Office of Thrift Supervision, Treasury

§ 563.176 Interest-rate-risk-management procedures.

Savings associations shall take the following actions:

(a) The board of directors or a committee thereof shall review the savings association’s interest-rate risk exposure and devise a policy for the savings association’s management of that risk.

(b) The board of directors shall formerly adopt a policy for the management of interest-rate risk. The management of the savings association shall establish guidelines and procedures to ensure that the board’s policy is successfully implemented.

(c) The management of the savings association shall periodically report to the board of directors regarding implementation of the savings association’s

of one or more underlying assets, indices, or reference rates. The most common types of financial derivatives are futures, forward commitments, options, and swaps. A mortgage derivative security, such as a collateralized mortgage obligation or a real estate mortgage investment conduit, is not a financial derivative under this section.

(b) May I engage in transactions involving financial derivatives?

(1) If you are a Federal savings association, you may engage in a transaction involving a financial derivative if you are authorized to invest in the assets underlying the financial derivative, the transaction is safe and sound, and you otherwise meet the requirements in this section.

(2) If you are a state-chartered savings association, you may engage in a transaction involving a financial derivative if your charter or applicable State law authorizes you to engage in such transactions, the transaction is safe and sound, and you otherwise meet the requirements in this section.

(3) In general, if you engage in a transaction involving a financial derivative, you should do so to reduce your risk exposure.

(c) What are my board of directors’ responsibilities with respect to financial derivatives?

(1) Your board of directors is responsible for effective oversight of financial derivatives activities.

(2) Before you may engage in any transaction involving a financial derivative, your board of directors must establish written policies and procedures governing authorized financial derivatives. Your board of directors should review Thrift Bulletin 13a, “Management of Interest Rate Risk, Investment Securities, and Derivatives Activities,” and other applicable agency guidance on establishing a sound risk management program.

(3) Your board of directors must periodically review:

(i) Compliance with the policies and procedures established under paragraph (c)(2) of this section; and

(ii) The adequacy of these policies and procedures to ensure that they continue to be appropriate to the nature and scope of your operations and existing market conditions.

(d) What are management’s responsibilities with respect to financial derivatives?

(1) Management is responsible for daily oversight and management of financial derivatives activities. Management must implement the policies and procedures established by the board of directors and must establish a system of internal controls. This system of internal controls should, at a minimum, provide for periodic reporting to the board of directors and management, segregation of duties, and internal review procedures.

(2) Management must ensure that financial derivatives activities are conducted in a safe and sound manner and should review Thrift Bulletin 13a, “Management of Interest Rate Risk, Investment Securities, and Derivatives Activities,” and other applicable agency guidance on implementing a sound risk management program.

(e) What records must I keep on financial derivative transactions?

You must maintain records adequate to demonstrate compliance with this section and with your board of directors’ policies and procedures on financial derivatives.
§ 563.177 Policy for interest-rate-risk management and shall make that information available upon request to the Office.

(d) The savings association’s board of directors shall review the results of operations at least quarterly and shall make such adjustments as it considers necessary and appropriate to the policy for interest-rate-risk management, including adjustments to the authorized acceptable level of interest-rate risk.

§ 563.177 Procedures for monitoring Bank Secrecy Act (BSA) compliance.

(a) Purpose. The purpose of this regulation is to require savings associations (as defined by § 561.43 of this chapter) to establish and maintain procedures reasonably designed to assure and monitor compliance with the requirements of subchapter II of chapter 53 of title 31, United States Code, and the implementing regulations promulgated thereunder by the U.S. Department of Treasury, 31 CFR part 103.

(b) Establishment of a BSA compliance program—(1) Program requirement. Each savings association shall develop and provide for the continued administration of a program reasonably designed to assure and monitor compliance with the recordkeeping and reporting requirements set forth in subchapter II of chapter 53 of title 31, United States Code and the implementing regulations issued by the Department of the Treasury at 31 CFR part 103.

(c) Contents of compliance program. The compliance program shall, at a minimum:

1. Provide for a system of internal controls to assure ongoing compliance;
2. Provide for independent testing for compliance to be conducted by a savings association’s in-house personnel or by an outside party;
3. Designate individual(s) responsible for coordinating and monitoring day-to-day compliance; and
4. Provide training for appropriate personnel.

§ 563.180 Suspicious Activity Reports and other reports and statements.

(a) Periodic reports. Each savings association and service corporation thereof shall make such periodic or other reports of its affairs in such manner and on such forms as the Office may prescribe. The Office may provide that reports filed by savings associations or service corporations to meet the requirements of other regulations also satisfy requirements imposed under this section.

(b) False or misleading statements or omissions. No savings association or director, officer, agent, employee, affiliated person, or other person participating in the conduct of the affairs of such association nor any person filing or seeking approval of any application shall knowingly:

1. Make any written or oral statement to the Office or to an agent, representative or employee of the Office that is false or misleading with respect to any material fact or omits to state a material fact concerning any matter within the jurisdiction of the Office; or
2. Make any such statement or omission to a person or organization auditing a savings association or otherwise preparing or reviewing its financial statements concerning the accounts, assets, management condition, ownership, safety, or soundness, or other affairs of the association.

(c) Notifications of loss and reports of increase in deductible amount of bond. A savings association maintaining bond