

RESPONSE TO FEEDBACK RECEIVED

November 2018

Proposed Capital Framework for Interest Rate Risk in the Banking Book in MAS Notice 637

MAS

Monetary Authority of Singapore

Contents

1	Preface	3
2	Response to Feedback	3
	Annex – List of Respondents to the Consultation Paper	5

1 Preface

1.1 On 9 January 2017, MAS consulted on proposed amendments to the capital framework for interest rate risk in the banking book (IRRBB) in MAS Notice 637 on Risk-based Capital Adequacy Requirements for Banks Incorporated in Singapore.

1.2 The consultation closed on 10 February 2017. MAS would like to thank all respondents for their feedback. The list of respondents is in the Annex.

1.3 MAS has revised MAS Notice 637 to set out requirements for the identification, measurement, monitoring and control of IRRBB, that are consistent with the standard issued by the Basel Committee on Banking Supervision on IRRBB (<http://www.bis.org/press/p160421.htm>). The amendments relating to IRRBB will take effect from 31 December 2018.

1.4 MAS has considered the feedback received carefully and where appropriate, has incorporated them into the revised MAS 637. Feedback of wider interest, together with MAS' responses, is set out below.

2 Response to Feedback

Requirements for MAS' Review and Approval of Baseline Estimates

2.1 MAS proposed in the consultation paper that baseline estimates made by the Reporting Bank for loan prepayments and early withdrawal of fixed-term deposits under the Standardised Approach for calculating IRRBB (SA(IR)) are subject to MAS' review and approval.

2.2 A respondent sought clarification whether review and approval needed to be obtained from MAS prior to the use of such baseline estimates, and on the approval process.

MAS' Response

2.3 Where the Reporting Bank has adopted the SA(IR) wholly as its internal measurement system, the Reporting Bank is required to submit all relevant documentation on computing such baseline estimates, including the methodology and assumptions used, for MAS' approval prior to the use of such baseline estimates.

2.4 However, MAS does not require the Reporting Bank to seek prior approval of the baseline estimates where the Reporting Bank has elected to adopt the SA(IR) in part as its internal measurement system, unless directed otherwise by MAS. In such cases, the baseline estimates would continue to be subject to MAS' review as part of the supervisory

review process. MAS may require the Reporting Bank to make rectifications to address deficiencies in the bank's methodologies where necessary.

IRRBB Reporting Requirements

2.5 MAS proposed to collect IRRBB data on economic value of equity and net interest income in a new Reporting Schedule 5G. Respondents provided feedback that MAS should consider collecting information relating to material currencies¹ rather than the top six currencies, and change in net interest income for only the parallel up and down stress scenarios instead of all six prescribed stress scenarios.

MAS' Response

2.6 MAS agrees with the feedback on Schedule 5G and has incorporated the suggestions in the finalised reporting template.

IRRBB Disclosure Requirements

2.7 The consultation paper proposed revised Pillar 3 disclosure requirements for IRRBB. Respondents expressed concerns on the implementation timeline of the revised disclosure requirements.

MAS' Response

2.8 In light of industry feedback, MAS will delay the implementation of the revised Pillar 3 disclosure requirements for IRRBB until a later date. In the interim, banks will continue to be subject to current Pillar 3 disclosure requirements for IRRBB.

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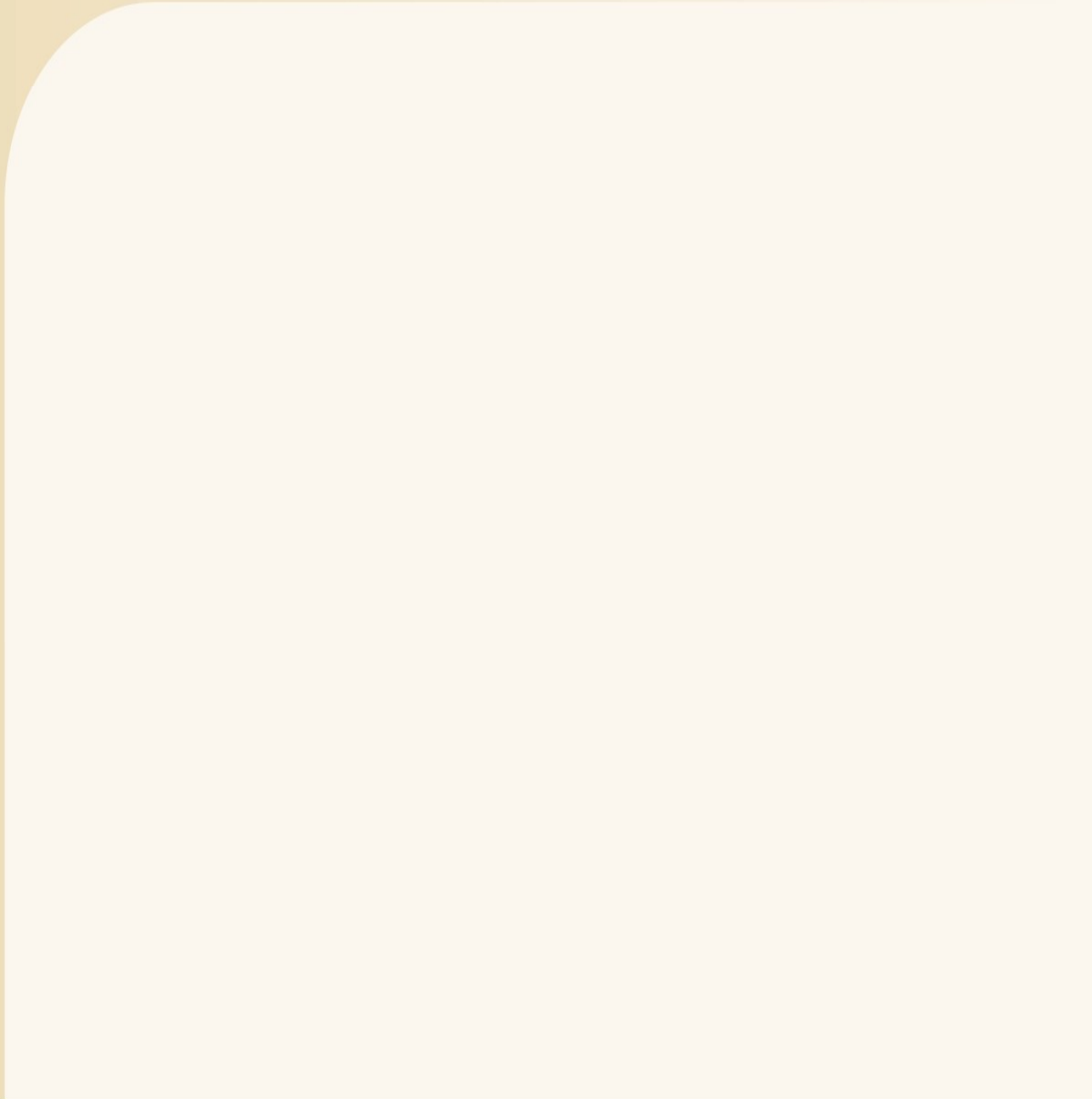
13 November 2018

¹ Currencies that account for more than 5% of the Reporting Bank's assets or liabilities.

**LIST OF RESPONDENTS TO THE CONSULTATION PAPER ON PROPOSED
CAPITAL FRAMEWORK FOR INTEREST RATE RISK IN THE BANKING BOOK
IN MAS NOTICE 637**

1. DBS Bank Ltd

Three respondents requested confidentiality of identity.



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