IRRBB metric and modelling		**Indicative supervisory expectations regarding IRRBB metric and modelling depending on the institution's sophistication category**			
Cash flow modelling	**Metric**	**Category 4 institution**	**Category 3 institution**	**Category 2 institution**	**Category 1 institution**
Unconditional cash flows (it is assumed that the *timing* of cash flows is independent of the specific interest rate scenario)	**Net Interest Income-based:** Gap analysis: • Repricing gap	Time buckets advised in the Basel Committee on Banking Supervision's Standards 'Principles for the Management and Supervision of Interest Rate Risk in the banking book' from April 2016 BCBS Standards.		*[Gap based on evolving size and composition of the banking book due to business responses to differing interest rate environments. Including projected commercial margins consistent with the interest rate scenario (see section 4.3 on measurement of IRRBB).]*	
	Economic value: Duration analysis: • Modified duration/PV01 of equity • Partial modified duration/partial PV01	Time buckets advised in BCBS Standards. Application of standard shocks. Yield curve model with tenors corresponding to the time buckets.	Time buckets advised in BCBS Standards, application of partial duration weights. Application of standard shocks and other interest rate shock and stress scenarios (*see section 4.3 on measurement of IRRBB*). Yield curve model with tenors corresponding to the time buckets.	*[Partial duration computed per instrument type and time bucket. Application of standard and other interest rate shock and stress scenarios (see section 4.3 on measurement of IRRBB).* Yield curve model with tenors corresponding to the time buckets.*]*	*[Partial duration computed per transaction and time bucket. Application of standard and other interest rate shock and stress scenarios (see section 4.3 on measurement of IRRBB).* Yield curve model with tenors corresponding to the time buckets.*]*

IRRBB metric and modelling		**Indicative supervisory expectations regarding IRRBB metric and modelling depending on the institution's sophistication category**			
Cash flows partially or fully conditional on interest rate scenario (*timing* of cash flows of options, of instruments with embedded, explicit options and – in more sophisticated approaches – of instruments of which the maturity depends on clients' behaviour, is modelled conditional on the interest rate scenario)	**Net Interest Income-based:** •Net interest income (NII)	Standard shocks applied to earnings under a constant balance sheet. Based on time buckets advised in the BCBS Standards.	Standard and other interest rate shock and stress scenarios for the yield curve (*see section 4.3 on measurement of IRRBB*) applied to earnings, reflecting constant balance sheet or simple assumptions about future business development.	Standard and other interest rate shock and stress scenarios for the yield curve and between key market rates separately (*see section 4.3 on measurement of IRRBB*) applied to earnings projected by business plan or constant balance sheet. Including projected commercial margins consistent with the interest rate scenario (*see section 4.3 on measurement of IRRBB*).	Comprehensive interest rate and stress scenarios, combining shifts of yield curves with changes in basis and credit spreads, as well as changes in customer behaviour, are applied to reforecast business volumes and earnings to measure the difference compared with the underlying business plan. Including projected commercial margins consistent with the interest rate scenario (*see section 4.3 on measurement of IRRBB*).

IRRBB metric and modelling		Indicative supervisory expectations regarding IRRBB metric and modelling depending on the institution's sophistication category		
	Economic value: •Economic value of equity (EVE)	Application of standard and other interest rate shock and stress scenarios for the yield curve (*see section 4.3 on measurement of IRRBB*), using time buckets as advised in the BCBS Standards; yield curve tenors corresponding to the time buckets.	Measure computed on transaction or cash flow basis. Application of standard and other interest rate shock and stress scenarios for the yield curve and between key market rates separately (*see section 4.3 on measurement of IRRBB*). Adequate tenors in yield curves. Full optionality valuation.	Comprehensive interest rate and stress scenarios, combining shifts of yield curves with changes in basis and credit spreads, as well as changes in customer behaviour. Adequate tenors in all yield curves. Full optionality valuation. Scenario analysis complemented by Monte Carlo or historical simulations on portfolios with material optionality. Daily updating of risk factors.