30 January 2026

BY email to pfpconsult@bnm.gov.my

ASIFMA Response to Bank Negara Malaysia (BNM) Exposure Draft on Interest Rate Risk in the Banking Book (IRRBB) issued on 30 September 2025

Dear Pengarah, Jabatan Dasar Kewangan Pruden

The Asia Securities Industry and Financial Markets Association ("ASIFMA")[1], on behalf of our members welcomes the opportunity to provide feedback on BNM's Exposure Draft on Interest Rate Risk in the Banking Book (IRRBB).

We appreciate BNM's commitment to strengthening risk management practices and aligning Malaysia's regulatory framework with international standards, notably the Basel IRRBB principles. We recognize the importance of robust IRRBB management in safeguarding financial stability, especially in today's volatile interest rate environment. The proposed framework's emphasis on integrated risk management, behavioral modeling, and enhanced governance reflects global best practices and is a positive step for the Malaysian banking sector.

We wish to highlight that ASIFMA's membership primarily comprises multinational banks operating through various legal entities under Malaysia's subsidiary model. Therefore, our comments will focus exclusively on matters relevant to this community. Furthermore, some members plan to submit individual responses offering more detailed insights.

Should you have any questions, please do not hesitate to contact me Diana Parusheva (dparusheva@asifma.org), Managing Director, Head of Public Policy and Sustainable Finance at ASIFMA.

Yours faithfully

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[1] ASIFMA is an independent, regional trade association with over 140 member firms comprising a diverse range of leading financial institutions from both the buy and sell side, including banks, asset managers, professional services firms and market infrastructure service providers. Together, we harness the shared interests of the financial industry to promote the development of liquid, deep and broad capital markets in Asia. ASIFMA advocates stable, innovative and competitive Asian capital markets that are necessary to support the region's economic growth. We drive consensus, advocate solutions and effect change around key issues through the collective strength and clarity of one industry voice. Our many initiatives include consultations with regulators and exchanges, development of uniform industry standards, advocacy for enhanced markets through policy papers, and lowering the cost of doing business in the region. Through the GFMA alliance with SIFMA in the United States and AFME in Europe, ASIFMA also provides insights on global best practices and standards to benefit the region.

Question 2: The Bank invites views on the differences in managing IRRBB associated with conventional financial exposures, versus Rate of Return Risk in the Banking Book (RORBB) associated with Islamic financial exposures. For Islamic financial institutions specifically, please share any challenges associated with managing/hedging RORBB.

For banks which currently risk manage Islamic and conventional exposures on an integrated basis, we respectfully request supervisory flexibility to continue to manage these exposures in aggregate to align with existing risk management and reporting practices. Further segmentation would require material enhancements to data architecture and modelling frameworks, resulting in a significant extension of the implementation timeline.

Question 4: What are the challenges your financial institution foresees in adhering to the requirements within this Principle, if any? Please elaborate on any steps your financial institution is currently taking, if any, to work towards overcoming those challenges.

We seek clarification on the rationale for separately measuring FV changes for FVOCI instruments in the banking book. From a technical perspective, this is already captured in EVE calculation. We would appreciate clarification on whether the requirement is intended as an additional monitoring metric or to capture risks not otherwise addressed within the EVE framework. We believe that alignment with the EVE-based measurement would avoid duplication while ensuring consistency with Basel IRRBB principles and established industry practice."

Where there are deviations to modelling assumptions in the proposed Exposure Draft, we seek supervisory flexibility to allow for deviations to the extent that the banks' models are in line with Basel guidance; specifically Paragraph 46 "modelling assumptions should be conceptually sound and reasonable, and consistent with historical experience".

Question 5: The Bank recognises that there are alternative methods for slotting cash flows (and subsequently discounting them for the calculation of EVE) into time buckets. In particular, one such alternative method involves splitting each cash flow between two adjacent time buckets using weights, such that it reflects the exact maturity of the cash flow, rather than slotting them fully into the time bucket in which they fall.

What are your financial institution's views on the cash flow slotting methodology outlined in this ED?

With regards to cashflow slotting into the prescribed 19 time-bucket framework, the bank's IRRBB and related risk systems are currently aligned based on broader tenor buckets (i.e. monthly buckets up to 1 year and annual buckets beyond 1 year). Cashflow slotting principles applied under the existing framework are in line with Basel guidelines. We assess that a full realignment to the 19 time-bucket structure would require fundamental changes across multiple systems and result in a significant extension of the implementation timeline. Therefore, we seek supervisory flexibility to allow the continued use of existing bucket structures

Question 6:Question

a. **Does your financial institution face any challenges in meeting the minimum data requirements (i.e. 10 years of historical data) for determining the stable and non-stable portions of NMDs? If yes, please provide further details.**

With respect to the categorisation of Non-Maturity Deposits (NMDs), the bank currently classifies into retail and wholesale cohorts based on internal definitions and existing data structures. At present, some of our members do not have the required data granularity or historical depth to further distinguish retail NMDs into transactional and non-transactional categories for behavioural modelling purposes. Implementing such segmentation from the outset would therefore require material enhancements to data architecture and modelling frameworks, resulting in a significant extension of the implementation timeline.

We respectfully seek supervisory flexibility to allow the continued application of Basel-aligned internal NMD classification methodologies to support effective and timely implementation while mitigating execution risk.

Question 8: Question

b. **What are the main differences between your financial institution's current method of computing EVE, relative to the Standardised Framework?**

We seek clarification on whether the Standardised Approach (SA) is intended to be mandated as the sole approach or whether banks can apply internal methodologies aligned with Basel principles.

We assess that a full alignment with the SA from the outset would likely result in a significant implementation timeline, potentially extending beyond two years, given the complexity associated with data granularity requirements, system architecture changes, and the extensiveness of model development and validation.

We note that in other jurisdiction, regulator such as PRA and MAS have allowed banks to apply internal methodologies aligned with Basel principles. In this regard, we suggest that similar flexibility be considered that it would help mitigate implementation risk while supporting effective and timely compliance with the regulatory objectives.

Question 10:The QIS template and instructions manual are indicative of the finalized reporting template and reporting instructions respectively. The Bank is proposing for financial institutions to submit the reporting template.

c. **Monthly on an entity-level basis; and**
d. **Quarterly on a consolidated basis.**

Does your financial institution have any views on the proposed reporting requirements?

We note in other jurisdictions, regulators such as MAS, RBI, HKMA and OJK have implemented reporting on a quarterly basis. In this regard, we respectfully request alignment on reporting frequency to regional practices for quarterly submissions only.

In addition, we would also request that BNM considers quarterly reporting for significant currencies only, in accordance with the Basel Standards.