

**Reference: Guideline for Banks/T&L**

**Our File: P3340-16**

**April 28, 2005**

**To: Cooperative Credit Associations**

**Subject: Guideline B-12 - Interest Rate Risk Management**

In support of the Pillar 2 approach in the new capital framework, the Office of the Superintendent of Financial Institutions (OSFI) recently issued Guideline B-12 on Interest Rate Risk Management. This Guideline emphasizes certain principles from the Basel Committee's paper "*Principles for the Management and Supervision of Interest Rate Risk*" that OSFI believes are especially relevant for Canadian federally regulated financial institutions.

OSFI believes that the principles set out in these two documents form the basis of a sound risk management framework. Therefore, OSFI encourages federally regulated cooperative credit associations (co-ops) that have material interest rate risk (IRR) exposures to implement IRR practices that are consistent with the Basel Committee's principles and with OSFI's Guideline B-12. Given that IRR exposures at co-ops are generally smaller and less complex than those at deposit taking conglomerates, OSFI recognizes that co-ops may adjust the sophistication of their IRR practices accordingly.

Questions on the Guideline should be addressed to Mr. Jeff Kung, Capital Markets Risk Assessment Services, at (416) 973-0603 or by e-mail at [jkung@osfi-bsif.gc.ca](mailto:jkung@osfi-bsif.gc.ca).

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