

Chapter 1

Commission Delegated Regulation (EU) 2018/959

Article 5 Operational risk events related
to financial transactions including those
related to market risk

Competent authorities shall confirm that at least the following events, and the related losses, are classified as operational risk when assessing that an institution identifies, collects and treats data on operational risk events and losses that are related to financial transactions and market risk for the purposes of both management of operational risk and calculation of the AMA own funds requirement:

(a) events due to operational and data entry errors, including the following:

(i) failures and errors during the introduction or execution of orders;

(ii) loss of data or misunderstanding of the data flow from the front to the middle and back offices of the institution;

(iii) errors in classification;

(iv) incorrect specification of deals in the term-sheet, including errors related to the transaction amount, maturities and financial features.

(b) events due to failures in internal controls, including the following:

(i) failures in properly executing an order to unwind a market position in case of adverse price movements;

(ii) unauthorised positions taken in excess of allocated limits, irrespective of the type of risk they relate to.

(c) events due to inadequate data quality and unavailability of IT environment, including technical unavailability of access to the market resulting in an inability to close contracts.