

Standardized approach (TSA)/
Combined use of the TSA with other approaches/
Alternative standardized approach (ASA)/
Variant regime for the business line 'Trading and Sales' under
the TSA

The present annex deals with the content of the information dossier that an institution is required to submit where it intends to make use of the TSA to calculate its own funds requirement for the operational risk. It is true that use of the TSA does not demand prior, formal authorization on the part of the BFIC, but the dossier is required to allow the BFIC due time to formulate any comments it might have on the institution's choice.

For the use of the variant regime for the business line 'Trading and Sales' under the TSA, of the ASA or of a combined use of the TSA with other approaches, prior formal approval on the part of the BFIC is indeed required. In these cases, the dossier to be submitted takes the form of an application dossier. The present annex therefore also deals with the supplementary information required to be included in the application dossiers in question.

1 Letter with formal notification (TSA) and, if required, formal request for approval (ASA, etc.)

The dossier is introduced with a letter from the institution, with formal confirmation of a specific date for commencing with a TSA for the calculation of the own funds requirement for the operational risk. As the case may be, there will be indication of which institution(s) of the group the dossier will relate to.

The institution declares that all relevant information is being submitted (or, as the case may be, is available) and that this information provides an accurate picture of the state of affairs in regard to the institution's readiness for a TSA for calculation of the own funds requirement for the operational risk.

At the same time, the institution expressly confirms that:

- There is in place an organizational structure with clearly delineated, transparent and coherent responsibilities, effective procedures for the detection, management, monitoring and reporting of risks, and adequate internal control procedures, such as a proper administrative and accounting organization;
- Measures have been taken with a view to the division of tasks within the organization and the avoidance of conflicts of interest. Senior management approves and periodically evaluates the strategies, courses of action and procedures regarding the assessment and management of the operational risk as defined by it, including seldom occurring, very serious events.
- There is in place a properly documented system for the assessment and management of the operational risk, with a clear indication of responsibilities. This system identifies the exposure to operational risks, records relevant data (including data on material losses) and is regularly the subject of independent investigation;
- The assessment system is well integrated into the risk management processes applied and that its outcomes form an integral part of the process of monitoring and managing the institution's operational risk profile;
- A reporting and management system generates reports on the operational risk to the relevant functions within the organization that possess procedures permitting appropriate measures to be taken on the basis of the information contained in the reports;

- senior management is equipped with emergency and business-continuity plans to ensure that the continuity of the conduct of business is guaranteed and that losses arising from the operational risk can be limited in the case of operational activities being seriously disrupted.

As the case may be, the letter includes a formal request for utilization of a combined use of the TSA with other approaches, of the alternative TSA or of the variant regime for the business line 'Trading and Sales' under the TSA.

The letter is signed by at least one member of the Management Committee.

2 Information concerning the standardized approach

2.1 General

- 2.1.1 The details of a contact person for the operational risk, in respect of the information dossier.
- 2.1.2 A detailed overview of the approaches that will be used, per legal entity within the group, with, as the case may be, a reasoned request for a temporarily (because of the roll-out of the TSA) or permanently combined use of the TSA with other approaches, including:
 - an overview per legal entity of the existing business lines;
 - a time scale for implementation.

For the entities not making use of a TSA, an indication of the temporary or permanent character of the combined use, with a justification, as well as a statement of the size of the entities in question.

- 2.1.3 The plan regarding implementation from the outset of the introduction of the new own funds requirement to finalization of the roll-out plan, including a description of the organization of implementation, distribution of responsibilities, etc.
- 2.1.4 Description of the method of calculating the operational result.
- 2.1.5 Description of the policy for the allocation of the operational result to the various business lines. Supplementary documentation may be added in annex.

The institution is required to append a documentation list to the information dossier. That documentation list provides an overview of all available internal documents, together with a brief description of them; if necessary, the BFIC may subsequently request them to be submitted.

2.2 Additional conditions for the alternative standardized approach

The ASA is required to be regarded as a variant of the standardized approach, but it requires the express authorization of the BFIC. Where the institution requests authorization to make use of the ASA, the following additional information is required to be submitted:

- 2.2.1 Proof that the 90% criterion regarding the result of the business line 'Retail and/or corporate banking services' has been met.
- 2.2.2 Proof that a significant proportion of activities regarding retail and/or corporate banking services have to do with loans with a high risk of default: in particular, that:
 - o the credit risk in the portfolio in question is higher than normal in the sector;
 - o higher interest margins are charged to borrowers to cover this credit risk.
- 2.2.3 Proof that the ASA offers better assessment of the operational risk than the TSA.

2.3 Additional conditions for variant regime for the business line 'Trading and Sales' under the TSA

Use of this (temporary) regime is likewise subject to an additional condition and prior authorization by the BFIC. Where the institution seeks authorization in order to make use of this variant regime, the following information is required to be submitted in addition:

- 2.3.1 Proof that the 50% criterion regarding the result of the business line 'Trading and Sales' has been met.

3 Impact calculation

The results of an impact calculation of the own funds requirement for the operational risk according to the TSA, including:

- o own funds requirement for the operational risk;
- o own funds requirement for the operational risk, as a percentage of the total own funds requirement;
- o comparison with the own funds requirement for the operational risk calculated according to the basic indicator approach;
- o where, for the own funds requirement for the credit risk, the institution will be making use in 2007 of the opportunity to utilize the present regulation regarding own funds (Basel I), a statement of the proportional impact on the own funds requirement calculated for the operational risk.
