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 compounded in arreas SONIA. 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 compounded in arreas SONIA 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

79	26A	=	26B+26C+26D+26E+26F+26G+26H+26J+26K+26L+26M+26N+26P+26Q
80	26A	=	12A
81	27A	=	27B+27C+27D+27E+27F+27G+27H+27J+27K+27L+27M+27N+27P+27Q
82	27A	=	13A
83	27A	=	24A+25A+26A
84	27B	=	24B+25B+26B
85	27C	=	24C+25C+26C
86	27D	=	24D+25D+26D
87	27E	=	24E+25E+26E
88	27F	=	24F+25F+26F
89	27G	=	24G+25G+26G
90	27H	=	24H+25H+26H
91	27J	=	24J+25J+26J
92	27K	=	24K+25K+26K
93	27L	=	24L+25L+26L
94	27M	=	24M+25M+26M
95	27N	=	24N+25N+26N
96	27P	=	24P+25P+26P
97	27Q	=	24Q+25Q+26Q
98	28A	=	28B+28C+28D+28E+28F+28G+28H+28J+28K+28L+28M+28N+28P+28Q
99	28A	=	0
100	28B	=	13B-27B
101	28C	=	13C-27C
102	28D	=	13D-27D
103	28E	=	13E-27E
104	28F	=	13F-27F

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

These instructions come into effect on Saturday 1 January 2022.

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-1ª))^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

These instructions come into effect on Saturday 1 January 2022.

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-47