

Circular

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Reporting obligations concerning interest rate risk and credit spread risk in the banking book

Scope

This circular applies to:

- *credit institutions governed by Belgian law,*
- *approved or designated (mixed) financial holding companies governed by Belgian law,*
- *large stockbroking firms as defined in Article 3(5) of the Law on the supervision of stockbroking firms¹,*
- *investment holding companies and mixed financial holding companies governed by Belgian law that fall under the Bank's supervision on a consolidated basis of a group of investment firms, where this group includes a large stockbroking firm. These institutions are hereinafter collectively referred to as «the institutions».*

Summary/Objectives

The purpose of this circular is to ensure the implementation of the European Banking Authority (EBA) Decision concerning ad-hoc collection of institutions' data on interest rate risk in the banking book (IRRBB) and to update the national reporting obligations referred to in Circular NBB_2023_07 on sound management practices and reporting concerning interest rate risk and credit spread risk arising from non-trading book activities. This circular sets out the practical reporting procedures and specifies the Bank's expectations for each type of institution.

¹ Law of 20 July 2022 on the legal status and supervision of stockbroking firms and containing miscellaneous provisions.

Dear Madam,
Dear Sir,

The European Banking Authority (EBA) and the European Central Bank (ECB) recently decided to review their prudential reporting requirements in order to ensure detailed monitoring of the implementation of the new regulatory framework for IRRBB, as well as ongoing monitoring of IRRBB management given the current environment of high inflation combined with rising interest rates.

On 7 August 2023, the EBA published its Decision to run an ad-hoc IRRBB data collection exercise² (hereinafter the «EBA Decision on the ad-hoc data collection exercise»). In accordance with this decision, Belgian parent institutions³ that have been designated as domestic systemically important institutions must submit to the Bank the reporting tables set out in the EBA technical standards on supervisory reporting on IRRBB,⁴ with the reference date of 31 December 2023. The purpose of this reporting exercise is to speed up the availability of data prior to the first application date of the EBA technical standards, which is scheduled for the third quarter of 2024.

Having regard to the information requirements of the 2024 Supervisory Review and Evaluation Process (SREP), the ECB has extended the scope of the aforementioned EBA Decision to all institutions considered significant under the Single Supervisory Mechanism (SSM). Reporting must take place at the highest level of consolidation, with reference dates 31 December 2023, 31 March 2024 and 30 June 2024. In order to avoid overlapping reporting, the ECB has reduced the scope of data collection under the Short-Term Exercise (STE) and added a number of reporting templates, in particular with regard to credit spread risk from the banking book (CSRBB).

The Bank's circular on guidelines on sound management practices and reporting concerning interest rate risk and credit spread risk arising from non-trading book activities (Circular NBB_2023_07), published on 27 June 2023, imposes certain reporting obligations as part of the ongoing supervision and monitoring of IRRBB and CSRBB.

The purpose of this circular is to ensure the implementation of the EBA Decision on the ad-hoc data collection exercise and to update national reporting obligations in view of the latest European developments. This update is necessary in order to ensure appropriate and detailed monitoring of institutions' existing and potential IRRBB exposure. This circular sets out the practical reporting procedures and specifies the Bank's expectations for each type of institution.

² Decision EBA/DC/501 of the EBA of 3 August 2023 concerning ad-hoc collection by competent authorities to the EBA of institutions' IRRBB data and amendment of the Annex to EUCLID Decision.

³ For purposes of this circular, a Belgian parent institution is an institution which is not a subsidiary of an institution falling within the scope of this circular.

⁴ Draft Implementing Standards EBA/ITS/2023/03 of 31 July 2023 on IRRBB reporting under Commission Implementing Regulation (EU) 2021/451.

Reporting obligations

1. Reporting on internal calculations

Institutions must provide the supervisory authority with a description of and the documentation related to the indicators they use and report on internally for purposes of IRRBB and CSRBB management, calculated in accordance with internally defined methods, scenarios and assumptions and covering both economic value of equity (EVE) sensitivity and net interest income (NII) sensitivity.

Institutions must also make the periodic results of these indicators available to the supervisory authority. Where appropriate, the supervisory authority may require individual institutions to report these results on a regular basis, outside the usual periodic reporting channels.

2. Periodic prudential reporting requirements

2.1. Institutions considered significant under the SSM

Institutions considered significant under the SSM are not required to submit reporting tables 90.30.a, 90.30.b and 90.30.c to the Bank.

National reporting

In order to ensure an adequate view of the interest rate risk of institutions considered significant under the SSM, these institutions (including Belgian subsidiaries of institutions considered significant under the SSM) must continue to submit to the Bank IRRBB reporting (including all underlying risks) using the tables in Annex 1 and in accordance with the instructions set out in Annex 2 to this circular. Reporting should be done on a quarterly basis, with reference dates 31 December 2023, 31 March 2024 and 30 June 2024. Reports must be submitted as soon as possible and in any case no later than 19 February 2024, 21 May 2024 and 19 August 2024.

The above reporting is not required of Belgian parent institutions⁵ which have been designated as domestic systemically important institutions and are considered significant under the SSM.⁶ These institutions must, in terms of national requirements, transmit to the Bank the ECB's STE reporting on IRRBB and CSRBB. The full STE reporting table (the «STE IRRBB CSRBB» table) should be used for this purpose, following the instructions set out in Annexes 3 and 4 to this circular. Reporting should be done on a quarterly basis, with reference dates 31 March, 30 June, 30 September and 31 December. Reports must be submitted as soon as possible and in any case no later than 21 May, 19 August, 18 November and 19 February. The first reporting, with reference date 31 December 2023, must be submitted no later than 15 March 2024. Reporting template 6 («template 6_IRRBB_Additional») should be submitted only with regard to the situation on 31 December 2023.

Belgian parent institutions which have been designated as domestic systemically important institutions and are considered significant under the SSM⁷ are also required to submit the reporting tables referred to in the EBA Decision on the ad-hoc data collection exercise to the Bank. These institutions must submit to the Bank reporting tables regarding the situation on reference dates 31 December 2023, 31 March 2024 and 30 June 2024. These reports must be submitted as soon as possible and in any case no later than 19 February 2024, 21 May 2024 and 19 August 2024.

⁵ See footnote 3.

⁶ Including Belgian parent institutions which have been designated as domestic systemically important institutions and are subsidiaries of institutions considered significant under the SSM.

⁷ See footnote 6.

National reporting should be prepared on a consolidated basis at the level of the institution concerned. Institutions that are not subject to consolidated supervision (as parent institutions) must report on a non-consolidated basis. The reports must be submitted to the Bank via OneGate in XML format or, for the reporting tables set out in the EBA Decision on the ad-hoc data collection exercise, in accordance with the harmonised European XBRL taxonomy.

The accredited statutory auditors are expected to report on these tables, in accordance with the methods described in the circular on duty of cooperation of accredited statutory auditors.

STE reporting to the ECB

Institutions that also report on the Short-Term Exercise (STE) at the request of the ECB must continue to submit STE tables, including information on IRRBB and CSRBB (the «STE IRRBB CSRBB» table), in accordance with the applicable procedures and processes. The aim is to ensure continued compliance with the specific provisions of the ECB's STE process.

These institutions must ensure at all times that the data they provide in their reports to the Bank are identical to that included in their ECB reporting.

2.2. Institutions considered less significant under the SSM

Institutions that are considered less significant under the SSM are subject to the reporting requirements set out in point 2.2.3 and Annexes 2 (reporting tables 90.30.a, 90.30.b and 90.30.c) and 3 (explanatory notes to reporting tables 90.30.a, 90.30.b and 90.30.c) of Circular NBB_2023_07. These reporting tables should be submitted with regard to the situation on 31 December 2023, 31 March 2024 and 30 June 2024.

Belgian parent institutions that have been designated as domestic systemically important institutions but are considered less significant under the SSM must also submit to the Bank the reporting tables referred to in the EBA Decision on the ad-hoc data collection exercise, with the reference date 31 December 2023. These reports must be uploaded to OneGate in accordance with the harmonised European XBRL taxonomy as soon as possible and in any case no later than 15 March 2024.

The accredited statutory auditors are expected to report on these tables, in accordance with the methods described in the circular on duty of cooperation of accredited statutory auditors.

A copy of this circular is being sent to your institution's accredited auditor(s).

Yours faithfully,



Pierre Wunsch
Governor

Annexes: 4