



Guideline Impact Analysis Statement

B-12 Interest Rate Risk Management

Date: May 2019

I. Background

OSFI issued guideline B-12 in 2005 to provide a risk control framework for managing interest rate risk to prudent levels for banks, bank holding companies and federally regulated trust and loan companies. The guideline endorsed the guidance issued in 2004 by the Basel Committee on Banking Supervision (BCBS) through the “*Principles for the Management and Supervision of Interest Rate Risk*”.

II. Problem Identification

The BCBS updated its guidance in 2016 by issuing [Interest Rate Risk in the Banking Book](#) (IRRBB). OSFI’s current guideline is a concise document that, if not updated and expanded, would not align with revised international guidance and best practice.

III. Objectives

OSFI’s objective is to ensure that the guideline remains current and comprehensive with respect to defining a risk control framework for managing IRRBB at a prudent level. Specifically, revisions to the guideline focus on:

- Additional guidance regarding an institution’s IRRBB governance process.
- Descriptions of OSFI’s expectations regarding IRRBB measurement, the development of stress and shock scenarios, as well as key behavioural and modelling assumptions institutions should consider.
- The introduction of an outlier/materiality test that compares an institution’s maximum loss to its capital base under various prescribed scenarios.

IV. Consultations

OSFI issued the draft guideline revisions on IRRBB for public consultation in October 2018. The cover letter to the final guideline contains a summary of material comments received from stakeholders and an explanation of how they have been addressed.



V. Recommendations

OSFI recommends that the guideline be updated to incorporate the revised IRRBB standard issued by the BCBS in 2016 in order to provide institutions with additional guidance and transparency on the aspects of interest rate risk management that are of particular interest to OSFI.

VI. Implementation & Evaluation

The guideline will be effective January 1, 2020 for domestic systemically important banks (D-SIBs) and January 1, 2021 for all other deposit-taking institutions. Once implemented, OSFI will monitor adherence to the guideline through ongoing supervision of institutions. The current version of Guideline B-12 remains effective for non-D-SIBs until January 1, 2021.