

Bank of England PRA

Draft amendments to FSA073 instructions

In this Annex new text is underlined and deleted text is struck through.

FSA073 Pillar 2 Operational risk historical loss details

Firms should record details of the top ten (measured by gross loss net of direct recoveries) operational risk loss events for each “Event Type L1” in each year from 2008.

This data item should be resubmitted in full at each report. For instance, if the firm submits historical data from 2011 to 2014 this year, next year the firm will need to submit the full data set from 2011 to 2015 and not just the year 2015.

General information

Firm should complete the following mandatory fields:

- the basis of their reporting – UK consolidated, solo consolidation, UK consolidation group, prudential sub-consolidation, or capital sub-group;
- the submission number – firms should enter ‘1’ and increase this number by ‘1’ in case of resubmission;
- the unique ‘firm reference number’ (FRN);
- the name of the firm;
- the reporting period start and end dates – these dates should coincide with the ICAAP assessment period. In particular, the reporting end date is the balance sheet end date used for purposes of the ICAAP assessment; and
- the reporting currency – firms should report in the currency of their ICAAP i.e. Pounds Sterling (GBP), US Dollars (USD), Euros (EUR), Canadian Dollars (CAD), Swiss Francs (CHF), Japanese Yen (JPY) or Swedish Krona (SEK).

Units

All amounts should be reported in absolute values rounded to the nearest whole number in reporting currency.

Definitions

All definitions are in line with the PRA Rulebook~~this supervisory statement ITS on Supervisory Reporting, and CRD IV[‡]~~, unless otherwise specified.

[‡] Capital Requirements Directive (2013/36/EU) and Capital Requirements Regulation (575/2013), collectively ‘CRD IV’.

Unique ID

This is a unique reference to identify an operational loss event. Operational risk losses caused by a common operational risk event or by multiple events linked to a root event must be grouped and entered into the dataset as a single loss.

-Legal entity

This is the primary legal entity (unconsolidated) name where the operational risk loss occurred.

Regulatory business line

“Business line” as set out in Annex 1 of this document. ~~CRR Article 317.~~

In exceptional circumstances, an institution may allocate loss events which affect the entire institution to an additional business line ‘corporate items’.

Event type L1

Operational risk “~~Event Type Category (Level 1)~~” as set out in “Annex 2 – Detailed loss event type classification” in the Operational Risk Part of the PRA Rulebook. ~~defined in Article 324 of CRR.~~

Event type L2

Operational risk “~~Event Type Categories (Level 2)~~” as set out in “Annex 2 – Detailed loss event type classification” in the Operational Risk Part of the PRA Rulebook. ~~defined in Basel II Accord Annex 9 (BCBS 128).~~

Event description

Specific high-level description of the event. It should not only allow a third party to map the loss event to an “Event Type L1”, but also allow a clear differentiation between events.

Country where loss occurred

Country where the majority of the loss occurred. This is the primary country where the operational risk loss occurred as detailed in ISO 3166.

Date of discovery

The date on which the event was discovered.

Date logged

The date on which the event was first logged into the firm's loss data system.

Date of occurrence

The date on which the event occurred.

Date of financial impact

The date on which the event produced a financial impact.

Gross operational loss

Gross loss equals the sum of all impacts on the profit and loss account related to an operational risk event before recoveries of any type. This number must be positive if it is a loss, or negative if it is a gain. Gross loss includes external lawyers' fees, court fees, other litigation expenses as well as the cost of settlement.

Gross operational loss net of direct recoveries

Gross loss less direct recoveries. A recovery is an independent occurrence, separate in time from the original event, in which funds are recovered or contributed usually from or by a third party. Recoveries may be direct or indirect. An indirect recovery is generally an insurance recovery. A direct recovery is any payment (other than an indirect recovery) received by the firm which offsets the loss. This number must be positive if it is a loss, or negative if it is a gain.

Number of events

Number of losses caused by the common operational risk event or number of multiple events linked to the root event.

[Date TBC] ~~December 2018~~

Annex I – Business Lines and list of activities

<u>Business line</u>	<u>List of activities</u>
<u>Corporate finance</u>	<u>Underwriting of financial instruments or placing of financial instruments on a firm commitment basis</u> <u>Services related to underwriting</u> <u>Investment advice</u> <u>Advice to undertakings on capital structure, industrial strategy and related matters and advice and services relating to the mergers and the purchase of undertakings</u> <u>Investment research and financial analysis and other forms of general recommendation relating to transactions in financial instruments</u>
<u>Trading and sales</u>	<u>Dealing on own account</u> <u>Money broking</u> <u>Reception and transmission of orders in relation to one or more financial instruments</u> <u>Execution of orders on behalf of clients</u> <u>Placing of financial instruments without a firm commitment basis</u> <u>Operation of Multilateral Trading Facilities</u>
<u>Retail brokerage</u> <u>(Activities with natural persons or with SMEs meeting the criteria set out in Article 123 of the Credit Risk: Standardised Approach (CRR))</u>	<u>Reception and transmission of orders in relation to one or more financial instruments</u> <u>Execution of orders on behalf of clients</u> <u>Placing of financial instruments without a firm commitment basis</u>

<u>Commercial banking</u>	<u>Acceptance of deposits and other repayable funds</u> <u>Lending</u> <u>Financial leasing</u> <u>Guarantees and commitments</u>
<u>Retail banking</u> <u>(Activities with natural persons or with SMEs meeting the criteria set out in Article 123 of the Credit Risk: Standardised Approach (CRR))</u>	<u>Acceptance of deposits and other repayable funds</u> <u>Lending</u> <u>Financial leasing</u> <u>Guarantees and commitments</u>
<u>Payment and settlement</u>	<u>Money transmission services,</u> <u>Issuing and administering means of payment</u>
<u>Agency services</u>	<u>Safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management</u>
<u>Asset management</u>	<u>Portfolio management</u> <u>Managing of UCITS</u> <u>Other forms of asset management</u>