

10 years

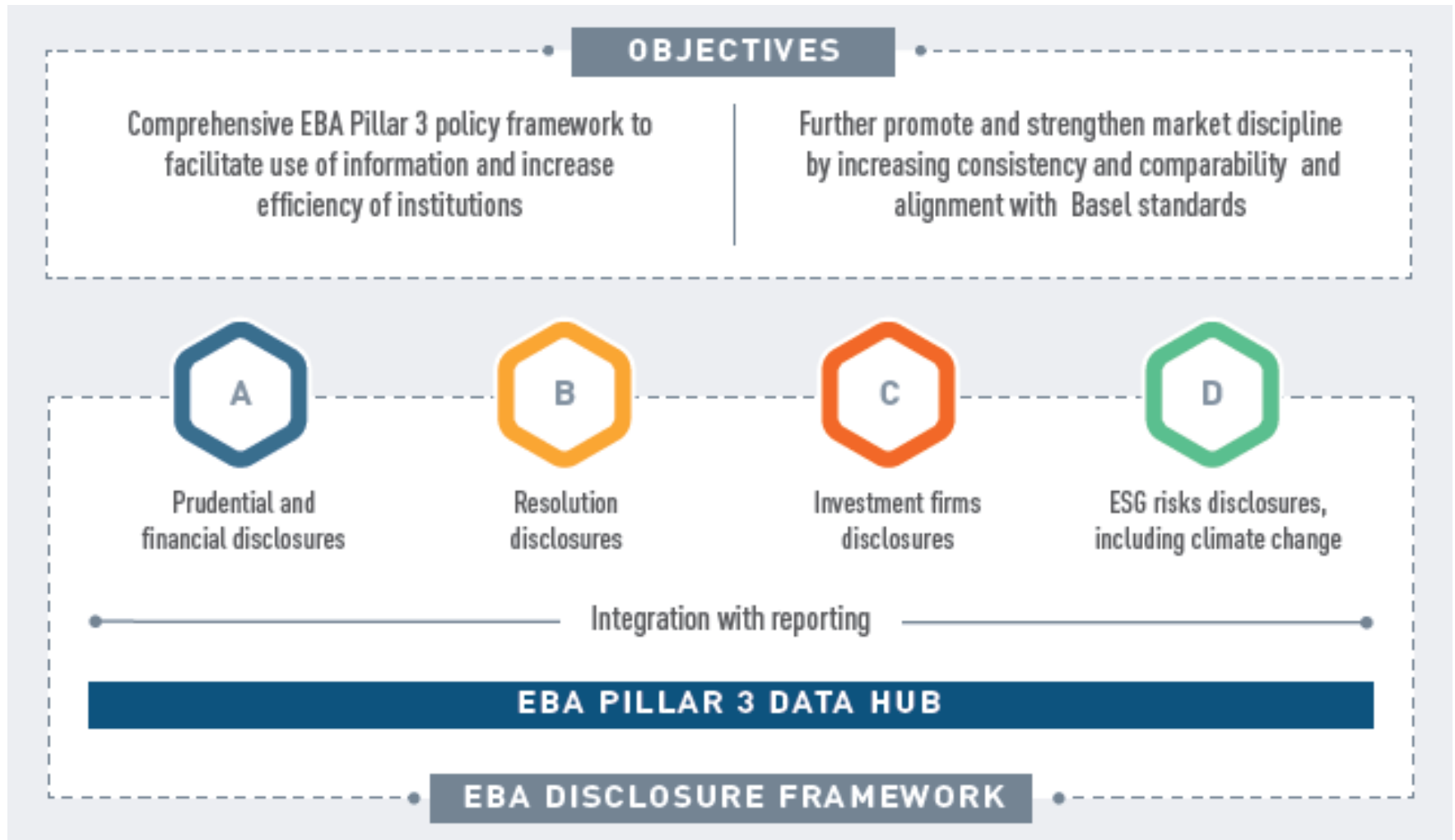


Draft CP on ITS on IRRBB Disclosure

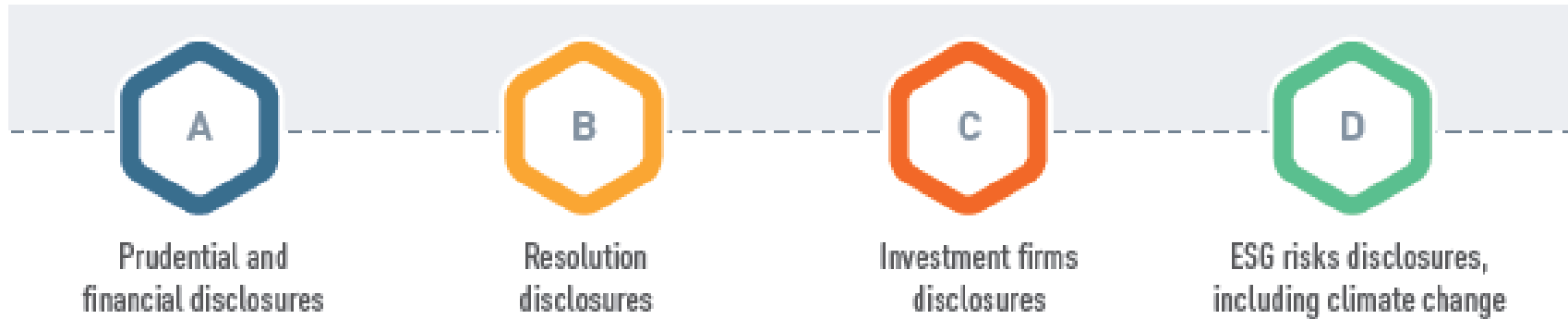
Public hearing 30 June 2021

- EBA Pillar 3 Framework
- ITS on IRRBB disclosure - Background
- Approach followed in developing the draft ITS
- Proposed disclosure
- Next steps
- Overview of questions for consultation

EBA Pillar 3 strategy to implement a comprehensive Pillar 3 framework



Pillar 3 regulatory products



New comprehensive ITS on institutions' public disclosures - Implementing Regulation (EU) No 637/2021 of 15 March 2021

- Application from 2021

New technical standards on CRR2 TLAC disclosures, and BRRD2 MREL disclosures - Implementing Regulation (EU) 2021/763 of 23 April 2021

Disclosure requirements for investment firms under IFR

- ITS on disclosure of own funds
- RTS on disclosure of investment policy
- Disclosure requirements on ESG risks

Pillar 3 disclosures on ESG risks applicable from 2022:

- CP published on 1 March

ITS will be extended to cover IRRBB and ESG disclosures. All prudential disclosures under the CRR will be in a single Regulation


Background

Article 448 CRR

Institutions shall disclose, as from 28 June 2021, quantitative and qualitative information on interest rate risk on positions not held in the trading book (IRRBB).

Article 434a CRR

Mandate to the EBA to develop ITS on institutions' public disclosure in accordance with Part Eight of the CRR.



The ITS on IRRBB disclosure will amend the Implementing Regulation (EU) No 637/2021 of 15 March 2021 with the aim to facilitate the institutions' compliance to Article 448 CRR.

Approach followed in developing the draft ITS

Constraints

Disclosure obligation by 28 June 2021

Regulatory framework under review

Objectives

Help institutions to comply with the disclosure requirements starting from June 2021

Avoid additional burden for institutions

Help stakeholders to make comparison among banks and over time

Templates and instructions developed:

- ✓ on the basis of the Basel disclosure requirements and the EBA/GL/2018/02
- ✓ with the intention to minimise any potential future change
- ✓ 'interim solution' until the RTS are not applicable.

Proposed IRRBB disclosure

Table IRRBBA

Content

- Information on a bank's IRRBB risk management objective and policy;
- Key assumptions used in the calculation of IRRBB measures;
- Definition, measurement, mitigation and control of IRRBB;
- Sensitivity of bank's economic value of equity and net interest income to changes in interest rates;
- Any other relevant information.

Structure

- Free format;
- Row numbering in line with Basel.

Proposed IRRBB disclosure

Table EU IRRBBA - Qualitative information on interest rate risks of non-trading book activities

Free format text boxes for disclosure of qualitative information

Row number	Qualitative information - Free format		Legal basis
(a)	A description of how the institution defines IRRBB for purposes of risk control and measurement.		Article 448.1 (e), first paragraph
(b)	A description of the institution's overall IRRBB management and mitigation strategies.		Article 448.1 (f)
(c)	The periodicity of the calculation of the institution's IRRBB measures, and a description of the specific measures that the institution uses to gauge its sensitivity to IRRBB.		Article 448.1 (e) (i) and (v); Article 448.2
(d)	A description of the interest rate shock and stress scenarios that the institution uses to estimate changes in the economic value and in net interest income (if applicable).		Article 448.1 (e) (iii); Article 448.2
(e)	A description of the key modelling and parametric assumptions different from those used for disclosure of template EU IRRBB1 (if applicable).		Article 448.1 (e) (ii); Article 448.2
(f)	A high-level description of how the bank hedges its IRRBB, as well as the associated accounting treatment (if applicable).		Article 448.1 (e) (iv); Article 448.2
(g)	A description of key modelling and parametric assumptions used for the IRRBB measures in template EU IRRBB1 (if applicable).		Article 448.1 (c); Article 448.2
(h)	Explanation of the significance of the IRRBB measures and of their significant variations since previous disclosures		Article 448.1 (d)
(i)	Any other relevant information regarding the IRRBB measures disclosed in template EU IRRBB1 (optional)		
(1) (2)	Disclosure of the average and longest repricing maturity assigned to non-maturity deposits		Article 448.1 (g)

Proposed IRRBB disclosure

Template IRRBB1

Supervisory shock scenarios

During the 'interim period', parameters used shall be defined in point i) of Table IRRRBA

Calculation of changes of net interest income

During the 'interim period', institutions could leave the columns of changes to net interest income blank and explain the reasons in point (i) of the table IRRBBA.

Template IRRBB1:

- ✓ Impact of interest rate supervisory shock scenarios on institutions' changes in economic value of equity and net interest income.

Structure in line with Basel template

Proposed IRRBB disclosure

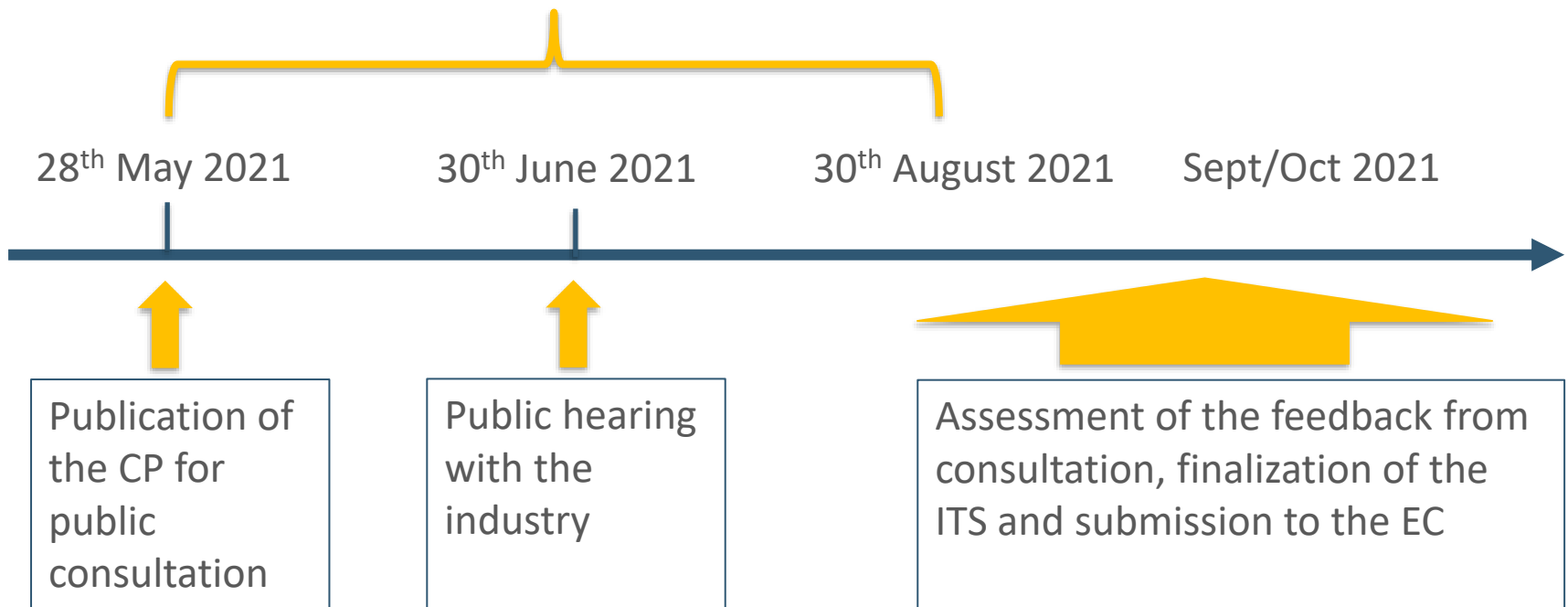
Template EU IRRBB1 - Interest rate risks of non-trading book activities

Supervisory shock scenarios		a	b	c	d
		Changes of the economic value of equity		Changes of the net interest income	
		Current period	Last period	Current period	Last period
1	Parallel up				
2	Parallel down				
3	Steeper				
4	Flattener				
5	Short rates up				
6	Short rates down				

Draft ITS amending the comprehensive ITS on disclosure

Next steps

3-month consultation period



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?