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The Risk Management Group (RMG) in its investigation and ultimate decision to recommend one or multiple methods for establishing best practices within the operational risk management framework of financial institutions community is in the middle of a very important debate. We believe it is imperative that all points of views be put forward, and criteria settled upon that represents the best efforts, or the industry standard, on the part of the risk management community.

We at Zurich IC Squared, the consulting company of the Zurich Insurance Group, would like to share with you our understanding on the important question of data collection and at the same time challenge the opinion which has been put forward by the Industry Technical Working Group (ITWG) of the IIF.

In the attached paper we put forward our recommendation to collect and analyze data by the use of a "causative factors" lens rather than a "loss effects" one. The main difference lies in the fact that "causative factors" attempt to analyze an event (leaving the door open for the collection of near-events, or near-losses, and issues) in terms of its causality whereas a loss effects approach attempts to look at a collection of events in terms of realized loss amount, and closes the door on collecting issues, and incidents.

The loss effects approach in our view is a passive one as it collects losses and calculates capital based on events **after** they have occurred. The causal approach on the other hand is a proactive one since it collects data and attempts to perform an analysis based on event triggers and scenario analysis.

We do not view this point as an academic discussion on the part of industry players on the fine points of data collection but rather a key item and one that will determine how data is collected and analyzed in the future.

Even more importantly, it will determine **which** data is collected.

The attached discussion paper will elaborate our viewpoint in more detail. It includes also some samples of causal and contributory factors tables.

Of course we would also be delighted to discuss the raised issues as well as the tables in more detail with you.

Best regards

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