

Chapter 1

Commission Delegated Regulation (EU) 2018/959



Article 29 Building the calculation data set

For the purposes of assessing that an institution has appropriate policies on the building of the calculation data set, as referred to in point (b) of Article 28, competent authorities shall confirm at least the following:

- (a) that specific criteria and examples for the classification and treatment of operational risk events and losses within the calculation data set are defined by the institution, and that such criteria and examples provide a consistent treatment of loss data across the institution;
- (b) that the institution does not use loss net of insurance and ORTM recoveries in the calculation data set;
- (c) that the institution has adopted, for operational risk categories with low frequency of events, an observation period greater than the minimum referred to in point (a) of Article 322(3) of Regulation (EU) No 575/2013;
- (d) that the institution, in the course of building the calculation data set for the purposes of estimating frequency and severity distributions, uses the date of discovery or the date of accounting only, and uses a date no later than the date of accounting for including losses or provisions related to legal risk into the calculation dataset;
- (e) that the institution's choice of the minimum modelling threshold does not adversely impact the accuracy of the operational risk measures and that the use of minimum modelling thresholds that are much higher than the data collection thresholds is limited and, where applied, is properly justified by sensitivity analysis of various thresholds performed by the institution;
- (f) that the institution includes all operational losses above the chosen minimum modelling threshold in the calculation data set and that it uses them, irrespective of their level, for generating the AMA own funds requirements;
- (g) that the institution applies appropriate adjustment rates on the data where inflation or deflation effects are material;

(h) that losses caused by root event in the form of a common operational risk event or by multiple events linked to an initial operational risk event generating events or losses are grouped and entered into the calculation data set as a single loss by the institution;

(i) that any possible exceptions to the treatment laid down in point (h) are properly documented and justified to prevent undue reduction of the AMA own funds requirements;

(j) that the institution does not discard from the AMA calculation data set material adjustments to operational risk losses of single or linked events, where the reference date of these adjustments falls within the observation period and the reference date of the initial, single event or root event referred to in point (h) falls outside such a period;

(k) that the institution is able to distinguish, for each reference year included in the observation period, the loss amounts pertinent to events discovered or accounted for in that year from the loss amounts pertinent to adjustments or grouping of events discovered or accounted for in previous years.