ANNEX X

OPERATIONAL RISK

PART 1

Basic Indicator Approach

1. CAPITAL REQUIREMENT

1. Under the Basic Indicator Approach, the capital requirement for operational risk is equal to 15 % of the relevant indicator defined in points 2 to 9.

2. RELEVANT INDICATOR

2. The relevant indicator is the average over three years of the sum of net interest income and net non-interest income.

3. The three-year average is calculated on the basis of the last three twelve-monthly observations at the end of the financial year. When audited figures are not available, business estimates may be used.

4. If for any given observation, the sum of net interest income and net non-interest income is negative or equal to zero, this figure shall not be taken into account in the calculation of the three-year average. The relevant indicator shall be calculated as the sum of positive figures divided by the number of positive figures.

2.1. Credit institutions subject to Directive 86/635/EEC

5. Based on the accounting categories for the profit and loss account of credit institutions under Article 27 of Directive 86/635/EEC, the relevant indicator shall be expressed as the sum of the elements listed in Table 1. Each element shall be included in the sum with its positive or negative sign.

6. These elements may need to be adjusted to reflect the qualifications in points 7 and 8.

TABLE 1

1	Interest receivable and similar income
2	Interest payable and similar charges
3	Income from shares and other variable/fixed-yield securities
4	Commissions/fees receivable
5	Commissions/fees payable
6	Net profit or net loss on financial operations
7	Other operating income

2.1.1. Qualifications

7. The indicator shall be calculated before the deduction of any provisions and operating expenses. Operating expenses shall include fees paid for outsourcing services rendered by third parties which are not a parent or subsidiary of the credit institution or a subsidiary of a parent which is also the parent of the credit institution. Expenditure on the outsourcing of services rendered by third parties may reduce the relevant indicator if the expenditure is incurred from an undertaking subject to supervision under, or equivalent to, this Directive.

8. The following elements shall not be used in the calculation of the relevant indicator:

(a) Realised profits/losses from the sale of non-trading book items;

(b) Income from extraordinary or irregular items;

(c) Income derived from insurance.

When revaluation of trading items is part of the profit and loss statement, revaluation could be included. When Article 36 (2) of Directive 86/635/EEC is applied, revaluation booked in the profit and loss account should be included.

2.2. Credit institutions subject to a different accounting framework

9. When credit institutions are subject to an accounting framework different from the one established by Directive 86/635/EEC, they should calculate the relevant indicator on the basis of data that best reflect the definition set out in points 2 to 8.