**Reporting Instructions for
Interest Rate Risk in the Banking Book (IRRBB) Template in 2020 *(applicable from reference date 31/12/2019)***

11 December 2019

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| **REPORTING DEADLINES TO THE NBB** | **Reference dates** |
| **31/12/2019** | **31/03/2020** | **30/06/2020** | **30/09/2020** | **31/12/2020** |
| Institutions identified as significant within the SSM (SIs) | 18/02/2020 | 20/05/2020 | 18/08/2020 | 18/11/2020 | 18/02/2021 |
| Institutions identified as subsidiaries of significant institutions within the SSM | 10/03/2020 | 10/06/2020 | 08/09/2020 | 09/12/2020 | 11/03/2021 |

To fill-in the template **05 – YYYY QX SREP IRRBB.xlsx**, institutions are requested to respect the following instructions.

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# General instructions

## Legal background

1. In the preparation of the templates institutions should take into account the EBA Guidelines on the management of interest rate risk arising from non-trading book activities (EBA/GL/2018/02), which specify, among other things:
	1. *“the systems to be implemented by institutions for the identification, evaluation and management (…) of IRRBB referred to in Article 84 of Directive 2013/36/EU;*
	2. *institutions’ internal governance arrangements in relation to the management of IRRBB;*
	3. *sudden and unexpected changes in the interest rates in accordance with Article 98(5) of Directive 2013/36/EU for the purposes of the review and evaluation performed by competent authorities”*
2. Among other provisions, the EBA/GL/2018/02 state that when managing their IRRBB institutions should:
3. *“measure their exposure to IRRBB in terms of potential changes to both the economic value (EV) and earnings”* (paragraph 81)*;*
4. *“(…) regularly, at least quarterly, calculate the impact on their EVE of a sudden parallel +/-200 basis points shift of the yield curve”* (paragraph 113)*;*
5. *“regularly, at least quarterly, calculate the impact on their EVE of interest rate shocks, applying scenarios 1 to 6 as set out in Annex III”* (paragraph 114)*;*
6. The GL also state that “*Institutions should demonstrate that their internal capital is commensurate with the level of the interest rate risk in their banking book*” (paragraph 23).
7. Hence the current IRRBB templates are designed for gathering information which institutions should routinely prepare, measure and/or mandatorily report to the competent authority.
8. The data points included in the STE for SREP data collection may arise from direct application of provisions included in the EBA/GL/2018/02 such as paragraphs 113 and 114 for the calculation of the change in economic value, or from institutions’ own internal methodologies, e.g. for the impact in net interest income and in earnings.

## Reference date

1. Data is requested with respect to the selected reference date in the drop down menu in cell C14 of template “0\_Identification”.

## Reporting units

1. The required data points may be qualitative or quantitative.
2. Unless mentioned otherwise, the reporting units for quantitative data are thousands of euros. In these cases, a data point with the value 1000 is 1 million euros.
3. Other data points may be reported in basis points or in percentage as an outcome of a formula.

## Data

1. This data request addresses all institutions on a ‘best effort basis’ but as a general rule, all cells should be filled taking into account the rules applicable to each template.
2. The data should be reported in the templates within the Excel file **05 – YYYY QX SREP IRRBB.xlsx.**
3. Only the cells marked in yellow should be filled. It is highly recommended that:
	1. none of the yellow cells be left blank;
	2. zeros (“0”) are reported only when the underlying value actually is zero.
4. The cells marked in amber are only applicable according to the number of material currencies present in the institution’s banking book, and are dependent on the data that the institution inputs on the **Template 0. Identification.**
5. Therefore whenever a certain phenomenon or data point:
	1. is not applicable to the institution, it should leave the respective data point blank and provide a comment in Template “01\_Identification” in the box additional comments;
	2. is applicable to the institution but not reported in the current template, it should leave the respective data point blank and include a justification in Template “0\_Identification” in the box additional comments.

## Validation rules

1. The templates are embedded with validation rules which institutions have to fulfil when preparing the data.
2. Not fulfilling the validation rules means that institutions will be requested to resubmit the STE for SREP data collection template.

# Specific instructions

## Template “0\_Identification”

1. This template is used for identification of the institution. All fields should be populated with the relevant data.
2. This template also includes a text box “Additional Comments” which institutions should use to include comments on the following:
	1. Scope issues: Templates **IRRBB Material Currencies 1 to 4** and **IRRBB Other Material Currencies IRRBB** should cover all material on- and off- balance sheet interest-rate sensitive positions of the banking book denominated in material currencies. If this is not the case, institutions should explain in this box what is missing and why;
	2. Clarifications on processes: briefly outlining which kind of quality assurance processes have been performed to prepare the STE for SREP data collection templates, mentioning the responsible organisational unit and including any material findings or shortcoming of the validation process;
	3. Applicable but not reported data: explain why any data point in the IRRBB template has been left blank (meaning that a phenomenon or data point is applicable but the institution chose not to report it);
	4. When any section of the instructions requires the institutions to do so;
	5. For institutions to provide any additional material remarks regarding interest rate risk in the banking book (IRRBB) which have not been captured/included by the current templates.
3. This template also includes an overview on the material currencies for which the institution has interest-rate sensitive banking book items. EBA/GL/2018/02 refers in paragraph 92 that “*Institutions should assess exposures in each currency in which they have positions*”. Regarding the computation of the supervisory outlier test in paragraph 113 and 114, in paragraph 115(l), EBA/GL/2018/02 states, that “*institutions should calculate the change in EVE at least for each currency where the assets or liabilities denominated in that currency amount to 5% or more of the total non-trading book financial assets (excluding tangible assets) or liabilities, or less than 5% if the sum of assets or liabilities included in the calculation is lower than 90% of total non-trading book financial assets (excluding tangible assets) or liabilities (material positions)*”. For the purpose of the STE, a currency is thus considered material if an institution computes the change in EVE for the exposures denominated in that currency according to the paragraph 115(l) of the EBA/GL/2018/02.
4. Consequently, institutions should first identify their respective four most material currencies in cells C19 to C22 (using the dropdown list), ranked in accordance with the formula set out in the next paragraph; the respective shares of those currencies in the banking book should be reported in cells D19 to D22. If an institution has more than four material currencies, it should report the aggregate share of the banking book in cell D23 by summing the outcome of the formula set out in the next paragraph for the material currencies that were not already included in cells C19 to C22. Importantly, the formula in the next paragraph does not replace the need for institutions to compute the threshold to identify material currencies according to paragraph 115(l) of the EBA/GL/2018/02 (since, for example, the threshold under paragraph 115(l) applies separately to assets and to liabilities). If institutions have less than four material currencies, they should apply the “-” option , which is the first item in the drop-down list. As an example, if an institution only has one material currency (e.g. EUR), it should fill EUR in the Material Currency 1 and its respective share of the banking book, and fill in “-” in the remaining cells.
5. In order to compute the share of banking book covered under the specific currency, the formula below must be applied (where BB=interest-rate sensitive banking book elements and where the EUR exchange rate to be used is the euro foreign exchange reference rates available in the ECB website as of the reference date if available, or if not available, by using available market information on FX rates as of reference date):

## Templates 1 – 5 “IRRBB Material Currencies” and “Other material currencies”

1. Templates **IRRBB Material Currencies 1 to 4** and **IRRBB Other Material Currencies IRRBB** allow institutions to slot per time bands and per material currency all notional repricing cash flows arising from material interest-rate sensitive on- and off-balance sheet items, i.e.:
	1. assets, which are not deducted from Common Equity Tier 1 (CET1) capital and which exclude (i) fixed assets such as real estate or intangible assets and (ii) equity exposures in the banking book;
	2. liabilities (including all non-remunerated deposits), other than CET1 instruments and other than perpetual own funds without any call dates;
	3. off-balance sheet items.
2. A notional repricing cash flow is defined as:
	1. any repayment of principal (e.g. at contractual maturity);
	2. any repricing of principal, where repricing is said to occur at the earliest date at which either the institution or its counterparty is entitled to unilaterally change the interest rate, or at which the rate on a floating rate instrument changes automatically in response to a change in an external benchmark; and
	3. any interest payment on a tranche of principal that has not yet been repaid or repriced; spread components of interest payments on a tranche of principal that has not yet been repaid and which do not reprice must be slotted until their contractual maturity irrespective of whether the non-amortised principal has been repriced or not.
3. The date of each repayment, repricing or interest payment is referred to as its repricing date.
4. The current **IRRBB Material Currencies 1 to 4** invite institutions to report the maturity schedule for notional repricing cash flows for the four most material currencies. Templates 1 to 4 “IRRBB Material currency n” should be filled in descending order of materiality where n=1 should be filled for the currency where the ratio referred in paragraph 20 is highest, the Template IRRBB Material currency 2 for the currency where the ratio is the second highest and so forth until the fourth largest currency, according to the ranking order defined in the **Template 0. Identification**. The template **IRRBB Other Material Currencies** aggregates the maturity schedule for notional repricing cash flows for the material currencies that were not reflected individually in the templates **IRRBB Material Currencies 1 to 4.**
5. Institutions should fill in the templates using a run-off balance-sheet assumption, i.e., a balance sheet where existing interest rate sensitive non-trading book positions amortise and are not replaced by any new business. In all cases, the notional repricing cash flows reported in the Templates **IRRBB Material Currencies 1 to 4** and **IRRBB Other Material Currencies IRRBB** need to be allocated to the respective time buckets according to institutions’ current practices and taking into account the current interest rate scenario.
6. Institutions may deduct commercial margins and other spread components from the notional repricing cash flows, using a prudent and transparent methodology, in accordance with the internal management and measurement approach. However, this practice should be done consistently across business lines and across the group (for consolidated information) and using a transparent methodology for identifying the risk free rate at inception of each instrument, according to paragraph 115(i) of the EBA/GL/2018/02.
7. All the templates are divided into section A and section B. Institutions should fill-in section A according to the contractual conditions of all interest-rate sensitive instruments and before applying any modelling assumptions, and should fill in section B after considering their modelling assumptions. When covering section A and section B of templates **IRRBB Material Currencies 1 to 4** and **IRRBB Other Material Currencies IRRBB**, institutions should not take into account embedded automatic optionality when slotting notional repricing cash flows among the time bands. Precisely:
	1. Section A – Maturity schedule for all notional repricing cash flows according to contractual conditions, i.e., without any effect of modelling assumptions:
		1. Sub-section A1 – to report notional repricing cash flows related to items without specified maturity or repricing;
		2. Sub-section A2 – to report notional repricing cash flows related to fixed rate instruments;
		3. Sub-section A3 – to report notional repricing cash flows related to floating rate instruments.
	2. Section B - Maturity schedule for all notional repricing cash flows after considering modelling assumptions according to the current interest rate environment:
		1. Sub-section B1 – to report notional repricing cash flows related to items without specified maturity or repricing;
		2. Sub-section B2 – to report notional repricing cash flows related to fixed rate instruments;
		3. Sub-section B3 – to report notional repricing cash flows related to floating rate instruments.
8. This means that, for any specific item, the notional cash flows should be reflected in both Section A and Section B. Section A must include all notional repricing cash flows according to their contractual conditions. Section B should reflect the same notional repricing cash flows but – this time – as used by the institution in their IRRBB management (taking into account modelling behavioural assumptions where applied by the institutions). For a single line, it is expected that the institution reports the cash flows both in section A, before modelling behavioural assumptions, and in Section B, after modelling behavioural assumptions. In this way, the only difference between cash flows reported in Section A and section B should be the consideration of behavioural modelling assumptions in section B. If the notional repricing cash flows of an item are not affected by behavioural modelling assumptions, the time buckets to which it was populated in Section A should be the same as in Section B. Consider the following examples:
	1. Non-maturity deposits (NMDs): non-maturity deposits should be allocated in Section A1 and in Section B1. Since they represent an item without specified maturity or repricing date the amount by type of account characteristic should be allocated in Section A1. In Section B1 the amount by type of account characteristic should be allocated in the relevant time buckets according to an appropriate cash flow slotting procedure modelled by the institution, but subject to the constraint established in paragraph 115(o) of the EBA/GL/2018/02.
	2. Fixed Rate Loans: all fixed rate loans should be allocated in Section A2 to the respective time buckets according to their contractual conditions, i.e., without taking into account contractual automatic optionality or behavioural assumptions the institution has made (such as prepayments) and in Section B2, in the relevant time buckets after reflecting any behavioural modelling assumptions taken by the institution.
	3. Interest rate swaps: institutions should report the contractual notional repricing cash flows in section A, using section A2 for the fixed legs and section A3 for the floating legs. They should report the same cash flows in section B2 and B3 using the same approach, but now reflecting any modelling assumptions.
	4. In case of cross currency swaps, institutions should allocate each currency notional repricing cash flows in the respective IRRBB Material Currencies template.
9. The breakdown of NMD according to the depositor/account characteristics should be performed by following the EBA/GL/2018/02, paragraph 108(b). In the Templates **IRRBB Material Currencies 1 to 4** and **IRRBB Other Material Currencies IRRBB,** retail transactional follows paragraph 108(b)(i), retail non-transactional paragraph 108(b)(ii), wholesale non-financial paragraph 108(b)(iii) and wholesale financial should contain the wholesale deposits that are excluded from the definition of wholesale non-financial.
10. Templates **1-5 IRRBB Material Currencies 1 to 4** and **IRRBB Other Material Currencies IRRBB** should be reported on a quarterly basis, along with the remaining Template 6 **Interest Rate additional** and Template 7 **IRRBB Assumptions**. However, for Templates 1-5:
	1. Section A is optional for the first three quarters of each year. Institutions are kindly invited to fill Section A in each of the Templates when reporting reference date 31 December data of each year.
	2. Section B should be reported on a quarterly basis, in each STE submission.

**Treatment of derivatives:**

1. In rows 15 and 26, institutions should include the notional repricing cash flows arising from derivatives allocated to the banking book, with the exception of interest rate options derivatives. As an example, if the institution has contracted a derivative for hedging a banking book position (e.g. CCY interest rate swaps, FRAs, interest rate swaps, etc.), the notional repricing cash flows arising from that position should be reported in lines 15 and/or 26.[[1]](#footnote-3)

**Other:**

1. In rows 16 and 27, institutions should report exclusively cash flows associated with interest rate sensitive instruments in the banking book which have not been included in any of the other categories.

**Off-balance sheet items:**

1. In rows 33 and 34, institutions should only report notional repricing cash flows arising from banking book off-balance sheet items which have not been reflected in other rows of the template, differentiating the notional repricing cash flows arising from contingent assets (33) from the notional repricing cash flows arising from contingent liabilities (34).

**Conversion of non-euro material currencies into euro**

1. For each of its non-euro material currency exposures, institutions should prepare the maturity repricing schedule according to the template “IRRBB Material Currency” and keep it in its original currency.
2. The methodology underlying the reporting of each non-EUR template should be consistent and following the current instructions.
3. Institutions should convert each of the non-EUR denominated templates prepared in paragraph 35 into an EUR-equivalent template by applying the relevant FX rate (EUR exchange rate to be used is the euro foreign exchange reference rates available in the ECB website as of the reference date if available, or if not available, by using available market information on FX rates as of reference date).
4. Each FX rate should be used consistently in the preparation of the templates; otherwise, institutions should state which FX rates have been used in the comment box “Additional comments” of Template “**0\_Identification**”.
5. Institutions should report in each template “**IRRBB Material Currency**” a EUR-equivalent template calculated as indicated in paragraph 37 corresponding to the 4 most material currencies according to paragraph 20.
6. In order to fill in template “**IRRBB Other Material Currencies”**, institutions should aggregate all material notional repricing cash flows arising from interest-rate sensitive instruments per time bands denominated in the 5th largest material currency until the nth material currency, and translated into EUR (EUR exchange rate to be used is the euro foreign exchange reference rates available in the ECB website as of the reference date if available, or if not available, by using available market information on FX rates as of reference date).

## Template “6\_IRRBB\_additional”

1. This template is used for gathering additional information regarding IRRBB which is not captured by Templates 1 to 5 – “**IRRBB Material Currencies**”.
2. More specifically, the data points in this template intend to provide an overview of:
* The impact of two parallel shock scenarios set out in paragraph 113 of the EBA/GL/2018/02 on institutions’:
	+ - Economic value of equity (calculation based on internal models applying the principles laid down in paragraph 115 of the EBA/GL/2018/02) – data points 1-3;
		- Forecasted net interest income for a period of 12 months (according to own internal models) – data points 14-16;
		- Forecasted earnings for a period of 12 months (according to own internal models) – data points 17-19.
* The impact of the six scenarios according to paragraph 114 of the EBA/GL/2018/02 on economic value of equity (calculation based on internal models applying the principles laid down in paragraph 115 of the EBA/GL/2018/02) – data points 7-13.
1. The proportion of assets and liabilities with embedded optionality in the banking book – (according to own internal models) - data points 20-23.
2. Importantly, all items in this template should be denominated in EUR, by using the relevant FX rate as of the reference date (institutions should use the EUR exchange rate to be used is the euro foreign exchange reference rates available in the ECB website as of the reference date if available, or if not available, by using available market information on FX rates as of reference date).
3. Please take into account the following instructions regarding the calculation of the data points included in the template.

**∆ Economic value of equity**

**Data point 1 – Outcome of the supervisory outlier test according to paragraph 113 of the EBA/GL/2018/02**

1. This should reflect the outcome of the supervisory outlier test as per paragraph 113 of the EBA/GL/2018/02. It is computed automatically, based on data points 2 and 3 filled in according to the instructions below.

**Data point 2 - Change in the economic value of equity (∆EVE) of the banking book under a parallel shock down following paragraph 113 of the EBA/GL/2018/02**

1. In cells E12 to I12, institutions should report the total change (shock) in the economic value of equity (EVE) of the banking book under a parallel shock down following paragraph 113 of the EBA/GL/2018/02 for each material currency. The value reported in Column D should result as the aggregation of shocks being applied to all currency exposures in the banking book, following the rule of paragraph 115(m) of the EBA/GL/2018/02 from Column E to H, while the value reported in Column I should be added linearly. The value reported in Column I should already reflect the rule of paragraph 115(m) of the EBA/GL/2018/02 for the subset of other material currencies.
2. Institutions are reminded that they should apply the set of principles described in paragraph 115 of the EBA/GL/2018/02 in the calculation of the supervisory outlier test for the purposes of paragraph 113. In particular, the maturity-dependent post-shock interest rate floor should be applied for each material currency as referred to in paragraph 115(k) of the EBA/GL/2018/02.
3. The effects of the shock on automatic interest rate options, whether explicit or embedded, needs to be included in the calculation (as these options are interest-rate sensitive).

**Data point 3 - Change in the EVE of the banking book under a parallel shock up following paragraph 113 of the EBA/GL/2018/02**

1. The rules applicable to data point 2 should be applied to data point 3 as well, but under a parallel shock up following paragraph 113 of the EBA/GL/2018/02 for each material currency.

**Data point 4-6 – Specified size of interest rate shocks, according to paragraph 114 of the EBA/GL/2018/02**

1. If an institution has a material currency that does not have a pre-defined interest rate shock as per Annex III of the EBA/GL/2018/02, it should fill in data points 4, 5 and 6 after using the methodology prescribed under section 2 of the referred Annex, based on the outcome of the methodology used to calibrate the size of the interest rate shocks. The specified size of the interest rate shocks shall be entered in basis points (bps)[[2]](#footnote-4).

**Data point 7 – Outcome of the supervisory outlier test according to paragraph 114 of the EBA/GL/2018/02**

1. This should reflect the outcome of the supervisory outlier test as per paragraph 114 of the EBA/GL/2018/02. It is computed automatically, based on data points 8 to 13, filled in according to the instructions below.

**Data point 8 - 13 – Change in the EVE of the banking book under six different interest rate scenarios, according to paragraph 114 of the EBA/GL/2018/02**

1. Institutions should report the total change (shock) in the EVE of the banking book under the six different scenarios following paragraph 114 of the EBA/GL/2018/02 for each material currency. The value reported in Column D is the aggregation of the impact of the shocks applied to all currency exposures in the banking book, following the rule of paragraph 115(m) of the EBA/GL/2018/02. The value reported in Column I should already reflect the rule of paragraph 115(m) of the EBA/GL/2018/02 for the subset of other material currencies.
2. Institutions are reminded that they should apply the set of principles described in paragraph 115 of the EBA/GL/2018/02 in the calculation of the supervisory outlier test for the purposes of paragraph 114. In particular, the maturity-dependent post-shock interest rate floor should be applied for each currency as referred to in paragraph 115(k) of the EBA/GL/2018/02.
3. The effects of the shock on automatic interest rate options, whether explicit or embedded, needs to be included in the calculation (as these options are interest-rate sensitive).

**∆ Net Interest Income and Earnings**

1. In line with paragraph 13 of the EBA/GL/2018/02, institutions should manage and mitigate risks arising from their IRRBB exposures that affect both their earnings and their economic value.
2. According to the paragraph 14 of the EBA/GL/2018/02, when “*calculating the impact of interest rate movements in the earnings perspective, institutions should consider not only the effects on interest income and expenses, but also the effects of the market value changes of instruments — depending on accounting treatment — either shown in the profit and loss account or directly in equity (e.g. via other comprehensive income).*” Moreover, according to paragraph 43(c) of the EBA/GL/2018/02, “*The risk to earnings may not be limited to interest income and expenses: the effects of changes in interest rates on the market value of instruments that, depending on accounting treatment, are reflected either through the profit and loss account or directly in equity (via other comprehensive income), should be taken into account separately”*.
3. Regarding the currency aggregation criteria, in line with paragraph 92 of the EBA/GL/2018/02, “*institutions should include in their internal measurement systems methods to aggregate their IRRBB across different currencies”* and “*institutions should take into account the impact of assumptions regarding dependencies between interest rates across different currencies*”.
4. To compute the change in the forecasted net interest income (NII) and earnings metrics, institutions should use the same parallel shock up and down scenarios applied for computing the change in EVE set out in paragraph 113 of the EBA/GL/2018/02.
5. Institutions should apply as well the maturity-dependent post-shock interest rate floor for each currency referred to in paragraph 115(k) of EBA/GL/2018/02 for NII and other earnings metrics.
6. In principle, institutions should strive for the scope of instruments present in the ∆EVE IRRBB metrics to be applied consistently in the IRRBB NII/Earnings metrics, and in particular in relation with the principles set out in paragraphs 115(b) and 115(e).
7. It is reminded that according to paragraph 83 of the EBA/GL/2018/02, when calculating earnings measures, institutions should include commercial margins.

**Data point 14 - Forecasted net interest income (NII) expected within 12 months under the current baseline interest rate scenario**

1. In the calculation of data point 14, institutions should forecast their NII per material currency for a timeframe of 12 months using the current baseline interest rate scenario, i.e., the interest rates used to calculate future cash flows in the baseline scenario are derived from forward rates, appropriate spreads or market expected rates for different instruments.

**Data points 15 and 16 – Change in the forecasted net interest income expected within 12 months under a parallel shock up/down**

1. In the calculation of data points 15 and 16, institutions should apply the upward and downward parallel shock to interest rates to the forecasted net interest income reported in data point 14 for each material currency.
2. The shift (shock) should be applied only to interest-rate sensitive on- and off-balance sheet items in the banking book.

**Data points 17 - Forecasted earnings expected within 12 months under the current baseline interest rate scenario**

1. In the calculation of data point 17, institutions should forecast their Earnings per material currency for a timeframe of 12 months using the current baseline interest rate scenario, i.e., the interest rates used to calculate future cash flows in the baseline scenario are derived from forward rates, appropriate spreads or market expected rates for different instruments.

**Data points 18 – 19** - **Change in the forecasted earnings expected within 12 months under a parallel shock up/down**

1. In the calculation of data points 18 and 19, institutions should apply the upward and downward parallel interest rate shift to the forecasted earnings reported in data point 17 for each material currency.
2. This includes at least, according to the 14 and 43(c) of the EBA/GL/2018/02, the change in NII already reflected in data points 15 and 16 and the market value changes of instruments — depending on accounting treatment — either shown in the profit and loss account or directly in equity (e.g. via other comprehensive income).
3. The shift (shock) should be applied only to interest-rate sensitive on- and off-balance sheet items in the banking book.
4. Institutions should include the effect of the forecasted impact on fair value instruments (including derivatives) net of hedging interest rate derivatives after applying the scenarios described in the paragraph above. Economic hedges derivatives, whose fair value changes are recognised through the income statement, should be included into the earnings measure.

**Optionality Information**

**Data points 20-23 – Quantitative information on assets and liabilities with embedded automatic or behavioural optionality**

1. According to paragraph 115(d) of the EBA/GL/2018/02, institutions should reflect automatic and behavioural options in the calculation of the supervisory outlier tests.
2. In data points 20-23, institutions should provide the proportion of assets and liabilities in the banking book[[3]](#footnote-5) subject to automatic and behavioural optionality according to the formulas provided below. Institutions should consider the instruments referred in paragraph 88 of the EBA/GL/2018/02 as examples of instruments with embedded automatic optionality and embedded behavioural optionality. For the computation of these ratios, institutions should:
	1. Use nominal amounts (not STE for SREP data collection cash-flows);
	2. Include On- and Off-balance sheet items associated with the Banking Book;

**Data point 20 – Ratio of assets in the banking book with embedded automatic optionality over total assets in the banking book per material currency**

**Data point 21– Ratio of liabilities in the banking book with embedded automatic optionality over total Liabilities in the banking book per material currency**

**Data point 22 – Ratio of assets in the banking book with embedded behavioural optionality over total assets in the banking book per material currency**

**Data point 23 – Ratio of liabilities in the banking book with embedded behavioural optionality over total liabilities in the banking book per material currency**

**Section “Questions”**

1. According to paragraph 113 and 114 of the EBA/GL/2018/02, institutions should regularly compute the change in EVE that results from calculating the outcome of the two supervisory outlier tests referred in those paragraphs.
2. When calculating the outcome of the supervisory outlier test, institutions should apply the principles reflected in the EBA/GL/2018/02, and in particular the ones reflected in the paragraph 115. However, institutions may apply some internal assumptions and different methodologies listed in the guidelines.
3. When computing the NII/earnings metrics, institutions should apply the general principles reflected in the EBA/GL/2018/02, but also their internal assumptions and different methodologies listed in the guidelines.
4. In order to gather critical information for understanding the calculations or the methodologies used for the calculation of the supervisory shock, institutions are required to answer a few questions included in Template “**InterestRate\_Additional**”.

**Question 1**

**“*Does the institution have more than four material currencies according to paragraph 115(l)? If yes, please provide a list of which material currencies are excluded from reporting templates IRRBB Material Currency 1 to 4 using the currency ISO codes, as well as the specified interest rate shock used according to the methodology prescribed in Annex III of the EBA/GL/2018/02.*”**

1. In order to gather information on the material currencies which do not have detailed information in the quantitative section, institutions are invited to provide a list of the material currencies included in the main metrics of IRRBB computed, and with regards to the supervisory outlier test under paragraph 114 of the EBA/GL/2018/02, the size of the interest rate shocks applied per currency.

**Question 2**

***“Which risk-free yield curves have been used in order to compute the supervisory standard shock?”***

1. According to paragraph 115(n) of the EBA/GL/2018/02, an appropriate general ‘risk-free’ yield curve per currency should be applied. That curve should not include instrument-specific or entity-specific spreads such as credit risk spreads or liquidity risk spreads.
2. As such, please clarify which ‘risk-free’ yield curves have been used in the calculations of the standard shock for each of the material currencies included in the computation of the standard shock, and the relevant modelling assumptions to derive specific interest rates (e.g. interpolation methods, etc).

**Question 3**

***“Which IRRBB Measurement Methods from Annexes I and II have been used to compute the supervisory standard shock and earning measures?”***

1. Annex I of the EBA/GL/02/2018 provides IRRBB measurement methods for measuring changes in EVE and in earnings according to different yield curve scenarios.
2. Annex II of the EBA/GL/02/2018 provides a sophistication matrix for IRRBB measurement. Please indicate the sophistication levels of quantitative tools and models used.
3. Please clarify which:
	* of the methods listed in Annex I,
	* level of sophistication listed in Annex II,

have been used in the computation of the supervisory standard shock and earnings measures (and in particular for NII/earnings, what was the methodology used to aggregate the metrics across currencies).

1. Please use the boxes “Main assumptions” to briefly explain the methods used.

**Question 4**

***“Have commercial margins and other spread components been excluded in the computation of the supervisory standard shock and in the reporting of data required in Templates “IRRBB\_Material\_Currency”? If yes, please provide an explanation of the methodology used to exclude them.”***

1. According to the paragraph 115(i), “*the treatment of commercial margins and other spread components in interest payments in terms of their exclusion from or inclusion in the cash flows should be in accordance with the institutions’ internal management and measurement approach for interest rate risk in the non-trading book*” and that institutions should “*notify the competent authority whether they exclude commercial margins and other spread components from the [supervisory outlier test] calculation or not*”.
2. Therefore, institutions should clarify if commercial margins and other spread components have been excluded in the computation by replying “Yes” or “No”. If the answer is “Yes”, the institution should briefly explain the methodology for identifying the risk-free rate at inception of each instrument and if the methodology is applied consistently across business units and within the group (for information at a consolidated level).

**Question 5**

***“Have pension obligations and pension plan assets been included in the computation of the supervisory standard shock and in earnings metrics, and in the reporting of data required in Templates 1-5 “IRRBB\_Material\_Currency”? If yes, please provide an explanation on how they were incorporated in the methodology to compute the supervisory standard shock and the NII/earnings metrics.”***

1. According to paragraph 115(e) of the EBA/GL/2018/02 “*Pension obligations and pension plan assets should be included unless their interest rate risk is captured in another risk measure*”.
2. Institutions should answer if they have incorporated pension obligations and pension plan assets in the computation of the supervisory standard shock on EVE and/or the computation of NII/earnings measures, and if yes, they should provide a brief explanation on how they were incorporated in the methodology to compute the supervisory standard shock on EVE and/or to compute NII/Earnings measures.

**Question 6**

***“Have any other material assumptions underlying the calculation of the supervisory standard shock on EVE and/or those underlying the calculation of Earnings measures changed since the STE for SREP data collection was last submitted? Please answer with “Yes” or “ No”.***

1. If yes, please list the changes. Please explain in your answer whether any further material changes with regards to the underlying methodology or assumptions have occurred.

**Question 7**

***“Which items have been included in lines "Other" in Templates 1-5 "IRRBB Material\_Currency"?”***

1. The lines “Other” should only comprise notional repricing cash flows associated with interest rate sensitive instruments in the banking book which have not been reported in the remaining categories. Please enumerate the items which have been included in “Others Assets” and in “Other Liabilities”.

## Template “7\_IRRBB\_Assumptions”

1. This template gathers additional key methodologies or assumptions regarding institutions’ IRRBB estimates and/or specific data points.
2. Please explain in this template what are the main underlying assumptions regarding the models in use for slotting notional repricing cash flows according to time bands and for calculating the risk figures in:
* Templates "**IRRBB Material Currencies**";
* Template “**InterestRate\_Additional**” for EVE (according to the supervisory outlier tests) and for NII /Earnings (200bp parallel shift).
1. The questions included in the template relate to the guidelines but not necessarily to the calculation of the supervisory standard shock.

**Question 1**

***“What are the key modelling assumptions underlying the modelled cash flows by type of item?***

1. According to paragraph 68(c) of the EBA/GL/2018/02, institutions should take into account in their internal reports the “*key modelling assumptions, such as characteristics of non-maturity deposits (NMDs), prepayments on fixed rate loans, early withdrawals of fixed term deposits, drawing of commitments…*”
2. Please briefly explain the main modelling assumptions underlying the computation of modelled cash flows aggregated by type of item or with additional granularity whenever relevant.

**Questions 2 and 3**

***“How have products with embedded automatic optionality been treated in the banking book?”
“How have products with embedded behavioural optionality been treated in the banking book?”***

1. According to paragraph 107 of EBA/GL/2018/02, “*Institutions should have policies in place governing the setting of, and the regular assessment of the key assumptions for the treatment of on- and off-balance-sheet items that have embedded options in their interest rate risk framework. This means that institutions should: (a) identify all material products and items subject to embedded options that could affect either the interest rate charged or the behavioural repricing date (as opposed to contractual maturity date) of the relevant balances*”.
2. Please explain how products with embedded optionality have been treated in the banking book. Please complement the explanation with quantitative figures on the impact of the embedded optionality in the main IRRBB metrics provided in the Template 6 “**IRRBB\_Additional**”.
3. Please explain specifically the assumptions underlying loan prepayments, the proportion of modelled prepayments to total loans and advances and the average maturity prior and post-prepayment assumptions assuming the current interest rate environment.
4. Regarding the key modelling assumptions of NMDs, in addition to providing a description on the methodology to slot them into the appropriate time buckets, institutions should also provide quantitative metrics, per type of account characteristic, on the average repricing maturity assigned to NMD, the total stock of core deposits and the proportion of core deposits over the total stock of NMDs.

**Question 4**

***“How have non-performing exposures (NPE) been treated in the calculation of figures presented in the Template 6 “IRRBB\_Additional”? Please describe the methodology you have applied in the aforementioned calculations and in the reporting of data required in Templates 1-5 “IRRBB\_Material Currency” as well.***

1. According to paragraph 84 of the EBA/GL/2018/02, “institutions should consider non-performing exposures (net of provisions) as interest rate sensitive instruments reflecting expected cash flows and their timing.” Moreover, in order to compute the supervisory outlier test according to paragraphs 113 and 114, “*institutions with an NPE ratio of 2% or more should include NPEs as general interest rate sensitive instruments whose modelling should reflect expected cash flows and their timing. NPEs should be included net of provisions*”, as referred in paragraph 115(g) of the EBA/GL/2018/02. As such, institutions should briefly describe the methodology applied to the modelling of NPE expected cash flows and their timing in EVE and NII/earnings metrics.

**Question 5**

***“What other material assumptions have been applied in order to report Templates 1-5 “IRRBB\_Material Currency” and in Template 6 “IRRBB\_Additional” that have not already been explained”***

1. Institutions can provide here any other assumptions underlying the IRRBB metrics and the slotting of notional repricing cash flows per time bands that have not already been explained.
1. Thus, it is not expected that institutions report the notional repricing cash flows arising from the net position (hedged banking book instrument plus the derivative hedge) in the hedged instrument’s respective row. [↑](#footnote-ref-3)
2. E.g. If the specified size of interest rate shock is 100 bps, institutions should fill the data points as “100”. [↑](#footnote-ref-4)
3. The ratios below should include in denominator only on- and off-balance sheet banking book interest-rate sensitive items. [↑](#footnote-ref-5)