

Chapter 1

Commission Delegated Regulation (EU) 2018/959

Article 2 Definitions

For the purposes of this Delegated Act, the following definitions shall apply:

- (1) "body-tail modelling threshold" means the loss value that separates the body from the tail of the loss distributions;
- (2) "calculation data set" means the portion of gathered data, either actual or constructed, that fulfils the necessary conditions to serve as input into the operational risk measurement system;
- (3) "data collection threshold" means the loss value from which an institution identifies and collects operational risk losses for management and measurement purposes;
- (4) "date of accounting" means the date when a loss or a provision against an operational risk event is first recognized in the Profit and Loss;
- (5) "minimum modelling threshold" means the loss value from which the frequency and severity distributions, either empirical or parametric, are fitted to the operational risk losses;
- (6) "gross loss" or "loss" means the loss stemming from an operational risk event before recoveries of any type;
- (7) "misconduct event" means the operational risk event arising from willful or negligent misconduct, including inappropriate supply of financial services;
- (8) "operational risk category" means the level, such as the event type and the business line, at which an institution's operational risk measurement system generates separate frequency and severity distributions;
- (9) "operational risk profile" means the representation in absolute figures at a given point in time of an institution's actual and prospective operational risk;
- (10) "operational risk tolerance" means an institution's forward looking view, represented in absolute figures, of the aggregate level and types of operational risk that the institu-

tion is willing or prepared to incur which will not jeopardise its strategic objectives and business plan;

(11) "recovery" means the occurrence related to the original loss that is independent of that loss and that is separate in time, in which funds or inflows of economic benefits are received from first or third parties;

(12) "risk measure" means a single statistic on operational risk extracted from the aggregated loss distribution at the desired confidence level, including Value at Risk (VaR), or shortfall measures (e.g. Expected Shortfall, Median Shortfall);

(13) "System Development Life Cycle" or "SDLC" means the process for planning, creating, testing, and deploying an IT infrastructure;

(14) "timing loss" means the negative economic impact booked in a financial accounting period due to an operational risk event impacting the cash flows or financial statements of previous financial accounting periods.