

Question ID	2014_706
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Operational risk
Article	323
Paragraph	-
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	4.1.2 of Annex II
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Disclose name of institution / entity	Yes
Name of institution / submitter	Banque Delubac & Cie
Country of incorporation / residence	France
Type of submitter	Credit institution
Subject matter	Taking into account insurance effect on operational risk
Question	Recital 52 of Regulation 575/2013/EU (CRR) suggests insurance should be taken into account for the determination of own funds requirements with respect to operational risks, including in simple approaches. How can insurance be taken into account in the basic indicator and standardised approaches of operational risk?
Background on the question	Insurance has a real and effective impact on operational risk. However, Article 323 of the CRR, which allows institutions to take into account such insurance to the extent competent authorities allow, seems to only apply to the advanced measurement approaches, as it is located in a chapter devoted to the advanced measurement approaches. This creates an incentive for small- and middle-sized institutions to reduce their insurance coverage, as it has no effect on their own funds requirements while reducing their own funds from the regular payment of premiums which are proportional to said

	<p>coverage. Whether they do so or not, this will have an adverse effect on the diversity of the European banking system, strongly inciting mergers and thus the emergence of additional systemic risk.</p>
Final answer	<p>Insurance can be recognised as a mitigant for operational risk only under the Advanced Measurement Approach.</p> <p><u>DISCLAIMER:</u></p> <p>This question goes beyond matters of consistent and effective application of the regulatory framework. A Directorate General of the Commission (Directorate General for Internal Market and Services) has prepared the answer, albeit that only the Court of Justice of the European Union can provide definitive interpretations of EU legislation. This is an unofficial opinion of that Directorate General, which the European Banking Authority publishes on its behalf. The answers are not binding on the European Commission as an institution. You should be aware that the European Commission could adopt a position different from the one expressed in such Q&As, for instance in infringement proceedings or after a detailed examination of a specific case or on the basis of any new legal or factual elements that may have been brought to its attention.</p>
Link	<p>https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2014_706</p>

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