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Zagreb, April 12, 2023

TO ALL CREDIT INSTITUTIONS
Attention of: Management Board

Subject: Application of the Guidelines issued on the basis of Article 84 (6) of Directive 2013/36/EU specifying criteria for the identification, evaluation, management and mitigation of the risks arising from potential changes in interest rates and of the assessment and monitoring of credit spread risk, of institutions' non-trading book activities (EBA/GL/2022/14) of 20 October 2022

Dear Sir/Madam,

On 20 October 2022, the European Banking Authority (EBA) issued the *Guidelines issued on the basis of Article 84 (6) of Directive 2013/36/EU specifying criteria for the identification, evaluation, management and mitigation of the risks arising from potential changes in interest rates and of the assessment and monitoring of credit spread risk, of institutions' non-trading book activities* (hereinafter: Guidelines on IRRBB and CSRBB; EBA/GL/2022/14).

The Guidelines on IRRBB and CSRBB replace the *Guidelines on the management of interest rate risk arising from non-trading book activities* (hereinafter: Guidelines EBA/GL/2018/02), published in 2018.

The new, updated Guidelines on IRRBB and CSRBB provide continuity to the previous Guidelines (EBA/GL/2018/02) and update certain aspects of IRRBB management. The most important amendments relate to the inclusion of two new sets of criteria: i) the criteria to identify non-satisfactory internal models for IRRBB management and ii) the criteria to assess and monitor credit spread risk (CSRBB).

The Guidelines on IRRBB and CSRBB form a whole with the provisions of the Decision on governance arrangements and the technical standards in preparation, which will define the supervisory outlier test as well as the standardised methodology and the simplified standardised methodology for IRRBB.

Pursuant to the provisions of Directive 2013/36/EU, the Guidelines on IRRBB and CSRBB define the criteria for determining whether the internal systems implemented by institutions for the purpose of the evaluation of IRRBB are non-satisfactory (section 4.4), in which case a competent authority may require a credit institution to use the standardised methodology to be prescribed by the new technical standard, which is in the process of adoption (RTS on the standardised methodology and the simplified standardised methodology). The Guidelines also

specify additional criteria for the assessment and monitoring by institutions of their credit spread risk arising from their non-trading book activities (CSRBB). The Guidelines therefore contain dedicated sections for CSRBB (sections 4.5 and 4.6) providing a definition and the scope of application of CSRBB, with specific provisions on the identification, assessment and monitoring of CSRBB.

The Guidelines apply from 30 June 2023, with the exception of sections 4.5 and 4.6 on CSRBB that apply from 31 December 2023.

In accordance with Article 4, paragraph (1), item (3) of the Credit Institutions Act¹, the Croatian National Bank shall make every effort to comply with the guidelines and recommendations issued by the EBA in accordance with Article 16 of Regulation (EU) No 1093/2010 (OJ L 24.11.2010). Credit institutions are expected to apply the Guidelines as good practice, respecting the expectations contained in this circular; in cases of non-compliance with the applicable provisions of the Guidelines consideration will be given to the need to impose supervisory measures to ensure compliance with the Guidelines.

The Guidelines are available on the EBA's website at the following links:

1. The Guidelines in the Croatian language: *Smjernice izdane na temelju članka 84. stavka 6. Direktive 2013/36/EU kojima se određuju kriteriji za prepoznavanje, procjenu, upravljanje i ublažavanje rizika koji proizlaze iz mogućih promjena kamatnih stopa, kao i za procjenu i praćenje rizika kreditne marže, u okviru poslova institucija koji se vode u knjizi pozicija kojima se ne trguje:*
https://www.eba.europa.eu/sites/default/documents/files/document_library/Publications/Guidelines/2022/EBA-GL-2022-14%20GL%20on%20IRRBB%20and%20CSRBB/Translations/1052187/GL%20on%20IRRBB%20and%20CSRBB%20%28EBA%20GL%202022%2014%29_HR_REV.pdf
2. The Guidelines in the English language: *Guidelines issued on the basis of Article 84 (6) of Directive 2013/36/EU specifying criteria for the identification, evaluation, management and mitigation of the risks arising from potential changes in interest rates and of the assessment and monitoring of credit spread risk, of institutions' non-trading book activities:*
https://www.eba.europa.eu/sites/default/documents/files/document_library/Publications/Guidelines/2022/EBA-GL-2022-14%20GL%20on%20IRRBB%20and%20CSRBB/1041754/Guidelines%20on%20IRRBB%20and%20CSRBB.pdf

Kind regards,

Tomislav Čorić
Vicegovernor

¹ Official Gazette 159/2013, 19/2015, 102/2015, 15/2018, 70/2019, 47/2020, 146/2020 and 151/2022.