• Access to money markets and other sources of funding.

• The level of diversification of funding sources, both on- and off-balance sheet.

• The degree of reliance on short-term, volatile sources of funds, including borrowings and brokered deposits.

• The trend and stability of deposits.

• The ability to securitize and sell certain pools of assets.

• The competence of management to properly identify, measure, monitor and control the institution's liquidity position, including the effectiveness of funds management strategies, liquidity policies, management information systems, and contingency funding plans.

• Compliance with applicable laws and regulations.

Ratings

1. A rating of 1 indicates a strong liquidity position and well-developed funds management practices after consideration of risk and other factors. The institution has reliable access to a sufficient volume of liquidity to meet present and anticipated liquidity needs. Access to external sources of funds is on favorable terms.

2. A rating of 2 indicates satisfactory levels of liquidity and risks, but modest weaknesses may be evident in quantitative measures of liquidity or in funds management practices given risk exposures.

3. A rating of 3 denotes liquidity and risk levels or funds management practices in need of improvement. Institutions rated 3 for liquidity may lack ready access to funds on reasonable terms and may evidence significant weaknesses in funds management practices given risk exposures.

4. A rating of 4 represents a deficient liquidity and risk position for current and anticipated needs and inadequate funds management practices. Institutions so rated may not be able to obtain funds from traditional funding sources to meet risk exposures.

5. A rating of 5 indicates a liquidity and risk position so critically deficient that the continued viability of the institution is threatened. Institutions rated 5 for liquidity require immediate external financial assistance to meet maturing obligations and other liquidity needs.

Sensitivity to Market Risks

The sensitivity to market risks component reflects the degree to which changes in interest rates, foreign exhchange rates, or commodity or equity prices can affect a financial institution's assets, earnings, liabilities and capital values. The capacity of management to identify, measure, monitor and control market risk exposure is also a factor that should be considered. Market risks encompass interest rate risk, price risk, and foreign exchange risk. The primary element considered in evaluating market risks is the sensitivity of assets, liabilities, off-balance sheet commitments, and earnings to variability in interest rates. This vulnerability is measured by potential changes in earnings or economic value of capital under an appropriate range of economic scenarios. When significant to an institution, consideration should also be given to the price risk related to trading and investment portfolios. If applicable, the foreign exchange risk to assets, earnings, and capital should also be considered because of the periodic revaluation of financial positions denominated in foreign currencies into U.S. dollar equivalents.

Market risks are rated based on an assement of the following, as appropriate:

• The sensitivity of the financial institutions's net earnings or the economic value of its capital to changes in interest rates under varying scenarios and stress environments.

• The volume, composition, and volatility of any foreign exchange or other trading positions taken by the financial institutions.

• The actual or potential volatility of earnings or capital because of any change in market valuation of trading portfolios or financial instruments.

• The ability of management to identify, measure, monitor and control exposure to interest rate risk, as well as price and foreign exchange risk where applicable and material to an institution.

Ratings

1. A rating of 1 indicates minimal exposure to interest rate, price or foreign exchange risk. Institutions rated 1 have limited exposure to interest rate and other market risks and have strong management systems in place to identify, measure, monitor and control these risks.

2. A rating of 2 is indicative of moderate and controlled exposure to interest rate, price or foreign exchange risk. Management systems are satisfactory, and ensure that market risks are maintained at an acceptable level.

3. A rating of 3 indicates that one or more elements of this component are in need of improvement. A 3 rating may reflect an elevated level of interest rate sensitivity or exposure. It may also indicate significant foreign exchange or repricing exposures which subject earnings and capital to a moderate level of volatility. Management systems for market risks may reflect weaknesses and need improvement.

4. A rating of 4 reflects a financial institution that exhibits exposures to market risks that may erode earnings and threaten solvency. A 4 rating indicates an inordinate exposure to changes in interest rates, or to foreign exchange revaluation or other repricing effects. Management systems for market risks are deficient.

5. A rating of 5 reflects a financial institution with extreme interest rate, foreign exchange, or price risk exposure constituting a critical deficiency, and the continued viability of the institution is threatened.

[End of proposed text of Uniform Financial Institution Rating System.]

Keith J. Todd,

Assistant Excecutive Secretary, Federal Financial Institutions Examination Council.

[FR Doc. 96–18187 Filed 7–17–96; 8:45 am]

BILLING CODE OCC: 4810–33–M (25%); Board: 6210–01–M (25%); FDIC: 6714–01–M (25%); OTS: 6720–01–M (25%)

FEDERAL HOUSING FINANCE BOARD

Sunshine Act Meeting; Announcing an Open Meeting of the Board

TIME AND DATE: 10:00 a.m., Thursday, July 25, 1996.

PLACE: Board Room, Second Floor, Federal Housing Finance Board, 1777 F Street, N.W., Washington, D.C. 20006.

STATUS: The entire meeting will be open to the public.

MATTERS TO BE CONSIDERED DURING PORTIONS OPEN TO THE PUBLIC:

• Repeal of Section 934.6 (Budgets) of the Finance Board's Regulations.

• Procedures for Resolution of Outstanding Examination or Supervisory Issues.

• Adoption of Proposed FHLBank System Compensation Regulation.

• 1996 Federal Home Loan Bank Incentive Compensation Plan.

• FHLBank Directors' Compensation Expenses—Final Rule.

CONTACT PERSON FOR MORE INFORMATION: Elaine L. Baker, Secretary to the Board, (202) 408–2837.

Rita I. Fair,

Managing Director.

[FR Doc. 96–18413 Filed 7–16–96; 2:18 pm]

BILLING CODE 6725–01–P