

# IRRBB

## INTEREST RATE RISK IN THE BANKING BOOK

### KEY BENEFITS

**ENTERPRISE-WIDE  
PLATFORM APPROACH  
UNIFIES DATA MODELS  
WITHOUT FORCING  
EXPENSIVE DATA  
TRANSFORMATION INTO  
COMMON DATA FORMATS**

**STRATEGIC DATA-DRIVEN  
SOLUTION WITH FULL DRILL-  
DOWN CAPABILITIES  
ENSURING TRANSPARENCY  
AND TRACEABILITY**

**MODULAR AND INTEGRATED  
CALCULATION ENGINE FOR  
THE COMPLETE ARRAY OF  
INTEREST RATE METRICS  
INCLUDING  $\Delta$ VE AND  $\Delta$ NI**

**ADVANCED REPORTING  
TEMPLATES THAT COMPLIES  
WITH MULTI-JURISDICTIONAL  
AND MULTI-FACETED  
REGULATORY REPORTING  
REQUIREMENTS**

**COMPARISON BETWEEN THE  
FORMATTED REGULATORY  
REPORT OUTPUT AND  
CALCULATION RESULTS  
ENSURING CONSISTENCY  
AND AUDITABILITY**

**AxiomSL's IRRBB solution** sets up a solid foundation for financial institutions to meet future regulatory needs. Its data-driven, multi-jurisdiction platform provides highly configurable and customizable capabilities (rule-based calculations, aggregations, etc.) as well as drill-down functionalities allowing for full audit-trail to data sources. The end-to-end solution provides a single unified framework that is able to meet interest rate risk requirements such as data loading, movement (cash-flow) generation, scenario maintenance, modelling capability, classification, metrics calculations and reporting.

The growing anticipation of normalization of interest rates from historically low levels and the associated market volatility are becoming increasingly concerning to the financial sector. These possible interest rate changes are likely to have significant ramifications on financial stability in general and bank's balance sheet in particular. In tune with the global attention on interest rate uncertainty and risks, the Basel Committee on Banking Supervision (BCBS) issued Standards for Interest Rate Risk in the Banking Book (IRRBB) January 1, 2018. The IRRBB Standards introduce a strengthened Pillar 2 approach and set out supervisory expectations for banks' identification, measurement, monitoring and control of IRRBB.

These compliance requirements of IRRBB, over and above the other regulatory and internal management requirements of liquidity and capital, once again highlight the importance of deploying and maintaining a single core engine with the ability to effectively meet all the diverse regulatory compliance needs such as interest-rate risk, liquidity and capital, all under the same hood.

### THE CHALLENGES

As part of the overall interest-rate risk management framework, BIS stipulated that greater guidance had to be provided on the expectations for a bank's IRRBB management process, especially with regard to:

- Development of shock and stress scenarios
- Key behavioral and modelling assumptions taken by banks in their measurement of IRRBB
- Standardised disclosure requirements for the promotion of greater consistency, transparency and comparability in the measurement and management of IRRBB
- Supervisory review process for elaboration on the factors which supervisors need to consider when assessing the banks' level and management of IRRBB exposures as well as publication of supervisory criteria for identifying outlier banks through tighter threshold

## KEY FEATURES

COMPLETE REGULATORY  
COVERAGE OF THE  
STANDARD BASEL IRRBB  
REQUIREMENTS

ROBUST CASHFLOW  
GENERATION ENGINE WITH  
SCENARIO CAPABILITIES

CLASSIFICATION OF  
INSTRUMENTS AND  
INTEREST RATE SHOCKS  
AS PER REGULATORY  
GUIDELINES

HOSTING AS WELL AS  
DEVELOPING CAPABILITIES  
FOR MODELING OF  
BEHAVIORAL AND OTHER  
STRESSED CASHFLOWS

MULTI-JURISDICTION  
COMPLIANT WITH  
CUSTOMIZABLE NATIONAL  
DISCRETION SPECIFIC RULES  
TO GENERATE REGULATOR  
PRESCRIBED REPORTS

ABILITY TO GENERATE  
CUSTOMIZED REPORTING  
FOR NON-REGULATORY  
INTEREST RATE RISK  
ANALYSIS

AD-HOC VARIANCE AND  
TREND ANALYSIS  
INCLUDING USER-DEFINED  
STRESS TESTING AND  
FORECASTING ABILITIES

Beyond these generic interest-rate risk requirements, banks also face a range of challenges when dealing with calculations, monitoring and compliance of the proposed IRRBB Standards:

## IRRBB Challenges



### AXIOMSL'S SOLUTION

AxiomSL's solution handles the various components of interest-rate risk measurements such as instrument categorization, treatment of portfolio as per its amenability to standardization, application of multiple shock and scenarios, calculation of different interest rate metrics e.g change in economic value of equity ( $\Delta EVE$ ) and change in net interest income ( $\Delta NII$ ). The solution ensures that the data, IRRBB treatment and calculation methodologies are consistent with other cash-flow generated streams and liquidity risk calculation metrics such as LCR, NSFR and other monitoring tools.

## CONTACT

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