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MM

**EACB comments on draft ITS  
amending Commission Implementing Regulation (EU) 2021/451 with regard to  
IRRBB reporting  
(EBA/CP/2023/01)**

### **General comments**

The EACB welcomes the opportunity to comment on the EBA draft ITS on the reporting of interest rate risk in the banking book (IRRBB).

We support the aim to collect good quality and consistent data on interest rate risk, given its relevance particularly in times of rapidly evolving economic conditions and tightening monetary policy.

As the policy debate for the introduction of the new IRRBB framework nears finalisation, including the threshold for the Net Interest Income (NII) supervisory outlier's test (SOT), we would recommend that in a first step the mandatory reporting should anticipate the revised risk management requirements. After an observation period, one year, supervisory authorities would gain many more data points, with higher reliability, for the calibration – and with results produced in the current economic and monetary environment. In this context, we appreciate the EBA's recent suggestion<sup>1</sup> to adapt the level of the threshold in the supervisory outlier test for a large decline of net interest income to 5%, to address the current exceptional circumstances – and the aim to review going forward the overall appropriateness of the large decline definition.

Coming to the reporting sets, we would highlight that some of the requirements of the proposed IRRBB reporting templates can only be met with best-effort approaches. A fundamentally more open wording would significantly reduce the implementation effort. The proposed templates instead even seem to restrict the application of a methodology of choice as per the IRRBB Guidelines, since interest rate risk management has never been subject to such granular standardised breakdowns.

Only information that is needed for a bank's (reasonable) interest rate risk management should be required for regulatory reporting.

Indeed, the degree of detail and the specification of a certain product mix would entail a new dimension in the reporting of interest rate risk for institutions, without any improvements in actual interest rate risk management. Not even the Guidelines (EBA/GL/2022/14) and Draft RTS (EBA/RTS/2022/10) dated October 2022 prescribed such a level of detail. This gives rather the impression that the requirements of the Guidelines have been extended retrospectively through the reporting sets. The reporting templates would require institutions to develop a revised interest rate risk management system without any need for it from a business perspective. This runs counter to the principle of proportionality and undermines methodological freedom.

Overall, we would also like to emphasize that the implementation of the proposed templates can only be achieved with huge effort and by using several interim solutions. The implementation of such a reporting framework can only be achieved in the long term and with several major software adjustments and process-related changes. Moreover, if the EBA is also planning an ad hoc data query on IRRBB in the format of the future EBA reporting requirements as of the 31 December 2023 reporting date, this will effectively bring

<sup>1</sup> [https://www.eba.europa.eu/sites/default/documents/files/document\\_library/Publications/Opinions/2023/1054950/EBA-Op-2023-03%20Opinion%20on%20regulatory%20technical%20standards%20on%20supervisory%20outlier%20tests.pdf](https://www.eba.europa.eu/sites/default/documents/files/document_library/Publications/Opinions/2023/1054950/EBA-Op-2023-03%20Opinion%20on%20regulatory%20technical%20standards%20on%20supervisory%20outlier%20tests.pdf)



forward the first reporting date for the institutions by at least six months. This further drastically reduces the time for the already impossible IT implementation. We would emphasize that the EBA report on the Cost of Compliance study, recommended that all necessary materials and documents should be made available at least 12 months before initial application.

Finally, we understand that the new IRRBB reporting requirements completely replace the previous IRRBB reporting requirements of the national competent authorities (NCAs) in order to ensure a standardised and harmonised IRRBB reporting system. This would apply to both existing national reporting requirements and the ECB's extensive IRRBB-related reporting requirements for SIs under the Short Term Exercise (STE / SREP data collection). We believe it should be clearly stated that such requirements should cease to apply at the first reporting date of the amended ITS on reporting.

We also notice that the proposed requirements would entail important challenges and costs for all categories of institutions (small and non-complex institutions – SNCIs, large institutions, and other institutions). Therefore, the EBA targets for reducing reporting costs and expanding proportionality as part of the Cost Of Compliance study conducted in 2020 should be assessed also in light of these reporting sets.

In terms of proportionality, we welcome the simplifications introduced for SNCIs. However, in light of the scope of the new reporting requirements, these simplifications are insufficient – especially in comparison to the existing reporting requirements and its corresponding workload at national level in various Member States – with numerous of the proposed reporting requirements applying in the same manner to all categories of banks. This runs counter to the EBA's goal and the statutory mandate established by CRR II to expand proportionality and reduce reporting costs (see Article 430(8) of the CRR and the EBA's Cost Of Compliance study report).

### **Answers to selected questions**

*Q1: 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)?*

When looking at the to consolidation perspective, it is not entirely clear how the scope of the group would have to be portrayed: i.e. whether the reports should be created on stand-alone unit level or only on banking group consolidated level, or combined. If unit-level reporting is required, this leads to a substantial number of sheets to be populated (unit \* currency \* fix-float \* modelled/non-modelled view).

*Q2: Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?*

A fundamentally more open wording would significantly reduce the implementation effort. Central aspects are, e.g., the breakdown of all customer transactions that can have a behavior-based component on an individual transaction basis, as well as the requirement to consider hedge accounting and the mapping of new business based on the category criteria of the previous transaction in the NII risk management. The level of detail should be drastically reduced to prevent costly and unnecessary adjustments to established methods. The proposed templates structurally limit the choice of the applied methodology as stipulated in the Guidelines on IRRBB, since the interest rate risk management of many banks has never been subject to such a granular level of detail.

Various members reported that the templates by far exceed the calculation requirements contained in the underlying regulatory regime for IRRBB. The templates contain position breakdown requirements unrelated from the IRRBB Guidelines, e.g. breakdown of derivatives by collateralisation, a differentiation between



behavioural and contractual cash flows as well as stating carrying amounts and fair values. Such information should be out of scope of the ITS and hence the relevant rows removed from the templates.

*Q3: Do the respondents agree that the amended ITS fits the purpose of the underlying regulation?*

The current proposals for the SNCI templates implicitly limit the NCAS' leeway concerning the application of the proportionality principle. It remains unclear, why granular data is needed if the relevant results are reported in template J 01.00 – especially, if an institutions' modelling parameters are not even close to the 5 year cap.

The breakdown structures developed in other reporting templates (J 02.00, J 03.00, J 04.00) that must be applied by large institutions deviate from the STE package and exceed the requirements of the RTS and the Guidelines to a significant extent. The granularity and the different segmentation compared with what is used in NII/EVE simulation at the moment will cause high implementation costs.

Only information that is needed for a bank's (reasonable) interest rate risk management should be required for regulatory reporting.

*Q4: 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.*

Members report that most of the reporting requirements envisaged would in many cases go beyond established concepts for managing interest rate risk and will have to be implemented over time. A technical rollout would be expected to stretch some years.

*Q5: 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?*

Implementation requirements for institutions will imply first of all a considerable effort to map the current product structure, which is individually chosen by each institution, to fulfil the stated reporting structure requirements. Supporting information from IT services and other product service providers will require an equally challenging effort to incorporate these individually chosen product structures.

*Q6: 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?*

We welcome the fact that from the onset consideration is given to the design of proportionate reporting requirements. However, even with the suggested simplification, the resulting reporting sets still require a tremendous effort from SNCIs, which is not in line with the aim of the Cost of Compliance exercise.

Moreover, a proportionate approach should be designed also for "other institutions", in particular concerning the (granularity of) breakdowns.



*Q7: 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?*

As already mentioned, the requirements contain a level of detail that is currently not used by most SNCIs as well as “other institutions”. To enhance proportionality, a less detailed scheme of assets in the reporting requirements is needed.

We suggest SNCIs should report only templates J 01.00, J 05.00 and J 08.00.

*Q8: 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?*

The requirement for the extended breakdown in template J 02.00 entails a new dimension in interest rate risk management which, in this manner and granularity, would be new for many market participants.

These new reporting requirements exceed by far the requirements of the guidelines and the RTS on IRRBB which do not demand such a level of detail. We have the impression that the reporting would de facto extend the requirements of the Guidelines and RTS. A regulatory review based on the level of detail required by the proposed templates will implicitly require a realigned interest rate risk management.

In addition to templates J 01.00 and J 08.00, we suggest that other institutions should report templates J 05.00, J 06.00 and J 07.00 (where J 06.00 and J 07.00 would benefit from downsized breakdowns) and SNCIs should only report template J 05.00.

*Q9: 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?*

NA

*Q10: 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.*

As already anticipated, the approach is new in many respects and the implementation of the requirements for certain IRRBB figures, such as those in templates J 03.00 and J 06.00, would result in substantial costs.

Some members indicated that the calculation of net interest income and interest rate risk is based on position structures defined at the individual bank level. The aggregation is based on contracts with similar properties. Within these structures, it might be possible to differentiate between fixed and floating-rate instruments. But



it may not be possible to do this in a systematic/standardised way so that the result of this differentiation could be used directly in a common reporting framework.

Implementing this new dimension in the reporting templates J 03.00 and J 06.00 would entail high additional cost, because the individual position structures must be transferred in this standardised view. Moreover, this transformation does not entail any valuable additional information, neither for supervisors nor for the banks' internal interest rate risk management.

*Q11: 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.*

NA

*Q12: Does the inclusion of carrying amount and credit risk exposure amount cause implementation challenges? If yes, please describe the challenges.*

The templates concerned (J 03.00 / J 06.00) ask for three calculations: the carrying amount, the exposure value and the accounting value (threshold purposes only). It is not clear why institutions need to compute three different types of values for these templates. This requirement appears redundant and would not provide added value to the overall picture.

*Q13: What other types of methodologies for NII could be reported in row 0030?*

NA

*Q14: What other types of methodologies for EVE could be reported in row 0070?*

NA

*Q15: What other risk-free yield curves used for discounting could be reported in rows 0320 and 0330?*

Additional curves could be the standard discounting curve types of OIS (e.g. €STR swaps) and IRS (e.g. 3M Euribor swaps). Plain vanilla swaps (against 3M EURIBOR and ESTR) could at least be to the selection.

*Q16: 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?*

NA

*Q17: 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?*

NA

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