S.26.15 – Internal model: Operational risk

General comments:

This section relates to annual submission of information for individual entities.

This template shall be reported based on availability according to the internal model architecture and risk profile when possible with reasonable effort. The data to be reported shall be agreed between national supervisory authorities and insurance and reinsurance undertakings.

Each undertaking can use their own operational risks classification.

The columns C0020-C0060 contain information on the scenarios defined by the undertaking. In case of multi-tier classifications, data on at least the two highest levels of operational risk should be provided (define L1 as the highest level and L2 the immediately lower one, if present). All the information to be filled in is related to the one year forecasted loss probability distributions.

For an event type category defined as Level 1 (L1) occurrence, all numerical information (SCR, quantiles) should refer to the aggregation of the risk made at that level. Of course, each category identified in the Level 2 (L2) occurrence could come from an aggregation of lower levels loss distributions.

Internal scenario classification [free text]	Unique ID [number]	Unique ID of parent level. [number]	
L2 A	201	101	
L2 B	202	101	
L2 C	203	101	
L2 D	204	102	Note that the ID of the containing level is not valued for L1 levels, as the ultimate parent level is the operational risk itself.
L2 E	205	102	
L1 A	101		
L1 B	102		

Operational Risk

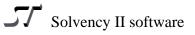|	ITEM	INSTRUCTIONS
C0010/R0010	Is Basel L1 classification used?	Identify if the seven high-level categories (L1) specified in Basel II are used. One of the options in the following closed list shall be used: – Yes

		– No
C0010/R0020	Is Basel L1 and L2 classification used?	Identify if the Basel Level 1 and 2 categories and their hierarchy (which L2 are included in each L1) specified in Basel II [Annex 7]. One of the options in the following closed list shall be used: – Yes – No
C0020	Scenario name	This table should be completed by all undertakings, also in the cases where the undertaking answers 'No' to 'C0010/R0010' and/or 'C0010/R0020', with the names of the internal scenarios used for Operational risk calculations by the internal model.
C0030	Unique ID	This is a unique ID of the internal scenario. This should be consistent across different reporting periods. This is a numeric field.
C0040	Unique ID of parent level.	This is a unique ID of the immediate parent internal scenario. This should be consistent across different reporting periods. This is a numeric field.
C0050	Basel L1 classification mapping	For completion by undertakings which answer 'Yes' in C0010/R0010 or the mapping to Basel L1 exists. Field should be empty if the scenario is higher than level 2 in the classification. One of the options in the following closed list shall be used: 1) Internal fraud 2) External fraud 3) Employment practices and workspace safety 4) Damage to physical assets 5) Business disruption and system failures 6) Clients, products and business practices 7) Execution, delivery and process management
C0060	Basel L2 classification mapping	For completion by undertakings which answer 'Yes' in C0010/R0020 or the mapping to Basel L2 exists. Field should be empty if the scenario is higher than level 2 in the classification. The occurrence "Other" can be used in case the risk could be classified in a Level 1 Basel category but there is not a Level 2 one. One of the options in the following closed list shall be used:

		1) Internal fraud - Unauthorized activity
		2) Internal fraud - Theft and fraud
		3) Internal fraud - Other
		4) External fraud - Theft and fraud
		5) External fraud - Systems security
		6) External fraud - Other
		7) Employment practices and workspace safety - Employee relations
		8) Employment practices and workspace safety - Safe environment
		9) Employment practices and workspace safety - Diversity and discrimination
		10) Employment practices and workspace safety - Other
		11) Damage to physical assets - Disasters and other events
		12) Damage to physical assets - Other
		13) Business disruption and system failures - Systems
		14) Business disruption and system failures - Other
		15) Clients, products and business practices - Suitability, disclosure and fiduciary
		16) Clients, products and business practices - Improper business or market practices
		17) Clients, products and business practices - Product flaws
		18) Clients, products and business practices - Selection, sponsorship and exposure
		19) Clients, products and business practices - Advisory activities
		20) Clients, products and business practices - Other
		21) Execution, delivery and process management - Transaction capture, execution and maintenance
		22) Execution, delivery and process management - Monitoring and reporting
		23) Execution, delivery and process management - Customer intake and documentation
		24) Execution, delivery and process management - Customer / client account management
		25) Execution, delivery and process management - Trade counterparties
		26) Execution, delivery and process management - Vendors and suppliers

		27) Execution, delivery and process management - Other
C0070	Probability Distribution	Identify the probability distribution. One of the options in the following closed list shall be used: 1. Poisson-lognormal 2. Lognormal 3. Poisson-Pareto 4. Empirical 5. Pareto 6. Other, please specify 7. Obtained by aggregation of lower levels Item 1 to 6 to be used in case the probability distribution is quantified; item 7 in case the probability distribution is obtained by aggregation of lower level distributions.
C0080	Solvency Capital Requirement	Solvency capital requirement net of risk mitigating contracts per scenario.
C0090-C0210	Percentiles	Percentiles of the loss distribution (losses corresponds to the right tail) net of risk mitigating contracts per scenario.
C0220/R0030	Total undiversified Level 2	Sum of stand-alone capital requirements contributions for Level 2 operational risks classification. Any lower aggregation level should be already considered.
C0220/R0040	Sum of diversification inside Level 2 items	Difference between the sum of undiversified leaf risks SCR and C0220/R0030. This amount should be reported as a negative value. For example, if the lower level is L3 (the ones quantified with probability distributions), enter the difference between the sum of Level 3 and the sum of Level 2 (standalone).
C0220/R0050	Total undiversified Level 1	Sum of stand-alone capital requirements contributions for Level 1 operational risks classification (if applicable, net of risk mitigating contracts). Any lower aggregation level should be already considered.
C0220/R0060	Operational risk – diversification between Level 1 items	Difference of C0220/R0050 and C0220/R0070. This amount should be reported as a negative value.

| C0220/R0070 | Operational risk - diversified | Diversified operational risk capital requirement net of risk mitigating contracts. |