

EBA/CP/2021/20

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28 May 2021

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## Consultation Paper

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Draft Implementing Technical Standards amending the  
Implementing Regulation (EU) No 637/2021

on disclosure of information on exposures to interest rate risk on  
positions not held in the trading book in accordance with Article  
448 of Regulation (EU) No 575/2013

# Contents

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<b>1. Responding to this consultation</b>	<b>3</b>
<b>2. Executive Summary</b>	<b>4</b>
<b>3. Background and rationale</b>	<b>5</b>
<b>4. Draft implementing technical standards/ guidelines/recommendations/advice]</b>	<b>8</b>
<b>5. Accompanying documents</b>	<b>13</b>
5.1 Draft cost-benefit analysis / impact assessment	13
5.2 Overview of questions for consultation	16

# 1. Responding to this consultation

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The EBA invites comments on all proposals put forward in this paper and in particular on the specific questions summarised in 5.2.

Comments are most helpful if they:

- respond to the question stated;
- indicate the specific point to which a comment relates;
- contain a clear rationale;
- provide evidence to support the views expressed/ rationale proposed; and
- describe any alternative regulatory choices the EBA should consider.

## Submission of responses

To submit your comments, click on the 'send your comments' button on the consultation page by 30/08/2021. Please note that comments submitted after this deadline, or submitted via other means may not be processed.

## Publication of responses

Please clearly indicate in the consultation form if you wish your comments to be disclosed or to be treated as confidential. A confidential response may be requested from us in accordance with the EBA's rules on public access to documents. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the EBA's Board of Appeal and the European Ombudsman.

## Data protection

The protection of individuals with regard to the processing of personal data by the EBA is based on Regulation (EU) 1725/2018 of the European Parliament and of the Council of 23 October 2018. Further information on data protection can be found under the Legal notice section of the EBA website.

## 2. Executive Summary

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Article 448 of Regulation (EU) No 575/2013 ('CRR') requires institutions to disclose, as from 28 June 2021, quantitative and qualitative information on the risks arising from potential changes in interest rates that affect both the economic value of equity and the net interest income of their non-trading book activities referred to in Article 84 and Article 98(5) of the Directive 2013/36/EU (Capital requirements directive- CRD).

In order to implement the disclosure required in Article 448 CRR, the EBA has developed these draft implementing technical standards (ITS) amending the Implementing Regulation (EU) No 637/2021 of 15 March 2021. They include the following information: i) the table IRRBBA which provides qualitative information on institutions' risk management objective and policy with regard to interest rate risk on positions not held in the trading book (IRRBB), and ii) the template IRRBB1 which provides quantitative information including the impact of interest rate supervisory shock scenarios on institutions' changes in economic value of equity and net interest income.

Since the underlying regulatory framework on IRRBB has been being reviewed, this consultation paper has been prepared taking into account the current regulatory framework, specifically the Basel disclosure requirements<sup>1</sup> and the EBA/GL/2018/02 on the management of interest rate risk arising from non-trading book activities. Notwithstanding, these draft ITS have been developed with the intention to minimise any potential future change that might be needed following the finalisation of the regulatory work. Indeed, the latter is expected to have a marginal impact on the format and type of information to be disclosed.

Given the application of the disclosure requirements of Article 448 CRR from June 2021, this consultation paper also provides clarity on what institutions should disclose in the meantime that the regulatory technical standards provided by Article 84 and Article 98(5a) CRD are not applicable.

### Next steps

After a consultation period of 3 months, the EBA will submit the final draft ITS to the EU Commission. The submission to the EU Commission is expected to take place in October 2021.

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<sup>1</sup> 'Disclosure requirements –DIS70. Interest rate risk in the banking book'. Version effective as of 15 December 2019. [https://www.bis.org/basel\\_framework/chapter/DIS/70.htm](https://www.bis.org/basel_framework/chapter/DIS/70.htm).

## 3. Background and rationale

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1. Regulation (EU) No 876/2019 ('CRR2') amending Regulation (EU) No 575/2013 ('CRR') mandates the EBA, in Article 434a, to develop draft implementing technical standards (ITS) specifying uniform disclosure formats, and associated instructions for the disclosure requirements under Titles II and III of Part Eight of the CRR. Those uniform disclosure formats shall be consistent with the international standards on disclosures and they shall convey sufficiently comprehensive and comparable information for users of that information to assess the risk profiles of institutions and their degree of compliance with the requirements laid down in Parts One to Seven of the CRR.
2. Following this mandate, the EBA has submitted to the European Commission a comprehensive draft ITS on institutions' public disclosure, applicable to all institutions subject to the disclosure requirements under Part Eight of the CRR. These ITS were adopted by the Commission with the Implementing Regulation (EU) No 637/2021 of 15 March 2021. They cover most of the disclosure requirements included in Titles II and III of the CRR, with some exceptions, among which, the disclosure requirements of exposures to interest rate risk on positions not held in the trading book in accordance with Article 448 CRR.
3. The objective of this consultation paper is the development of the draft ITS amending the comprehensive ITS on institutions' public disclosure with regard to disclosure requirements of exposures to interest rate risk on positions not held in the trading book in accordance with Article 448 CRR.

### 3.1 Regulatory framework

4. The Basel Committee on Banking Supervision (BCBS) published in April 2016 the updated standard on capital framework for interest rate risk in the banking book (IRRBB)<sup>2</sup> to reflect changes in the market and supervisory practices. This standard reviewed a set of principles laid out in 2004, when the earlier guidance on interest rate risk management and supervision was published.
5. The updated BCBS Standard was implemented within EU in two phases: first, in July 2018, the EBA updated its guidelines on the management of interest rate risk from non-trading activities (EBA/GL/2018/02); later, the CRR2 and Directive (EU) 2019/878 amending Directive 2013/36/EU (Capital Requirements Directive – CRD) introduced amendments to the existing provisions on IRRBB and mandated the EBA, in Article 84 and Article 98(5a) CRD, to develop a number of technical standards. This second phase has not yet completed. Indeed, the EBA is in the process of developing the regulatory products.
6. Regarding the disclosure requirements, the BCBS published in December 2019 updated Pillar 3 disclosure requirements, including the table and template on the banks' IRRBB exposure values<sup>3</sup>.

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<sup>2</sup> 'Interest rate risk in the banking book', April 2016. <https://www.bis.org/bcbs/publ/d368.pdf>.

<sup>3</sup> 'Disclosure requirements –DIS70. Interest rate risk in the banking book'. Version effective as of 15 December 2019. [https://www.bis.org/basel\\_framework/chapter/DIS/70.htm](https://www.bis.org/basel_framework/chapter/DIS/70.htm).

7. In the CRR2, the disclosure requirements on IRRBB exposures are provided in Article 448, which requires institutions to disclose, as from 28 June 2021, quantitative and qualitative information on the risks arising from potential changes in interest rates that affect both the economic value of equity and the net interest income of their non-trading book activities referred to in Article 84 and Article 98(5) CRD.
8. Given the Article 448 CRR is applicable from June 2021, the EBA has decided to develop these ITS amending the comprehensive ITS on institutions' public disclosure, taking into account the current regulatory framework.
9. In future, when the new regulatory framework on the management of IRRBB exposures is completed, these ITS could be reviewed.

### 3.2 Disclosure of information on exposures to interest rate risk on positions not held in the trading book (Article 448 CRR)

10. These ITS include the following disclosure table and template:
  - a. the table IRRBBA on qualitative information on interest rate risks of non-trading book activities based on institutions' internal measurement systems (IMS) methodology as referred to in article 84(1) CRD. This table provides information on a bank's IRRBB risk management objective and policy. Specifically, this table enables users of that information: to monitor the sensitivity of the institution's economic value of equity and net interest income to changes in interest rates; to understand the key assumptions used in the calculation of the IRRBB exposure values and produced by the institution's internal measurement system; and to have an insight into the institution's overall IRRBB objective and management;
  - b. the template IRRBB1 on Interest rate risks of non-trading book activities. This template provides quantitative IRRBB information including the impact of interest rate supervisory shocks scenarios on their change in economic value of equity and net interest income, calculated on the basis of a set of common modelling and parametric assumptions as referred to in article 98(5a)(b) and (c) CRD.

### 3.3 Disclosure requirements in view of the future regulatory developments

11. The proposed draft templates and instructions have been developed by referring to the requirements in Article 448 CRR and in line with the Basel's disclosure requirements, therefore with the intention to minimise any future potential change that might be needed following the finalisation of the policy work. In particular, the upcoming regulatory developments provided by Article 84 and Article 98(5a) CRD will provide further clarity on:
  - an updated methodology for the supervisory shock scenarios that should be uniformly applied;
  - a set of common key modelling and parametric assumptions to be used by institutions in calculating the IRRBB measures for the purpose of disclosure;

- a standardized methodology and a simplified standardized methodology that institutions could apply for their IRRBB assessment that, in accordance with Article 488(2) CRR would exempt the institutions from filling in part of the disclosure table.

12. These regulatory updates and definitions will impact the underlying modelling assumptions and affect the values and information to be reported, leading to its further harmonization and provide for a common understanding. However, it is expected that the format of disclosure and the instructions will remain broadly the same.

13. In the meantime that the regulatory technical standards mandated to the EBA in Article 84 and Article 98(5a) CRD are not applicable, this consultation paper provides clarity on what institutions should disclose, therefore it can support institutions on meeting the disclosure requirements of article 448 CRR starting from 28 June 2021.

## 4. Draft implementing technical standards

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In between the text of the draft RTS/ITS/Guidelines/advice that follows, further explanations on specific aspects of the proposed text are occasionally provided, which either offer examples or provide the rationale behind a provision, or set out specific questions for the consultation process. Where this is the case, this explanatory text appears in a framed text box.





## COMMISSION IMPLEMENTING REGULATION (EU) .../...

of **XXX**

**amending the implementing technical standards laid down in [Implementing Regulation][serial number] as regards [...]**

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for institutions and investment firms and amending Regulation (EU) No 648/2012<sup>4</sup>, and in particular Article 434a thereof,

Whereas:

- (1) In December 2019, the Basel Committee on Banking Supervision (BCBS) reviewed its Pillar 3 framework, including the disclosure requirements on interest rate risk in the banking book (IRRBB)<sup>5</sup>. Along with the international development, new IRRBB disclosure requirements, applicable from June 2021, were provided in Article 448 of Regulation (EU) 575/2013 as amended by Regulation (EU) 2019/876 of the European Parliament and of the Council<sup>6</sup>.
- (2) Implementing Regulation (EU) No 637/2021 of 15 March 2021 should therefore be amended accordingly.
- (3) More specifically, this Regulation sets out the table and the template on the disclosure of IRRBB, having regard to the current regulatory framework. Institutions are expected to rely on their internal measurement system for the calculation of the IRRBB exposure values and consider supervisory shock scenarios, common modelling and parametric assumptions.
- (4) This Regulation is based on the draft implementing technical standards submitted to the Commission by the European Banking Authority.

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<sup>4</sup> OJ L 176, 27.6.2013, p. 1.

<sup>5</sup> 'Disclosure requirements –DIS70. Interest rate risk in the banking book'. Version effective as of 15 December 2019. [https://www.bis.org/basel\\_framework/chapter/DIS/70.htm](https://www.bis.org/basel_framework/chapter/DIS/70.htm).

<sup>6</sup> Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012, OJ L 150, 7.6.2019, p. 1–225.



- (5) The European Banking Authority has conducted open public consultations on the draft implementing technical standards on which this Regulation is based, analysed the potential related costs and benefits and requested the advice of the Banking Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1093/2010 of the European Parliament and of the Council<sup>7</sup>,

HAS ADOPTED THIS REGULATION:

*Article 1*

**Amendments to Implementing Regulation (EU) No 637/2021**

Implementing Regulation (EU) No 637/2021 is amended as follows:

- (1) The following Article 16a is inserted:

“*Article 16a*

**Disclosure of exposures to interest rate risk on positions not held in the trading book**

1. Institutions shall disclose the information referred to in points (a) and (b) of Article 448 (1) of Regulation (EU) No 575/2013 by using template EU IRRBB1 of Annex XXXVII to this Regulation and by following the instructions set out in Annex XXXVIII to this Regulation.

2. Institutions shall disclose the information referred to in points (c) to (g) of Article 448 (1) of Regulation (EU) No 575/2013 by using table EU IRRBBA of Annex XXXVII to this Regulation and by following the instructions set out in Annex XXXVIII to this Regulation.”

*Article 2*

**Entry into force**

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

*For the Commission*

*The President*

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<sup>7</sup> Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC, (OJ L 331, 15.12.2010, p. 12).



*On behalf of the President*

*[Position]*



## **ANNEX**

### ANNEX I

(contains the new Annex XXXVII to Commission Implementing Regulation (EU) N0 637/2021)

### ANNEX II

(contains the new Annex XXXVIII to Commission Implementing Regulation (EU) N0 637/2021)



## 5. Accompanying documents

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### 5.1 Draft cost-benefit analysis / impact assessment

As per Article 15 of Regulation (EU) No 1093/2010 (EBA Regulation), any ITS developed by the EBA shall be accompanied by an Impact Assessment (IA) that analyses ‘the potential related costs and benefits’.

This analysis presents the IA of the main policy options included in this Consultation Paper on the draft ITS on disclosure of information on exposures to interest rate risk on positions not held in the trading book in accordance with Article 448 of Regulation (EU) No 575/2013, amending Implementing Regulation (EU) No 637/2021. The IA is high level and qualitative in nature.

#### A. Problem identification and background

Article 434a CRR mandates the EBA to develop disclosure templates and instructions for disclosure requirements under Titles II and III of Part Eight of the CRR. A comprehensive ITS on disclosure has been developed as a result in 2020.<sup>8</sup> However not all the disclosure requirements have been covered, in particular not those provided in Article 448 CRR on the disclosure of exposures to interest rate risk on positions not held in the trading book (IRRBB).

Revisions to the underlying regulatory framework on the management of IRRBB are currently still on-going. The CRD mandates the EBA in Articles 84 and 98(5a) to develop several technical standards related to the definition of the supervisory shock scenarios and the common modelling and parametric assumptions to be used in IRRBB measures and the possibility to use a standardised methodology and a simplified standardised methodology for evaluating IRRBB. Given the complexity of these standards, the limited resources and exceptional circumstances related to the Covid-19 pandemic, the initial deadline set for June 2021 had to be postponed. At the same time, in accordance with Article 448 CRR, institutions need to disclose quantitative and qualitative information on IRRBB, already from June 2021.

As a result, a timing mis-match exists between the applicability of the disclosure requirements and the completion of the final regulatory framework for IRRBB. Nonetheless, in order to support institutions complying with the disclosure requirements, it has been decided to already develop draft harmonised disclosure templates and instructions, based on the current regulatory framework. These draft templates and instructions have been developed with the intention to minimise any future potential change that might be needed once the regulatory framework is finalised.

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<sup>8</sup> [ITS on institutions’ public disclosures of the information referred to in Titles II and III of Part Eight of Regulation \(EU\) No 575/2013, adopted by the Commission with the Implementing Regulation \(EU\) 2021/637 of 15 March 2021.](#)



## B. Policy objectives

The draft proposed disclosure templates and instructions presented in this consultation paper, amending the comprehensive disclosure framework, aim at providing a uniform disclosure framework for all institutions across the EU on IRRBB disclosure, as to maximise comparability and consistency. The draft ITS follow the EBA mandate under Article 434a and Article 448 CRR. They complement the existing comprehensive disclosure framework and provide the practical tools and framework for institutions to comply with the revised disclosure requirements under the CRR.

## C. Options considered, assessment of the options and the preferred option

Section C. presents the main policy options discussed and the decisions made during the development of the templates and instructions. Advantages and disadvantages, as well as potential costs and benefits of the policy options and the preferred options resulting from this analysis are assessed below.

Development of disclosure templates and instructions on IRRBB- Timing

**Option 1a: Await the finalisation of the underlying regulatory framework on IRRBB to develop the disclosure templates and instructions**

**Option 1b: Develop the disclosure templates and instructions based on the current regulatory framework and update them once the framework has been finalised**

The mis-alignment in the timing of the disclosure requirements (to apply from June 2021) and the finalisation of the underlying regulatory framework (expected by the end of 2021 or the first quarter of 2022), implies that some compromise needs to be found regarding the information to be disclosed. One option would be to delay common disclosure templates and instructions until these can be based fully on a finalised regulatory framework. Another option would be to ensure that consistent disclosure can take place in the EU as soon as possible, but based on templates and instructions that may need to be revised once the final regulatory framework is in place.

The second option, **option 1b**, to develop templates and instructions on the existing framework and later adapt them, **has been chosen as the preferred option** and these draft ITS have been developed as a result. This decision was made as a result of the importance attached to consistent disclosure by institutions across the EU, but also the fact that the BCBS published tables and templates on IRRBB disclosure in December 2019. The broader disclosure framework is hence already in place. The draft templates and instructions have been developed with the intention to minimise any future potential change that might be needed following the finalisation of the regulatory part. Once the regulatory IRRBB framework will be finalised in the EU later this year, it may hence require merely an updating of references, if any, rather than a whole new re-design of the disclosure templates.



It is expected that the templates and related instructions do not impose any additional burden for institutions but they provide clarifications and facilitate the institutions' compliance with the disclosure requirements of the Article 448 CRR starting from 28 June 2021. . At the same time, significant benefit can be expected from disclosure taking place in a consistent manner as soon as possible.

Format of the disclosure templates

**Option 2a: Develop the new disclosure table 'EU IRRBBA' regardless of the row numbering applied in the Basel table<sup>9</sup>**

**Option 2b: Develop the new disclosure table' EU IRRBBA' in full alignment with the row numbering applied in the Basel table**

The table 'EU IRRBBA' could be developed following a continuous numbering for the rows, reflecting the list of qualitative information in Article 448 CRR (option 2a). However, this option would make it difficult to compare the Basel and EU tables. In particular, it would make it difficult to compare the information disclosed by two institutions located in EU and non-EU jurisdictions, since identical items will not always be associated with the same row number. For this reason, Option 2a has been excluded.

To maximise global comparability of disclosure information, the row numbering in table 'EU IRRBBA' has been aligned with the Basel row numbering, **option 2b has been chosen**. The new EU disclosure tables have been drafted with a view to fully reflect CRR disclosure requirements, but at the same time to align them with the Basel standards as much as possible. This implies no additional costs to institutions, but brings substantial benefits for the users of the disclosed information in terms of comparability.

#### D. Conclusion

CRR mandates the EBA to develop uniform and complete disclosure tables and templates, including on IRRBB. A slight timing mis-match between the finalisation of the regulatory framework on IRRBB and IRRBB disclosure requirements implied a decision had to be taken regarding the timing of the development of these draft ITS.

Development of the proposed templates already now will greatly support the overarching goal of improved transparency across EU institutions' disclosure (and financial) data. The new templates permit consistency and comparability of IRRBB data across the EU, whilst ensuring consistency with Basel. They ensure quality of data, whilst implying negligible or no costs to institutions at the time of a future update.

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<sup>9</sup> Basel disclosure requirements –DIS70. Interest rate risk in the banking book. Version effective as of 15 December 2019.



## 5.2 Overview of questions for consultation

**Question 1:** Are the instructions, table and template clear to the respondents? If not, please provide concrete suggestions to improve them.

**Question 2:** Do the respondents consider the development of these draft ITS based on the current underlying regulation as a sensible and practical approach, given the timing mismatch between the applicability of the disclosure requirements in accordance with Article 448 CRR and the finalization of the new regulatory framework for IRRBB?

**Question 3:** Regarding template EU IRRBB1, do the respondents agree on disclosing the changes in the net interest income under the two supervisory shock scenarios of parallel up and down, in line with the Basel disclosure template, and on the interim solution proposed in the instructions to columns c, d of this template until the underlying regulatory framework on IRRBB is not yet finalized?