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The primary objectives of the paper are:

- To clarify the key elements of supervisory cooperation with respect to the implementation of AMA and establish a framework of principles to facilitate information sharing in the assessment and approval of AMA methodologies; and,
- To establish a set of principles to promote the development and assessment of allocation mechanisms incorporated in a hybrid AMA.

The principles set out in this paper do not supersede the general principles described in the paper *High-level principles for the cross-border implementation of the New Accord*¹ but rather provide further elaboration of these principles in an operational risk context. Also, to the extent that this paper refers to operational risk capital requirements, such references are limited to the Pillar 1 capital charge only.

The Operational Risk Subgroup of the Basel Committee's Accord Implementation Group (AIGOR) anticipates that the principles set out in this paper will enhance home-host cooperation and information sharing among supervisors with respect to the approval and ongoing assessment of AMA methodologies, particularly as they relate to the hybrid AMA. In this regard, the AIGOR would emphasise the need for banks interested in implementing the hybrid AMA to work with relevant home and host supervisors to develop allocation mechanisms that appropriately reflect the operational risk profiles of all relevant subsidiaries and meet any other requirements of those supervisors.

¹ Basel Committee on Banking Supervision, June 2006. Like the Home-host paper, this paper does not seek to address the issue of foreign branches. However, in countries where local capital for foreign branches is required as a matter of local discretion, some of the same issues would then arise under Basel II as for subsidiaries.

² Ibid. January 2004.

³ Basel Committee on Banking Supervision, August 2003.