

Interest rate risks for banking book









On 20 October 2022, the European Banking Authority (EBA) published a set of new regulatory requirements on interest rate risks for banking book (IRRBB) and credit spread risk arising from non-trading book activities (CSRBB). The new Guidelines and Technical Standards are applicable to all banks in the European Union (EU).

Together with Capital Requirements Regulation (CRR) II / Capital Requirements Directive (CRD IV), they complement the regulatory framework for IRRBB and CSRBB. The consultation package comprises:

- I. updated Guidelines on internal IRRBB and CSRBB management, which replace EBA/GL/2018/02;
- II. technical guidelines for the updated supervisory outlier test (SOT) for the economic value of equity (EVE) and the introduction of a new outlier test and outlier criteria for the net interest income (NII) perspective;
- III. technical guidelines for the introduction of two standard models for the EVE and NII perspectives that can be ordered by supervisory bodies if internal procedures are considered inadequate.

On 31 July 2023, the EBA published its final ITS on supervisory reporting with respect to IRRBB (EBA/ITS/2023/03). The amended final draft ITS equips supervisors with the appropriate data to monitor risks arising from interest rates' changes.

The new reporting distinguishes between three types of banks, i.e., Small- and non-complex institutions (SNCI's), Other institutions (non-SNCI's that do not qualify as large institutions¹) and large institutions. In this regard, the ITS partially include simplified templates for SNCI's and for 'other' institutions, which still require a large number of data fields.

	Topic		Current Requirement		Current according to new regulatory framework	
			EVE	NII	EVE	NII
CSRBB	Requirement for internal risk management		N/A		GL on CSRBB and IRRBB (EBA /GL/2022/14) Implementation - 31.12.2023 (CSRBB)	
	Requirement for internal risk management		EBA GL 2018/02 (a)		GL on CSRBB and IRRBB (EBA /GL/2022/14) Implementation - 30.06.2023 (IRRBB)	
IRRBB	Parameters and assumptions for Supervisory Outlier Test		N/A		RTS on SOTs (EBA/RTS/2022/10) Implementation within 20 days of its confirmation by the EU Commission	
	IRRBB Disclosure requirement		EBA/ITS/2021/07			
	Definition of standard models		N/A		RTS on SA (EBA/RTS/2022/09) Implementation only on demand by the regulator	
	Regulatory Reporting		N/A		ITS on IRBB reporting (EBA/ITS/2023/03) First reporting date 30 September 2024	

For ECB supervised banks, the implementation deadline for the requirements on the internal risk management of IRRBB was on the 30 June 2023.

For CSRBB, the EBA has set a later implementation deadline (31 December 2023). The new supervisory outlier tests for EVE and NII will take effect 20 days after confirmation by the EU Commission and subsequent publication in the Official Journal of the European Union.

The first reference date for the application of the technical standards for IRRBB reporting is 30 September 2024.

Please feel free to contact us if you have any questions about our publication or wish to discuss the effects of the new consultation package.

Our team of experienced experts on Financial Risk Management will be happy to help you prepare for the new requirements. Whether you are looking to perform a gap analysis to the latest regulations, develop and implement models to measure IRRBB and CSRBB, implement the new standard models, or comply with the new IRRBB reporting requirements for your bank, we are here to support you with all aspects of interest rate risks and credit spread risks.

Contact us



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