



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 1067

Series of 2019

Subject: Amendments to the Disclosure Requirement on Interest Rate Risk in the Banking Book

The Monetary Board, in its Resolution No. 1862 dated 28 November 2019, approved the revisions to the minimum disclosure requirements under Appendix 59 on the Risk-Based Capital Adequacy Framework for the Philippine Banking System on interest rate risk in the banking book (IRRBB), as follows:

"Part IX. Disclosures in the Annual Reports and Published Balance Sheets

1. X x x
2. X x x

A. Capital structure and capital adequacy

3. X x x

B. Risk exposures and assessments

X x x

Interest Rate Risk in Banking Book

10. Aside from the general disclosure requirements stated in paragraph 4, the following information with regard to interest rate risk in the banking book have to be disclosed in banks' Annual Reports:

- a) A description of how the bank defines IRRBB for purposes of risk control and measurement;
- b) A description of the bank's overall IRRBB management and mitigation strategies. Examples are: monitoring of risk measures in relation to established limits, hedging practices, conduct of stress testing, outcomes analysis, the role of independent audit, the role and practices of the asset and liability committee (ALCO), the bank's practices to ensure appropriate model validation, and timely updates in response to changing market conditions;

- c) The periodicity of the calculation of the bank's IRRBB measures, and a description of the specific measures that the bank uses to gauge its sensitivity to IRRBB;
- d) A description of the interest rate shock and stress scenarios that the bank uses to estimate changes in the economic value and/or in earnings;
- e) A high-level description of how the bank hedges its IRRBB, as well as the associated accounting treatment; and
- f) A high-level description of key modelling and parametric assumptions used in IRRBB measurement.

This Circular shall take effect fifteen (15) calendar days following its publication either in the Official Gazette or in a newspaper of general circulation.

FOR THE MONETARY BOARD:


BENJAMIN E. DIOKNO
Governor

13 December 2019