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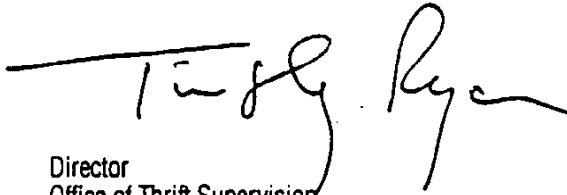
Attached is the Office of Thrift Supervision's notice of proposed rulemaking for calculating an interest rate risk component that would be incorporated into the Office's capital regulation.

Designed to replace the former maturity-matching credit, this proposal suggests a standard measurement that would improve the ability of supervisory personnel and many savings associations to evaluate interest rate risk exposure.

The measurement is set forth in a two-step model. The first step is to determine the market value of each type of financial instrument in the association's portfolio of assets, liabilities, and off-balance-sheet items under current interest rates. The second step is to measure the decline in market value that would result from a 200 basis point increase or decrease in market rates (whichever results in a greater decline). Fifty percent of that decline is the interest rate risk component of the association's capital requirement.

OTS requests comment on all aspects of the proposal, including methodologies and assumptions that are being considered for the measurement of interest rate risk. The Office is particularly interested in comments on the methodologies for mortgage servicing rights, liability discount rates, and interest rate caps. All comments are due on or before March 1, 1991.

The notice is published in the Federal Register, Vol. 55, No. 251, pp. 53529-53571. In the notice, published Monday, December 31, 1990, the address where comments will be available for public inspection was in error. The correct address is 1776 G Street, N.W., Lobby Level. In addition, the deadline for submitting written notification to OTS of a desire to testify at either hearing has been extended to noon, Tuesday, January 22, 1991.

  
Director  
Office of Thrift Supervision

Attachment