

Article	Reference	Response
Art 1.2	The competent authority shall verify that an institution has included legal risk, information and communication technology risks, as well as model risk, within the scope of operational risk with the exclusion of other kinds of risk.	Meaning of "with the exclusion of other kinds of risk" is not clear; suggest delete.
Art 5.1	Operational risk events occurring in market-related activities shall be classified as boundary events between operational risk and market risk. These events, and the related losses, shall be included within the scope of operational risk for the purpose of calculating the AMA regulatory capital.	It is not clear what the concept of "boundary events" means in this context. Suggest delete "boundary events between" and "and market risk" to read: Operational risk events occurring in market-related activities shall be classified as operational risk events. These events, and the related losses, shall be included within the scope of operational risk for the purpose of calculating the AMA regulatory capital.
Art 6	Operational risk events occurring in a credit product or credit process, which are caused by 'first party fraud' or 'third party fraud' shall be classified as fraud events in the credit area. These events, and the related losses, shall be included within the scope of operational risk for the purpose of calculating the AMA regulatory capital.	We disagree that fraud-related credit boundary events should be classified as "pure" operational risk events. There are many other types of credit-related losses where operational risk, rather than credit risk, is the "source" of the credit position (e.g. failures in collateral management). It is important that all credit boundary events are properly captured within the scope of operational risk and subject to the same qualitative operational risk management framework; however, it is appropriate to model the associated capital requirements consistently within credit risk
Art 7.2 c	opportunity costs/lost revenues - operational risk events that prevent undetermined future business from being conducted, such as unbudgeted staff costs, forgone revenue, project costs related to improving processes;	Including opportunity costs/lost revenues in operational risk event data should not be a requirement. Such information is highly subjective, would be costly to collect and would be of negligible value.
Art 8.2	'rapidly recovered loss events' means operational risk events that lead to losses that are recovered within five working days.	This definition of rapidly recovered events is too prescriptive and should include events recovered within ten days
Art 8.3	iii) An operational risk event, such as an accounting or a mark-to-market error, occurs in an institution's portfolio determining the revenue overstatement of the institution's financial statements for three years. After three years the institution recognizes the operational risk event and corrects the financial statement. Due to this event the institution is fined by the competent authorities, an action for collective redress is filed (e.g. as a consequence of a fallen share price) and a provision is made. As the operational risk event does not directly involve a third party or an employee, the loss amounts to be included in the scope of operational risk loss are the fines and the provisions only. The restatement is not included in the scope of operational risk loss.	This example and the text in Art 8.3 is unclear. The definition of timing events should be clarified to make it clear that it relates to unintended errors and excludes deliberate misstatement or fraud. The example given comprises one operational risk event with two impacts - a Direct Loss (being the fines/provisions) and a Timing Loss (being the financial restatement)
Art 45.2 b	the audit function verifies the integrity of the operational risk policies, processes and procedures, assessing whether these comply with legal and regulatory requirements as well with established controls. For this purpose, emphasis shall be provided to the verification of the quality of the sources and data used for operational risk management and measurement purposes.	The process to verify compliance with operational risk policies, processes and procedures and whether these comply with legal and regulatory requirements as well with established controls should ideally be carried out by the Risk Control function (separate from the Operational Risk Management function) and not by Internal Audit (who should review the overall Operational Risk Management Framework, of which this function is a part). We recommend that the text be amended to read: the internal validation function or audit function verifies the integrity of the operational risk policies, processes and procedures, assessing whether these comply with legal and regulatory requirements as well with established controls.