



Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

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To: Chief Executive Officers of National Banks, All Examining Personnel, and Comptroller's Handbook Subscribers

The enclosed "Country Risk Management" booklet updates the booklet of the same name dated October 2001. The revised booklet discusses the elements of the country risk management process and provides risk-focused examination procedures to guide examiners who evaluate the adequacy of that process in internationally active banks. Although there is no significant change in its focus or objectives, the updated version:

- Includes a discussion of the broadening of international activities that are affected by country risk, in particular, the increasing emphasis on local, in-country offices.
- Expands the discussion regarding setting country limits to include countries that are correlated due to common systemic factors.
- Includes the need to evaluate the type, mix, and source of in-country funding.
- Expands the discussion of early warning and stress testing efforts to include contingency planning.
- Clarifies the ICERC discussion by comparing the function of ICERC ratings to country ratings.
- Adds more examples to the appendix, "Factors Affecting Country Risk."
- Includes a request letter for the first time.
- Adds examination procedures to check compliance with the legal lending limit, validate country risk models, and evaluate capital adequacy.

Any questions regarding this booklet should be directed to the International Banking and Finance Division at (202) 874-4730.

To order additional copies of this booklet, please send your request and \$25 for each booklet to the Office of the Comptroller of the Currency, ATTN: Accounts Receivable, 250 E Street, SW, Mail Stop 4-8, Washington, DC 20219, or you can order online at OCC's Web site at <http://www.occ.treas.gov>.