

Content of question:

The Standardised Approach for calculating the capital requirement for operational risk - the mapping of securities into business lines by building savings banks - Table 2 in Annex 22 to Decree No. 123/2007 Coll.

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Piece of law	Decree No. 123/2007 Coll.
Explanation	<p>Question:</p> <p>A primary business line for a building savings bank is constituted by retail activities, from which almost all funds (liabilities) come. However, free funds are, in addition to granting retail loans, invested in financial markets – they are held to their maturity in the investment portfolio and, for the purpose of liquidity management, they also appear in the available-for-sale portfolio of securities. Typically, a building savings bank has no trading portfolio and its motive behind trading on financial markets is other than profiting from the development of market prices.</p> <p>The structure of the investment portfolio is formed by a limited scope of instruments (in accordance with valid legislation), which primarily are:</p> <ul style="list-style-type: none">- government coupon bonds,- government zero-coupon bonds,- bonds issued by the Czech National Bank,- short-term deposits with banks in the Czech Republic,- repurchase transactions conducted with commercial banks and the Czech National Bank. <p>Which business line should the above activities be mapped into for the purpose of calculating the capital requirement for operational risk under the Standardised Approach?</p> <p>Answer:</p> <p>The activities of a building savings bank relating to securities assigned to the investment portfolio, deposits with banks and claims from reverse repurchase transactions conducted with the Czech National Bank which are assigned to the investment portfolio are not mapped into the retail banking business line for the purpose of calculating the capital requirement for operational risk under the Standardised Approach. They are mapped into the commercial banking business line, for which the parameter β is set at 15%.</p>