

Basel Committee on Banking Supervision

SRP

Supervisory review process

SRP34

Operational risk

Under Pillar 2, supervisors should consider whether the Pillar 1 operational risk capital requirement is consistent with its risk exposure and peers.

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First version in the format of the consolidated framework.



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Operational risk in Pillar 2

34.1

Gross income, used in the Basic Indicator and Standardised Approaches for operational risk, is only a proxy for the scale of operational risk exposure of a bank and can in some cases (eg for banks with low margins or profitability) underestimate the need for capital for operational risk.

34.2

With reference to the Committee document on Principles for the Sound Management of Operational Risk (June 2011), the supervisor should consider whether the capital requirement generated by the Pillar 1 calculation (regardless of the calculation approach used) gives an accurate, consistent picture of the individual bank's operational risk exposure, for example in comparison with other banks of similar size, nature and complexity.