



EBA/CP/2023/01

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31 January 2023

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# Consultation Paper

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Draft Implementing Technical Standards

amending Commission Implementing Regulation (EU) 2021/451  
with regard to IRRBB reporting



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# 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 2 May 2023. 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 (EC) N° 45/2001 of the European Parliament and of the Council of 18 December 2000 as implemented by the EBA in its implementing rules adopted by its Management Board. Further information on data protection can be found under the Legal notice section of the EBA website.

## 2. Executive Summary

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This consultation paper proposes amendments to the ITS on supervisory reporting with regard to Interest Rate Risk in the Banking Book (IRRBB) reporting requirements. This new, harmonised reporting aims to bring the data quality required for assessing IRRBB risks on an appropriate scale of institutions, including large institutions, institutions other than large institutions and Small and Non-Complex Institutions (SNCI), which cannot be left outside the scrutiny of IRRBB risks. It is strictly related to the completion of the policy work on:

- i. the *RTS on Supervisory Outlier Test (SOT)*, which specify the common modelling assumption and supervisory shock scenarios that institutions shall apply to evaluate the decline of economic value of equity and net interest income in the context of the SREP. The RTS also define and calibrate the “large decline” and its compliance threshold for the supervisory outlier test on net interest income;
- ii. the *RTS on the Standardised methodologies*, which specifies the details for the evaluation of changes in the net interest income and economic value of equity under the standardised and simplified standardised approaches; and,
- iii. the *Guidelines on IRRBB and CSRBB*, which provide criteria to identify, monitor and manage IRRBB and its evaluation in the internal measurement systems.

A detailed monitoring of the implementation of the IRRBB package shall be performed through these draft amending reporting ITS, which provide supervisors with the appropriate data to monitor the IRRBB risks such as changes in policy rates and the identification of outliers within both: i) the SOT on Economic Value of Equity; and ii) the SOT on Net Interest Income.

Proportionality measures have been considered with respect to evidence drawn from the Cost of Compliance study.<sup>1</sup> The proposal regarding the IRRBB templates is for SNCIs to report simplified templates.

### Next steps

After a consultation period of 3 months the EBA will finalise the draft ITS and submit the amending final draft ITS to the EU Commission, which is expected to take place in mid-2023. The EBA will also develop the data-point model (DPM), XBRL taxonomy and validation rules based on the final draft amending ITS. The first reference date for the application of these technical standards is foreseen to be June 2024. The expected implementation period for the proposed changes is approximately 1 year.

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<sup>1</sup> See <https://www.eba.europa.eu/regulation-and-policy/supervisory-reporting/cost-compliance-supervisory-reporting>

## 3. Background and rationale

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1. The EBA reporting framework (as reflected in the Commission Implementing Regulation (EU) 2021/451<sup>2</sup> - ITS on Supervisory Reporting) is uniformly and directly applicable to reporting institutions, ensuring a level playing field in the area of reporting and facilitating data comparability. The EBA reporting framework has evolved over the years, ever since the first reporting framework was published in 2013. The EBA has periodically reviewed the content of the reporting requirements to ensure its continued relevance and alignment with the underlying regulation. In addition, the EBA has developed and maintained the technical package and the version management system to facilitate the implementation and supporting of the reporting processes.
2. The Single Rulebook aims to provide a single set of harmonised prudential rules for financial institutions throughout the EU, helping to create a level playing field for all regulated institutions and providing high protection to depositors, investors and consumers. These draft Implementing Technical Standards (ITS) reflect the Single Rulebook provisions at the reporting level and are an integral part of it for financial institutions in Europe. These standards become directly applicable in all Member States once adopted by the European Commission and published in the Official Journal of the EU.
3. Regulation (EU) No 575/2013 ('the CRR')<sup>3</sup> mandates the EBA, in Article 430(7), to develop draft ITS to specify uniform reporting requirements. These requirements cover information on institutions' compliance with prudential requirements as put forward by the CRR, Directive 2013/36/EU ('the CRD')<sup>4</sup> and related technical standards as well as additional financial information required by supervisors to perform their supervisory tasks. Following the mandate under Art 430(7), EBA has developed the draft ITS on supervisory reporting, which has been adopted by the European Commission as Implementing Regulation (EU) No 680/2014, and further repealed by Implementing Regulation (EU) 2021/451. The ITS on supervisory reporting needs to be amended to reflect the applicable underlying legal requirements or when it is necessary to improve the supervisors' ability to monitor and assess institutions.

### 3.1 New IRRBB policy package

#### 3.1.1 Final draft RTS on IRRBB supervisory outlier tests

4. In June 2019 the Directive (EU) 2019/878<sup>5</sup> amended the CRD and updated, under new provisions of paragraph 5 of Article 98, and in the context of the supervisory review and evaluation process

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<sup>2</sup> Commission Implementing Regulation (EU) 2021/451 of 17 December 2020 laying down implementing technical standards for the application of Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to supervisory reporting of institutions and repealing Implementing Regulation (EU) No 680/2014.

<sup>3</sup> Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012.

<sup>4</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02013L0036-20220101&from=EN>.

<sup>5</sup> Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures.

(SREP),<sup>6</sup> the ‘supervisory outlier tests (SOTs)’, *“in order to improve competent authorities’ identification of those institutions which might be subject to excessive losses in their non-trading book activities as a result of potential changes in interest rates”*.

5. The SOTs, as part of the evaluation of an institution’s exposure to the interest rate risk arising from non-trading book activities (IRRBB) in the SREP, aim at assessing the impact of prespecified shock scenarios (SOTs) on an institution’s economic value of equity (‘SOT on EVE’) or on its net interest income (‘SOT on NII’) beyond specific thresholds.
6. Points (a) and (b) of Article 98(5) of the CRD refer to thresholds as 15% of its Tier 1 capital, in the case of the SOT on EVE, and a ‘large decline’ of the net interest income, in the case of the SOT on NII. This ‘large decline’ has been set out as 2.5% of Tier 1 capital by Article 6(1) of the RTS specifying supervisory shock scenarios, common modelling and parametric assumptions and what constitutes a large decline for the calculation of the economic value of equity and of the net interest income in accordance with Article 98(5a) of the CRD (EBA/RTS/2022/10<sup>7</sup> - ‘the RTS on SOT’).
7. In case an institution reaches any of these thresholds, the relevant competent authority shall exercise its supervisory powers<sup>8</sup> unless it considers, in the context of the SREP, that the institution's management of IRRBB is adequate and that the institution is not excessively exposed to IRRBB.<sup>9</sup> In June 2021, the EBA launched a public consultation on its revised Guidelines on common procedures and methodologies for the SREP and supervisory stress testing (EBA/GL/2022/03).<sup>10</sup> Title 6 of these draft updated SREP Guidelines refers explicitly to the SOTs as a minimum information that competent authorities should consider in their assessment of institutions’ exposure to IRRBB, as stipulated in Article 98(5) of CRD and further specified by the delegated regulation to be adopted in accordance with Article 98(5a) of that Directive.
8. The SOTs are supervisory tools which objective is to inform supervisors about the exposure of institutions to IRRBB by obtaining comparable information for all institutions. The SOTs are important tools for competent authorities to monitor this risk and perform reviews.

### **3.1.2 The Guidelines on IRRBB and credit spread risk arising from non-trading book activities**

9. The standards that set out the SOT framework fulfil the implementation of the 2016 Basel standards on IRRBB into the EU framework, which started with the issuance of EBA Guidelines on the management of interest rate risk arising from non-trading book activities (EBA/GL/2018/02)<sup>11</sup> published in July 2018 and applicable since June 2019. Following the mandate in paragraph 6 of Article 84 of the CRD, EBA developed new Guidelines specifying aspects of the identification,

<sup>6</sup> Section III (on ‘Supervisory review and evaluation process’) of Chapter 2 (on ‘Review Processes’) in Title VII (on ‘Prudential Supervision’) of the Directive 2013/36/EU.

<sup>7</sup> Draft Regulatory Technical Standards specifying supervisory shock scenarios, common modelling and parametric assumptions and what constitutes a large decline for the calculation of the economic value of equity and of the net interest income in accordance with Article 98(5a) of Directive 2013/36/EU (EBA/RTS/2022/10).

<sup>8</sup> Supervisory powers that may include the requirements envisaged in Article 104(1) of the Directive 2013/36/EU (e.g., capital requirements, restrictions of some business activities with excessive risks to the soundness of the institution) or the need to specify other modelling and parametric assumptions for its IRRBB management.

<sup>9</sup> Article 98(5) of the Directive 2013/36/EU.

<sup>10</sup> Guidelines process on common procedures and methodologies for (SREP) and supervisory stress testing the supervisory review and evaluation under Directive 2013/36/EU (EBA/GL/2022/03).

<sup>11</sup> Guidelines on the management of interest rate risk arising from non-trading book activities (EBA/GL/2018/02).

evaluation, management and mitigation of the risks arising from potential changes in interest rates and of the assessment and monitoring of credit spread risk, of institutions' non-trading book activities (EBA/GL/2022/14 – 'the Guidelines')<sup>12</sup> which will replace the EBA Guidelines on the management of interest rate risk arising from non-trading book activities.

10. These Guidelines provide the legal framework for institutions' IRRBB internal systems and for the SOT calculations if not specified in the RTS on SOT. The Guidelines will also be applicable as regards the identification, management and mitigation of IRRBB, in case the internal systems are replaced by the use of the IRRBB standardised methodology (SA) or the Simplified SA (s-SA), in which case the RTS specifying standardised and simplified standardised methodologies to evaluate the risks arising from potential changes in interest rates that affect both the economic value of equity and the net interest income of an institution's non-trading book activities (EBA/RTS/2022/09<sup>13</sup> – 'the RTS on SA') provide the necessary specifications for IRRBB evaluation aspects as well as for the purposes of SOT calculations if not specified in the relevant RTS on SOT. The Guidelines also provide the legal framework for assessing and monitoring CSRBB.

### 3.1.3 The Final draft RTS on the IRRBB standardised approach

11. The Directive (EU) 2019/878 also introduced, under Article 84, in the context of the SREP, the requirement that competent authorities "*ensure that institutions implement internal systems, use the standardised methodology or the simplified standardised methodology to identify, evaluate, manage and mitigate the risks arising from potential changes in interest rates that affect both the economic value of equity and the net interest income of an institution's non-trading book activities*".

12. Following the mandate in paragraph 5 of Article 84 of the CRD, the RTS on SA set out the standardised and simplified standardised methodologies as envisaged in paragraph 1 of Article 84 of the CRD, which serve the purpose of the evaluation of the risks arising from potential changes in interest rates that affect both the EVE and the NII of an institution's non-trading book activities.

### 3.1.4 Rationale for IRRBB monitoring

13. Depending on whether the bank uses internal systems, the SA, or the s-SA, will affect the results of the SOTs.

14. In the context of the measurement of the impact of IRRBB under internal systems, interest income, interest expenses and market value changes should be considered. This ensures a comprehensive assessment of the impact of all interest rate sensitive items.

15. Furthermore, in this context, a 5-year cap on weighted average repricing maturity is introduced now for retail and non-financial wholesale deposits without a specified repricing dates (non-maturity deposits).<sup>14</sup> This behavioural assumption targets to ensure a minimum level playing field

<sup>12</sup> Guidelines specifying aspects of the identification, evaluation, management and mitigation of the risks arising from potential changes in interest rates and of the assessment and monitoring of credit spread risk, of institutions' non-trading book activities (EBA/GL/2022/14).

<sup>13</sup> Draft Regulatory Technical Standards specifying standardised and simplified standardised methodologies to evaluate the risks arising from potential changes in interest rates that affect both the economic value of equity and the net interest income of an institution's non-trading book activities in accordance with 84(5) of Directive 2013/36/EU (EBA/RTS/2022/14).

<sup>14</sup> The 5-year cap repricing maturity exempts regulated savings referred to in paragraph (a) of Article 428f(2) of the CRR, but not limited to the centralised part, and those with material economic or fiscal constraints in case of withdrawal.

and prudent treatment of these deposits which prove to be a material item in the calculation of the impact of changes of interest rates.

16. In the determination of non-satisfactory IRRBB internal systems implemented by institutions, the Guidelines seek to provide minimum specific criteria to be assessed by the relevant competent authority. This approach targets to ensure that minimum harmonised criteria are used for these purposes while ensuring that competent authorities' 'may' require an institution to apply the SA as envisaged in paragraph 3 of Article 84 of CRD, avoiding any automatism.

17. The IRRBB package was published in an environment of high inflation combined with recessionary risks contrasting with a long period characterised by very low inflation and interest rates. In particular, the impact on institutions from changes in policy rates, including its interaction with the management of the interest rate risk from a prudential perspective shall be closely monitored. In this context, a detailed monitoring of the implementation of the IRRBB package shall be performed with these draft amending ITS.

18. To equip supervisors with the appropriate data to monitor the IRRBB risks, these draft amending ITS provide data to supervisors ensuring an appropriate data quality and an appropriate coverage in terms of number of reporting institutions taking into careful consideration the concept of proportionality in reporting requirements. These draft amending ITS aims also to monitor the implementation of the RTS on SOT, the RTS on SA and the Guidelines to assess the effects of interest rate changes on IRRBB management.

## 3.2 Proposed templates

### 3.2.1 J 01.00: Evaluation of the IRRBB: EVE/NII SOT and MV changes

19. This template is proposed to be reported by all institutions, regardless of their classification, on a quarterly basis. It gathers information on:

- (a) The shock size as established in the EBA RTS on SOT.
- (b) The SOT EVE and SOT NII. The sensitivities for the baseline and each of the regulatory shock scenarios are to be reported as the variation of the absolute amount.
- (c) Market value changes for baseline and parallel up and down shock scenarios.

20. An additional column on contractual amount is provided for reporting the same concepts, but without behavioral and conditional modelling (i.e., pure contractual amounts).

21. This template is to be reported separately by each currency that has been considered separately by the reporting institution for the SOTs, as envisaged in the EBA RTS on SOT, both in a required or voluntary manner. Moreover, the template is proposed to be reported for the aggregation of currencies as per the aggregation approach in the EBA RTS on SOT.

### 3.2.2 J 02.00 and J 05.00: Breakdown of sensitivity estimates

22. This template is to be reported separately by non-SNCIs (J 02.00) and SNCIs (J 05.00) on a quarterly basis. It gathers information on the SOT NII and SOT EVE, specifically the contribution by each asset and liability item, including derivatives granularity, for every scenario reported in J 01.00.

23. These templates are to be reported for each currency separately for which the institution has positions where the accounting value of financial assets or liabilities denominated in a currency amount to 5% or more of the total non-trading book financial assets or liabilities, or less than 5% if the sum of financial assets or liabilities included in the calculation is lower than 90% of total non-trading book financial assets (excluding tangible assets) or liabilities. However, these templates are not to be reported for aggregate currencies.

24. In order to achieve a more proportionate proposal, the breakdown between fixed and floating rate instruments is gathered via the breakdown of some specific rows by “fixed rate”.

### 3.2.3 J 03.00 and J 06.00: Repricing cash flows

25. This template is to be reported separately by non-SNCIs (J 03.00) and SNCIs (J 06.00) on a quarterly basis. It gathers information on the same balance-sheet items as reported in J 02.00 (non-SNCIs) and some extra granularity compared to J 05.00 (SNCIs). These balance-sheet items are to be reported for:

- (a) Information on weighted average yield and weighted average contractual residual maturity.
- (b) Information of the exposure amount (and carrying amount) with indication of how much (materiality) is behaviourally modelled and with automatic optionality.
- (c) Information on 19 time buckets for the repricing schedule for all notional repricing cash flows.

26. The cash-flows are proposed to follow modelling assumptions in the SOT from an EVE perspective, except automatic optionality.

27. These templates are to be reported separately by each currency as in J 02.00 and J 05.00.

28. Moreover, it is proposed that institutions report these templates separately for:

- (a) Fixed and variable rate instruments; and
- (b) Behavioral and contractual assumptions, under the baseline scenario.

### 3.2.4 J 04.00 and J 07.00: Relevant parameters

29. This template is to be reported separately by non-SNCIs (J 04.00) and SNCIs (J 07.00) on a quarterly basis. It gathers information on the average repricing date of NMDs, fixed rate loans subject to prepayment and term deposits subject to early withdrawal, in an EVE perspective. This information is provided separately, on the one hand, considering their contractual features only and, on the other hand, considering their behavioural modelling for the various scenarios.

30. The information reported here should build on templates J 02.00, J 03.00, J 05.00 and J 06.00.

31. These templates are to be reported separately by each currency as in J 02.00 and J 05.00.

### 3.2.5 J 08.00: Qualitative information

32. This template is proposed to be reported by all institutions, regardless of their classification, on an annual basis. It gathers information on a set of 21 questions with predefined possible answers for institutions to report.
33. The purpose of the template is to gather further information which justifies the information reported in the previous templates, such as assumptions, yield curves and approaches used in the reporting of the other templates.
34. Some specific rows are to be reported separately by each currency as in J 02.00 and J 05.00.
35. Additional qualitative information to support supervisors' assessment of IRRBB risks might be added after this consultation.

## 3.3 Proposed proportionality

36. The EBA is mandated in accordance with Article 430(8) of the CRR to measure the costs that institutions incur when complying with the supervisory reporting requirements and, in particular, with those set out in the EBA's ITS on Supervisory Reporting. The EBA is also tasked to assess whether these reporting costs are proportionate compared to the benefits delivered for the purposes of prudential supervision and make recommendations on how to reduce the reporting cost at least for SNCIs. The findings from this analysis<sup>15</sup> point to a 'core plus supplement approach' for this type of risk reporting, where the core plus supplement comprises more comprehensive and detailed information than just the core set of information.
37. The proportionality measures proposed in this package are, therefore, two-fold:
- (a) Embedded in the policy package:
- i. Institutions only need to calculate the SOT for the currencies included in Article 1(3) of the EBA RTS on SOT. Therefore, the currencies which do not meet the criteria from Article 1(3) of the EBA RTS on SOT do not need to be reported.
  - ii. Institutions need to adjust key behavioral modelling assumptions of interest rate sensitive instruments to the features of different interest rate scenarios taking into account the proportionality and materiality thresholds set out in Articles 7(12), 8(2), 9(4), 11(3) and 21(1) of the EBA RTS on SA, as mentioned in Article 4(d) of the EBA RTS on SOT.
- (b) Explicit in the reporting package:
- i. SNCIs are requested to report more simplified templates, which are a subset of the templates for non-SNCIs.
38. Following this principle, these templates were the outcome of an effort to draw the line between the datapoints that are needed from each and every credit institution to understand the basic picture, and the information needed for further supervisory investigation for IRRBB. This resulted

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[https://www.eba.europa.eu/sites/default/documents/files/document\\_library/Publications/Reports/2021/1013948/Study%20of%20the%20cost%20of%20compliance%20with%20supervisory%20reporting%20requirement.pdf](https://www.eba.europa.eu/sites/default/documents/files/document_library/Publications/Reports/2021/1013948/Study%20of%20the%20cost%20of%20compliance%20with%20supervisory%20reporting%20requirement.pdf)

into a reduction of the reporting of half of the datapoints for the majority of the SNCIs, which should be translated into substantial savings in reporting compliance costs.

# 4. Draft implementing technical standards

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

of **XXX**

**amending Commission Implementing Regulation (EU) 2021/451 laying down implementing technical standards for the application of Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to supervisory reporting of institutions and repealing Implementing Regulation (EU) No 680/2014**

(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 credit institutions and amending Regulation (EU) No 648/2012<sup>16</sup> and in particular the last subparagraph of Article 470(7) thereof,

Whereas:

- (1) Without prejudice to the competent authorities' powers under Article 104(1)(j) of Directive 2013/36/EU<sup>17</sup> and with a view to increasing efficiency and reducing the administrative burden, a coherent reporting framework should be established on the basis of a harmonised set of standards. Commission Implementing Regulation (EU) No 2021/451<sup>18</sup> specifies, on the basis of Article 430 of Regulation (EU) No 575/2013, the modalities according to which institutions are required to report information relevant to their compliance with Regulation (EU) No 575/2013. That Regulation should be amended to reflect prudential elements introduced in Regulation (EU) No 575/2013 as

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<sup>16</sup> OJ L 176, 27.6.2013, p. 1.

<sup>17</sup> Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ L 176, 27.6.2013, p. 338).

<sup>18</sup> Commission Implementing Regulation (EU) No 2021/451 of 17 December 2020 laying down implementing technical standards for the application of Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to supervisory reporting of institutions and repealing Implementing Regulation (EU) No 680/2014 (OJ L 97, 19.3.2021, p. 1–1955).

amended by Regulation (EU) No 2019/876<sup>19</sup> and Directive 2013/36/EU as amended by Directive (EU) 2019/878.

- (2) This Regulation should specify the reporting templates that allow to equip supervisors with the appropriate data to monitor Interest Rate Risk in the Banking Book (IRRBB) risks such as the impact on institutions driven from changes in policy rates, including its interaction with the management by institutions of the interest rate risks, and the identification of outliers within both the Supervisory Outlier Test (SOT) on Economic Value of Equity; and the SOT on Net Interest Income.
- (3) Regulation (EU) No 2019/876, amending Regulation (EU) No 575/2013, mandated the EBA, according to Article 430(8)(e), to make recommendations on how to reduce reporting requirements at least for small and non-complex institutions, which should be included in the reporting framework.
- (4) This Regulation is based on the draft implementing technical standards submitted by the European Banking Authority (EBA) to the Commission.
- (5) EBA 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 opinion of the Banking Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1093/2010<sup>20</sup> in relation to those.
- (6) Implementing Regulation (EU) 2021/451 should therefore be amended accordingly,

HAS ADOPTED THIS REGULATION:

#### *Article 1*

Implementing Regulation (EU) 2021/451 is amended as follows:

- (1) The following Article 20a is inserted :
 

‘In order to report information on interest rate risk in the banking book in accordance with Articles 84(5), 84(6) and 98(5a) of Directive 2013/36/EU on an individual and a consolidated basis, institutions shall submit the information specified in Annex XXVIII in accordance with the instructions in Annex XXIX as follows:

  - a) template 1 with a quarterly frequency by all institutions;
  - b) templates 2, 3 and 4 with a quarterly frequency by large institutions and institutions that are neither large institutions nor small and non-complex institutions;
  - c) templates 5, 6 and 7 with a quarterly frequency by small and non-complex institutions
  - d) template 8 with an annual frequency by all institutions.’
- (2) An Annex XXVIII is inserted in accordance with the Annex I to this Regulation.

<sup>19</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).

<sup>20</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).

- (3) An Annex XXIX is inserted in accordance with the Annex II to this Regulation.

*Article 2*

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

It shall apply from xxx 2024.

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

Done at Brussels,

*For the  
Commission*

*The President*

*On behalf of the*

*President [Position]*

## 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 implementing technical standards developed by the EBA shall be accompanied by an Impact Assessment (IA), which analyses ‘the potential related costs and benefits’.

This analysis presents the IA of the main policy options involved in this Consultation Paper on the Draft Implementing Technical Standards amending the ITS with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013 regarding relation to Interest Rate Risk of the Banking Book (IRRBB) reporting. The IA is high level and qualitative in nature and it refers to the anticipated cost for both the involved NCAs and the reporting banks. With regard to the proportionality assessment specifically, the scope of application of the ITS does not justify a data collection for the conduct of a quantitative impact assessment on reporting compliance costs, mainly because the affected banks either report this information for other items of reporting requirements or they do it for internal purposes. Instead, the EBA conducted a qualitative assessment, derived from policy expert views, to evaluate whether the IRRBB reporting implies an appropriate, and proportionate, cost of reporting.

#### A. Problem identification and background

When considering the developing of revised COREP templates on IRRBB, first, the EBA had to address proportionality considerations. When doing so the current the EBA considered the embedded provisions in the EBA RTS on Supervisory Outlier Test (SOT), as reflected in Articles 1(3) and 4(d) of the SOT. Albeit the EBA RTS on SOT address the issues touching upon the reporting on material currencies and on the approaches for scenarios consultation, the current RTS still needs to address the scope and reporting requirements for different types of institutions. More specifically, the EBA identified the absence of explicit reporting requirements for credit institution not belonging to the “Large institutions”, nor to “Small and non-complex institutions”, according to the respective definitions set out in points (146) and (145) of Article 4(1) of CRR2.

Besides the abovementioned problem identification, the current RTS addressed several other issues of technical nature in relation to (a) the sign of reporting of liabilities for IRRBB, (b) the way to retrieve information on fixed and floating instruments (templates J 02.00, J 03.00, J 05.00 and J 06.00) and (c) whether large institutions should be subject to additional conditional scenarios in the z-axis.



## B. Policy objectives

The strategic objective of the RTS is to ensure that supervisors receive all the relevant information to fulfil their mandates regarding the monitoring of the IRRBB, without adding any disproportionate burden on specific types of institutions. The operational objective is to address the issues of technical nature that would streamline the reporting requirements without leaving space for free interpretations for the reporting institutions, and thus space for inconsistent reporting.

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

After consultation with the national competent authorities, the EBA has come up with five different templates for enhanced reporting of the IRRBB in the content of COREP reporting. These templates are summarised as follows:

- Template J 01.00: Evaluation of the IRRBB: EVE/NII SOT and MV changes
- Template J 02.00: Breakdown of sensitivity estimates (A simplified version J 05.00 for SNCIs)
- Template J 04.00: Repricing cash flows (A simplified version J 06.00 for SNCIs)
- Template J 05.00: Relevant parameters (A simplified version J 07.00 for SNCIs)
- Template J 08.00: Qualitative information

The content of the abovementioned templates will bring the data quality required for assessing IRRBB risks on an appropriate scale of institutions and will harmonise the data collected on IRRBB at EU level. The above set of templates is striking a fine line between requesting the necessary information for all institutions without adding a significant burden onto reporting institutions. The ITS tries to explicitly address issues that are of particular importance for consistent and proportionate reporting amongst reporting institutions.

To this end, section C. presents the main policy options discussed and the decisions made while setting up and fine-tuning the templates and instructions in question. 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.

Changes made for clarification purposes where not included here as they do not incur any costs or advantages.

### 1. Reporting requirements for institutions not belonging to “Large institutions” nor to “SNCIs”

A part of the suggested reporting templates is intended for all institutions (J 01.00 and J 08.00), another part only for “Large institutions” (J 02.00, J 03.00 and J 04.00) while the rest (J 05.00, J 06.00 and J 07.00) only refer to SNCIs.



Nonetheless, there is a type of institutions, henceforth “Other institutions”, which do not belong to “Large institutions” or “SNCIs”, for which there is no explicit reporting requirements framework. In this context, the EBA considered “Other institutions” being subject to:

- (a) the same reporting as for “Large institutions”
- (b) the same reporting as for “SNCIs”
- (c) a different package

Being mindful that the cost of developing a different package for “Other institutions” would imply a disproportionate cost of maintaining, and monitoring separately, a different set of templates, as well as of the instructions, DPM and Validation Rules that accompany these templates.

Given the “Other institutions” span over a broad spectrum of types of institutions, this proposal puts forward an alignment with the same set of information as for large institutions to mitigate the risk of missing vital information and to guarantee an adequate supervision of the IRRBB exposures.

**Preferred: Option 1a**

For this reason, **Option 1a**, i.e. setting the “Other institutions” subject to the same requirements with “Large institutions” was chosen as the preferred option.

## 2. Setting the sign convention for the reporting of liabilities

In general, in reporting, any amount that increases the value on-/off-balance sheet items shall be reported as a positive figure.

IRRBB is a symmetric risk which heavily depends on the interest rate sensitivities of the on-/off-balance sheet positions of an institution. This means that a change in the interest rate environment may have a different impact on different banks depending on the composition of their positions.

Cash flows on principal or prepayment/early redemption on assets or liabilities do not increase the value of the exposures. Cash flows on principal, prepayment and early redemptions always reduce the amount of exposure.

Increases in the value of exposures only happen in some contexts for instruments at fair value.

**Option 2a: Positive sign.**

**Option 2b: Negative sign.**

**Preferred: Option 2a**

Option 2a was deemed as the most adequate one to be consistent with existing reporting requirements (and therefore having less implementation costs), considering that negative amounts could also be reported in some particular cases, which are further clarified in Annex XXIX.



### 3. The approach for distinguishing fixed and floating interest rate instruments.

For the purposes of monitoring IRRBB, there is need to distinguish fixed and floating interest rate instruments in templates J 02.00, J 05.00, J 03.00 and J 06.00. There are two ways of approaching this:

**Option 3a: To have the breakdown of fixed and floating rate instruments under the relevant rows where the specific types of instruments are reported.**

**Option 3b: To have the breakdown in different templates assigned to fixed or floating separately – i.e., whole template would refer to either fixed or floating.**

**Option 3c: Option 3a for SNCIs and Option 3b for large institutions.**

**Preferred: Option 3a for templates J 02.00 and J 05.00 and Option 3b for templates J 03.00 and J 06.00.**

Option 3a would provide the supervisors with a handy and prompt comparison of the amounts for fixed and floating instruments for every given type of exposures. On the other hand, option 3b would introduce additional costs for developing and maintaining an additional number of templates; nonetheless, the segregation of the templates would facilitate the reporting by the institutions, as well as the monitoring and modelling the exposures referring to a unique template for fixed or floating instruments. Finally, option 3c would render an unnecessary complication in the reporting framework which, among others, would introduce a burdensome and costly process, atop option 3b, for the maintenance of two different types of templates; this process may also be difficult and costly to standardise in the national reporting systems.

For these reasons, and taking into account proportionality, Option 3a is the preferred one for templates J 02.00 and J 05.00 and Option 3b for templates J 03.00 and J 05.00.

### 4. Requesting additional conditional scenarios in the z-axis for large institutions

Templates J 03.00 and J 06.00 will be reported by contractual and behavioural scenarios. However, it would be important, from the supervisory point of view, to collect data regarding the conditional scenarios. This would mean collecting 6 more dimensions for Parallel Shock Up, Parallel Shock Down, Steepener, Flattener, Short Rates Shock Up and Short Rates Shock Down, if the institution calculates it.

Since there is already some proportionality embedded in this point, it might be worth requesting large institutions to provide this breakdown. To this end, the EBA examined the following alternatives:

**Option 4a: Requesting additional conditional scenarios for large institutions.**

**Option 4b: Not requesting additional conditional scenarios for large institutions.**



#### **Option 4c: Only parallel shocks (Up and Down).**

#### **Preferred: Option 4b**

Option 4a would provide supervisors with additional valuable information to assess institutions' modelling. Option 4c would be a compromise solution to request only the more relevant shock scenarios. Nevertheless, due to proportionality reasons and not to increase reporting burden, option 4b was deemed as the more balanced one.

## 5.2 Overview of questions for consultation

### 5.2.1 General questions

**Question 1:** Are the instructions and templates clear to the respondents? More specifically, do respondents consider that all definitions are unambiguous and accurate (e.g. linear and non-linear derivatives, contingent assets and liabilities, total assets/liabilities with impact on MV, etc)?

**Question 2:** Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?

**Question 3:** Do the respondents agree that the amended ITS fits the purpose of the underlying regulation?

**Question 4:** How many full-time equivalent (FTE) employees does your institution expect to involve in the implementation for how many months in order to report in a compliant way? Please provide indications for specific templates and options relevant for your institution. Please also indicate whether the same implementation will be used by many reporting institutions such that costs are shared among them.

**Question 5:** What technical and procedural dependencies does the implementation of the ITS imply for your institution? How do they affect the time schedule of the implementation?

### 5.2.2 Proportionality

**Question 6:** Do respondents agree that the decision to simplify reporting templates is the best approach in implementing proportionality? In case you do not agree, what other proposal would be more efficient to reduce costs?

**Question 7:** Do respondents perceive that the reporting requirements are proportionate for small and non-complex institutions? How could proportionality be further improved for these institutions? Particularly, does template J 08.00 on qualitative information add substantial reporting costs to these institutions? Is there some quantitative information contained in Templates J 05.00, J 06.00 and J 07.00 that is overly burdensome? Is the expected frequency for templates J 05.00, J 06.00, J 07.00 and J 08.00 feasible and proportionate?



**Question 8:** Do respondents perceive that the reporting requirements are proportionate for institutions other than large institutions and small and non-complex institutions ('other' institutions)? Is there some quantitative information contained in Templates J 02.00, J 03.00 and J 04.00 that is overly burdensome? Is the expected frequency for templates J 02.00, J 03.00, J 04.00 and J 08.00 feasible and proportionate? How could proportionality be further improved for these institutions?

**Question 9:** Do respondents agree that the number of currencies requested in this reporting package is proportionate? Particularly for templates J 02.00 to J 08.00, do these amended ITS request right amount of information for currencies that have a limited/marginal contribution to the IRRBB?

**Question 10:** Do respondents currently compute their IRRBB figures, such as those in panels 03.00 and J 06.00, broken down by fixed/floating, for internal monitoring and/or supervisory reporting? If not, do respondents perceive that the reporting of templates J 03.00 and J 06.00 by fixed and floating rate instrument as a different dimension (i.e. in the Z axis) add substantial reporting costs with respect to different kind of solution? Would respondents propose a different approach to reduce the reporting costs (e.g breakdown in rows by fixed/floating rate instrument, or instead of having it in a different dimension duplicate the columns of the panel to fit fixed and floating in different columns)? Please elaborate.

### 5.2.3 J 01.00 template - IRRBB sensitivity estimates: Economic Value of Equity (EVE)/Net Interest Income (NII) Supervisory Outlier Tests (SOT) and Market Value (MV) changes

**Question 11:** Do respondents currently compute the figures in column 0020 for internal monitoring and/or supervisory reporting? If not, do respondents perceive that column 0020 adds considerable reporting costs in order to calculate these figures (please consider that it would only be reported for the aggregate of all currencies)? Would respondents propose a different approach to reduce the reporting costs? Please elaborate.

### 5.2.4 J 03.00 / J06.00 template: Repricing cash flows

**Question 12:** Does the inclusion of carrying amount and credit risk exposure amount cause implementation challenges? If yes, please describe the challenges.

### 5.2.5 J 08.00 template – Qualitative information

**Question 13:** What other types of methodologies for NII could be reported in row 0030?

**Question 14:** What other types of methodologies for EVE could be reported in row 0070?

**Question 15:** What other risk-free yield curves used for discounting could be reported in rows 0320 and 0330?



**Question 16:** Since it is necessary to collect qualitative information to complement the quantitative to get a full overview of the IRRBB risks from a supervisory perspective, do respondents see other IRRBB related aspects that might be necessary to cover?

**Question 17:** Do respondents see any issue about reporting the qualitative information in J 08.00? How do respondents consider this information in terms of usefulness and practicability?