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Risk Mitigation Accounting Model: Bridging the Gap Between Bank Risk Management and IFRS 9

From Macro Hedge Accounting to Dynamic Management of Interest Rate Risk

24 November 2026

UBS Conference, Zlatibor



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Presentation agenda

Topic Name: RMA Model
Duration: 30 minutes | **Deloitte expert:** Ivan Ćirković

Topic objective:

Provide audience (Finance, Accounting, Risk and ALM) with *a structured overview of new IASB Risk Mitigation Accounting Model* and elaborate on *how it could reshape the connection between IRRBB/GIRR and financial reporting*.

Key topic features and considerations:

- What is actually the driver i.e., rational for introducing RMA by IASB?
- What happened with Hedge Accounting Concept under IFRS 9 and IAS 39?
- Can accounting finally reflect how banks manage interest rate risk in banking book and make dynamic IRRBB/GIRR visible under IFRS 9?

With you today:



Ivan Ćirković
Senior Manager

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Inevitability of Derivative Hedging in IRRBB/GIRR Mitigation and Steering

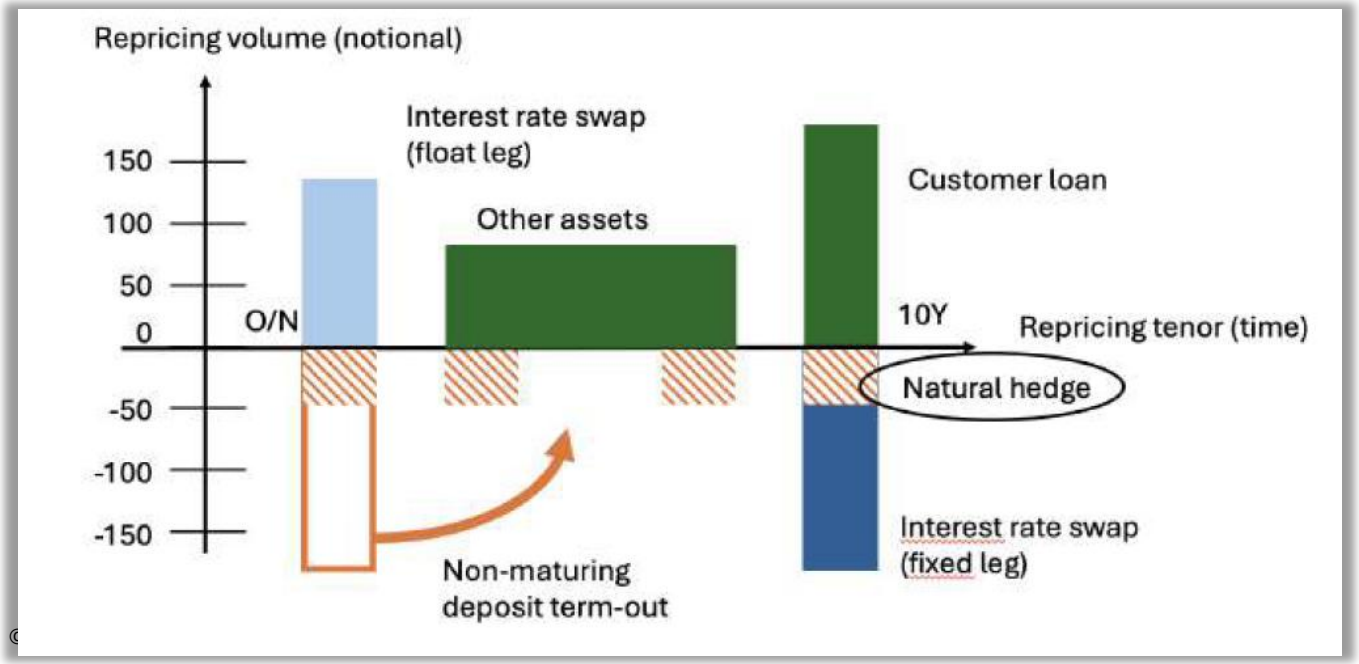
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Hedging strategies for IRR under changing market conditions

Natural offsets and derivative risk mitigation

Approach	Banking book (IRRBB)	Trading book (FRTB risk classes)
Natural hedging	Aligning the **repricing profiles and modified durations** of interest rate-sensitive assets and liabilities, e.g. match fixed-rate loans with fixed-rate funding of similar duration and cash-flow profile.	**Offset long and short TB positions** with closely matched issuer, currency and tenor exposures.
Derivative hedging	Using **financial derivatives** as hedging instruments, e.g. fixed-rate assets with floating-rate funding: a pay-fixed / receive-floating IRS reduces the repricing mismatch.	Long fixed-rate bond: **pay-fixed IRS or short futures reduces GIRR**. CDS can hedge issuer spread risk, subject to basis.



Natural hedge
Customer funding offsets part of the loan exposure, based on its estimated behavioral repricing profile.

Derivative hedge
A pay-fixed / receive-floating IRS offsets part of the remaining fixed-rate exposure.

Hedge Effectiveness?
Does the hedge remain effective for both ΔEVE and ΔNII under stressed deposit behavior and non-parallel yield-curve shifts?

Hedging strategies under changing market conditions

Benefits & limitations, advantages & disadvantages?

Natural Hedging

Pros: relatively simple strategy that does not require complex & structured products. Reduces structural mismatches through balance-sheet management. Avoids derivative-specific transaction costs and margin requirements.

Cons: depends on available funding and customer demand. May constrain product pricing or profitability (natural hedging is not cost-free: matched funding may be more expensive or limit commercial flexibility). Rebalancing can be slow.

Effectiveness in changing markets: can weaken when deposit repricing, withdrawals or loan prepayments differ from assumptions.



Derivative Hedging

Pros: allows more targeted adjustment by tenor, benchmark and notional. Can respond faster than changing the asset and funding mix i.e., natural hedging.

Cons: adds transaction and ongoing management costs, counterparty exposure and potentially collateral requirements. Requires valuation, documentation and accounting expertise**.**

Without Hedge Accounting Framework applied on established hedging relationship this strategy might be "useless"!!!

Effectiveness in changing markets: can weaken through basis mismatches/risk. Market stress can increase margin calls and make rebalancing more expensive.



2 Hedge Accounting under IAS 39 and IFRS 9

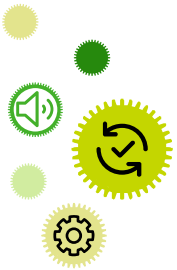
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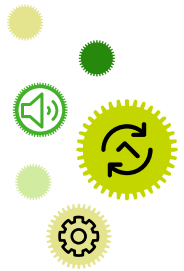
Hedge Accounting under IAS 39 and IFRS 9

Reminder of the existing Hedge Accounting Models under these standards

IAS 39	IFRS 9
Formal designation and documentation	
Formal designation and documentation of: • Risk management objective and strategy • Hedging instrument • Hedged item • Nature of risk being hedged • **Hedge effectiveness (including how it will be calculated)**	Formal designation and documentation of: • Risk management objective and strategy • Hedging instrument • Hedged item • Nature of risk being hedged • **Hedge effectiveness (including sources of ineffectiveness and how the hedge ratio is determined)**
Hedging relationship	
Hedging relationship consists only of **eligible hedging instruments** and **eligible hedged items.**	The **general requirement remains unchanged.** However, some items that were not eligible as hedged items or hedging instruments under IAS 39 are now eligible under IFRS 9 (e.g. net positions, risk components of non-financial items etc.)
Hedge effectiveness requirements	
• Hedge effectiveness can be reliably measured • Hedge is expected to be highly effective (**prospective testing)** • Hedge is assessed on an on-going basis and determined actually to have been highly effective **(retrospective testing 80 % - 125%)**	Hedge effectiveness requirements **(prospective)**: • Economic relationship exists • Credit risk does not dominate value changes • Designated hedge ratio is consistent with risk management strategy.



Hedge accounting is an exception to the usual accounting principles for financial instruments. IAS 39/IFRS 9 therefore require hedge relationships to meet certain criteria in order to qualify for hedge accounting.

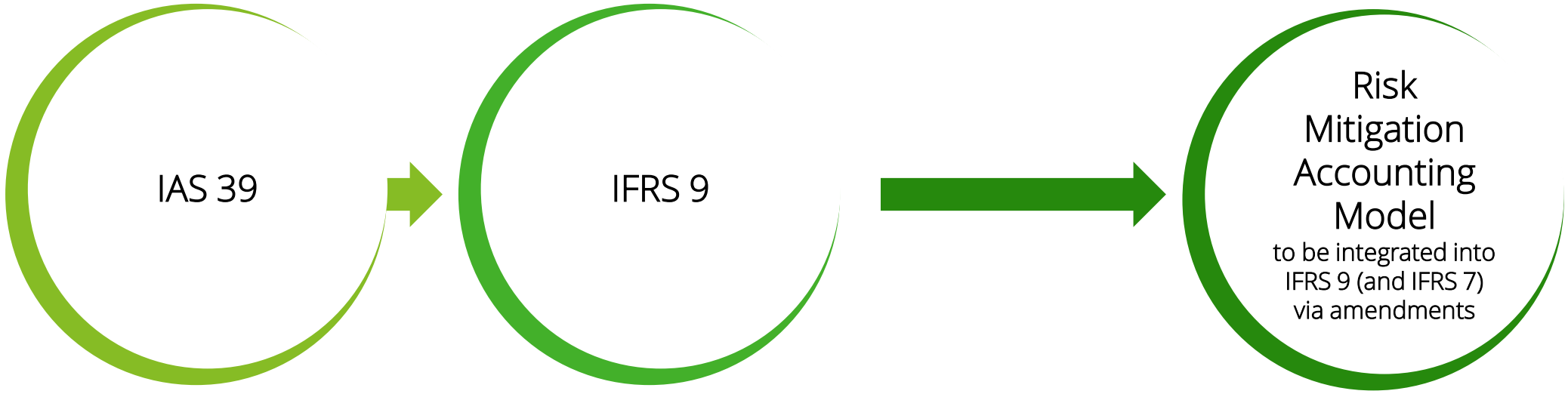


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Hedge Accounting under IAS 39 and IFRS 9

What are the issues?

Timeline



2001 – Present

- Strict (rigid) rules and quantitative tests - retrospective testing of hedge effectiveness
- Allowed micro and macro (portfolio) hedging of interest rate risk for both, closed and open portfolios (open portfolio/macro hedging is reffered to as dynamic hedging), but...

2018 - Present

- Greater flexibilty, greater alignment with risk management strategy, objectives & activities
- But, macro hedging is not fully allowed, ie. only closed portfolio macro hedging is. In other words, dynamic hedging is not allowed => banks are forced to use either "proxy hedge" or IAS 39 Hedge Accounting rules.

IFRS 9 introduced improved hedge accounting requirements **but did not cover** portfolio (or 'macro') hedge accounting of open portfolios. Instead, the IASB initiated the **Dynamic Risk Management project to develop a Risk Mitigation Accounting Model** with requirements that companies can apply proportionately to the sophistication of their business and risk management activities.

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Hedge Accounting under IAS 39 and IFRS 9

What are the issues? (cont.)

Type of hedging	Standard/model
Micro fair value hedge	**IFRS 9**
Micro cash flow hedge	**IFRS 9**
Closed portfolio (macro) hedge qualifying under IFRS 9	**IFRS 9**
Open / dynamic portfolio interest-rate fair value (macro) hedge	**IFRS 9 Proxy Hedge or IAS 39 fair value hedge of IRR of portfolio of FA and FL provisions**

IFRS 9 general hedge accounting does not contain a dynamic hedge-accounting model for open portfolios managed on a net basis. The alternative is Proxy hedge => the bank economically hedges its actual net ALM interest-rate exposure, but for hedge-accounting purposes it designates other eligible individual instruments or portfolios as a stand-in for that exposure because the true dynamically managed exposure cannot be directly represented under the existing IFRS 9 accounting model. **But this creates operational complexity and does not reflect the way ALM really manages IRR.**

On the other hand, **IAS 39** introduced portfolio fair value hedge accounting for interest-rate risk, **but it was not a true dynamic open-portfolio hedge-accounting model**. It still relied on accounting designations of eligible exposures and therefore could not fully reflect banks' dynamic management of net repricing risk, particularly where behavioral assumptions such as non-maturity deposits are involved. To precise, the issues with IAS 39 macro hedge are: *(1) Gross accounting designation vs net ALM management; (2) Static designation vs dynamic portfolio that creates repeated designation/discontinuation and significant operational complexity; (3) "Behaviouralisation", e.g. NMDs.*

That's why new Risk Mitigation Accounting Model

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Risk Mitigation Accounting Model by IASB

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IASB Risk Mitigation Accounting: dynamic hedging of IRR

Proposed IFRS 9 and IFRS 7 amendments for managing net repricing risk

STATUS AT 24 NOVEMBER 2026: Exposure draft and fieldwork ongoing. Final requirements and effective date pending.

Purpose: align accounting with dynamic management of open portfolios. The proposal would add an optional RMA model and seeks feedback on *withdrawing IAS 39 Hedge Accounting*.

Development milestones



3 DEC 2025

Exposure draft issued

19 MAY 2026

Comment period extended

30 NOV 2026

Comments and fieldwork due

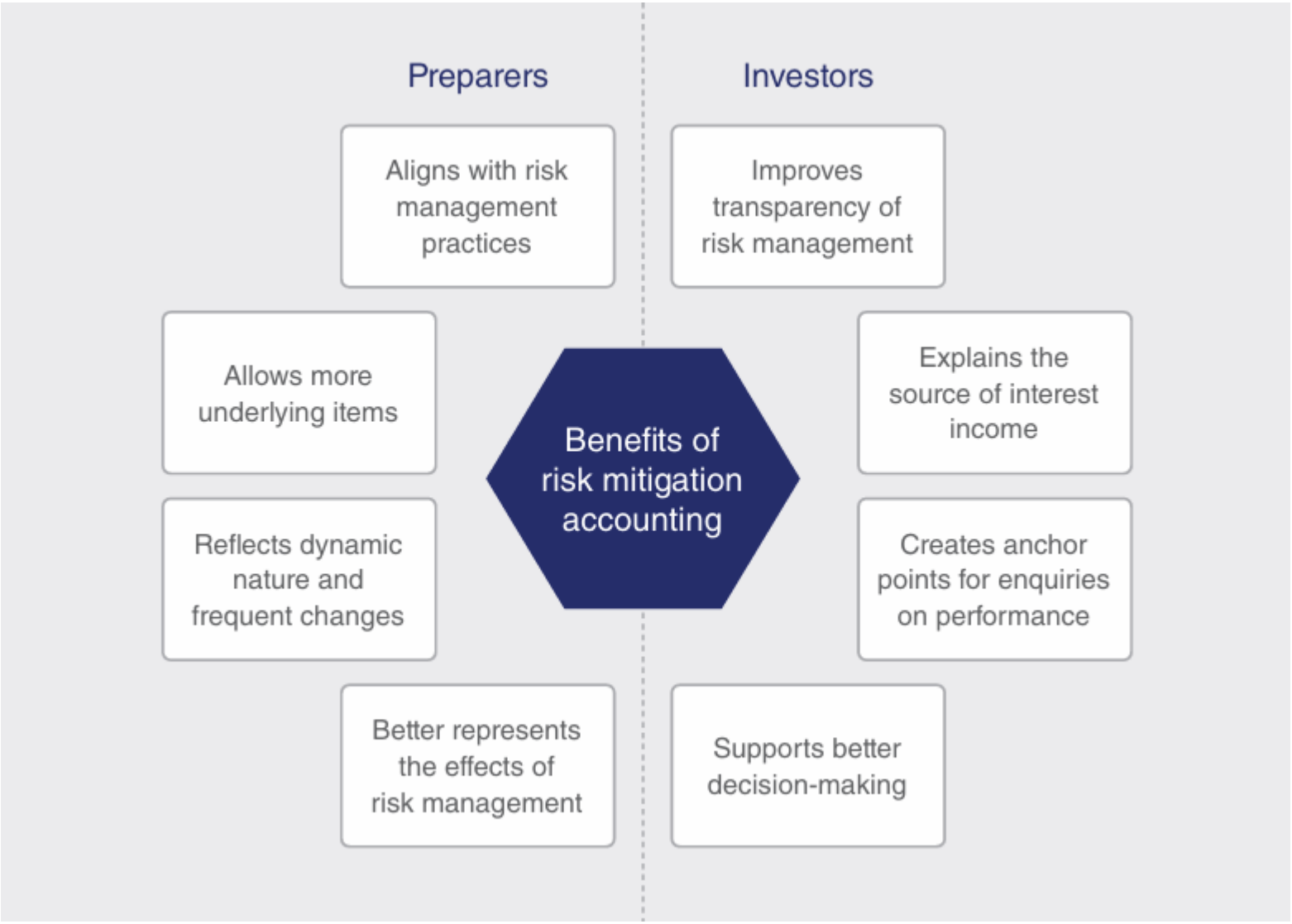
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Feedback and redeliberation

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IASB Risk Mitigation Accounting: dynamic hedging of IRRBB

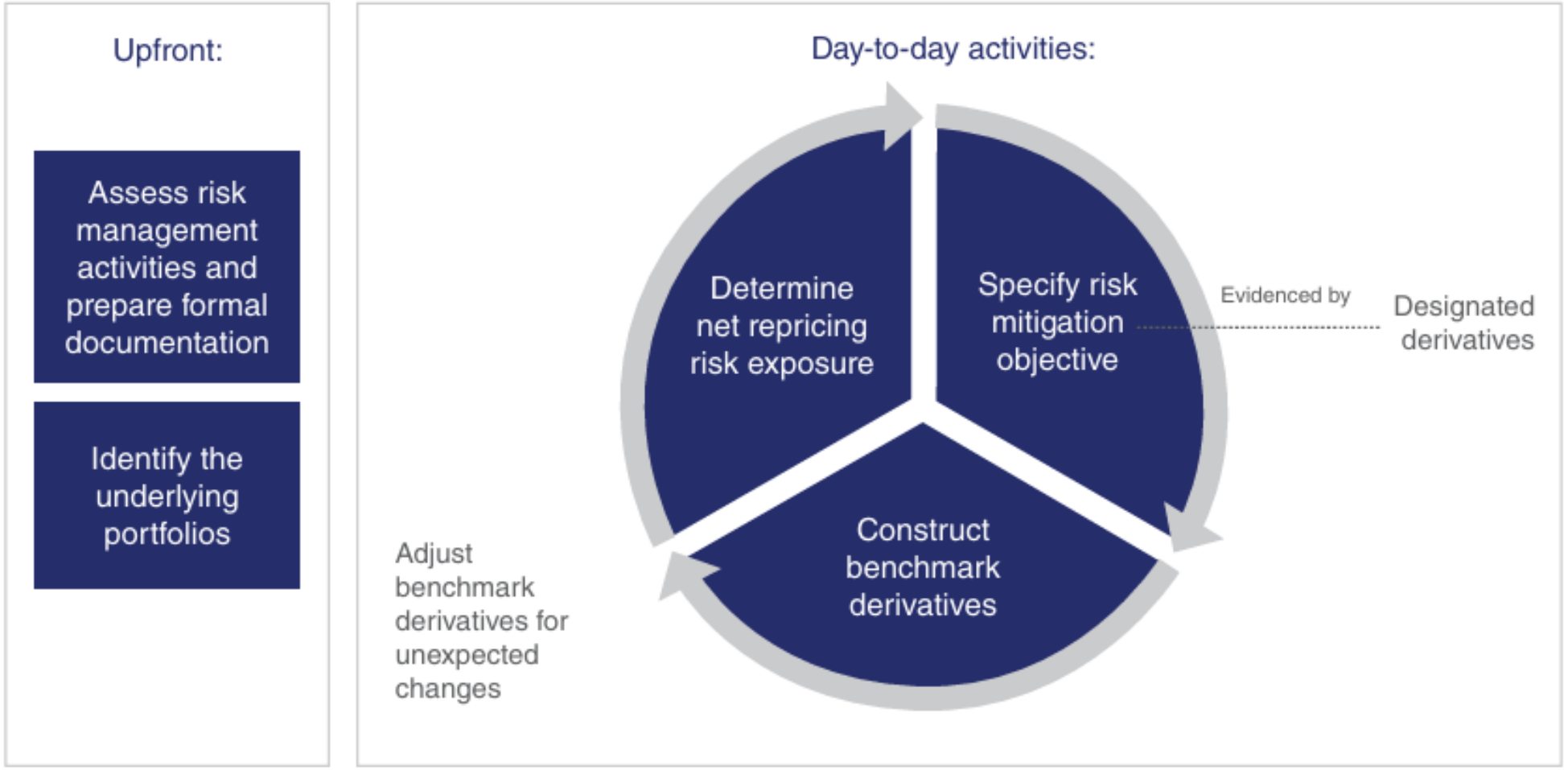
Benefits of RMA



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IASB Risk Mitigation Accounting: dynamic hedging of IRRBB

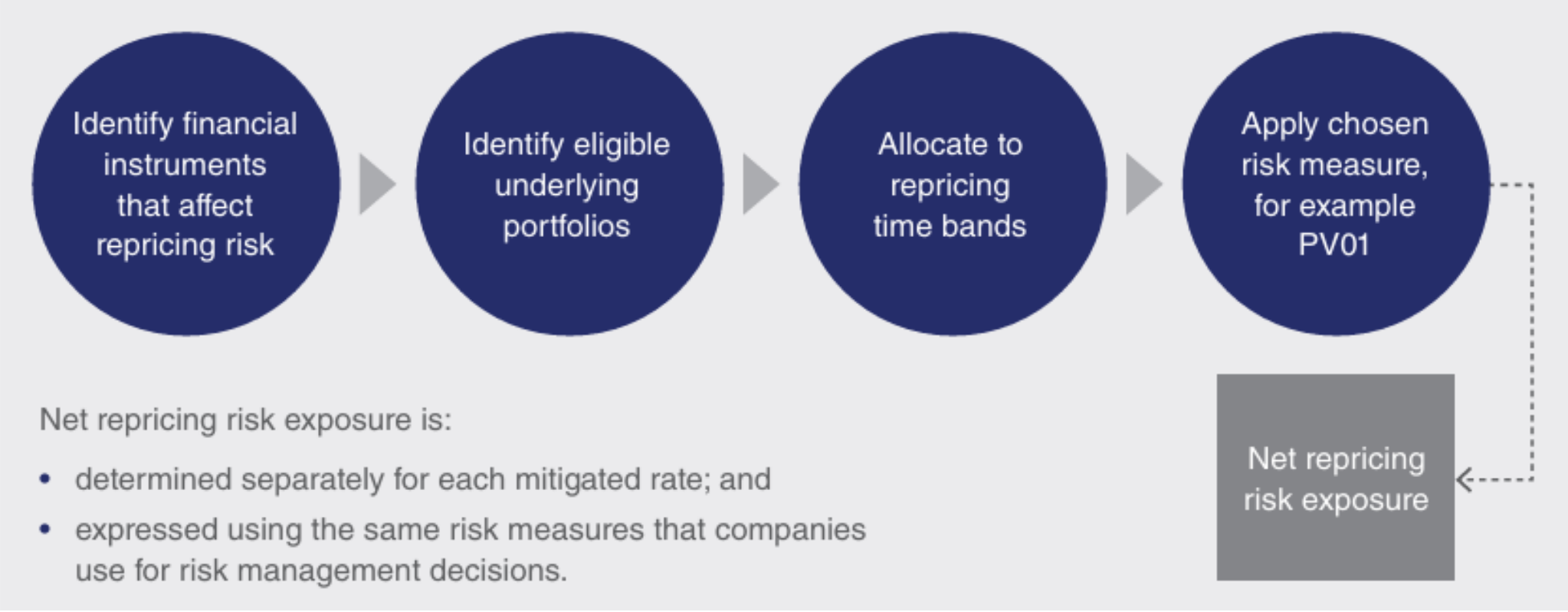
Applying RMA



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IASB Risk Mitigation Accounting: dynamic hedging of IRRBB

Calculating net repricing risk exposure



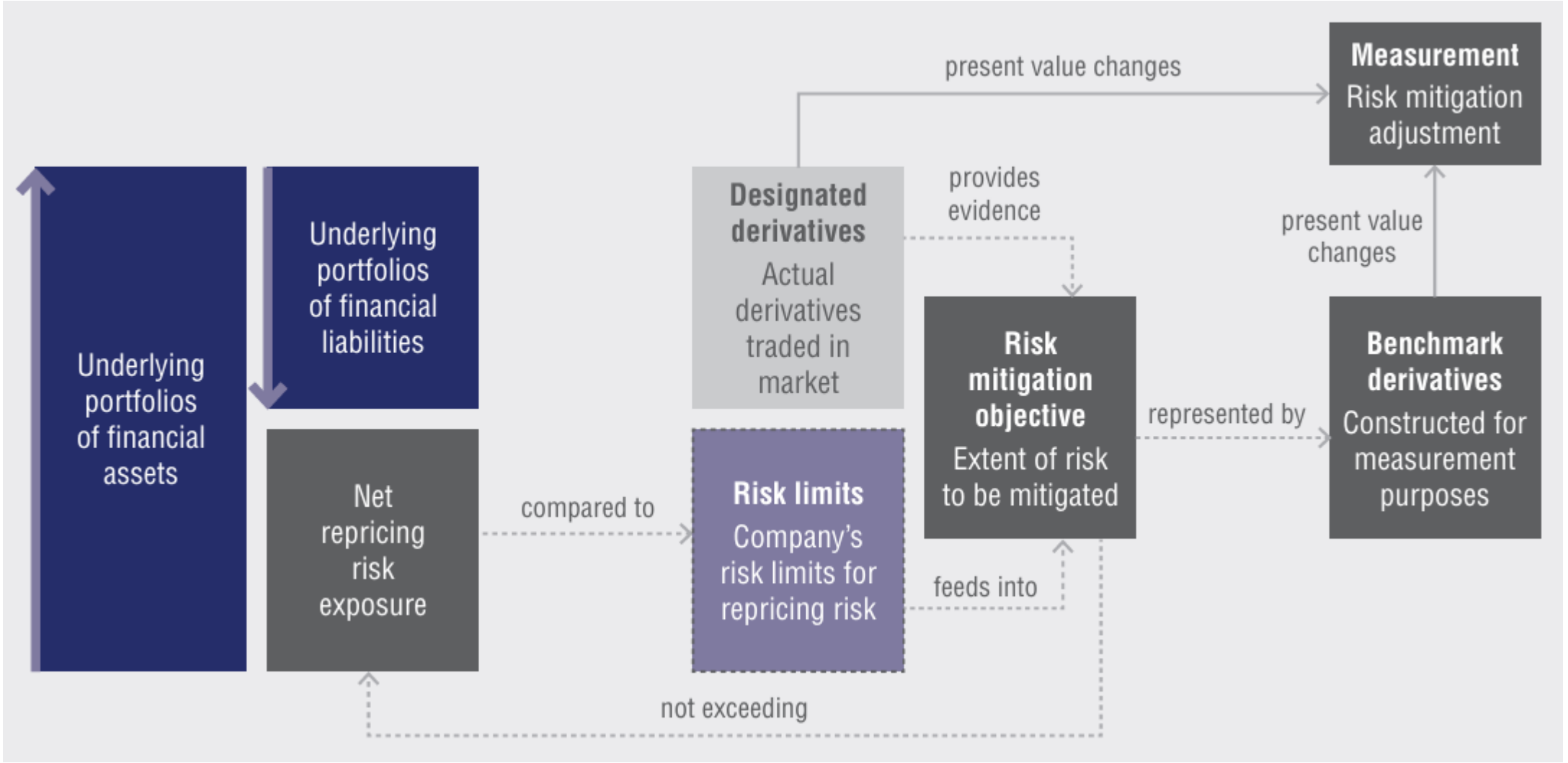
Net repricing risk exposure is:

- determined separately for each mitigated rate; and
- expressed using the same risk measures that companies use for risk management decisions.

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IASB Risk Mitigation Accounting: dynamic hedging of IRRBB

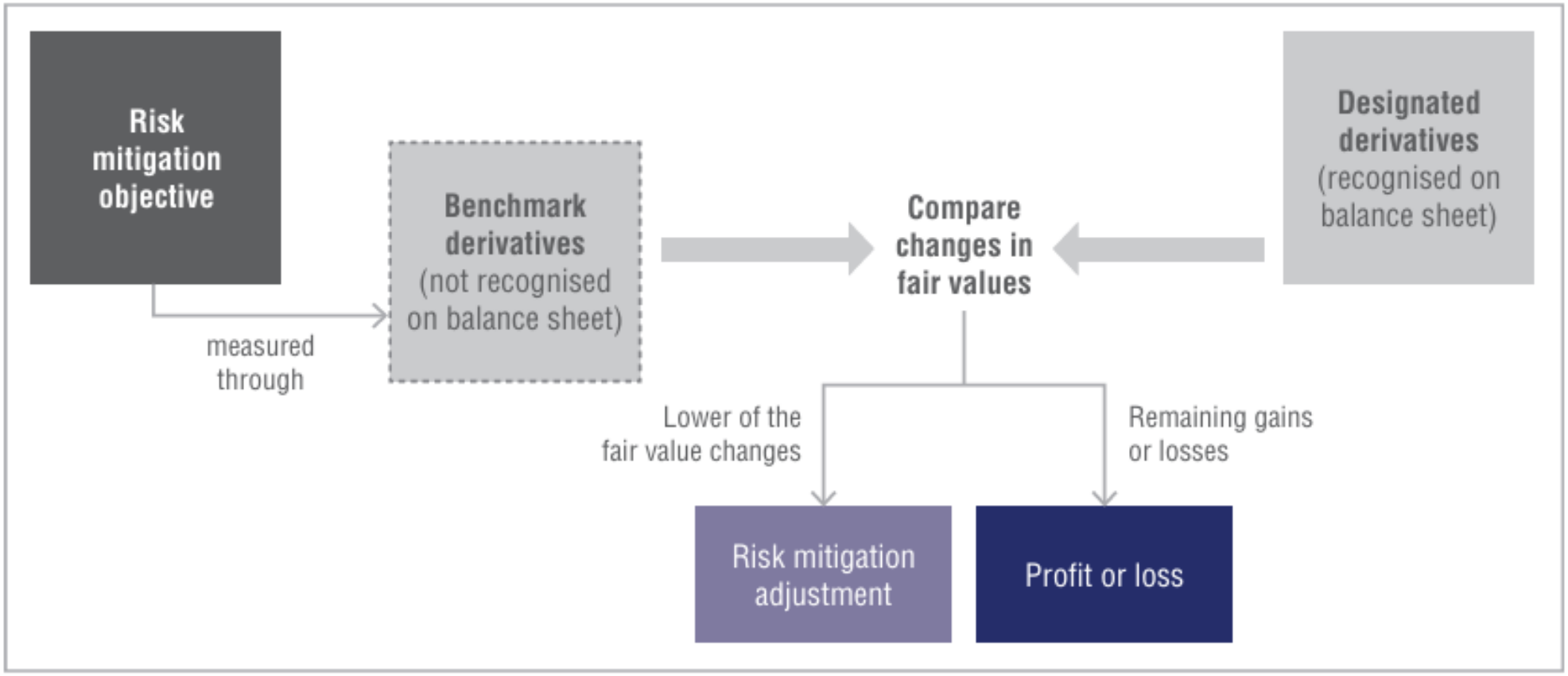
Recognition and measurement of risk mitigation adjustment



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IASB Risk Mitigation Accounting: dynamic hedging of IRRBB

Recognition and measurement of risk mitigation adjustment (cont.)



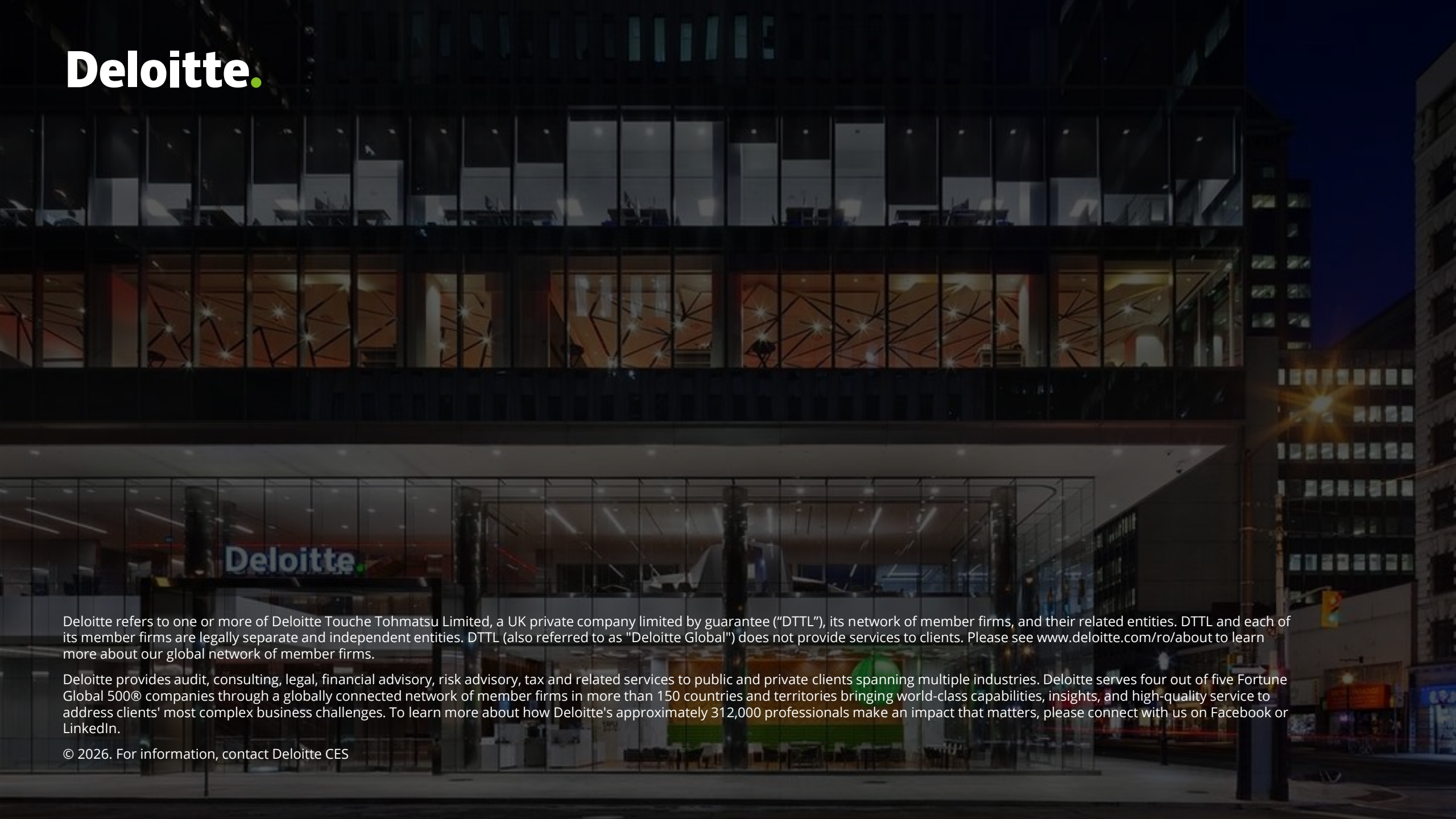
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Discussion and closing remarks

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