

CORPORATE GOVERNANCE

Existing interagency and international guidance identifies the board of directors as having the ultimate responsibility for the risks undertaken by an institution – including IRR. As a result, the regulators remind boards of directors that they should understand and be regularly informed about the level and trend of their institutions’ IRR exposure.

The board of directors or its delegated committee of board members should oversee the establishment, approval, implementation, and annual review of IRR management strategies, policies, procedures, and limits (or risk tolerances). Institutions should understand the implications of the IRR strategies they pursue, including their potential impact on market, liquidity, credit, and operating risks.

Senior management is responsible for ensuring that board-approved strategies, policies, and procedures for managing IRR are appropriately executed within the designated lines of authority and responsibility. Management also is responsible for maintaining:

- Appropriate policies, procedures and internal controls addressing IRR management, including limits and controls over risk taking to stay within board-approved tolerances;
- Comprehensive systems and standards for measuring IRR, valuing positions, and assessing performance, including procedures for updating IRR measurement scenarios and key underlying assumptions driving the institution’s IRR analysis;
- Sufficiently detailed reporting processes to inform senior management and the board of the level of IRR exposure.



WE CAN HELP YOU

- Enhance your ALCO presentation or procedures to better recognize the requirements of the current interagency guidance.

- Provide Board education through:
 - Customized presentations using your Bank model data for examples. Topics may include but are not limited to:
 - Assumption Sensitivity Analysis
 - Understanding Market Value of Equity
 - Understanding Model Components
 - Establishing and Reviewing KPIs

 - On-site Board presentations
 - 30 to 60 minutes
 - In person or video-conferencing