

# BBVA response to the EBA Consultation Paper on Draft Regulatory Technical Standards on assessment methodologies for the Advanced Measurement Approaches for the operational risk

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## General comments

BBVA Group welcomes the opportunity to comment on the consultation paper *on Draft Regulatory Technical Standards on assessment methodologies for the Advanced Measurement Approaches for operational risk*.

We broadly support the main comments given by the European Banking Federation (EBF). Additionally, BBVA Group would like to make several observations which are described in the attached document, *BBVA response to the EBA Consultation Paper on Draft Regulatory Technical Standards on assessment methodologies for the Advanced Measurement Approaches for operational risk*. We hope that it will be useful as input for the draft regulatory technical standards that EBA will submit to the Commission and are happy to discuss our comments if deemed useful.

Yours sincerely,

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## Response to the Consultation Paper

### Article 6. Questions, comments and proposals

We understand that EBA/CP/2014/08 is a master document and that in the future EBA will publish ad hoc guidelines for specific issues. However, and given the significance of article 6, we would appreciate these RTS to incorporate more information of how the EBA is expected to include credit risk fraud information within the operational events database. Particularly,

- Will the credit risk fraud mark be added to the operational risk database as a new field? Or will a new operational event type be created by the regulator in order to differentiate those data?
- Moreover, should the institutions be able to differentiate between “first party fraud” and “third party fraud” in their databases?

### Article 16.4. Comments and proposal

On the one hand, article 21.4 of the paper states that the institutions could use either the accounting date or the discovery date for building the calculation dataset. On the other hand, article 16.4 states that “... an institution shall be able to identify and record in the internal database, at least, the date of occurrence (when available), the date of the discovery and the date of accounting or reserve”. We consider that collecting the two dates (the discovery date and the accounting date) will be very expensive for institutions that have one date but not the other. These institutions will need to make major investments to get the other date, which will not be used for AMA calculations purposes. Also, it is important to note that article 16 is embedded in Chapter IV OPERATIONAL RISK MEASUREMENT.

Proposal: We consider that article 16.1 should indicate that the institution should be able to identify and record in the internal database, for each individual operational loss, at least the date used to build the calculation set and the accounting or discovery date (not both) and that the identification and record of additional dates should be optional.

### Article 35. Comments and proposal

Article 35 indicates that during the period of parallel running, an institution should calculate, on at least a quarterly basis, its operational risk regulatory capital requirement according to the old and to the new basis. Considering that the operational risk capital must be fairly stable over time (unless a major loss occurs between estimates) and considering that carrying out a completely new quarterly estimate implies a complete review of all decisions, assumptions,

calculations and documentation made in the model, that is, a resource and time-consuming task that may be of low or no value because the final figure will be fairly similar to the previous and the next one, we propose the following:

Proposal: We propose EBA to consider two types of capital calculations for the parallel running: an annual hard calculation, in which the main assumptions and decisions taken are reviewed for all operational risk units; and a quarterly soft calculation, in which only losses data are updated, except for those units with significant changes in losses; for the latter case, the institutions will conduct a more in-depth review.

