

## **PRINCIPLES FOR THE MANAGEMENT OF INTEREST RATE RISK IN THE BANKING BOOK (IRRBB)**

Credit institutions are to be guided by the [Guidelines on the Technical Aspects of the Management of Interest Rate Risk Arising from Non-Trading Activities under the Supervisory Review Process](#) which were initially published by the Committee of European Banking Supervisors (CEBS). These Guidelines set out high-level guidance, addressed to both credit institutions and to supervisors, related to interest rate risk arising from non-trading activities. The Guidelines set out (i) guidance on what the supervisors should expect to see in the ICAAP in relation to the interest rate risk, and (ii) the corresponding guidance to supervisors in conducting SREP in relation to the ICAAP. The Guidelines also define a “standard shock” required for the assessment of institutions’ resilience to interest rate changes.

On 27 June 2013, the EBA launched a consultation on amendments and additions to the Guidelines on the technical aspects of the management of interest rate risk arising from non-trading activities under the supervisory review process. The proposed changes are aimed at improving the management of IRRBB risks by credit institutions, and to promote the convergence of supervisory practices in reviewing and evaluating institutions under the Pillar 2 assessment process. Overall, the proposed changes are intended to ensure that credit institutions review, and where necessary improve, their identification, measurement, monitoring and control of interest rate risk in the banking book, and that supervisory assessment of interest rate risk is enhanced. The bulk of the additions are provided under a new technical guidance supplement which is structured into the following thematic areas:

- Scenarios & Stress Testing
- Measurement assumptions
- Methods for measuring interest rate risk
- Governance of interest rate risk

Credit institutions are encouraged to also refer to the proposed changes.

(i) *BR/12/2014.01*