

## UniCredit Group Audit Comments on Consultation Paper 2014/08 Draft Regulatory Technical Standards on assessment methodologies for the Advanced Measurement Approaches for operational risk under Article 312 of Regulation (EU) No 575/2013

In response to the EBA's invitation to send comments on the draft version of Consultation Paper 2014/08 issued on 12<sup>th</sup> June 2014, UniCredit Group Audit requests a confirmation of the compliance of the current internal framework with the requirements described in *Article 45 - Chapter VII - Audit And Internal Validation - Audit and internal validation reviews*.

- Items from 1 to 6:

Audit Function should *"verify on regular basis that the operational risk management and measurement processes implemented for AMA purposes are reliable and effective"*.

UniCredit Group Audit implemented an internal framework in order to evaluate all AMA aspects within the Group AMA Legal Entities.

UniCredit Group Audit's methodology provides for a 5-years Long-term Audit Plan. However, for the most risky areas, such as regulatory requirements related to AMA, Audit Function has established a more stringent rule which foresees these to be covered by a 3 years audit cycle. The Long-term Audit Plan is yearly adjusted on a rolling base through a risk assessment, as well as the AMA aspects, to identify the audit needs and eventually define the *review program* (annual plan). The annual plan, approved by the Board of Directors, contains also the AMA Internal audit report which summarizes the outcomes of the audit activities (e.g. specific audit review, follow-up audit activities on not satisfactory aspects, sanity check regarding the tracking activities on the action plan put in place by the management in response to audit, internal validation and/or Regulatory findings, etc.) on the AMA framework. The AMA Internal audit report is submitted at least annually to the institutions management body (Board of Directors).

- Item 7

The results of the audit and internal validation reviews should be *"summarized and reported at least annually to the institutions management body, or a committee thereof, for approval"*.

According to our interpretation we are already aligned with the described requirement.

UniCredit Group Audit prepares an annual report on the activities performed on operational risk management and measurement which is submitted, along with the internal validation report, to the Board of Directors which should take a resolution certifying the compliance with the requirements for the use of advanced measurement system.

The Board of Directors' decision is supported by the opinion of the Board of Statutory Auditors taking into consideration the results of the annual reports of the Internal control functions.

Considering requirements that internal audit function evaluates the internal control system (ICS) in its entirety, our internal reporting is heading towards production of a single consolidated

annual report on ICS in the future that would include also our judgment on Pillar I risks internal measurement systems.