

ANNEX II
‘ANNEX XXXVIII

Instructions for interest rate risk on positions not held in the trading book disclosure templates

Disclosure instructions for Template EU IRRBBA

Institutions are to disclose the qualitative information specified below on the basis of their internal risk measurement system methodology, standardised methodology or the simplified standardised methodology, when applicable, in accordance with Article 84 of Directive 2013/36/EU.

These instructions have been developed based on the requirements in Article 448 of Regulation (EU) No 575/2013 and in line with the Basel Pillar 3 disclosure standard.

Legal references and instructions	
Row number	Explanation
(a)	<p>A description of how the institution defines IRRBB for purposes of risk control and measurement</p> <p>In accordance with Article 448(1), point (e), of Regulation (EU) No 575/2013, institutions are to provide a general description of how the interest rate risk of their non-trading book activities for the purposes of the competent authorities' review in accordance with Article 84 of Directive 2013/36/EU is defined, measured, mitigated and controlled.</p>
(b)	<p>A description of the institution's overall IRRBB management and mitigation strategies</p> <p>In accordance with Article 448(1), point (f), of Regulation (EU) No 575/2013, institutions are to provide a general description of the overall IRRBB management and mitigation strategies, including:: the monitoring of economic value of equity and net interest income in relation to established limits, hedging practices, conduct of stress testing, outcome analysis, the role of independent audit, the role and practices of the asset and liability management committee, the institution's practices to ensure appropriate model validation, and timely model updates in response to changing market conditions.</p>
(c)	<p>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</p> <p>In accordance with Article 448(1), point (e)(i) and (v), of Regulation (EU) No 575/2013, institutions are to provide a general description of the specific risk measures that are used to estimate changes in their economic value of equity and in their net interest income and indicate the periodicity of the evaluation of the interest rate risks.</p> <p>In accordance with Article 448(2) of Regulation (EU) No 575/2013, the description of the specific risk measures used to gauge the sensitivity to IRRBB</p>

	are not to apply to institutions that use the standardised methodology or the simplified standardised methodology referred to in Article 84(1) of Directive 2013/36/EU.
(d)	<p>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)</p> <p>In accordance with Article 448(1), point (e)(iii), of Regulation (EU) No 575/2013, institutions are to provide a general description of the interest rate shock scenarios used to estimate the interest rate risk.</p> <p>In accordance with Article 448(2) of Regulation (EU) No 575/2013, those disclosure requirements are not to apply to institutions that use the standardised methodology or the simplified standardised methodology referred to in Article 84(1) of Directive 2013/36/EU.</p>
(e)	<p>A description of the key modelling and parametric assumptions different from those used for disclosure of template EU IRRBB1 (if applicable)</p> <p>In accordance with Article 448(1), point (e)(ii), of Regulation (EU) No 575/2013, where key modelling and parametric assumptions used in the institution's internal measurement systems differ from those referred to in Article 98(5a) of Directive 2013/36/EU used for disclosure of template EU IRRBB1, the institution is to provide a general description of those assumptions, including the rationale for those differences (e.g. historical data, published research, management judgement and analysis, etc.).</p> <p>In accordance with Article 448(2) of Regulation (EU) No 575/2013, those disclosure requirements are not to apply to institutions that use the standardised methodology or the simplified standardised methodology referred to in Article 84(1) of Directive 2013/36/EU.</p>
(f)	<p>A high-level description of how the institution hedges its IRRBB, as well as the associated accounting treatment (if applicable)</p> <p>Specifically, in accordance with Article 448(1), point (e)(iv), of Regulation (EU) No 575/2013, institutions are to identify the effect of hedges against their interest rate risks, including internal hedges that meet the requirements laid down in Article 106(3) of Regulation (EU) No 575/2013.</p> <p>In accordance with Article 448(2) of Regulation (EU) No 575/2013, those disclosure requirements are not to apply to institutions that use the standardised methodology or the simplified standardised methodology referred to in Article 84(1) of Directive 2013/36/EU.</p>
(g)	<p>A description of key modelling and parametric assumptions used for the IRRBB measures in template EU IRRBB1 (if applicable)</p> <p>In accordance with Article 448(1), point (c), of Regulation (EU) No 575/2013, institutions are to provide a general description of the key modelling and parametric assumptions, other than those referred to in Article 98(5a), points (b) and (c), of Directive 2013/36/EU used for the purpose of calculating changes to the economic value of equity and to the net interest income in template EU IRRBB1. This general description is to include at least:</p>

	<p>(a) how the average repricing maturity of non-maturity deposits has been determined, including any unique product features that affect the assumed behavioural repricing date;</p> <p>(b) the methodology used to estimate the loan prepayment rates, and/or the early withdrawal rates for fixed-term deposits, and other significant assumptions;</p> <p>(c) any other assumptions, including for instruments with behavioural optionalities, that have a material impact on the IRRBB measures disclosed in template EU IRRBB1, including an explanation of why these are material.</p> <p>In accordance with Article 448(2) of Regulation (EU) No 575/2013, those disclosure requirements are not to apply to institutions that use the standardised methodology or the simplified standardised methodology referred to in Article 84(1) of Directive 2013/36/EU.</p>
(h)	<p>Explanation of the significance of the IRRBB measures and of their significant variations since previous disclosures</p> <p>In accordance with Article 448(1), point (d), of Regulation (EU) No 575/2013, institutions are to provide a general explanation of the significance of the IRRBB measures disclosed in template EU IRRBB1 and of any significant variations of those IRRBB measures since the previous disclosure reference date.</p>
(i)	<p>Any other relevant information regarding the IRRBB measures disclosed in template EU IRRBB1 (optional)</p> <p>Any other relevant information which institutions wish to disclose regarding the IRRBB measures included in template EU IRRBB1.</p> <p>. Until the criteria of the guidelines specified in Article 84(6) of Directive 2013/36/EU and the further elements listed in Article 98(5a) of Directive 2013/36/EU are applicable, institutions are to disclose the parameters used for the supervisory shock scenarios, the definition of net interest income they are using and any other relevant information for understanding how the changes of net interest income have been computed in template EU IRRBB1.</p>
(1), (2)	<p>Disclosure of the average and longest repricing maturity assigned to non-maturity deposits</p> <p>In accordance with Article 448(1), point (g), of Regulation (EU) No 575/2013, institutions are to disclose the average and longest repricing maturity assigned to non-maturity deposits from retail and non-financial wholesale counterparties. The disclosure shall refer separately to both the core part and the full amount of non-maturity deposits from retail and non-financial wholesale counterparties.</p>

Disclosure instructions for Template EU IRRBB1

1. Institutions are to assess the interest rate risk of non-trading book activities on the basis of their internal measurement system methodology, standardised methodology or simplified standardised methodology, when applicable, as defined in accordance with Article 84 of Directive 2013/36/EU, given the supervisory shock scenarios and the common modelling and parametric assumptions defined in Article 98(5a) of Directive 2013/36/EU.
2. These instructions have been developed based on the requirements in Article 448 of Regulation (EU) No 575/2013 and in line with the Basel Pillar 3 disclosure standard.
3. Institutions are not required to provide in their first-time disclosure the information for the previous period.

Instructions for completing the disclosure template EU IRRBB1	
Column	Explanation
a, b	<p>Changes of the economic value of equity</p> <p>Article 448(1), point (a), of Regulation (EU) No 575/2013.</p> <p>Institutions shall report the changes in the economic value of equity under each supervisory interest rate shock scenario, for the current and previous period, in accordance with the requirements under Articles 84 and 98(5) of Directive 2013/36/EU.</p>
c, d	<p>Changes of the net interest income</p> <p>Article 448(1), point (b), of Regulation (EU) No 575/2013.</p> <p>Institutions shall report the changes in the net interest income under the two supervisory interest rate shock scenarios envisaged in the template for the current and previous period, in accordance with the requirements under Articles 84 and 98(5) of Directive 2013/36/EU.</p> <p>Until the criteria of the guidelines specified in Article 84(6) of Directive 2013/36/EU and the further elements listed in Article 98(5a) of Directive 2013/36/EU are applicable, institutions shall describe the definition and key characteristics (scenarios, assumptions and net interest income horizons) of net interest income they are using in point (i) of table EU IRRBBA or, if they leave those columns blank, they shall explain the reasons in point (i) of table EU IRRBBA.</p>
Row	Explanation
1	<p>Parallel up</p> <p>Institutions are to disclose the changes of the economic value of equity and the changes of the net interest income under a constant parallel upward shock in the yield curve.</p> <p>Until the criteria of the guidelines specified in Article 84(6) of Directive 2013/36/EU and the further elements listed in Article 98(5a) of Directive 2013/36/EU are applicable, the parameters used for this scenario shall be described in point (i) of table EU IRRBBA.</p>

2	<p>Parallel down</p> <p>Institutions are to disclose the changes of the economic value of equity and the changes of the net interest income under a constant parallel downward shock in the yield curve.</p> <p>Until the criteria of the guidelines specified in Article 84(6) of Directive 2013/36/EU and the further elements listed in Article 98(5a) of Directive 2013/36/EU are applicable, the parameters used for this scenario shall be described in point (i) of table EU IRRBBA.</p>
3	<p>Steeper</p> <p>Institutions are to disclose the changes of the economic value of equity under a scenario of short rates down and long rates up of the yield curve.</p> <p>Until the criteria of the guidelines specified in Article 84(6) of Directive 2013/36/EU and the further elements listed in Article 98(5a) of Directive 2013/36/EU are applicable, the parameters used for this scenario shall be described in point (i) of table EU IRRBBA.</p>
4	<p>Flattener</p> <p>Institutions are to disclose the changes of the economic value of equity under a scenario of short rates up and long rates down of the yield curve.</p> <p>Until the criteria of the guidelines specified in Article 84(6) of Directive 2013/36/EU and the further elements listed in Article 98(5a) of Directive 2013/36/EU are applicable, the parameters used for this scenario shall be described in point (i) of table EU IRRBBA.</p>
5	<p>Short rates up</p> <p>Institutions are to disclose the changes of the economic value of equity under a scenario of short rates up of the yield curve.</p> <p>Until the criteria of the guidelines specified in Article 84(6) of Directive 2013/36/EU and the further elements listed in Article 98(5a) of Directive 2013/36/EU are applicable, the parameters used for this scenario shall be described in point (i) of table EU IRRBBA.</p>
6	<p>Short rates down</p> <p>Institutions are to disclose the changes of the economic value of equity under a scenario of short rates down of the yield curve.</p> <p>Until the criteria of the guidelines specified in Article 84(6) of Directive 2013/36/EU and the further elements listed in Article 98(5a) of Directive 2013/36/EU are applicable, the parameters used for this scenario shall be described in point (i) of table EU IRRBBA.</p>