



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

**Our File: P3340-16**

**February 24, 2005**

**To:** Banks  
Federally Regulated Trust and Loan Companies

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

In support of its Pillar 2 approach in the new capital framework, the Basel Committee on Banking Supervision has issued *Principles for the Management and Supervision of Interest Rate Risk*, a document outlining a number of fundamental principles on the management of interest rate risk. OSFI fully supports the principles outlined in the Basel Committee's document.

While the Basel Committee has developed minimum standards, it is OSFI's view that certain critical areas require special emphasis. In future examinations covering interest rate risk management, OSFI will place additional emphasis on these areas when assessing practices at banks or federally regulated trust and loan companies. Accordingly, OSFI is issuing a Guideline to provide greater transparency regarding its expectations in areas such as board and senior management oversight, disclosure and transfer pricing.

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

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