

BUREAU OF BANKING

Department of Professional and Financial Regulation

State of Maine

May 22, 1981

BULLETIN #27 INTEREST RATE FUTURES

To the Chief Executive Officer Addressed:

Numerous questions have been asked regarding participation in the futures and forward contract markets. The Bureau believes that financial futures can be used by banks to advantage; however, it is felt that financial institutions should do so in accordance with safe and sound banking practices. The suggested guidelines are as follows:

1. The Board should establish specific written authorization to engage in futures contracts and adopt a comprehensive written policy. This written policy should include, but not be limited to, the following considerations:
 - a. maximum maturities
 - b. type of futures contract
 - c. maximum amount of funds invested
 - d. provision for periodic review
 - e. trading procedures
 - f. periodic reports
 - g. internal audit programs
2. The participation is to be used to hedge portions of the portfolio against interest rate risk.
3. The institution should utilize the services of a person or persons knowledgeable of this field.

/s/ Roy L. Gove
Deputy Superintendent