

## Febelfin response to EBA consultation on draft RTS on IRRBB standardised approach

Draft Regulatory Technical Standards specifying standardised and simplified standardised methodologies to evaluate the risks arising from potential changes in interest rates that affect both the economic value of equity and the net interest income of an institution's non-trading book activities in accordance with 84(5) of Directive 2013/36/EU

**Question 1:** What is the materiality of prepayments for floating rate instruments and what are the underlying factors? Would you prefer the inclusion of a requirement in Article 6 for institutions to estimate prepayments for these instruments?

**Febelfin response:**

- Substantial prepayments for floating rate instruments are observed. These are probably to a large extent driven by clients who want to lock-in low interest levels at a certain moment. In order to reflect real economic risk sufficiently and to avoid unnecessary economic costs it seems the right thing to reflect it with appropriate modelling assumptions.

**Question 2:** Do respondents find that the required determination of stable/non-stable deposits, and core/non-core deposits as described in Article 7 is reflective of the risks and operationally implementable? In case of any unintended consequence or undesirable effect on certain business models or specific activities, please kindly provide concrete examples.

**Febelfin response:**

- **We are of the opinion that the definition of retail deposits in Article 1 (10) should be in line with the LCR.** As a result, we propose to change the definition to Article 3 (8) of Regulation 2015/61 supplement to 575/2013 instead of Article 411 (2) of Regulation 575/2013. The impact is that all deposits from natural persons are retail and only the SME is checked against the Credit Risk exposure and total deposit amount, if treated as retail or corporate.
- In addition, **the calculation of stable deposits of the NMD in Article 7 (2) is still too vague:** “using observed changes of volume due to upward and downward interest rate movements for a period of at least 10yrs” should be further clarified.

**Question 3:** Do respondents find that the required determination and application of a conditional prepayment rate and term deposit redemption rate as described in Article 8 and 9 is reflective of the risks and operationally implementable? In case of any unintended consequence or undesirable effect on certain business models or specific activities, please kindly provide concrete examples.

**Febelfin response:**

- With regards to article 9 (7), we welcome further clarifications as to why the redemption rate for term deposits can't be used in the same way as the prepayment rate for loans.

**Question 9:** Do respondents find that the adjustments in the Simplified Standardised Approach as set out in Article 23 and 24 are operationally implementable and do they find that any other simplification would be appropriate?

**Febelfin response:**

- **The sector has very strong concerns that a standardise approach would have to be mandatorily applied to a bank.** As Article 98(3-4) refers to the standardized and simplified methodologies that the competent authority could impose for the evaluation of risks, we recommend that the RTS clarifies that such an imposition should be:
  - limited to the evaluation (which will be necessarily wrong as mentioned before) and not for the actual management (as banks would have to manage with flawed steering metrics that would be detrimental to the actual risk management) as clearly mentioned in Art.98(3) "A competent authority may require an institution to use the standardised methodology referred to in paragraph 1 where the internal systems implemented by that institution for the purpose of evaluating the risks referred to in that paragraph are not satisfactory.";
- We also recommend that, as specified in the CRD, it is made clear that the standardized (simplified) methodology does not have to be implemented, unless elected by the bank.

**Question 10:** Do respondents find that all the necessary aspects are covered and the steps and assumptions for the evaluation of EVE and NII as laid out in the standardised approach and simplified standardised approach clear enough and operationally implementable?

**Febelfin response:**

- The final application date should be aligned with the Guideline and the RTS on Supervisory Outlier Tests.