

FSA074 Pillar 2 Operational risk forecast losses

Firms should provide a forecast for total operational risk losses for the current calendar year and next three years (or as many years for which there are forecasts) for all operational risk events with conduct events reported separately. The forecast amounts need to be explained by a clear and coherent rationale.

This data item should be resubmitted in full at each report.

General information

Firm should complete the following mandatory fields:

- the basis of their reporting – UK consolidated, solo consolidation, UK consolidation group 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 this supervisory statement ITS on Supervisory Reporting, and CRD IV,¹ unless otherwise specified.

Calendar year

From 1 January to 31 December - this is based on the date of financial impact.

Conduct

For the purpose of the PRA assessment, conduct risk forecast losses are defined as forecast losses arising from events that would be classified in the “Event Type L1” ‘Clients, Products and Business

¹ Capital Requirements Directive (2013/36/EU) and Capital Requirements Regulation (575/2013), collectively ‘CRD IV’.

practices' (CPBP). Currently, conduct and legal losses make up the bulk of CPBP losses. In the current environment CPBP losses are considered a proxy for conduct risk losses.

Non-conduct

For the purpose of the PRA assessment, non-conduct risk forecast losses are defined as forecast losses that would not be classified as conduct risk.

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.

Rationale

Provide a clear and coherent explanation of the forecast amounts.