

ANNEX 4: LIST OF DOCUMENTS

1.1. SIMPLE APPROACHES

1.1.1. BASIC INDICATOR APPROACH

List of documents (in the course of application, not prior to its launch and not as its condition):

- ◆ Business plans and calculations requested by the HFSA to justify unusually low business estimates;
- ◆ Calculation of the capital requirement (trends of the relevant indicator in recent years).

1.1.2. STANDARDISED APPROACH

The Authorisation Guidelines for the authorisation of the Standardised Approach are included in Annex 5 to Part II of the Validation Guidelines, and provide also details on the process for the authorisation of the alternative indicator.

1.2. ADVANCED MEASUREMENT APPROACH

The following documents must be attached to the list of requirements:

- ◆ The framework for the management of operational risk and the resolution approved by the appropriate body of the implementing institution;
- ◆ Presentation of the organisation unit responsible for the management of operational risk (including responsibilities and duties) and the related Organisational and Operating Regulations and Organisation Chart;
- ◆ Parts of the AMA model include the following:
 - Description of the information used by the model, presentation of every step leading to the end result;
 - Description of the data types used, through the four basic elements (internal data, external data, scenario analysis, business environment and control);
 - Internal assumptions;
 - Aggregation of certain individual risk measurements and assumptions concerning correlation;
 - Description of allocation methods, meaning the allocation of capital to the various institutions.
- ◆ Presentation of the application of AMA;
- ◆ Internal risk categories;
- ◆ The internal validation process and its results;
- ◆ Documentation of the AMA review within the institution;
- ◆ Regulations for the application and the enhancement of the AMA model.

1.2.1. QUANTITATIVE STANDARDS

1.2.1.1. INTERNAL DATA

Institutions must submit to the HFSA all documentation related to internal data that is conducive to the assessment of the correctness of the data, but the following documents are indispensable and must be submitted for the validation:

- ◆ Data collection principles – data collection rules (persons responsible, characteristics of data, definition of threshold value);
- ◆ Systems, procedures and work processes for the collection and storage of data;
- ◆ Data registry;
- ◆ Database description (size; creation date; data source; data collection procedure; screening conditions for data collection; verification of transparency, access and adequacy);
- ◆ Treatment of deficiencies (database and IT deficiencies identified in the course of internal validation and their review).

1.2.1.2. EXTERNAL DATA

Documents necessary for validation:

- ◆ Description of internal rules pertaining to the use of external data, data source and workflow;
- ◆ Methodological documentation (usability, statistical treatment);
- ◆ Documents of internal independent validation;
- ◆ Specification of the external database.

1.2.1.3. BUSINESS LINE ENVIRONMENT AND CONTROL FACTORS

The following documents are required for the validation of business factors and internal control factors:

- ◆ Documents on the use of business and control factors (presentation of factors and their methodological description);
- ◆ Results of internal validation (comparison with internal and external data).

1.2.1.4. SCENARIO ANALYSIS

As a minimum, the documentation to be submitted to the HFSA must examine the following:

- ◆ Description of the framework for scenario analysis (scenarios used, assessment, organisation units involved, processes, modelling);
- ◆ Description of model outcomes, including a presentation of the results of back-testing;

- ◆ Description of linkages to other elements of the AMA.

1.2.2. RISK MITIGATION, INSURANCE

In order for risk mitigation to be considered in the capital requirement and for it to be recognised by the HFSA, the HFSA will examine the following documentation:

- ◆ Insurance policies and related documentation, documents demonstrating adequacy;
- ◆ Description of the methodology used for the consideration of risk mitigating effects (assumptions, statistical methodology).