

The Bank of Thailand agrees with the principle of the Consultative Document: Operational risk – Supervisory Guidelines for the Advanced Measurement Approaches (AMA), i.e., to achieve greater convergence of practices by banks as well as national supervisors with regard to AMA. However, in consultation with a focus group of the Thai banking industry, there are a few points that are worthwhile to revisit.

Governance

1. As the scope of validation activity includes outcome analysis, banks have expressed some concerns that for some certain operational risk categories, in which actual loss events rarely occur, it is extremely difficult or even impossible to conduct outcome analysis (particularly back-testing). In recognition of such constraints, **supervisory guidelines should provide banks with some flexibility with regard to the use of appropriate validation tools/methods.**

Data

2. Paragraph 133 states that “Consistent with other operational risk losses, a bank should use a date no later than the date of reserve (accounting date) for including legal related losses/exposures as an input in its AMA model.”

In practice, several banks include losses in their calculation dataset when they are certain that such losses will occur. Hence, they use the date of reserve for legal-related operational losses, but use the discovery date for other operational losses. In this regard, **banks would like to ensure that this supervisory guideline gives them some flexibility to apply different reference dates for different types of operational loss events.**

Modelling

3. As mentioned in the paper (paragraph 249), there will be **jurisdictional differences in the use of the four data elements** because of the quantity and relevance of the available loss data and/or different emphasis in the regulatory assessment of quantitative methodologies.

In several countries, the development of the pooled industry data is still in an infancy stage. Hence, it is not reasonable to expect banks in such countries to use external data in the estimation of loss severity (as mentioned in paragraph 252). **The BOT suggests that supervisors in each country can exercise national discretions in this regard.**