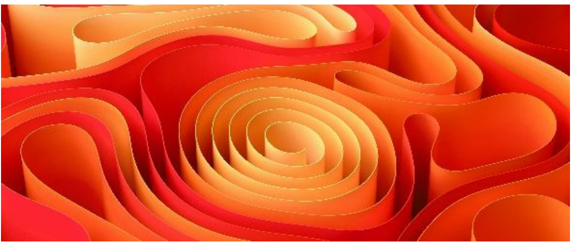
Regulatory/Supervisory Pills | N.16 February 2026



TOPICS:

IRRBB & Liquidity Risk

SOURCE:

European Banking Authority

EBA Report on IRRBB Heatmap Implementation (Second Phase: Medium/Long-Term Action Plan)

- The EBA's report sets out supervisory observations and recommendations **to support consistent implementation of the EU Interest Rate Risk in the Banking Book (IRRBB) framework**. The report does not introduce new regulatory requirements but identifies **areas of heightened supervisory attention** to promote convergence and comparability across institutions.
- **Supervisory outliers test (SOT) analysis**. Results suggest a gradual adjustment of banks' risk management practices to the new interest rate environment. The number of outliers has improved for both metrics, while changes in Economic Value of Equity (ΔEVE) and Net Interest Income (ΔNII) continue to show asymmetrical impacts.
- Regarding the **five-year behavioural cap on non-maturity deposits** (**NMDs**), the EBA confirms the cap as a key harmonising benchmark. Quantitative evidence suggests the cap has limited impact under current market conditions, as most institutions' internal assumptions already fall within the five-year horizon. Deviations beyond five years may be accepted only in exceptional cases, subject to robust behavioural evidence, alignment with hedging strategies, early supervisory engagement and transparent Pillar 3 disclosure.
- Regarding the **commercial margin modelling under the Supervisory Outlier Test** (**SOT**) **on Net Interest Income** (**NII**), the report reinforces that Article 4(4) of Delegated Regulation (EU) 2024/856 requires constant margins for most balance sheet items. Flexibility allowing scenario-sensitive margins should remain confined to NMDs or instruments with comparable behavioural characteristics, in order to preserve consistency and comparability of SOT outcomes.
- The report highlights continued heterogeneity in defining the **Credit Spread Risk in the Banking Book** (**CSRBB**) **perimeter**. Institutions are encouraged to include CSRBB in ICAAP where material, apply a consistent perimeter across Economic Value of Equity (EVE) and NII, and avoid exclusions based solely on accounting classification, holding intention, or the presence of CVA. Fair value and amortised cost instruments should be included where credit spread sensitivity is material, using proxies or models where necessary.
- Finally, on **hedging strategies**, the report confirms the central role of interest rate swaps in mitigating IRRBB, particularly for EVE. Institutions are encouraged to align micro- and macro-hedging approaches with balance sheet characteristics, consider both EVE and NII perspectives, and strengthen governance, documentation, and effectiveness testing.