



**TOPICS:**  
IRRBB, CSRBB

**SOURCE:**  
 European Banking Authority

## EBA Consults on Interest Rate Risk Arising from Non-trading Book Activities

### Guidelines on IRRBB and CSRBB

- The draft Guidelines included in **this consultation paper will replace the 2018 EBA Guidelines**.
- The Guidelines are **broadly consistent with the Basel standards with some further elaborated sections**, particularly:
  1. **Credit spread risk arising from non-trading book activities (CSRBB):** specific provisions on the identification, assessment and monitoring of CSRBB;
  2. The inclusion of criteria for determining whether **the internal systems implemented by institutions for the purpose of evaluating IRRBB are not satisfactory**, in which case a competent authority may require an institution to use the standardised methodology.

### RTS on the IRRBB Standardised Approach

- **A standardised (SA) and simplified standardised (S-SA) methodology** for the purpose of the evaluation of the risks arising from potential changes in interest rates that affect both the economic value of equity (EVE) and the net interest income (NII) of an institution's non-trading book activities.
- **To harmonise the calculation** the EBA has specified **common definitions, components and steps for institutions to apply**, which lead to estimates comparing the economic value of equity and net interest income between a baseline scenario and an interest rate shock scenario.
- **The simplified standardised approach (S-SA), to reflect the generally less advanced capacities of the small and non-complex institutions.**

### RTS on IRRBB Supervisory Outlier Tests

- In the context of the Supervisory Review and Evaluation Process (SREP), **the supervisor need to perform a review and evaluation on the exposure of institutions to the interest rate risk arising from non-trading book activities.**
- This RTS **specifies the supervisory shock scenarios and modelling and parametric assumptions for the supervisory outlier test (SOT) on value of equity (EVE) and the SOT on net interest income (NII) as well as to provide a definition and calibration of the large decline for the SOT on NII.**

FOLLOW US!

