

# Chapter 1

## Commission Delegated Regulation (EU) 2018/959

## Article 33 Expected losses

Competent authorities shall assess an institution's standards relating to expected losses, as referred to in point (a) of Article 322(2) of Regulation (EU) No 575/2013, by confirming that where the institution calculates the AMA own funds requirements only in relation to unexpected losses, it complies with at least the following requirements:

- (a) that the institution's methodology for the estimate of expected losses is consistent with the operational risk measurement system for the estimate of the AMA own funds requirements that comprises both expected losses and unexpected losses, and that the expected loss estimation process is done by operational risk category and is consistent over time;
- (b) that the institution defines the expected loss using statistics that are less influenced by extreme losses, including median and trimmed mean, especially in the case of medium- or heavy-tailed data;
- (c) that the maximum offset for expected loss applied by the institution is bound by the total expected loss and that the maximum offset for expected loss in each operational risk category is bound by the relevant expected loss calculated according to the institution's operational risk measurement system applied to that category;
- (d) that the offsets the institution allows for expected loss in each operational risk category are capital substitutes or that they are otherwise available to cover expected loss with a high degree of certainty over the one-year period;
- (e) that where the offset is something other than provisions, the institution limits the availability of the offset to those operations with highly predictable, stable and routine losses;
- (f) that the institution does not use specific reserves for exceptional operational risk loss events that have already occurred as expected loss offsets;
- (g) that the institution clearly documents how its expected loss is measured and captured, including how any expected loss offsets meet the conditions outlined in points from (a) to (f).