



BASEL COMMITTEE ON BANKING SUPERVISION

BANK FOR INTERNATIONAL SETTLEMENTS

Press release

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The Basel Committee issues papers on operational risk

The Basel Committee on Banking Supervision (BCBS) released two papers today relating to operational risk: *Results from the 2008 Loss Data Collection Exercise for operational risk* and *Observed range of practise in key elements of Advanced Measurement Approaches (AMA)*.

The objectives of the work underlying these papers were to further the understanding of both supervisors and banking institutions regarding outstanding issues in the measurement and management of operational risk and to promote consistency in addressing these issues across jurisdictions. The work will facilitate comparative analysis of banking institutions across jurisdictions by benchmarking losses at the national/regional and international levels and by assessing capital levels relative to internal data and scenario analysis.

Nout Wellink, Chairman of the Basel Committee and President of the Netherlands Bank, said, "The management and measurement of the evolving field of operational risk has made significant progress as firms continue their implementation and learn from experiences in developing the modelling techniques. These two papers will help both supervisors and firms by allowing for the benchmarking of internal processes and promoting convergence. Work in this area should and will continue so as to further refine this field of risk management."

While similar to the two previous international Loss Data Collection Exercises (LDCE), which focused on internal loss data, the 2008 LDCE is the first international effort to collect information on all four data elements that are used in the AMA – internal loss data, external loss data, scenario analysis and business environment and internal control factors (BEICFs). A total of 121 banks from 17 countries participated in the 2008 LDCE, and 119 banks provided internal loss data. Forty-two of these banks used the AMA, 51 used the Standardised Approach (TSA) and 20 used the Basic Indicator Approach (BIA). The LDCE also collected supporting qualitative information, exposure indicators, capital estimates, and range of practice information on how operational risk is measured and managed. Given the broad participation in this exercise, the results can be viewed as generally representative of the banking industry.



The paper on range of practice (ROP) is an update of the 2006 report of the same name. The 2006 report described the practices that BCBS members had observed in relation to some of the key internal governance, data and modelling challenges that faced the industry.

Since the publication of the 2006 report, the Basel Committee has seen a considerable evolution in the risk measurement and risk management practices associated with the operational risk discipline in general and in the AMA more specifically. These evolutionary changes have had a marked effect on how AMA banks address key internal governance, data and modelling challenges. The BCBS initiated the 2008 ROP update of the 2006 report to evaluate these changes, promote further maturation of industry operational risk practices and further engage the industry in maintaining high standards for acceptable practice.

About the Basel Committee

The **Basel Committee on Banking Supervision** provides a forum for regular cooperation on banking supervisory matters. It seeks to promote and strengthen supervisory and risk management practices globally. The Committee comprises representatives from Argentina, Australia, Belgium, Brazil, Canada, China, France, Germany, Hong Kong SAR, India, Indonesia, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, Russia, Saudi Arabia, Singapore, South Africa, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. The Committee's Secretariat is based at the Bank for International Settlements in Basel, Switzerland.