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We appreciate the opportunity to comment on EBA Consultation Paper **DRAFT REGULATORY TECHNICAL STANDARDS ON ASSESSMENT METHODOLOGIES FOR THE ADVANCED MEASUREMENT APPROACHES FOR OPERATIONAL RISK UNDER ARTICLE 312 OF REGULATION (EU) NO 575/2013.**

**Article 2, definition of data collection threshold:** Inherent risk in OR world is often defined as a risk exposure under an assumption of absence of any controls; therefore clearer connection of inherent risk to data collection threshold would be appreciated.

**Article 6, paragraph 1:** Consideration of credit related events under AMA model seems to be very problematic for various reasons:

- Removing of Credit frauds from Credit risk capital requirement to Operational risk capital requirement represents non-systematic step because Credit risk capital requirement will still contain „hidden / never identified credit fraud“.
- Additional inconsistency will be created between loan granting models and IRB models. Credit models should include risk of fraudulent loans, because in majority of the cases at the time of loan granting fraudulent behaviour is not known. At the time of loan application, fraudulent behaviour is not identified (otherwise loans would not be granted), therefore it should be naturally considered in credit risk (scoring/rating) as well. If it remains to be considered under credit risk, there would be a duplicity inclusion under both risk types. If some types of frauds should be transferred under OR/AMA, then we would prefer to transfer only "third party frauds"; Despite the fact "first party frauds" are very rare (none instalment from fraudsters, in fact many of them pay few instalments in order to hide their fraudulent behaviour), their transfer under AMA seems to be unsystematic (from risk point of view, there is no reason for specific treatment if there is none instalment or only negligible one).
- Modification of pricing (expected loss from credit frauds should be added to standard cost of risk)
- Definition of loss amount should be clarified: original notional amount, notional amount including all fees and interest, off-balance items?
- Proposal can create inconsistency in capital calculation for credit risk (IRB) between AMA and non-AMA entities. It's not clear how non-AMA methods for Operational risk capital calculation will be adjusted, i.e. if not adjusted accordingly it can handicap AMA entities. Would be standardised approaches (BIA, TSA, ASA) adjusted as well to

accommodate this significant AMA model change to keep comparability of different approaches?

- It's not clear if such change in IRB and AMA models will require NEW validation by regulator.
- Rules for excluding credit frauds from IRB should be clearly described to avoid double counting both in Credit and Operational risk capitals.

**Article 6, paragraph 2:** Fraudulent use of credit funds - shall it be considered even in case of standard (fully repaid) loans?

**Article 6, paragraph 2, explanatory box:**

- If the events are currently treated under IRB, would a potential transfer of risks to OR mean an IRB model change requiring approval by regulators? Is it possible to change IRB approval and its condition just in order to accommodate these new AMA requirements? (Footnote: According to Article 322 of CRR, An institution shall record the operational risk losses that are related to credit risk and that the institution has historically included in the internal credit risk databases in the operational risk databases and shall identify them separately. Such losses shall not be subject to the operational risk charge, provided that the institution is required to continue to treat them as credit risk for the purposes of calculating own funds requirements.)?
- What would be rules for entities using STA for credit risk and AMA for operational risk?

**Article 8, paragraph 1:** loss amount for credit related events according to sub-paragraph d) what does outstanding amounts exactly mean - current balance or current provisions + write-off or just write-off amount (last option might be booked many months or years after fraudulent behaviour discovery since only provisions might be booked for long time)? What would a gross loss be if a loan is fully repaid - zero? Always non-zero provision should be booked according to provisioning principles even if payment schedule is followed before the final maturity? What would be recoveries - further instalments after write-off, reduction of provisions... How to consider off-balance items? These open issues should be further clarified, if credit frauds transfer under AMA is obligatory.

**Article 8, paragraph 2:** rapidly recovered events - some events might be rapidly recovered only partially; should a near miss event in the original amount be collected in such case as well?

We hope that our response to EBA consultation paper is sufficiently clear and our views are helpful for preparing the regulatory technical standards.