

## Single Rulebook Q&A

<b>Question ID</b>	2018_3969
<b>Status</b>	Final Q&A
<b>Legal act</b>	Regulation (EU) No 575/2013 as amended by Regulation (EU) 2019/876 (CRR2)
<b>Topic</b>	Operational risk
<b>Article</b>	315
<b>Paragraph</b>	1
<b>Subparagraph</b>	-
<b>COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations</b>	Not applicable
<b>Article/Paragraph</b>	Not applicable
<b>Date of submission</b>	08/06/2018
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<b>Disclose name of institution / entity</b>	No
<b>Type of submitter</b>	Competent authority
<b>Subject matter</b>	Meaning of "the last three twelve-monthly observations" in Articles 315(1) and 317(4) CRR regarding the calculation of operational risk requirements
<b>Question</b>	<p>What is the correct application of the words "the last three", which can be found in the wording "the last three twelve-monthly observations at the end of the financial year" in Article 315(1) CRR on BIA and in Article 317(4) CRR on STA?</p> <p>In particular, does "the last three" include the current year X when calculating the own funds requirements with reference date 31 December X?</p>
<b>Background on the question</b>	<p>As an example, when calculating the own funds requirements for 2017, should one take the average of: (a) 2015, 2016, 2017; or (b) 2014, 2015, 2016? The wording of the CRR is subject to interpretation and the Basel II agreement does not provide clarity either. Paragraph 116 of Annex II of the ITS on reporting uses the expression "three most recent years". Q&amp;A 580 on the reference periods for relevant indicators with regards to COREP reporting does not clarify the question for reference date 31 December (it only makes an example for the reporting as per 31 March).</p>

<b>EBA answer</b>	<p>As part of the calculation of own funds requirement for year X under the Basic Indicator Approach (BIA) or the Standardised Approach (SA), according to CRR Article 315 and 317 respectively, institutions shall calculate the relevant indicator for “the last three twelve-monthly observations at the end of the financial year”, i.e. the twelve-monthly observations at the end of the financial years closest to X (see also Regulation (EU) 680/2014 for the reporting, template C.16.00).</p> <p>For example, if the institution has a financial year end of 31 December, then, for 2018 :</p> <ul style="list-style-type: none"> <li>• during the course of the year, its own funds requirement are based on the average of the relevant indicator calculated for each of the three 12 month periods ending: 31 December 2017; 2016; and 2015;</li> <li>• on 31 December, its own funds requirement are based on the average of the relevant indicator calculated for each of the three new 12 month periods ending : 31 December 2018, 2017 and 2016.</li> </ul> <p>The three-year average is based on audited figures. As long as audited figures for 2018 are not available, institutions may proceed using the average of the relevant indicator calculated for each of the three 12 months periods ending 31 December 2017, 2016 and 2015. Alternatively, institutions are allowed to use business estimates according to CRR Article 315(1).</p> <p>However, as outlined in EBA <a href="#">Q&amp;A 2018_4085</a>, institutions have to resubmit their reports without undue delay when audited figures for 2018 become available. Resubmission is also obligatory in case audited figures and business estimates differ.</p>
<b>Link</b>	<a href="https://eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2018_3969">https://eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2018_3969</a>

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