysis to estimate how an institution's net portfolio value responds to changes in interest rates. The current interest rate scenarios used in the NPV Model assume an instantaneous parallel shift in the Treasury yield curve of plus and minus 100, 200, and 300 basis points (bps).

On March 31, 2008, the yield on the three-month Treasury bill was 1.38%. As a result, the NPV Model will not produce results for the minus 200 bps scenario for the quarter ending March 31, 2008. To reflect this development, the quarterly Interest Rate Risk Exposure Report will not display results for the minus 200 bps scenario until further notice. A similar situation forced OTS to eliminate the minus 200 bps scenario from the IRR Exposure Report in December 2001 (see [CEO Memo #154](#)).

Additionally, OTS is temporarily modifying the requirements of TB 13a relating to the definitions of the *interest rate sensitivity measure* and the *post-shock NPV ratio*. For the quarterly reporting period ending March 31, 2008, an institution's interest rate sensitivity measure and post-shock NPV ratio will be based on a 200 bps increase or a 100 bps decrease in market rates, whichever produces a larger decrease in NPV. These changes will remain in effect until further notice. All other provisions of TB13a still apply.

If you have any questions regarding this bulletin, please contact your regional capital markets specialist.