Category	Remaining maturity [contractual]	Factor [In percent]
	6 to 12 months	1.00
	over 12 months	1.60
Other	N/A	8.00

b. The *government* category includes all forms of debt instruments of central governments of the OECD-based group of countries [23] including bonds, Treasury bills and other short-term instruments, as well as local currency instruments of non-OECD central governments to the extent that the subsidiary depository institutions have liabilities booked in that currency.

c. The *qualifying* category includes securities of U.S. government-sponsored agencies, general obligation securities issued by states and other political subdivisions of the OECD-based group of countries, multilateral development banks, and debt instruments issued by U.S. depository institutions or OECD-banks that do not qualify as capital of the issuing institution.[24] It also includes other securities, including revenue securities issued by states and other political subdivisions of the OECD-based group of countries, that are rated investment-grade by at least two nationally recognized credit rating services, or rated investment-grade by one nationally recognized credit rating agency and not less than investment-grade by any other credit rating agency, or, with the exception of securities issued by U.S. firms and subject to review by the Federal Reserve, unrated but deemed to be of comparable investment quality by the reporting banking organization *and* the issuer has securities listed on a recognized stock exchange.

d. The *other* category includes debt securities not qualifying as government or qualifying securities. This would include non-OECD central government securities that do not meet the criteria for the government or qualifying categories. This category also includes instruments that qualify as capital issued by other banking organizations.

e. The Federal Reserve will consider the extent of a banking organization's position in non-investment grade instruments (sometimes referred to as high yield debt). If those holdings are not well-diversified or otherwise represent a material position to the institution, the Federal Reserve may prevent a banking organization from offsetting positions in these instruments with other positions in qualifying instruments that may be offset when calculating its general market risk requirement. In addition, the Board may impose a specific risk capital requirement as high as 16.0 percent.

2. *General Market Risk*. a. A banking organization may measure its exposure to general market risk using, on a continuous basis, either the maturity method (which uses standardized risk weights that approximate the price sensitivity of various instruments) or the duration method (where the institution calculates the precise duration of each instrument, weighted by a specified change in interest rates).

b. Both methods use a maturity-ladder that incorporates a series of ''time-bands'' and ''zones'' to group together securities of similar maturities and that are designed to take into account differences in price sensitivities and interest rate volatilities across different maturities. Under either method, the capital requirement for general market risk is the sum of a base charge that results from fully netting various risk-weighted positions and a series of additional charges (add-ons), which effectively ''disallow'' part of the previous full netting to address basis and yield curve risk.

c. For each currency in which a banking organization has significant positions, a separate capital requirement must be calculated. No netting of positions is permitted across different currencies. Offsetting positions of the same amount in the same issues, whether actual or notional, may be excluded from the calculation, as well as closely matched swaps, forwards, futures, and forward rate agreements (FRAs) that meet the conditions set out in section IV.A.3. of this appendix E.

d. In the *maturity method*, the banking organization distributes each long or short position (at current market value) of a debt instrument into the time bands of the maturity ladder. Fixed-rate instruments are allocated according to the remaining term to maturity and floating-rate instruments according to the next repricing date. A callable bond trading above par is slotted according to its first call date, while a callable bond priced below par is slotted according to remaining maturity. Fixed-rate mortgage-backed securities, including collateralized mortgage obligations (CMOs) and real estate mortgage investment conduits (REMICs), are slotted according to their expected weighted average lives.

e. Once all long and short positions are slotted into the appropriate time band, the long positions in each time-band are summed and the short positions in each time-band are summed. The summed long and/or short positions are multiplied by the appropriate risk-weight factor (reflecting the price sensitivity of the positions to changes in interest rates) to determine the risk-weighted long and/or short position for each time-band. The risk weights for each time-band are set out in Table I below:

TABLE I.—MATURITY METHOD: TIME-BANDS AND WEIGHTS

Zone	Coupon 3% or more	Coupon less than 3% and zero coupon bonds	Risk weights [percent]
1	Up to 1 month	Up to 1 month	0.00
	1 up to 3 months	1 up to 3 months	0.20
	3 up to 6 months	3 up to 6 months	0.40
	6 up to 12 months	6 up to 12 months	0.70
2	1 up to 2 years	1 up to 1.9 years	1.25
	2 up to 3 years	1.9 up to 2.8 years	1.75
	3 up to 4 years	2.8 up to 3.6 years	2.25
3	4 up to 5 years	3.6 up to 4.3 years	2.75
	5 up to 7 years	4.3 up to 5.7 years	3.25
	7 up to 10 years	5.7 up to 7.3 years	3.75
	10 up to 15 years	7.3 up to 9.3 years	4.50
	15 up to 20 years	9.3 up to 10.6 years	5.25
	Over 20 years	10.6 up to 12 years	6.00
		12 up to 20 years	8.00
		Over 20 years	12.50

f. Within each time-band for which there are risk-weighted long and short positions, the risk-weighted long and short positions are then netted, resulting in a single net risk-weighted long or short position for each time-band. Since different instruments and different maturities may be included and netted within each time, a capital requirement, referred to as the vertical

[23] The OECD-based group of countries is defined in section III.B.1 of appendix A of this part.

[24] U.S. government-sponsored agencies, multilateral development banks, and OECD banks are defined in section III.C.2. of appendix A of this part.