

Interest rate risk in the banking book (IRRBB)

ASPECT ADVISORY ACADEMY TECHNICAL SEMINAR



 19th January, 2024

 09:00 – 17:00 CET

 Virtual | On-site

 Refer pricing structure

*Have a question? Send us a mail to:
aaa.aspectadvisory.eu*

OVERVIEW:

Interest rate cash flows in the banking book are one of the major profit, but also one of the major risk drivers of banks. Despite its importance, it hasn't been included in Pillar I capital requirements so far. The initiative to include it is on its way implying higher capital charges, process amendments and system extensions. This workshop demarcates IRRBB from other risk types, specifies its particularities, addresses the regulatory Pillar I initiatives and discusses the management options to achieve a risk-appetite aligned balance between risk and return.

AGENDA OUTLINE:

1 Day Seminar:

Measurement and management of IRRBB

WHO SHOULD ATTEND:

We believe that this seminar is most useful for participants from:

- Supervisors
- Treasury
- Risk management
- Regulatory reporting
- Risk controlling
- Internal audit

SEMINAR FORMAT:

- This seminar will be conducted in English
- This session will be conducted via Microsoft Teams. On completion of your registration you will receive a link to the meeting

COURSE MATERIAL:

- Sessions are recorded and could be obtained on request at the end of the seminar
- Trainers presentation slide decks could be obtained on request at the end of the seminar
- Certificates will be awarded at the completion of the seminar

CERTIFICATE:

- Certificates will be emailed to the participants on completion of the seminar

1 DAY

Measurement and management of IRRBB

1. Taxonomy, risks and profit potential of IRRBB

- 1.1 Origin, definition and types of IRRBB
- 1.2 Differences between IRR-BB and IRR-TB
- 1.3 Profit potential of IRRBB
- 1.4 Assessing the profitability of IRRBB

2. Regulatory requirements for the IRRBB – framework

- 2.1 SARB requirements on effective IRRBB-management
- 2.2 Principles for the mgt of interest rate risk

(EBA Guidelines 2022/14 on IRRBB and CSRBB,
Final draft RTS 2022/09 on the IRRBB standardised approach,
Final draft RTS 2022/10 on IRRBB supervisory outlier tests (SOT), incl.
proposed amendment March 2023))

3. Operating model of IRRBB - management

- 3.1 Setting risk appetite aligned to business strategy
- 3.2 Effective IRRBB – governance structure
- 3.3 Embedded processes and interaction with other risk types
- 3.4 Decentralising IRRBB through limit systems
- 3.5 System requirements under BCBS 239

Morning coffee break

4. Internal IRRBB – measurement

- 4.1 Behavioural IR-modelling for non-maturing products
- 4.2 Periodic- vs. value-based metrics
- 4.3 Gap – and duration approaches
- 4.4 Static and dynamic simulation
- 4.5 Required data input
- 4.6 Comparison to standardized approaches
- 4.7 IRRBB – stress tests and model validation

09:00

10:30

10:45

12:15

1 DAY

Lunch Break

13:30

5. Regulatory approach for IRRBB – capital requirements

- 5.1 Current computation of Basel interest rate shock
- 5.2 Dependencies between regulatory and internal IRRBB-models

15:00

5.3 Implications of future Pillar 1 – requirements:

- Required data
- System requirements
- Regulatory expensive/ favourable products

Afternoon Coffee Break

15:15

6. Implementation of a profit – oriented IRRBB – management

- 6.1 Future challenges in IRRBB – profit management
- 6.2 Assessing the risk-adjusted IRRBB – performance
- 6.3 Return – and hedge strategies

17:00

- 6.4 Interest rate risk: in trading or banking book?
- 6.5 Economic vs. accounting IRRBB: hedge accounting strategies

Close of Session