

## Operational risk loss component

Draft Version of July 2022

This form must be filled in by:

- (i) all banks whose business indicator is larger or equal to CHF 1,25bn (CAO art. 92d par. 1);
- (ii) banks whose business indicator is below that threshold but have received FINMA approval to include internal loss data to calculate their operational risk capital requirements (CAO art. 92d par. 4).
- (iii) Banks that do not comply with the standards on minimum loss data (CAO art. 92d, par. 5), even if they do not use the loss component for the calculation of their operational risk capital requirements.

ID	Label	Legal references and comments
<b>Columns</b>		
01-10	Year T to Year T-9	CAO art. 93 par. 1. let. b For example, if the reporting date is 31.12.2023, the year T is the year 2023 and the year T-9 is the year 2014.
11	Ten-year average	CAO art. 93a par. 1 Average over the ten years, i.e., Year T to Year T-9
<b>Rows</b>		
	Loss events netting $\geq$ CHF 25'000	CAO art. 93 par. 1, let. d and par. 3, LROO-FINMA art. 29 par. 1, LROO-FINMA appendix 3 In Rows 001-003, only consider losses from loss events whose aggregate net loss amount over the ten-year period (Year T to Year T-9) is larger or equal to CHF 25'000. Use the accounting date of the gross losses and the loss recoveries to determine which year they are mapped to (CAO art. 93 par. 2 and LROO-FINMA art. 27 par. 1 let. f and g).
001	Total amount of gross losses	CAO art. 94 par. 1, 4 and 5, LROO-FINMA art. 27 par. 2 let. c For each of the years T to T-9: Sum of gross losses with accounting date in the corresponding year.
002	Total amount of loss recoveries	CAO art. 94 par. 1 and 2, LROO-FINMA art. 27 par. 1 let. g For each of the years T to T-9: Sum of loss recoveries with accounting date in the corresponding year.
003	Total amount of net losses	CAO art. 94 par. 1-3, LROO-FINMA art. 29 par. 2 For each of the years T to T-9: Row 001 minus Row 002
004	Number of loss events contributing to total gross losses	CAO art. 94, LROO-FINMA art. 27 and art. 29 par. 1 Number of loss events whose aggregate net loss amount over the ten-year period (Year T to Year T-9) is larger or equal to CHF 25'000.
005	Total amount of net losses qualifying for exclusion	CAO art. 93a par. 3-4, LROO-FINMA art. 30 For each of the years T to T-9: Sum of net losses with accounting date in the corresponding year whose loss events qualify for exclusion. If FINMA has been notified of the exclusion of a loss event as per CAO art. 93a par. 4 and LROO-FINMA art. 30 par. 3 and there has been no negative response from FINMA in the 6 weeks post notification, the loss event can be considered as qualifying for exclusion.
006	Number of loss events qualifying for exclusion	CAO art. 93a par. 3-4, LROO-FINMA art. 30
007	Total amount of net losses after exclusion of qualifying losses	Row 003 minus Row 005
008	Loss Component (LC)	CAO art. 93a, LROO-FINMA art. 29 par. 3 and 4, LROO-FINMA appendix 4 and 5 Ten-year average of Row 007 multiplied with 15
009	Business Indicator Component (BIC)	CAO art. 92c $\text{BIC} = 12 \% \times \text{Min} [\text{BI}; \text{CHF } 1,25\text{bn}] + 15 \% \times (\text{Max} [0; \text{BI} - \text{CHF } 1,25\text{bn}] - \text{Max} [0; \text{BI} - \text{CHF } 37,5\text{bn}]) + 18 \% \times \text{Max} [0; \text{BI} - \text{CHF } 37,5\text{bn}],$ where BI is the Business Indicator according to CAO art. 92 par. 1
010	Internal Loss Multiplier (ILM)	CAO art. 92d, CAO appendix 5a let. 4 Banks that do not comply with the standards on minimum loss data (Art. 92d, para. 5 CAO) must report here ILM=1. Otherwise, all other banks that fill in this form must calculate the ILM using

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the following formula:  $ILM = \ln [ \exp(1) - 1 + (LC/BIC)^{0.8} ]$ , where  $\ln$  is the natural logarithm and  $\exp$  is the exponential function.

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