



FINANSTILSYNET
THE FINANCIAL SUPERVISORY
AUTHORITY OF NORWAY



NORGES BANK

Basel Committee on Banking Supervision

OUR REFERENCE

YOUR REFERENCE

DATE

03.06.2016

**BCBS CONSULTATIVE DOCUMENT: STANDARDISED MEASUREMENT APPROACH
FOR OPERATIONAL RISK - JOINT COMMENTS FROM FINANSTILSYNET AND
NORGES BANK**

Dear Sir/Madam,

Finanstilsynet and Norges Bank welcome the opportunity to express their views on the 4 March 2016 consultation on the Standardised Measurement Approach for operational risk.

Finanstilsynet and Norges Bank are supportive of the proposed single non-model-based method for the estimation of operational risk capital charges that will replace the three current methods. In particular we support the proposal to withdraw the AMA (Advanced Measurement Approach) from the framework.

Withdrawal of the AMA

Modelling of operational risk is challenging due to the wide-ranging nature of operational risk and the scarcity of operational risk loss data. Moreover, operational risk measurement usually takes into account diversification effects on the consolidated level. That may result in capital charges for subsidiaries that do not appropriately reflect their actual operational risk. Furthermore, the AMA tends to make large reductions in capital requirements for operational risk compared with the current standardised approaches. For these reasons, Finanstilsynet has granted no Norwegian institution permission to apply the AMA (only one application was received).

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The new standardised measurement approach and the final calibration

We consider it prudent to combine the business indicator (BI) with a loss component in the measurement method for larger institutions as it appears to enhance risk sensitivity in the non-modelling method. However, the consultative document does not contain the final calibration of the operational risk framework. The final calibration should ensure that institutions' capital charges for operational risk are not reduced compared with the capital charges under the current operational risk framework, especially for smaller institutions (bucket 1 in the proposed method) which appear to receive a lower capital requirement than larger institutions.

Yours sincerely,



Emil Steffensen
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