



DCU BULLETIN

Division of Credit Unions

Washington State Department of Financial Institutions

Phone: (360) 902-8701

FAX: (877) 330-6870

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Implementing the CAMEL Component “S” Rating in Washington State

The Division of Credit Unions (Division) will begin using the CAMEL component “S” rating for examinations beginning with onsite examinations starting on May 1, 2015 and thereafter. The “S” CAMEL component rating stands for “Sensitivity to Market Risk” (interest rate risk). The Division will breakout the current “L” component rating into two separate component ratings of “L” for liquidity risk and “S” for interest rate risk. The objective for this change is to provide better information to credit unions. Additionally, asset-liability management will be mainly factored into the “L” component rating.

The Division will continue to use the same examination procedures for liquidity risk and interest rate risk, and will not change its pre-exam letter to implement this change.

Because the National Credit Union Administration (NCUA) has not adopted the use of the “S” CAMEL component rating, the Division and the NCUA agreed to a workaround for reporting the state CAMELS rating to NCUA in the Automated Integrated Regulatory Examination Software (AIRES). The workaround is the same that NCUA uses with other states who adopted the CAMELS rating system, which is to input the lower of the “L” or “S” rating into AIRES for the “L” component rating. For example if “S” is rated a “2” and “L” is rated a “3”, then “3” will be input into the “L” AIRES component rating.

For more information on the CAMELS rating system and the definitions for each CAMELS component rating, including the “L” and “S” component ratings and the composite CAMELS rating, please see Appendix A to DCU Bulletin B-15-02. This Bulletin was issued on January 20, 2015 and is titled “Changes to the CAMEL Rating in Washington State”.

If you have any questions about how the CAMELS rating system will be implemented in Washington State, please contact Doug Lacy-Roberts at Doug.Lacy-Roberts@dfi.wa.gov or (360) 902-8753.