

INSTRUCTIONS FOR THE 2004 LDCE

1. **Banks are asked to complete the LDCE at their earliest convenience, but no later than December 1, 2004. However, consistency with QIS4 should take precedence over timeliness of LDCE submission.** It is important that the internal loss data submitted to this LDCE be identical to the internal loss data that will underlie the results reported to QIS4. (Note. A bank may wish to include data in the LDCE that will not be applied to the QIS4 calculations. For example, the LDCE data might include smaller losses or losses from earlier years where data completeness is uncertain. This would be acceptable provided that such additional datapoints are clearly indicated, as discussed below.) If a bank's internal data are still under revision at the time of this exercise, we would encourage the institution to defer submitting data to the LDCE until consistency with QIS4 is more certain.
2. **Data can be input directly into this Excel workbook.** Alternately, loss data can be provided as a comma separated value (*.csv) file, with the same column layout and headings as in this workbook.
3. **All data should be formatted as either text or numeric.** Date formats such as Jan-08-02 should not be used.
4. **All numeric variables should be reported in ones - not thousands.** For example, a one million dollar loss would be reported as 1000000.
5. **All monetary amounts should be reported in U.S. Dollars.** Any incorporation of exchange rates should be consistent with the quantification results and methods that will be reported in QIS4.
6. **Dates:** In order to ensure consistency with responses to QIS4, banks should provide loss data for the same dates as the data that will underlie their QIS4 submissions. Thus, data should be complete through June 30, 2004.
7. **Responses should be mailed to one of the following addresses:**

For packages not sent via U.S. Mail (e.g., FedEx, UPS)

Preston Thompson
Supervision, Regulation & Credit Department
Federal Reserve Bank of Boston
600 Atlantic Avenue
Boston, MA 02210

For packages sent via U.S. Mail

Preston Thompson
Supervision, Regulation & Credit Department
Federal Reserve Bank of Boston
P.O. Box 55882
Boston, MA 02205

Responses should also be provided to the central point of contact of your bank's primary regulator.

8. **Questions** regarding data submission should be directed to Preston Thompson at 617-973-3143 (email: preston.thompson@bos.frb.org) or to Patrick de Fontnouvelle at 617-973-3659 (email: patrick.defontnouvelle@bos.frb.org).

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WORKSHEET A: INDIVIDUAL LOSSES

1. This sheet requests data on individual losses and recoveries.
2. Losses should include the following costs which result from the event: all out of pocket expenses connected with the event, but not investment programmes, opportunity costs or revenue foregone. For example, if a computer fault results in a break in trading and a position moves against the bank in the meantime, then included would be: losses resulting from unwinding the position, any payments to clients, costs of employing a consultant specifically engaged for this problem and overtime payments. If, in the light of the event, the bank decided that an investment in hardware is needed, then this would not be included in the loss.
3. **No specific loss threshold is being required for this exercise.** However, the thresholds used here should not exceed those used for QIS4. A lower threshold may also be used, provided that worksheet C and column 9 of worksheet A are filled out appropriately.
4. **Corporate center losses and losses that impact more than one business line** should be reported as in the raw data that will underlie the QIS4 results. For example, corporate center losses may be apportioned across business lines using internal management accounting techniques. In this case, please use the same reference number to report the loss in each of the business lines affected. Similarly, loss events that affect more than one business line but that have not been allocated to the corporate center should be given the same reference number. If such losses are not apportioned across business lines, then their nature should be reflected in the data entry for the business line column. (For example, corporate center losses could be denoted by entering "Corp." in the business line column, and losses impacting more than one business line could be denoted by entering "Mult." in the business line column.)
5. For each loss, please enter:
 - In column 1, a reference number. The reference number should be unique, except as indicated in instruction 4 immediately above.
 - In column 2, the year of the loss.
 - In column 3, the calendar quarter of the year when the loss occurred, expressed as a number between 1 and 4. This field is required only if the month of the loss is not available.
 - In column 4, the month when the loss occurred (if available), expressed as a number between 1 and 12.
 - In column 5, the day when the loss occurred (if available), expressed as a number between 1 and 31.
 - In column 6, the internal business line where the loss was incurred. Business lines should be identical to those provided in QIS4.

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- In column 7, the internal loss event type. Event types should be identical to those provided in QIS4.
- In column 8, Y if it is a corporate center loss that was allocated to a business line, N otherwise.
- In column 9, Y if the loss will also be included in the QIS4 data set, N otherwise.
(The term "QIS4 data set" refers to those internal loss data points that will be used to estimate the operational risk exposure reported in QIS4. QIS4 will request only the risk exposure estimates - not the data itself.)
- In column 10, the gross loss amount, that is, the amount lost before any recoveries.
- In column 11, the insurance recovered within one year of the loss occurrence.
- In column 12, the code of the legal entity where the loss occurred. Note: it is not necessary to provide the legal entity names or any other identifying information associated with the legal entity codes.

WORKSHEET B. REPORTING THRESHOLDS FOR LDCE DATA

1. This sheet requests data on the reporting thresholds for the data provided in the "Individual Losses" worksheet. Information regarding data completeness is also requested.
2. Information is requested by the same internal Business Lines and Event Types reported in the "Individual Losses" worksheet. However, it would be acceptable to provide data only for the "All ETs" column ("All BLs" row) if this information does not vary across Event Types (Business Lines).
3. Five specific pieces of information are requested. These are:
 - Panel a: The cutoff used to report loss data.
 - Panel b: Whether the loss data above the cutoff are complete.
 - Panel c: If data above cutoff are not complete, an estimate of the % of actual losses (severity) reported. (20% enter 20, NI for no information, or NA for not applicable)
 - Panel d: If data above cutoff are not complete, an estimate of the % of actual losses (frequency) reported. (20% enter 20, NI for no information, or NA for not applicable)
 - Panel e: A description of how information regarding data completeness was obtained.

WORKSHEET C. REPORTING THRESHOLDS FOR QIS DATA

1. This sheet should be completed only if there is a significant difference between the completeness of the LDCE data (all losses reported on worksheet A) and the completeness of the QIS data (those losses with a 'Y' in column 9 of worksheet A).
2. This worksheet requests information regarding completeness and reporting thresholds for the QIS data.
3. This worksheet would generally be completed if the LDCE data spanned more years than the QIS data, and if data for the additional years in the LDCE data were incomplete. This worksheet would also be completed if the LDCE data included smaller loss amounts than the QIS data, and if data for the smaller loss amounts were incomplete.

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WORKSHEET D. BUSINESS LINE AND EVENT TYPE MAPPINGS

1. This sheet requests the mapping between the internal business lines and event types used on worksheets A through C and the standard Basel business lines and event types.
2. The internal business lines and event types reported here should be identical to those reported on worksheets A through C.