



Comptroller of the Currency
Administrator of National Banks

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

The enclosed "Rating Credit Risk" booklet updates guidance formerly in the "Classification of Credits" section of *The Comptroller's Handbook for National Bank Examiners*. This booklet describes the role of bank credit risk rating processes in the risk management of individual credit transactions and credit portfolios, and provides a comprehensive, generic discussion of the objectives and characteristics of effective credit risk rating systems.

Accurately measuring and rating credit risk is the first essential step to managing it effectively. OCC expects national banks to have credit risk management systems that produce accurate and timely risk ratings at all times. In practice, banks' systems will vary and should be commensurate with the complexity and overall level of risk of their lending activities. Large banks will typically require more sophisticated rating systems than smaller, less complex banks.

Questions and comments regarding this booklet should be directed to the Credit Risk Division at (202) 874-5170.

Copies of the booklet are available on the OCC's internet site at www.occ.treas.gov. To order additional printed copies of this booklet, please send your written request and \$15 for each booklet to the Office of the Comptroller of the Currency, P.O. Box 70004, Chicago, IL 60673-0004