



# Reporting instructions on interest rate risk in the banking book (IRRBB) pursuant to Circular CSSF 08/338 as amended

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To complete the IRRBB reporting template ESPREP-BNNNN-YYYY-MM-STT.xlsx and ESPREP-PNNNN-YYYY-MM-STT.xlsx institutions are requested to respect the following instructions.

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## 1. General instructions

### Legal background

1. In the preparation of the templates institutions should take into account the EBA Guidelines on the management of interest rate risk arising from non-trading book activities (EBA/GL/2022/14), which specify, among other things, the criteria for:
  - a. the evaluation of an institutions internal systems of the risks arising from potential changes in interest rates that affect both the economic value of equity and the net interest income of a CRR institution's non-trading book activities under internal systems as per Article 84(6)(a) of Directive 2013/36/EU;
  - b. institutions' internal governance arrangements in relation to the identification, management and measurement of IRRBB as per Article 84(6)(b) of Directive 2013/36/EU;
  - c. institutions' internal governance arrangements in relation to the identification, management and measurement of CSRBB as per Article 84(6)(c) of Directive 2013/36/EU;
  - d. the determination of non-satisfactory internal systems as per Article 84(6)(d) of Directive 2013/36/EU.
2. Among other provisions, the EBA/GL/2022/14 state that when managing their interest rate risks arising from non-trading book (hereinafter: "banking book") activities (IRRBB), institutions should:
  - a. *"Measure their exposure to IRRBB in terms of potential changes to both the economic value and net interest income measures plus market value changes"* (paragraph 80);
  - b. *"Institutions should regularly, at least quarterly and more frequently in times of increased interest rate volatility or increased IRRBB levels, measure their exposure to IRRBB in the context of the different IRRBB measures under various interest rate shock scenarios for potential changes in the level and shape of the interest rate yield curves, and to changes in the relationship between different interest rates (i.e., basis risk)."* (paragraph 89);
  - c. *"The results of shock scenarios should feed into the decision-making at appropriate management level. This includes strategic or business decisions, the allocation of internal capital, and risk management decisions by the management body or its delegates. The results should also be*

*considered when establishing and reviewing the policies and limits for IRRBB.” (paragraph 93).*

3. The GL also state that *“Institutions should demonstrate that their internal capital is commensurate with the level of IRRBB”* (paragraph 23).
4. Hence, the current reporting templates on interest rate risk arising from non-trading book activities (“interest rate risk in the banking book” or “IRRBB”) are designed for gathering information which institutions should routinely prepare, measure and/or mandatorily report to the CSSF.

#### **Reference date**

5. Reference date must be indicated in cell C16 of the “Identification” worksheet.

#### **Data points and reporting units**

6. The required data points may be qualitative or quantitative.
7. The reporting currency should be the currency of the own funds of the institution<sup>1</sup> and the single unit should be “1”. For example, if the reporting currency of an institution is the euro (or ISO Code “EUR”), then €1000 should be reported as “1000”.
8. By way of derogation to paragraph 8, institutions subject to reporting of the “Short-Term Exercise IRRBB” to the ECB referred to in paragraph 9 of Circular CSSF 08/338 may use the EUR as their reporting currency irrespective of the currency of their own funds.
9. Other data points may be reported in percentage as an outcome of a formula.

#### **Data and scope**

10. This data request is addressed to all institutions. All **yellow** cells should be filled taking into account the rules applicable to each template.
11. For credit institutions, data should be reported in the templates within the Excel file ESPREP-BNNNN-YYYY-MM-STT.xlsx. For investment firms, data should be reported in the templates within the Excel file ESPREP-PNNNN-YYYY-MM-STT.xlsx.

<sup>1</sup> This is in line in line with section 3.1.16 of the CSSF Reporting requirements for credit institutions.

12. Only the **cells** marked in **yellow** should be filled. None of the yellow cells should be left blank and zeros ("0") are reported only when the underlying value actually is zero.
13. Therefore, whenever a certain phenomenon or data point:
  - is not applicable to the institution, it should fill in the respective data point the value **".p"** (a period followed by the character p);
  - is applicable to the institution but not reported in the current template, it should fill in the respective data point the value **".v"** (a period followed by the character v) and include a justification in **"Identification"** worksheet in the box additional comments.
14. Institutions should first report general information on the "Identification" worksheet.

The worksheets "IRRBB measures – N version" and "IRRBB measures – C version" are used for gathering information regarding the institution's IRRBB measures. For institutions reporting to the CSSF on an individual basis, the data should only be reported in the worksheet "IRRBB measures – N version". For institutions reporting to the CSSF also on a consolidated basis, the corresponding data should be reported in both the worksheet "IRRBB measures – N version" and the worksheet "IRRBB measures – C version" respectively.

Outlier institutions are required, as per paragraph 12 of Circular CSSF 08/338 as amended, to answer a few questions included in the templates "IRRBB outlier questions - N" on an individual basis and "IRRBB outlier questions - C" on a consolidated basis, as described in the paragraph 55 of these instructions. Non-outlier institutions could also be requested to complete this template on an individual basis or on a consolidated basis upon a specific request from the CSSF.

## 2. Specific instructions

### "Identification" worksheet

15. This worksheet is used for the identification of the institution and associated general information necessary on the reporting data conventions. All yellow cells should be filled with the relevant data. None of the yellow cells should be left blank and zeros ("0") are reported only when the underlying value actually is zero.
16. The following cells are to be completed with the following information:
  - Cell C6: "Institution identifier code: (NOSIG)"; the identifier code (NOSIG) should be reported with four digits (e.g. institution number "999" should be reported as "0999");

- Cell C8: "Institution: (name)"; the full name of the institution should be reported;
- Cell C10: "Contact person: (name)"; first name and family name of the contact person responsible for the IRRBB reporting worksheet at the reporting institution;
- Cell C12: "Contact person: (phone number)"; the contact person's (as reported in C10) phone number should include the country code (i.e. "+352") and the full extension (with separator or hyphenation);
- Cell C14: "Contact person: (email)"; the contact person's (as reported in C10) email address;
- Cell C16: "Reference date: T (dd/mm/yyyy)"; the reporting reference data should be reported using the convention "dd/mm/yyyy", where "dd" (two digits) is the day of the month; "mm" (two digits) the month; and "yyyy" (four digits) the reporting year; e.g. if the reference date is 31 December 2020, cell C16 should be reported as "31/12/2020";
- Cell C18: "Level of consolidation": the level of consolidation should be "C" for institutions which report to the CSSF on a consolidated basis and "N" for institutions which report to the CSSF on an individual basis only;
- Cell C20; "Reporting currency": the reporting currency as defined in paragraph 8 using the corresponding ISO codes.

17. This worksheet also includes an overview on the material currencies for which the institution has interest-rate sensitive banking book items. EBA/GL/2022/14 refers in paragraph 91 that "*Institutions should assess exposures in each currency in which they have positions*". Regarding the computation of the supervisory outlier test in paragraphs 10 and 11 of Circular CSSF 08/338 as amended, paragraph 13(j) of said circular states that "*Institutions shall calculate the change in EVE at least for each currency whose assets or liabilities denominated in that currency amount to 5% or more of the total non-trading book financial assets (excluding tangible assets) or liabilities. If the sum of assets or liabilities amounting to 5% or more of the total non-trading book financial assets (excluding tangible assets) or liabilities included in the calculation is lower than 90% of total non-trading book financial assets (excluding tangible assets) or liabilities, then the other currencies representing less than 5% of the total non-trading book financial assets or liabilities must be included, until a minimum hedging of 90% of the total non-trading book financial assets (excluding tangible assets) or liabilities is reached.*"

For the purpose of the IRRBB reporting template, a currency is thus considered material if an institution computes the change in EVE for the exposures denominated in that currency according to paragraph 13(j) of Circular CSSF 08/338 as amended.

18. Consequently, institutions should first identify their respective four most material currencies to be reported in cells C22 to C25 (using the dropdown list with the currency ISO codes), ranked in accordance with the formula set out in paragraph 19; the respective shares of those currencies in the banking book should be reported in cells D22 to D25 in per cent. If an institution has more than four material currencies, it should select "Other" in the dropdown list in cell C26 and report the aggregate share in per cent of the banking book in cell D26 by summing the outcome of the formula set out in the next paragraph for the material currencies that were not already included in cells C22 to C25.<sup>2</sup> If institutions have less than four material currencies, they should apply the "-" option, which is the first item in the dropdown list. As an example, if an institution only has one material currency (e.g. EUR), it should select "EUR" in cell C22 for the Material Currency 1 and its respective share in the banking book (cell D22), and select "-" in the cells C23 to C26. The corresponding cells in the D column will be automatically blocked (grey cell formatting).
19. In order to compute the share of banking book covered under the specific currency, the formula below must be applied (where BB=interest-rate sensitive banking book elements):

$$\frac{BB \text{ assets and liabilities denominated in material currency}^3}{Total \text{ BB assets and liabilities}}$$

20. This worksheet also includes a text box "Additional comments" in cell C31 which institutions should use to include comments on the following:
  - when any section of the instructions requires the institutions to do so (e.g. benchmark rates used);
  - when some fields in the template were filled using ".v" (applicable but not reported) or ".p" (not applicable);

<sup>2</sup> The formula in the next paragraph does not replace the need for institutions to compute the threshold to identify material currencies according to paragraph 13(j) of Circular CSSF 08/338 as amended (since, for example, the threshold under paragraph 13(j) applies separately to assets and to liabilities).

<sup>3</sup> This ratio should include on- and off-balance sheet banking book interest-rate sensitive items.

- when the template includes “other material currencies”;
- where relevant, to provide any additional material information regarding IRRBB and which have not been captured/included by the current reporting templates (e.g. inclusion of interest payments, etc.).

### **“IRRBB measures – N version” and “IRRBB measures – C version” worksheets**

21. These worksheets are used for gathering information regarding the institution’s IRRBB measures.

The data should be reported in the worksheet “IRRBB measures – N version” on an individual basis and “IRRBB measures – C version” on a consolidated basis for institutions which report to the CSSF on a consolidated basis. For institutions reporting to the CSSF on an individual basis, the data should only be reported in the worksheet “IRRBB measures – N version”. For institutions reporting to the CSSF also on a consolidated basis, the corresponding data should be reported in both the worksheet “IRRBB measures – N version” and the worksheet “IRRBB measures – C version” respectively.

22. More specifically, the data points in these worksheets intend to provide an overview of:
  - The impact of the two parallel shock scenarios set out in paragraph 10 of Circular CSSF 08/338 as amended on institutions’ economic value of equity or “EVE” (calculation based on internal models applying the principles laid down in paragraph 13 of the Circular CSSF 08/338 as amended) – items 1 to 3: institutions should report the impact on EVE by material currency reported in the “Identification” worksheet in columns E to I; the aggregated EVE change is automatically calculated in columns D following the principle set out in paragraph 13(I) of Circular CSSF 08/338 as amended; for column I institutions should themselves compute the aggregated EVE change for the ‘other material currencies’ reported in row 26 of the “Identification” worksheet following the principles set out in paragraph 13(I) of Circular CSSF 08/338 as amended;
  - The impact of the six additional scenarios according to paragraph 11 of Circular CSSF 08/338 as amended and further set out in paragraphs 14 to 16 (calculation based on internal models applying the principles laid down in paragraph 13 of Circular CSSF 08/338 as amended) – items 4 to 10: institutions should report the impact on EVE by material currency reported in the “Identification” worksheet in columns E to I; the aggregated EVE



change is automatically calculated in columns D following the principle set out in paragraph 13(I) of Circular CSSF 08/338 as amended; for column I institutions should themselves compute the aggregated EVE change for the 'other material currencies' reported in row 26 of the "Identification" worksheet following the principles set out in paragraph 13(I) of Circular CSSF 08/338 as amended;

- The impact of the two parallel shock scenarios according to paragraphs 11(i) and (ii) of Circular CSSF 08/338 as amended, and further set out in paragraphs 14 to 16, on forecasted net interest income for a period of 12 months, applying the principles laid down in paragraphs 12, 13, 17 and 18 of Circular CSSF 08/338 as amended, aggregated across the material currencies reported in the "Identification" worksheet – items 11 to 13;
  - The impact of the two parallel shock scenarios according to paragraphs 11(i) and (ii) of Circular CSSF 08/338 as amended, and further set out in paragraphs 14 to 16, on forecasted earnings for a period of 12 months, applying the principles laid down in paragraphs 12, 13, 17 and 18 of Circular CSSF 08/338 as amended, aggregated across the material currencies reported in the "Identification" worksheet – items 14 to 16.
23. Institutions should report 'Yes' using the dropdown menu in (i) cell K12 if the amount in cell D12 exceeds 20% of the total own funds as defined in Article 72 of Regulation (EU) No 575/2013 (hereinafter "CRR"); and (ii) cell K17 if the amount in cell D17 exceeds 15% of Tier 1 own funds as defined in Article 25 of the CRR. Institutions making use of the derogation set out in paragraph 9 should convert the amount of total or Tier 1 own funds into the reporting currency as reported in cell C20 of the "Identification" worksheet using the exchange rate at the reference date reported in cell C16 of the "Identification" worksheet before calculating these "outlier tests".
  24. The proportion of assets and liabilities with automatic and embedded behavioural optionality in the banking book – (according to own internal models) should be reported in items 17 to 20 respectively.
  25. Importantly, all items in this template should be converted into the reporting currency as reported in cell C20 of the "Identification" worksheet.
  26. Please take into account the following instructions regarding the calculation of the data points included in the template.

### **Economic value of equity**

#### **Item 1 – Outcome of the supervisory outlier test according to paragraph 10 of Circular CSSF 08/338 as amended**

27. This should reflect the outcome of the supervisory outlier test as per paragraph 10 of Circular CSSF 08/338 as amended. It is computed automatically, based on items 2 and 3 filled in according to the instructions below.
28. Institutions have to select in the dropdown menu in cell K12, if they are outlier or not according to paragraph 12 of Circular CSSF 08/338 as amended. Institutions making use of the derogation set out in paragraph 8 of the current instructions should convert the amount of total own funds into the reporting currency as reported in cell C20 of the "Identification" worksheet using the exchange rate at the reference date reported in cell C16 of the "Identification" worksheet before calculating this "outlier test".

**Item 2 - Change in the economic value of equity ( $\Delta$ EVE) of the banking book under a parallel shock down following paragraph 10 of Circular CSSF 08/338 as amended**

29. In cells E13 to I13, institutions should report the total change (shock) in the EVE of the banking book under a parallel shock down following paragraph 10 of Circular CSSF 08/338 as amended for each material currency as reported in cell C20 of the "Identification" worksheet. The value reported in column D should result as the aggregation of shocks being applied to all currency exposures in the banking book, following the rule of paragraph 13(l) of Circular CSSF 08/338 as amended from column E to H, while the value reported in column I should be added linearly according to the same principles. The value reported in column I should already reflect the rule of paragraph 13(l) of Circular CSSF 08/338 as amended for the subset of 'other material currencies' as reported in row 26 of the "Identification" worksheet.
30. Institutions are reminded that they should apply the set of principles described in paragraph 13 of Circular CSSF 08/338 as amended in the calculation of the supervisory outlier test for the purposes of the calculation following paragraph 10 of Circular CSSF 08/338 as amended. In particular, the maturity-dependent post shock interest rate floor, as referred to in paragraph 13(k) of Circular CSSF 08/338 as amended, should be applied for each material currency.
31. The effects of the shock on automatic interest rate options, whether explicit or embedded, needs to be included in the calculation (as these options are interest-rate sensitive).

**Item 3 – Change in the EVE of the banking book under a parallel shock up following paragraph 10 of Circular CSSF 08/338 as amended**

32. The rules applicable to item 2 should be applied to item 3 as well, but under a parallel shock up following paragraph 10 of Circular CSSF 08/338 as amended for each material currency.

**Item 4 – Outcome of the supervisory outlier test according to paragraph 11 of Circular CSSF 08/338 as amended**

33. This should reflect the outcome of the supervisory outlier test as per paragraph 11 of Circular CSSF 08/338 as amended. It is computed automatically, based on items 5 to 10, following the instructions set out in paragraphs 35 to 37.
34. Institutions have to select in the dropdown menu in cell K17 if they are outlier or not according to paragraph 12 of Circular CSSF 08/338 as amended. Institutions making use of the derogation set out in paragraph 8 of these instructions should convert the amount of Tier 1 own funds into the reporting currency as reported in cell C20 of the “Identification” worksheet using the exchange rate at the reference date reported in cell C16 of the “Identification” worksheet before calculating this “outlier test”.

**Items 5 to 10 – Change in the EVE of the banking book under the six additional interest rate scenarios, according to paragraph 11 of Circular CSSF 08/338 as amended**

35. Institutions should report the total change (shock) in the EVE of the banking book under the six additional scenarios following paragraph 11 of Circular CSSF 08/338 as amended for each material currency. The value reported in column D is the aggregation of the impact of the shocks applied to all material currency exposures in the banking book, following the principle set out in paragraph 13(l) of Circular CSSF 08/338 as amended. The value reported in column I should already reflect the rule of paragraph 13(l) of Circular CSSF 08/338 as amended for the subset of other material currencies.
36. Institutions are reminded that they should apply the set of principles described in paragraph 13 of Circular CSSF 08/338 as amended in the calculation of the supervisory outlier test for the purposes of paragraph 11 of Circular CSSF 08/338 as amended. In particular, the maturity-dependent post shock interest rate floor, as referred to in paragraph 13(k) of Circular CSSF 08/338 as amended, should be applied for each material currency.
37. The effects of the shock on automatic interest rate options, whether explicit or embedded, needs to be included in the calculation (as these options are interest-rate sensitive).

### **Change in net interest income and earnings**

38. In line with paragraph 11 of the EBA/GL/2022/14, institutions should manage and mitigate risks arising from their IRRBB exposures that affect both their economic value and interest income measures plus market value changes. Institutions should at least report one earnings metric, i.e. either the NII (items 11, 12 and 13) or the earnings (items 14, 15 and 16) or both.
39. According to paragraph 14 of the EBA/GL/2022/14, *"the impact of interest rate or credit spread movements should be determined by the interest income and expenses. For these purposes institutions should also consider market value changes of instruments — depending on accounting treatment (fair value/nGAAP) — either shown in the profit and loss account or directly in equity (e.g., via other comprehensive income)."* Moreover, according to paragraph 43(c) of the EBA/GL/2022/14, *"The risk [to net interest income] may not be limited to interest income and expenses: the effects of changes in interest rates on the market value of instruments that, depending on accounting treatment, are reflected either through the profit and loss account or directly in equity (via other comprehensive income), should be taken into account separately"*.
40. Regarding the currency aggregation criteria, in line with paragraph 91 of the EBA/GL/2022/14, *"Institutions should include in their internal measurement systems methods to aggregate their IRRBB across different currencies"* and *"Institutions should take into account the impact of assumptions regarding dependencies between interest rates across different currencies"*.
41. To compute the change in the forecasted net interest income (NII) and earnings metrics, institutions should use the same parallel shock up and down scenarios applied for computing the change in EVE set out in paragraphs 11(i) and (ii) of Circular CSSF 08/338 as amended.
42. In principle, institutions should strive for the scope of instruments present in the change in EVE metrics to be applied consistently in the NII/earnings metrics, and in particular in relation with the principles set out in paragraphs 13(a) and 13(d) of Circular CSSF 08/338 as amended.
43. It is reminded that according to paragraph 82 of the EBA/GL/2022/14, when calculating earnings measures, institutions should include commercial margins.

### **Item 11 - Forecasted net interest income (NII) expected within 12 months under the current baseline interest rate scenario**

44. In the calculation of item 11, institutions should forecast their NII for a timeframe of 12 months using the current baseline interest rate scenario, i.e. the interest rates used to calculate future cash flows in the baseline scenario are derived from forward rates, appropriate spreads or market expected rates for different instruments.

**Items 12 and 13 – Change in the forecasted net interest income expected within 12 months under a parallel shock down/up**

45. In the calculation of items 12 and 13, institutions should apply respectively the downward and upward parallel shock to interest rates to the forecasted NII reported in item 11.
46. The shift (shock) should be applied only to interest-rate sensitive on- and off-balance sheet items in the banking book.

**Item 14 - Forecasted earnings expected within 12 months under the current baseline interest rate scenario**

47. In the calculation of item 14, institutions should forecast their earnings for a timeframe of 12 months using the current baseline interest rate scenario, i.e. the interest rates used to calculate future cash flows in the baseline scenario are derived from forward rates, appropriate spreads or market expected rates for different instruments.

**Items 15 and 16 - Change in the forecasted earnings expected within 12 months under a parallel shock down/up**

48. In the calculation of items 15 and 16, institutions should apply the respective downward and upward parallel interest rate shift to the forecasted earnings reported in item 14.
49. This includes at least, according to paragraphs 14 and 43(c) of the EBA/GL/2022/14, the change in NII already reflected in items 12 and 13 and the market value changes of instruments — depending on accounting treatment — either shown in the profit and loss account or directly through equity (e.g. via OCI).
50. The shift (shock) should be applied only to interest-rate sensitive on- and off-balance sheet items in the banking book.
51. Institutions should include the effect of the forecasted impact on fair value instruments (including derivatives) net of hedging interest rate derivatives after applying the scenarios described in the paragraph above. Economic hedge

derivatives whose fair value changes are recognised through the income statement should be included into the earnings measure.

### **Information on optionalities**

#### **Items 17 to 20 – Quantitative information on assets and liabilities with automatic optionality and embedded behavioural optionality**

52. According to paragraph 13(c) of Circular CSSF 08/338 as amended, institutions should reflect automatic and behavioural options in the calculation of the supervisory outlier tests.
53. In items 17 to 20, institutions should provide the proportion of assets and liabilities in the banking book<sup>4</sup> subject to automatic and embedded behavioural optionality respectively according to the formulas provided below. Institutions should consider the instruments referred in paragraph 87 of the EBA/GL/2022/14 as examples of instruments with automatic optionality and embedded behavioural optionality respectively. For the computation of these ratios, institutions should:
- use nominal, respectively (for the derivatives) notional amounts; and
  - include on- and off-balance sheet items associated with the banking book.

#### **Item 17 – Ratio of assets in the banking book with automatic optionality over total assets in the banking book per material currency**

$$\frac{\text{Total assets of the banking book with automatic optionality (nominal/notional amount)}}{\text{Total assets of the banking book (nominal/notional amount)}}$$

#### **Item 18– Ratio of liabilities in the banking book with automatic optionality over total Liabilities in the banking book per material currency**

$$\frac{\text{Total liabilities of the banking book with automatic optionality (nominal/notional amount)}}{\text{Total liabilities of the banking book (nominal/notional amount)}}$$

<sup>4</sup> The ratios below should include in denominator only on- and off-balance sheet banking book interest-rate sensitive items.

**Item 19 – Ratio of assets in the banking book with embedded behavioural optionality over total assets in the banking book per material currency**

$$\frac{\text{Total assets of the banking book with embedded behavioural optionality (nominal amount)}}{\text{Total assets of the banking book (nominal/notional amount)}}$$

**Item 20 – Ratio of liabilities in the banking book with embedded behavioural optionality over total liabilities in the banking book per material currency**

$$\frac{\text{Total liabilities of the banking book with embedded behavioural optionality (nominal amount)}}{\text{Total liabilities of the banking book (nominal/notional amount)}}$$

**Section “Questions”**

54. In order to gather critical information to understand the quantitative results of the change in EVE and the change in the forecasted net interest income, institutions are required to briefly describe:
- the main drivers of their **change in EVE** under the worst scenario **under a parallel shock** (item 1);
  - the main drivers of their **change in EVE** under the worst scenario **under the six additional interest rate scenarios** (item 4);
  - the main drivers of their **change in the forecasted net interest income** under the worst scenario **under a parallel shock** (items 12 or 13);
  - If commercial margins and other spread components been excluded in the computation of the supervisory standard shock (items 1 and 4). If the answer is “Yes”, the institution should briefly explain the methodology for identifying the risk-free rate at inception of each instrument and if the methodology is applied consistently across business units and within the group (for information at a consolidated level).

**“IRRBB outlier questions - N” and “IRRBB outlier questions - C” worksheets**

55. In order to gather critical information to understand the calculations or methodologies used for the calculation of the changes in the EVE and earnings measures, outlier institutions are required to answer a few questions included in the templates “IRRBB outlier questions - N” on an individual basis and “IRRBB outlier questions - C” on a consolidated basis. Institutions are required to provide responses to these questions in the template “IRRBB outlier questions - N” if they

selected "YES" to one of the dropdown box menu in cells K12 or K17 of the "IRRBB measures – N version" worksheet as described in paragraphs 28 and 34. Institutions are required to provide responses to these questions in the template "IRRBB outlier questions - C" if they selected "YES" to one of the dropdown box menu in cells K12 or K17 of the "IRRBB measures – C version" worksheet as described in paragraph 28 and 34. Any input cells on this worksheet are blocked (grey colour) if the institution has selected 'No' in the dropdown menu for both cells K12 and K17.

Non-outlier institutions could also be requested to complete the template "IRRBB outlier questions" on an individual basis or on a consolidated basis upon a specific request from the CSSF. In that case, institutions should select "YES" in the dropdown menu in cell K3 of the "IRRBB outlier questions – N" worksheet or of the "IRRBB outlier questions – C" worksheet respectively.

#### Question 1

***"Explain the reasons for this high risk level. Which action plan will you take to reduce your sensitivity? (Please provide an answer only if you are an outlier)"***

56. Outlier institutions are required to briefly describe the reasons why their sensitivity is over the regulatory limit (according to paragraphs 10 and 11 of Circular CSSF 08/338 as amended) and provide an action plan to reduce the change in EVE. Where relevant and in the case of consolidated reporting, the outlier institution should also give some indications of the entity or entities driving the outlier positions.

#### Question 2

***"Which risk-free yield curves have you used in order to compute the supervisory standard shocks?"***

57. According to paragraph 13(m) of Circular CSSF 08/338 as amended, an appropriate general 'risk-free' yield curve per currency should be applied. That curve should not include instrument-specific or entity-specific spreads such as credit risk spreads or liquidity risk spreads.
58. As such, institutions should clarify which 'risk-free' yield curves they have been using for the calculations of the standard shock for each of the material currencies included in the computation of the standard shock, and the relevant modelling assumptions to derive specific interest rates (e.g. interpolation methods, etc.).

#### Question 3



***"Which IRRBB measurement methods from Annexes I and II have you used to compute the interest rate shocks for the changes in EVE and earnings measures?"***

59. Annex I of the EBA/GL/2022/14 provides IRRBB measurement methods for measuring changes in EVE and in earnings according to different yield curve scenarios.
60. Annex II of the EBA/GL/2022/14 provides a sophistication matrix for IRRBB measurement. Institutions should indicate the sophistication levels of quantitative tools and models used.
61. Institutions should clarify which:
  - of the methods listed in Annex I; and
  - level of sophistication listed in Annex II
 have been used in the computation of the interest rate shock scenarios for the changes in EVE and earnings measures (and in particular for NII/earnings, the methodology used to aggregate the metrics across currencies).
62. Institutions should choose among the "Methods" in the dropdown menu in cells C22 and C29 and use the boxes "Main assumptions" in cells C25 and C32 to briefly explain the methods used.

**Question 4**

***"Please list your main products with automatic and behavioural embedded optionality"***

63. According to paragraph 109 of EBA/GL/2022/14, *"Institutions should have policies in place governing the setting of, and the regular assessment of, the key assumptions for the treatment of on- and off-balance sheet items that have embedded options in their interest rate risk framework. This means that institutions should: [...] identify all material products and items subject to embedded options that could affect either the interest rate charged or the behavioural repricing date (as opposed to contractual maturity date) of the relevant balances"*.
64. Institutions should list and briefly describe the properties of the products with automatic and behavioural embedded optionality in the banking book.

**Question 5**

***"Information on non-maturity deposits (NMD) "***

65. Regarding the key modelling assumptions of NMD, institutions should provide quantitative metrics, per type of account characteristic, on the average repricing

maturity assigned to NMD and the total share and stock of core deposits. The average repricing maturity of NMD should be expressed in year. For example, if the average repricing maturity assigned to NMD is equal to six months, then it should be reported as "0,5". The total stock of core deposits should be expressed in the currency of the own funds of the institution and the single unit should be "1", as described in the paragraph 7 of these instructions.

#### **Question 6**

##### ***"Any other information relevant for the analysis of your position"***

1. Institutions may add any other relevant information supporting the analysis of their position in cell C78.



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