

Finansinspektionen's regulation

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Finansinspektionen's regulations regarding reporting of interest rate risks in non-trading activities;

FFFS 2007:4

Published
29 January 2007

decided 22 January 2007.

Finansinspektionen prescribes the following pursuant to Chapter 5, section 2, sub-section 9 of the Banking and Financing Business Ordinance (2004:329), section 2, sub-section 9 of the Securities Market (Trading and Services) Ordinance (1991:1007) and section 30, sub-sections 39 and 40 of the Capital Adequacy and Large Exposures Ordinance (2006:1533).

Chapter 1 Scope and definitions

Section 1 The regulations specify the information concerning interest rate risk in positions outside the trading book that shall be reported to Finansinspektionen.

The regulations shall be applied by:

1. credit institutions in accordance with the definition in Chapter 1, section 3, sub-section 12 of the Capital Adequacy and Large Exposures Act (2006:1371) and investment firms in accordance with the definition in Chapter 1, section 2, first paragraph, point 2 of the Securities Business Act (1991:981), and
2. financial groups in accordance with the definition in Chapter 9, section 1 and section 2, first paragraph, point 1 of the Capital Adequacy and Large Exposures Act.

Section 2 The interest rate exposure shall be reported as of 31 March, 30 June, 30 September and 31 December. Finansinspektionen shall have received the report at the latest by 30 April, 10 August, 31 October and 31 January, respectively. If the balance date coincides with the annual accounting date, Finansinspektionen shall have received the report at the latest on the twentieth day of the second month following the balance date.

Information shall be submitted via Finansinspektionen's website, www.fi.se. See the form in the appendix.

Section 3 In these regulations the following terms are defined as

economic value: the present value of future cash flows,

interest rate risk: the risk that adverse interest rate movements lead to capital losses,

interest rate risk in non-trading activities: the interest rate risk that arises from positions outside the trading book.

Section 4 Finansinspektionen decides on exceptions from these regulations where special grounds exist.

Chapter 2 Requirements for reporting interest rate risk

Section 1 The firm shall calculate and report to Finansinspektionen the effect a sudden change in the general interest rate level (interest rate shock) has on its financial value.

Section 2 The interest rate shock shall correspond to a sudden and sustainable parallel shift by 200 basis points applied to the yield curves to which current positions are tied at the time of reporting.

Section 3 Where the effect of such a shock results in a decline in the firm's economic value by more than 20% in relation to its own funds, the firm shall submit a statement to Finansinspektionen describing the measures required to reduce the potential decline.

Chapter 3 Basic requirements for interest rate risk calculation

Section 1 The calculation shall cover items in non-trading activities that are tied to interest rate conditions. This refers both to assets and liabilities on the balance sheet and long and short positions that are not included in the balance sheet (off-balance sheet items).

Section 2 For currencies where the firm has assets or liabilities, the calculations shall be made currency by currency. A firm with interest rate risk exposure in more than ten currencies only needs to calculate the risk separately for the ten most important currencies from an interest rate risk viewpoint. Interest rate risks in the other currencies may be calculated as if they were in the same currency.

The interest rate risks in the different currencies shall be added net for a total interest rate risk. Conversion to SEK shall apply the current spot rates at the time of calculation.

Section 3 The economic value of all assets, liabilities and off-balance sheet items shall be calculated by discounting future cash flows to a present value.

Section 4 The valuation shall be based on the remaining period until the next interest rate adjustment. For assets and liabilities where the firm may alter the interest rate with immediate effect, e.g. savings accounts, the fixed interest term is assumed to be one day. Where the firm can show empirical support for assumptions that more accurately reflect the firm's actual risk exposure, the firm may use to its own assumptions. These shall be made available to Finansinspektionen.

Chapter 4 Archiving

Section 1 The data that forms the basis for reporting to Finansinspektionen shall be documented in a manner that enables control at a later date. For this reason the data shall be stored for at least one calendar year after documentation.

These regulations enter into force 1 February 2007, when Finansinspektionen's regulations (FFFS 1998:11) regarding the reporting of interest rate risk shall cease to apply.

INGRID BONDE

Göran Nirdén

INTEREST RATE RISK REPORT

INSTITUTION	
HANDLED BY	TELEPHONE NUMBER

PERIOD

INSTITUTION NUMBER
COMP. REG. NO.

Amounts indicated in SEK thousands without decimals

A. Interest Rate Risk Report

Sudden and sustained displacement of the yield curve

Change of calculation methods and/or assumptions

A1 Calculation methods and/or assumptions have changed since the previous reporting occasion

Yes	
No	

	1		
A2 Own funds			
Own funds			
A3 Own funds excluding ancillary own funds			
Own funds excluding ancillary own funds			
	1	2	
Risk in own funds	Absolute risk	Risk, % of own funds	
A4 200 points upwards			
A5 200 points downwards			