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Credit Derivatives Guidance Issued by OCC;
New Products Are Used to Manage Credit Risks

WASHINGTON, D.C. -- The Office of the Comptroller of the Currency today issued guidance to banks that use credit derivatives in an attempt to manage more efficiently the credit risk in their portfolio. Credit derivatives are new financial instruments designed to manage credit exposure by permitting it to be transferred among parties.

The OCC guidance stresses that proper control over derivatives activities begins with effective senior management and board oversight. From a supervisory perspective, the OCC will focus on seven risks associated with credit derivatives: credit, transaction, liquidity, compliance, strategic, price and reputation risk.

This guidance affects a small, but growing number of banks. While the notional size of the market for these relatively new products is now in the ten's of billions of dollars, some market analysts believe it could grow dramatically during the next five years.

The guidance discusses the three principal types of credit derivative products: credit default swaps, total rate of return swaps and credit-linked notes.

A copy of the guidance can be obtained through the OCC Information Line at (202) 479-0141 (request document number is 29643) or on the Internet at <http://www.occ.treas.gov>.

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The OCC charters, regulates and examines approximately 2,800 national banks and 70 federal branches and agencies of foreign banks in the U.S., accounting for more than half the nation's banking assets. Its mission is to ensure the safety and soundness of the national banking system.