

9 FSA017 – Interest rate gap

This data item collects information on the interest rate gap. It is designed to provide the PRA with sufficient information to understand the interest rate sensitivity of a firm's assets and liabilities.

Currency

You should report in the currency of your annual audited accounts ie in either Sterling, Euro, US dollars, Canadian dollars, Swedish Kroner, Swiss Francs or Yen. Figures should be reported in 000s.

Data elements

These are referred to by row first, then by column, so data element 2A will be the element numbered 2 in column A.

Gap analysis is undertaken by examining details of interest sensitive assets and liabilities to establish when they will next reprice (i.e. be subject to a change in interest rate), and then tabulating those which reprice within set time periods (known as 'time buckets', within which all items repricing are grouped together). Interest rate sensitive items are those assets and liabilities that are subject to contractual change in interest rates, or which mature (fall due for repayment) during the period of the return. (Note that the contractual date for repricing purposes is not necessarily the maturity date of the asset/liability. For example, a 3 year loan could be repriced every six months at a spread above 6 month LIBOR. If it was rolled over a month ago then it will reprice in 5 months', not in 3 years', time.)

Those assets and liabilities lacking definitive repricing intervals (e.g. sight deposits or savings accounts) or actual maturities that could vary from contractual maturities (e.g. mortgages with an option for early repayment) should be assigned to repricing time bands according to the judgement and past experience of the firm.

When fixed rate liabilities in an individual time bucket exceed fixed rate assets in the same bucket, a 'negative gap' exists for that period - implying that a rise in interest rates for that period should produce an increase in net interest income, and a fall in rates should give rise to a fall in net interest income. Conversely, when fixed rate assets exceed fixed rate liabilities in the same time bucket, a 'positive gap' exists and net interest income should fall if interest rates increase and rise if rates reduce.

Variable rate items, for which there is no lead time between a change in market rates and a corresponding change in the contracted interest rate (i.e. effectively overnight) should be placed in the "overnight" time bucket. Conventionally, first year time buckets are of shorter duration than later time buckets. However, the precise choice of time buckets is a matter for each firm.

On and off balance sheet items should be allocated to the various time buckets in accordance with their re-pricing date. The information in respect of balances to be used in this data item should not be fair-valued but should be based on the contractual position (i.e. between the lender and borrower).

Care should be taken in allocating off balance sheet items. Firms need to consider the essential interest-bearing characteristics of these instruments. For example:

Swaps: if a fixed rate mortgage of 3 years maturity is swapped to a 6 month LIBOR rate then the impact on the gap analysis should be shown by placing the notional swapped amount into the 3 year liability time bucket and the same amount in the 6 month asset time bucket.

FRAs: if a deposit is due to re-price in 3 months' time for 3 months and the firm wishes to hedge its exposure, then it might do so by buying an FRA where in 3 months' time it receives

an amount of interest covering the further 3 month period (i.e. it will buy a 3v6 FRA). This should be shown as a 6 month liability and a 3 month asset in the gap analysis, reflecting the fact that effectively (a) the firm has locked in now (at time zero) to paying a fixed rate in 3 months' time covering a 3 month period (hence in total 6 months), and (b) the firm has an exposure now for 3 months to the rate at which the receiving leg of the FRA will settle. In 3 months' time, on settlement, the FRA will disappear from the analysis as proceeds, or preferably payments, will have been settled and the derivative interest rate exposure extinguished.

Non interest rate sensitive items (e.g. fixed assets, reserves or interest accruals) should be placed in the most distant time bucket. This should not be included in the sensitivity calculations but remains on the gap report for the sake of balance sheet completeness. The PRA recognises that there are several schools of thought over where to allocate reserves in a gap analysis and will consider other board-approved scenarios which are consistently applied and rationalised.

Where firms fully hedge or match customer products, in theory, there is no gap created. However, in practice, permanent one-for-one matching is not always possible. There may be lead times during which the asset/liability and the related hedge/match are out of step. For example, this may occur when swapping fixed rate mortgages: the mortgages can complete over a period of time, whilst the swap is typically effected in full at a particular point in time. A perfect match or hedge may be disrupted by the early repayment of a fixed rate mortgage or early withdrawal of a fixed rate savings product on the death of an investor.

The PRA recognises that the contractual re-pricing relating to certain assets and liabilities do not bear a close relationship to their actual behavioural characteristics. So a firm may report its interest rate gap analysis after taking account of these "behavioural" assumptions; these should be included in the rows for "adjusted for actual expected re-pricing date".

Where balances are committed but not yet drawn down, the amount should be included in the relevant row for "pipeline products".

The information in respect of balances to be reported in column A should not be fair-valued but should report the contractual position.

The data item should be completed for all currencies in aggregate.

FSA017 – Interest rate gap report validations

Internal validations

Data elements are referenced first by row then by column.

Validation number	Data element	
1	1A	= 2%
2	2A	= 2B+2C+2D+2E+2F+2G+2H+2J+2K+2L+2M+2N+2P+2Q
3	3A	= 3B+3C+3D+3E+3F+3G+3H+3J+3K+3L+3M+3N+3P+3Q
4		[deleted – replaced by validation 201]
5	4A	= 4B+4C+4D+4E+4F+4G+4H+4J+4K+4L+4M+4N+4P+4Q
6	5A	= 5B+5C+5D+5E+5F+5G+5H+5J+5K+5L+5M+5N+5P+5Q
7	6A	= 6B+6C+6D+6E+6F+6G+6H+6J+6K+6L+6M+6N+6P+6Q
8		[deleted – replaced by validation 202]
9	7A	= 7B+7C+7D+7E+7F+7G+7H+7J+7K+7L+7M+7N+7P+7Q
10	8A	= 8B
11		[deleted – replaced by validation 203]
12	10A	= 10B+10C+10D+10E+10F+10G+10H+10J+10K+10L+10M+10N+10P+10Q []
28	11A	= 11B+11C+11D+11E+11F+11G+11H+11J+11K+11L+11M+11N+11P+11Q
29	12A	= 12B+12C+12D+12E+12F+12G+12H+12J+12K+12L+12M+12N+12P+12Q
30	13A	= 13B+13C+13D+13E+13F+13G+13H+13J+13K+13L+13M+13N+13P+13Q
31	13A	= 10A+11A+12A
32	13B	= 10B+11B+12B
33	13C	= 10C+11C+12C
34	13D	= 10D+11D+12D
35	13E	= 10E+11E+12E
36	13F	= 10F+11F+12F

37 13G = 10G+11G+12G

38 13H = 10H+11H+12H

39 13J = 10J+11J+12J

40 13K = 10K+11K+12K

41 13L = 10L+11L+12L

42 13M = 10M+11M+12M

43 13N = 10N+11N+12N

44 13P = 10P+11P+12P

45 13Q = 10Q+11Q+12Q

46 14A = 14B+14C+14D+14E+14F+14G+14H+14J+14K+14L+14M+14N+14P+14Q

47 15A = 15B+15C+15D+15E+15F+15G+15H+15J+15K+15L+15M+15N+15P+15Q

49 16A = 16B+16C+16D+16E+16F+16G+16H+16J+16K+16L+16M+16N+16P+16Q

50 17A = 17B+17C+17D+17E+17F+17G+17H+17J+17K+17L+17M+17N+17P+17Q

51 18A = 18B+18C+18D+18E+18F+18G+18H+18J+18K+18L+18M+18N+18P+18Q

53 19A = 19B+19C+19D+19E+19F+19G+19H+19J+19K+19L+19M+19N+19P+19Q

54 20A = 20B

55 20A = 8A

56 20B = 8B

58 22A = 22B+22C+22D+22E+22F+22G+22H+22J+22K+22L+22M+22N+22P+22Q

59 23A = 23B+23C+23D+23E+23F+23G+23H+23J+23K+23L+23M+23N+23P+23Q

61 24A = 24B+24C+24D+24E+24F+24G+24H+24J+24K+24L+24M+24N+24P+24Q

77 25A = 25B+25C+25D+25E+25F+25G+25H+25J+25K+25L+25M+25N+25P+25Q

78 25A = 11A

105 28G = 13G-27G
106 28H = 13H-27H
107 28J = 13J-27J
108 28K = 13K-27K
109 28L = 13L-27L
110 28M = 13M-27M
111 28N = 13N-27N
112 28P = 13P-27P
113 28Q = 13Q-27Q
201 3A = 0
202 6A = 0
203 9A = 9B+9C+9D+9E+9F+9G+9H+9J+9K+9L+9M+9N+9P+9Q
204 10A = 24A
205 10A = 2A+3A+4A+5A+6A+7A+8A+9A
206 10B = 2B+3B+4B+5B+6B+7B+8B+9B
207 10C = 2C+3C+4C+5C+6C+7C+9C
208 10D = 2D+3D+4D+5D+6D+7D+9D
209 10E = 2E+3E+4E+5E+6E+7E+9E
210 10F = 2F+3F+4F+5F+6F+7F+9F
211 10G = 2G+3G+4G+5G+6G+7G+9G
212 10H = 2H+3H+4H+5H+6H+7H+9H
213 10J = 2J+3J+4J+5J+6J+7J+9J
214 10K = 2K+3K+4K+5K+6K+7K+9K
215 10L = 2L+3L+4L+5L+6L+7L+9L
216 10M = 2M+3M+4M+5M+6M+7M+9M
217 10N = 2N+3N+4N+5N+6N+7N+9N
218 10P = 2P+3P+4P+5P+6P+7P+9P
219 10Q = 2Q+3Q+4Q+5Q+6Q+7Q+9Q

220 15A = 0

221 18A = 0

222 19A = 4A+7A-16A

223 21A = 21B+21C+21D+21E+21F+21G+21H+21J+21K+21L+21M+21N+21P+21Q

224 23A = 0

225 24A = 14A+15A+16A+17A+18A+19A+20A+21A+22A+23A

226 24B = 14B+15B+16B+17B+18B+19B+20B+21B+22B+23B

227 24C = 14C+15C+16C+17C+18C+19C+21C+22C+23C

228 24D = 14D+15D+16D+17D+18D+19D+21D+22D+23D

229 24E = 14E+15E+16E+17E+18E+19E+21E+22E+23E

230 24F = 14F+15F+16F+17F+18F+19F+21F+22F+23F

231 24G = 14G+15G+16G+17G+18G+19G+21G+22G+23G

232 24H = 14H+15H+16H+17H+18H+19H+21H+22H+23H

234 24J = 14J+15J+16J+17J+18J+19J+21J+22J+23J

235 24K = 14K+15K+16K+17K+18K+19K+21K+22K+23K

236 24L = 14L+15L+16L+17L+18L+19L+21L+22L+23L

237 24M = 14M+15M+16M+17M+18M+19M+21M+22M+23M

238 24N = 14N+15N+16N+17N+18N+19N+21N+22N+23N

239 24P = 14P+15P+16P+17P+18P+19P+21P+22P+23P

240 24Q = 14Q+15Q+16Q+17Q+18Q+19Q+21Q+22Q+23Q

241 31B = 31C+28B

242 31C = 31D+28C

243 31D = 31E+28D

244 31E = 31F+28E

245 31F = 31G+28F

246 31G = 31H+28G

247 31H = 31J+28H

248 31J = 31K+28J
249 31K = 31L+28K
250 31L = 31M+28L
251 31M = 31N+28M
253 38A = 38B+38C+38D+38E+38F+38G+38H+38J+38K+38L+38M+38N+38P
254 39A = 39B+39C+39D+39E+39F+39G+39H+39J+39K+39L+39M+39N+39P
255 40A = 40B+40C+40D+40E+40F+40G+40H+40J+40K+40L+40M+40N+40P
256 41A = 41B+41C+41D+41E+41F+41G+41H+41J+41K+41L+41M+41N+41P
257 42A = 42B+42C+42D+42E+42F+42G+42H+42J+42K+42L+42M+42N+42P
258 44B = $1/((1+43B)^{34B})$
259 44C = $1/((1+43C)^{34C})$
260 44D = $1/((1+43D)^{34D})$
261 44E = $1/((1+43E)^{34E})$
262 44F = $1/((1+43F)^{34F})$
263 44G = $1/((1+43G)^{34G})$
264 44H = $1/((1+43H)^{34H})$
265 44J = $1/((1+43J)^{34J})$
266 44K = $1/((1+43K)^{34K})$
267 44L = $1/((1+43L)^{34L})$
268 44M = $1/((1+43M)^{34M})$
269 44N = $1/((1+43N)^{34N})$
270 44P = $1/((1+43P)^{34P})$
271 45B = $1/((1+(43B+1A))^{34B})$
272 45C = $1/((1+(43C+1A))^{34C})$
273 45D = $1/((1+(43D+1A))^{34D})$
274 45E = $1/((1+(43E+1A))^{34E})$
275 45F = $1/((1+(43F+1A))^{34F})$
276 45G = $1/((1+(43G+1A))^{34G})$

277 45H = $1/((1+(43H+1A))^{34H})$
278 45J = $1/((1+(43J+1A))^{34J})$
279 45K = $1/((1+(43K+1A))^{34K})$
280 45L = $1/((1+(43L+1A))^{34L})$
281 45M = $1/((1+(43M+1A))^{34M})$
282 45N = $1/((1+(43N+1A))^{34N})$
283 45P = $1/((1+(43P+1A))^{34P})$
285 46C = $1/((1+(43C-1A))^{34C})$
286 46D = $1/((1+(43D-1A))^{34D})$
287 46E = $1/((1+(43E-1A))^{34E})$
288 46F = $1/((1+(43F-1A))^{34F})$
289 46G = $1/((1+(43G-1A))^{34G})$
290 46H = $1/((1+(43H-1A))^{34H})$
291 46J = $1/((1+(43J-1A))^{34J})$
292 46K = $1/((1+(43K-1A))^{34K})$
293 46L = $1/((1+(43L-1A))^{34L})$
294 46M = $1/((1+(43M-1A))^{34M})$
295 46N = $1/((1+(43N-1A))^{34N})$
296 46P = $1/((1+(43P-1A))^{34P})$
297 47B = $28B^{44B}$
298 47C = $28C^{44C}$
299 47D = $28D^{44D}$
300 47E = $28E^{44E}$
301 47F = $28F^{44F}$
302 47G = $28G^{44G}$
303 47H = $28H^{44H}$
304 47J = $28J^{44J}$
305 47K = $28K^{44K}$

306	47L	=	28L*44L
307	47M	=	28M*44M
308	47N	=	28N*44N
309	48B	=	28B*45B
310	48C	=	28C*45C
311	48D	=	28D*45D
312	48E	=	28E*45E
313	48F	=	28F*45F
314	48G	=	28G*45G
315	48H	=	28H*45H
316	48J	=	28J*45J
317	48K	=	28K*45K
318	48L	=	28L*45L
319	48M	=	28M*45M
320	48N	=	28N*45N
321	49B	=	28B*46B
322	49C	=	28C*46C
323	49D	=	28D*46D
324	49E	=	28E*46E
325	49F	=	28F*46F
326	49G	=	28G*46G
327	49H	=	28H*46H
328	49J	=	28J*46J
329	49K	=	28K*46K
330	49L	=	28L*46L
331	49M	=	28M*46M
332	49N	=	28N*46N
333	46B	=	$1/1((1+43B-1^a))^34B$

334 47P = 28P*44P
335 48P = 28P*45P

336 49P = 28P*46P
337 31N = 31P+28N
338 31P = 28P
339 38B = 48B-47B
340 38C = 48C-47C

341 38D = 48D-47E
342 38E = 48E-47E

343 38F = 48F-47F
344 38G = 48G-47G

345 38H = 48H-47GH

346 38J = 48J-47J

347 38K = 48K-47K
348 38L = 48L-47L
349 38M = 48M-47M
350 38N = 48N-47N
351 38P = 48P-47P
352 39B = 49B-47B
353 39C = 49C-47C
354 39D = 49D-47D
355 39E = 49E-47E
356 39F = 49F-47F

357	39G	=	49G-47G
358	39H	=	49H-47H
359	39J	=	49J-47J
360	39K	=	49K-47K
361	39L	=	49L-47L
362	39M	=	49M-47M
363	39N	=	49N-47N
364	39P	=	49P-47P