Market Risk Policy

Market Risk Policy | Global

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1. Purpose

This Policy establishes the framework under which the Company identifies, measures, limits, manages, monitors and reports market risk. For the Company, as a deposit-taking institution that conducts banking book business and does not operate a trading book, the dominant market risk is interest rate risk in the banking book (IRRBB). This Policy is therefore anchored in the Basel Committee on Banking Supervision (BCBS) standards on IRRBB and the related elements of the Basel Framework, and also addresses foreign exchange risk, credit spread risk in the banking book, and the narrow circumstances in which any traded market risk could arise.

The Policy sets out the Company's market risk appetite and limit structure, the approved measurement approaches (economic value of equity and net interest income sensitivity, supported by repricing gap analysis), the mandate within which Treasury may operate, the permitted use of derivatives for hedging, the stress testing programme, and the governance arrangements through which the Asset and Liability Committee (ALCO), management and the Board Risk Committee (BRC) oversee market risk.

This Policy has been approved by the Board Risk Committee under delegation from the Board. It is owned by the Chief Risk Officer, who holds documented accountability for the Company's market risk management framework, including under any senior manager accountability regime applicable in the Company's jurisdiction(s). It forms part of the Company's enterprise risk management framework and must be read together with the Risk Appetite Statement, the Liquidity Risk Policy, the Capital Management Policy and the Treasury procedures.

2. Scope

This Policy applies to the Company and all of its controlled entities, and to all directors, officers, employees and contractors whose activities create, manage, measure or report market risk. It covers all on- and off-balance sheet positions in the banking book, including lending products, deposit products, wholesale funding, the liquid asset portfolio held for regulatory liquidity purposes, capital investments, and all derivative positions.

The market risks within scope are: interest rate risk in the banking book (repricing, yield curve, basis and optionality risk), credit spread risk in the banking book, and foreign exchange risk. Credit spread risk on the liquid asset portfolio is measured and reported under this Policy; issuer credit risk on those holdings is governed by the Credit Risk Management Policy. Liquidity and funding risk are governed by the Liquidity Risk Policy, although decisions on funding tenor and composition are made with regard to their IRRBB consequences under this Policy.

The Company does not operate a trading book. No position may be taken with trading intent, and no proprietary or speculative position-taking is permitted in any market. Should the Board ever approve trading activity, this Policy must first be amended to incorporate the market risk requirements of the Basel Framework (FRTB), including trading book boundary rules, valuation controls and dedicated limits; the brief provisions of the Trading Book Activities section apply until then.

2.1 Jurisdictional application

This Policy states international best practice, anchored to the Basel Framework and related international standards. The Company must map the requirements of this Policy to the law and prudential rules of each jurisdiction in which it operates, including local implementations of the IRRBB and market risk capital standards, and must insert local values where bracketed placeholders appear. Where applicable local law or a local regulator imposes a stricter or additional requirement, that requirement prevails over this Policy.

3. Definitions

Term	Definition
Banking book	All on- and off-balance sheet positions of the Company that are not assigned to the trading book, including loans, deposits, liquid asset holdings and hedging derivatives held for risk management purposes rather than with trading intent.
Trading book	Positions in financial instruments held with trading intent or to hedge other trading book positions, managed with a view to short-term resale or to profit from short-term price movements, as delineated by the trading book boundary rules of the Basel Framework. The Company does not operate a trading book unless expressly approved by the Board.
Interest Rate Risk in the Banking Book (IRRBB)	The risk to the Company's capital, economic value and earnings arising from movements in interest rates affecting banking book positions, including repricing, yield curve, basis and optionality risk, as addressed by the Basel Committee on Banking Supervision (BCBS) standard on interest rate risk in the banking book.
Economic value of equity (EVE)	The present value of the Company's banking book assets less the present value of its liabilities, including off-balance sheet items. EVE sensitivity measures the change in this value under a defined interest rate shock.
Net interest income (NII) sensitivity	The change in the Company's projected net interest income over a defined horizon

	(typically 12 months) under a defined interest rate shock, relative to a base case.
Repricing gap	The difference between the volume of assets and liabilities (including off-balance sheet items) that reprice or mature within a given time bucket.
Repricing risk	The risk arising from timing mismatches in the maturity or repricing dates of banking book assets, liabilities and off-balance sheet positions.
Yield curve risk	The risk that non-parallel shifts in the yield curve (steepening, flattening or twists) adversely affect the Company's economic value or earnings.
Basis risk	The risk arising from imperfect correlation between the reference rates of instruments that reprice at similar times, for example assets priced off an interbank or overnight benchmark rate funded by deposits priced at administered rates.
Optionality risk	The risk arising from embedded or behavioural options in banking book products, including loan prepayment and redraw behaviour, early withdrawal of term deposits and rate-lock commitments.
Credit spread risk in the banking book (CSRBB)	The risk that changes in market credit spreads, independent of issuer default or downgrade, reduce the value or earnings contribution of banking book holdings, most relevantly the liquid asset portfolio.
Behavioural assumptions	Documented, evidence-based assumptions used in IRRBB measurement about customer behaviour that differs from contractual terms, including non-maturity deposit stability and repricing profiles, and loan prepayment rates.
Non-maturity deposits (NMDs)	Deposits with no contractual maturity, such as transaction and at-call savings accounts, whose behavioural repricing profile must be modelled for IRRBB purposes.
Asset and Liability Committee (ALCO)	The management committee responsible for day-to-day oversight of the Company's balance sheet, including funding, liquidity, market risk and interest rate risk in the banking book, operating under delegated authority from the Board or its risk committee.
PV01	The change in the present value of a

	position or portfolio resulting from a one basis point parallel shift in the relevant yield curve; a measure of outright interest rate sensitivity.
Hedge	A transaction, normally a derivative, executed to reduce or offset an identified interest rate or foreign exchange exposure in the banking book, and designated as such at inception.
Hedge accounting	The accounting treatment under IFRS 9 (or the IAS 39 macro fair value hedge carve-out, where the Company applies it) that aligns the recognition of gains and losses on a hedging instrument with the hedged item, reducing accounting volatility from economic hedges.
Open FX position	The net amount of assets less liabilities (including committed off-balance sheet amounts) denominated in a single foreign currency, expressed in the Company's base (reporting) currency equivalent.
Base currency	The currency in which the Company prepares its financial statements and in which it predominantly conducts its business, against which foreign exchange exposure is measured.
BRC	The Board Risk Committee, the committee of the Board responsible for oversight of the Company's risk management framework and approval of this Policy.

4. Regulatory Framework

The key legislation, regulations and standards relevant to this document include (as amended from time to time):

Instrument / Standard	Relevance
Basel Framework — Interest rate risk in the banking book (BCBS, 2016; SRP 31 and DIS 70)	The core international standard for this Policy: sets principles for the identification, measurement, monitoring and control of IRRBB, prescribes the six standardised interest rate shock scenarios and the supervisory outlier test, and establishes expectations for behavioural modelling, governance and disclosure.
Basel Framework — Minimum capital requirements for market risk (FRTB, MAR standards)	Sets the capital and risk management requirements for traded market risk, including the standardised and internal models approaches; would apply in full

End of preview

This is a preview extract. The complete document continues beyond the pages shown here.

The full document is supplied as a single, fully editable Microsoft Word (.docx) file immediately after purchase — including every remaining section, the definitions, the regulatory framework references and all appendices and templates.

Bracketed prompts such as [30 days] mark the points where your own thresholds, committee names and local regulatory references are inserted.