

[Regulatory Authority Name]
[Department/Division]
[Address Line 1]
[City, State, Zip Code]

[Date]

[Board of Directors/Chief Executive Officer]
[Financial Institution Name]
[Address Line 1]
[City, State, Zip Code]

RE: Supervisory Letter on Interest Rate Risk (IRR) Management

Dear [Name/Board of Directors],

This letter serves to communicate the results of our recent supervisory review regarding [Financial Institution Name]'s Interest Rate Risk (IRR) management framework and exposure levels as of [Date].

1. Supervisory Assessment

Based on our review of your institution's balance sheet structure, earnings sensitivity, and economic value of equity (EVE) modeling, we have categorized your IRR profile as [Low/Moderate/High]. While the institution maintains [mention a strength, e.g., adequate capital buffers], we have identified specific areas that require enhanced oversight due to current market volatility.

2. Identified Deficiencies

The following areas were noted as requiring remedial action:

- **Model Governance:** [Description of issue regarding assumptions, back-testing, or data integrity].
- **Policy Limits:** [Description of issue regarding breach of internal limits or outdated risk appetite statements].
- **Mitigation Strategies:** [Description of concerns regarding hedging effectiveness or asset-liability mismatch].

3. Required Actions

To ensure the continued safety and soundness of the institution, the Board and Management are required to:

1. Submit an updated IRR Management Plan by [Date].
2. Conduct a comprehensive stress test utilizing severe interest rate shock scenarios (+/- [X] basis points).
3. Enhance the frequency of reporting to the Asset-Liability Committee (ALCO).

4. Conclusion

Please provide a written response acknowledging receipt of this letter and outlining a timeline for the corrective actions mentioned above by [Deadline Date].

We appreciate your cooperation in this matter. Should you have any questions, please contact [Examiner Name] at [Phone Number/Email].

Sincerely,

[Signature]

[Name of Lead Examiner/Supervisory Official]

[Title]