



## Department of Banking and Finance

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Nathan Deal  
Governor

Kevin B. Hagler  
Commissioner

**DATE:** June 26, 2017

**TO:** Board of Directors and Management of Georgia State-Chartered Credit Unions

**SUBJECT:** Implementation of the Sensitivity to Market Risk Component for Credit Unions

The purpose of this letter is to notify you of an upcoming change in the way in which the Department of Banking and Finance (Department) will be assigning CAMEL ratings to Georgia state-chartered credit unions as part of Safety and Soundness examinations. The Department will begin to assess "Sensitivity to Market Risk" as a separate and distinct component rating, rather than as a factor within the "Liquidity" or "L" component. The change will go into effect for all examinations commencing after January 1, 2018.

By implementing this additional "Sensitivity to Market Risk" or "S" component, the Department is utilizing the Uniform Financial Institution Rating System modified by the Federal Financial Institutions Examination Council (FFIEC) in 1997. Despite the adoption of the "S" rating by the FFIEC in 1997, the NCUA has not implemented the separate rating of this component. While all regulators specifically review interest rate risk exposure, those discussions and related reporting to credit union officials have been consolidated as part of the "L" or "Liquidity" rating. The "S" component of the CAMELS rating system specifically addresses the degree to which interest rate changes can impact a credit union's earnings or net worth. This component also focuses on a credit union's ability to measure, monitor, and manage interest rate risk exposure.

Please note that the implementation of this change will not increase burden for your staff or result in any additional examiner expectations. While the "Sensitivity to Market Risk" rating will now be separately reported, supervisory expectations for the management of market risk remains unchanged. The quality of management systems and expertise of management must be commensurate with risk exposure. The separation of the "S" component does not imply a requirement to develop enhanced management systems where market risk is already appropriately identified, measured, monitored, and controlled. Rather, assigning a separate "L" and "S" rating is appropriate and provides for greater granularity and transparency.

Should you have any questions relative to this implementation, please contact Supervisory Manager Justin McElheney at 770-986-1643 or [JMcElheney@dbf.state.ga.us](mailto:JMcElheney@dbf.state.ga.us).

Sincerely,

  
Melissa Sneed

Deputy Commissioner for Supervision