

Chapter 5

Operational risk

5.2 Advanced Measurement Approach permission

- 5.2.1** **G** This is relevant where the AMA is applied across only part of a *firm's* operations and is used in conjunction with either the Basic Indicator Approach (BIA), or the Standardised Approach (TSA).
- 5.2.2** **G** A *firm* may use an AMA in combination with the BIA or TSA, provided it obtains permission from the *FCA*. In granting such permission, the *FCA* is required by article 314(3) of the *EU CRR* (Combined use of different approaches) to impose the following conditions when the AMA is used in combination with BIA or TSA:
- (1) on the date of first implementation of the AMA, a 'significant' part of the *institution's operational risk* are captured by that approach; and
 - (2) the *institution* to commit to apply the AMA across a 'material' part of its operations within a time schedule approved by the *FCA*.
- 5.2.3** **G** For the purposes of these conditions, the *FCA* considers that:
- (1) a "significant" part of *operational risk* shall be approximately 50% (or more); and
 - (2) a 'material' part of its operations shall be around 85% (or more).