

Additional comments on EBA Consultation Paper 2014/08 Draft Regulatory Technical Standards on assessment methodologies for the Advanced Measurement Approaches for operational risk under Article 312 of Regulation (EU) No 575/2013

Company name: UniCredit SpA

Reference	Comment
Article 29 / 2 (a)	<p>We strongly believe that a firm operational risk taxonomy is the foundation to effective risk measurement and management, as it identifies the universe of operational risks that a Bank may be (or may be not) exposed to. Therefore we have estimated the probability of insurance recovery for existing insurance policies (i.e., BBB¹) around our operational risk taxonomy.</p> <p>We think that the use of scenario analysis in the estimating the probability of insurance recovery could be unnecessary and misleading as scenarios are normally very generic and cover the various cases of operational risk events, often out of standard insurance coverage.</p> <p>In the meantime, we agree on the specific requirement to use internal and external loss data for estimating the probability of insurance recovery. This data, classified according to the operational risk taxonomy including the 3rd level of Event type, could be used to benchmark the risk coverage assessment, performed by the industry experts.</p>
Article 31 / 6, 7	<p>While we recognize that the appropriate haircuts should be applied for residual and cancellation terms, we would welcome the further guidance on the methodology of calculation of such haircuts.</p> <p>As for the introduction of automatic renewal clause as a possible reason not to apply such haircuts, we draw your attention that this solution may not be applicable to some insurance policies that imply significant costs and require approval of corporate bodies.</p> <p>We deem unnecessary the introduction of automatic renewal clause also for the BBB insurance policy, as this insurance policy is related to a contract always available on the insurance markets and therefore without risk of non-renewal.</p>

¹ BBB – Banker's Blanket Bond

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Article 24 / 4	It shall be allowed to cap the maximum single loss in particular cases, where it is possible to show that the exposure to specific operational risk categories is finite, e.g. fraud events in the credit area, fraud events related to financial advisors.
Article 25 / 4	This article specifies that reserves related to exceptional operational risk losses are not qualified as allowable EL offsets. Since the classification of exceptional losses is quite subjective, in our opinion all the available reserves shall be considered for the EL calculation, given that the EL offset is constrained to the statistic EL (e.g. median)
Article 34 / 1	In our opinion, the parallel running shall be required before granting the permission to use the AMA. Once the permission has been granted, it shall not be required to continue the parallel running, since it is no longer useful.