



Barclays Risk
Level 10
One Churchill Place
Canary Wharf
London E14 5HP

24 February 2011

Tel +44 20 7116 2666
Fax +44 20 7116 7559

Secretariat of the Basel Committee on Banking Supervision,
Bank for International Settlements,
CH-4002 Basel,
Switzerland

www.barclays.com

Private & Confidential

Dear Sir / Madam,

Barclays is pleased to have the opportunity to provide feedback to the Basel Committee on Banking Supervision's (the Committee) guidance consultation on "Sound Practices for the Management and Supervision of Operational Risk."

In general we are supportive of the Committee's move to evolve its thinking on sound operational risk management practices and to continue to drive firms to continuously improve their approaches to operational risk management. We believe that the guidelines are broadly clear to understand and provide comments below where we feel it would be appropriate for the Committee to consider amendments.

We believe that providing supplementary guidance is the most appropriate method of communicating these guidelines and broadly agree with the proposals put forward. However, we feel that it is important for the guidelines to clearly outline expectations for national implementation. For example, whilst we are supportive of the paper promoting the definition and monitoring of risk appetite as good practice, we believe that it is important for realistic expectations to be set in this area, acknowledging the complexities of establishing Operational Risk appetite and the need for ongoing industry-wide discussion in this area, involving firms and regulators.

We feel that it is important to recognise the points in footnote 7. We welcome an approach that allows for the various governance structures that are in place in organisations and that works to ensure that operational risk receives appropriate senior oversight from executive management or Board members. As such we would encourage the Committee to consider the capture of this direction in the main body of the text.

We would be happy to discuss our views further with you as appropriate.

Yours faithfully
For and on behalf of Barclays PLC

John Whittaker
Managing Director, Group Operational Risk
Barclays Plc

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Dear Sir / Madam,

Barclays is pleased to have the opportunity to provide feedback to the Basel Committee on Banking Supervision's (the Committee) guidance consultation on "Operational Risk – Supervisory Guidelines for the Advanced Measurement Approach."

In general we are supportive of the Committee's move to converge towards a narrower set of operational risk management and measurement standards. However, we feel that in places the guidance appears to centre on a single approach for calculating operational risk capital without sufficient focus on how the principles would be applied to other approaches used across the sector. We believe that the use of different approaches should continue to be allowable, to ensure that they can be appropriately tailored to banks' business models, which vary in scale and complexity. We would ask the Committee to consider whether they feel revisions are required to the guidelines as a result.

We believe that providing supplementary guidance is the most appropriate method of communicating these guidelines and broadly agree with the proposals put forward. However, we feel that it is important for the guidelines to clearly outline expectations for national implementation. There are two particular examples where we feel this is relevant. Whilst we are supportive of the paper promoting the definition and monitoring of risk appetite as good practice, we believe that it is important for realistic expectations to be set in this area, acknowledging the complexities of establishing Operational Risk appetite and the need for ongoing industry-wide discussion in this area, involving firms and regulators. Similarly, whilst we agree with the intentions of the supervisory guidelines related to legal exposures, we feel there is the need to recognise the practical challenges involved in recording and reporting these, particularly in determining the point at which these are recognised as risk events.

We welcome guidance on the definition of losses and the inclusion and exclusion of data items in this regard. However, we feel the guidance in paragraph 87(b) which links rapidly recovered losses and near misses should be clarified, as we believe that these two types of risk event are distinctly different. Where a rapidly recovered loss occurs, a control has failed to operate and as such the bank has actually suffered a loss, albeit it is then recovered within a short period of time. A near miss is an instance where a control has failed and, if not for a fortuitous happening, the bank would have suffered a loss. In the first case the loss has occurred but has been recovered, in the second a loss does not occur. We would therefore ask the Committee to revisit the guidance accordingly.

The guidelines make reference to the reconciliation of accounting and loss data. Whilst we agree that the relationship between these two sets of data is important in the review and challenge of loss events and establishing appropriate thresholds for reporting and modelling, we would not see this as a formal

reconciliation process. We would therefore ask the Committee to consider the relevant wording, guiding banks to review the “alignment” of accounting and loss data.

We agree with the Committee’s aim in paragraph 33 “ensure that banks have comparable standards when selecting operational risk categories”. In doing this we feel it is important for the Committee to be mindful of the need for operational risk categories to appropriately reflect the unique nature of banks’ business models and risk profiles.

We would be happy to discuss our views further with you as appropriate.

Yours sincerely

For and on behalf of Barclays PLC

A handwritten signature in dark ink, appearing to read 'John Whittaker', written in a cursive style.

John Whittaker
Managing Director, Group Operational Risk
Barclays Plc

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