Basel Committee of Banking Supervision

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Your reference, Your message of	Our reference, contact person	Extension	Date
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Operational Risk – Revisions to the simpler approaches – consultative document

The Division Bank and Insurance of the Austrian Federal Economic Chamber, as representative of the entire Austrian banking industry, appreciates the possibility to comment on the document "Operational Risk – Revisions to the simpler approaches" and would like to submit the following position:

In general we would like to underline that it is of highest importance that **proportionality** is respected in the discussion on capital requirements. Since the requirements set by the Basel Committee have equal validity for internationally active banks and for small local banks, it is necessary that new requirements are not based on complex formulas. The formula itself should be kept simple to implement for small institutions. Any additional administrative burden for banks, especially for smaller banks, must be avoided.

Moreover we would like to ask for clarification on the following questions:

1. The consultation document does not include the timeline for the implementation start of the new standard. We would appreciate to get clarifications on that to be prepared for capital planning purposes and calculation set up process.

2. It is unclear how to apply the new framework in a bank with a subsidiarized model. Should the regulatory capital requirement be computed at the group level using group BI and corresponding coefficient, or should the group capital requirement be the sum of the capital requirements at the subsidiary level that uses subsidiary level BI and coefficients?

3. How do we have to proceed with intragroup payments in the bank with a subsidiarized model?
Such type of transactions should be excluded from the BI calculation at the group level for each individual legal entity.

4. There are also concerns around the calculation of “Income from financial leasing and operating leasing” and “Expenses for financial leasing and operating leasing” under the “Services” component of the BI.
In some jurisdictions, banks may allocate total amount of leasing fee as “Other operating income” while recognizing purchase price of leased object as “Other operating expenses”. This accounting treatment would result in banks’ leasing assets to have an inappropriately huge contribution to the “Services” component, and in BI as well as the resulting capital charge.
In such cases, it may be reasonable to reflect just the net income in the “Services” component to be aligned with the accounting practices. At least in leasing units.

5. Expenses related to any preventive actions are not supposed to be captured in BI, otherwise it would be penalizing banks' investments in good risk management

6. The consultation paper does not clearly state if income and expenses that arise from providing financial services to the owners of the bank should be included in the fee and commission income.

7. It is not clear how to deal with expenses that the outsourcing partner has to pay to third parties (e.g. for clearing or settlement). Should these expenses be included in the "fee and commission expenses" and "other operating expenses" of the bank (outsourcer)?

Please give our concerns due consideration.

Yours sincerely,

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