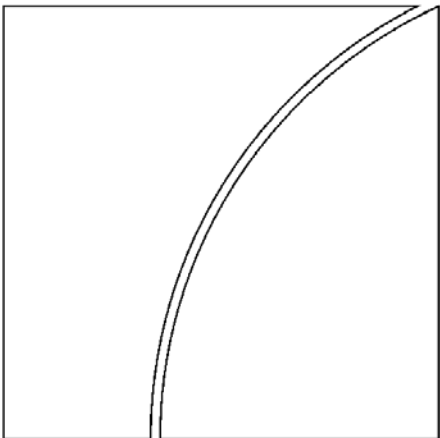


Basel Committee on Banking Supervision



Charter

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Basel Committee on Banking Supervision (BCBS) Charter

I. Purpose and role

1. Mandate

The BCBS is the primary global standard-setter for the prudential regulation of banks and provides a forum for cooperation on banking supervisory matters. Its mandate is to strengthen the regulation, supervision and practices of banks worldwide with the purpose of enhancing financial stability.

2. Activities

The BCBS seeks to achieve its mandate through the following activities:

- (a) exchanging information on developments in the banking sector and financial markets, to help identify current or emerging risks for the global financial system;
- (b) sharing supervisory issues, approaches and techniques to promote common understanding and to improve cross-border cooperation;
- (c) establishing and promoting global standards for the regulation and supervision of banks as well as guidelines and sound practices;
- (d) addressing regulatory and supervisory gaps that pose risks to financial stability;
- (e) monitoring the implementation of BCBS standards in member countries and beyond with the purpose of ensuring their timely, consistent and effective implementation and contributing to a “level playing field” among internationally-active banks;
- (f) consulting with central banks and bank supervisory authorities which are not members of the BCBS to benefit from their input into the BCBS policy formulation process and to promote the implementation of BCBS standards, guidelines and sound practices beyond BCBS member countries; and
- (g) coordinating and cooperating with other financial sector standard setters and international bodies, particularly those involved in promoting financial stability.

3. Legal status

The BCBS does not possess any formal supranational authority. Its decisions do not have legal force. Rather, the BCBS relies on its members’ commitments, as described in Section 5, to achieve its mandate.

II. Membership

4. BCBS members

BCBS members include organisations with direct banking supervisory authority and central banks.

After consulting the Committee, the BCBS Chairman may invite other organisations to become BCBS observers.

BCBS membership and observer status will be reviewed periodically.

In accepting new members, due regard will be given to the importance of their national banking sectors to international financial stability. The Committee will make recommendations to its oversight body, the Group of Governors and Heads of Supervision,¹ for changes in BCBS membership.

The Secretariat will publish the list of BCBS members and observers on its website.

5. BCBS members' responsibilities

BCBS members are committed to:

- (a) work together to achieve the mandate of the BCBS;
- (b) promote financial stability;
- (c) continuously enhance their quality of banking regulation and supervision;
- (d) actively contribute to the development of BCBS standards, guidelines and sound practices;
- (e) implement and apply BCBS standards in their domestic jurisdictions² within the pre-defined timeframe established by the Committee;
- (f) undergo and participate in BCBS reviews to assess the consistency and effectiveness of domestic rules and supervisory practices in relation to BCBS standards; and
- (g) promote the interests of global financial stability and not solely national interests, while participating in BCBS work and decision-making.

III. Oversight

6. The Group of Governors and Heads of Supervision (GHOS)

The GHOS is the oversight body of the BCBS. The BCBS reports to the GHOS and seeks its endorsement for major decisions. In addition, the BCBS looks to the GHOS to:

- (a) approve the BCBS Charter and any amendments to this document;
- (b) provide general direction for the BCBS work programme; and
- (c) appoint the BCBS Chairman from among its members. If the BCBS Chairman ceases to be a GHOS member before the end of his/her term, the GHOS will appoint a new Chairman. Until a new Chairman has been appointed, the Secretary General assumes the Chairman's functions.

¹ See Section 6 of this document.

² Domestic in this section should be read as regional if applicable.

IV. Organisation

7. Structure

The internal organisational structure of the BCBS comprises:

- (a) The Committee
- (b) Groups, working groups and task forces³
- (c) The Chairman
- (d) The Secretariat

8. The Committee

The Committee is the ultimate decision-making body of the BCBS with responsibility for ensuring that its mandate is achieved.

8.1 Responsibilities

The Committee is responsible for:

- (a) developing, guiding and monitoring the BCBS work programme within the general direction provided by GHOS;
- (b) establishing and promoting BCBS standards, guidelines and sound practices;
- (c) establishing and disbanding groups, working groups and task forces; approving and modifying their mandates; and monitoring their progress;
- (d) recommending to the GHOS amendments to the BCBS Charter; and
- (e) deciding on the organisational regulations governing its activities.

8.2 Number of Committee meetings

The Committee generally meets four times every year. However, the Chairman can decide to hold additional meetings⁴ as necessary.

8.3 Representation at Committee meetings

The Chairman presides over Committee meetings. All BCBS members and observers are entitled to appoint one representative to attend Committee meetings. BCBS representatives should be senior officials of their organisations and should have the authority to commit their institutions. Representation at Committee meetings is expected to be, for example, at the level of head of banking supervision, head of banking policy/regulation, central bank deputy governor, head of financial stability department or equivalent.

8.4 Decisions

Decisions by the Committee are taken by consensus among its members.

³ Task forces are temporary in nature and thus do not form part of the permanent structure of the BCBS.

⁴ This includes teleconferences and video conferences.

8.5 Communication of decisions

Committee decisions of public interest shall be communicated through the BCBS website. The Committee shall issue, when appropriate, press statements to communicate its decisions.

9. Groups, working groups and task forces

The BCBS's work is largely organised around groups, working groups and task forces. The Secretariat will make publicly available the list of BCBS groups and working groups.

9.1 Groups

BCBS groups report directly to the Committee. They are composed of senior staff from BCBS members that guide or undertake themselves major areas of Committee work. BCBS groups form part of the permanent internal structure of the BCBS and thus operate without a specific deliverable or end date.

9.2 Working groups

Working groups consist of experts from BCBS members that support the technical work of BCBS groups.

9.3 Task forces

Task forces are created to undertake specific tasks for a limited time. These are generally composed of technical experts from BCBS member institutions. However, when these groupings are created by the Committee, they consist of BCBS representatives and deal with specific issues that require prompt attention of the Committee. In such cases, they are called high-level task forces.

10. Chairman

The Chairman directs the work of the Committee in accordance with the BCBS mandate.

10.1 Appointment

The Chairman is appointed by the GHOS for a term of three years that can be renewed once.

10.2 Responsibilities

The Chairman's main responsibilities are to:

- (a) convene and chair Committee meetings. If the Chairman is unable to attend a Committee meeting, he or she can designate the Secretary General to chair the meeting on his/her behalf;
- (b) monitor the progress of the BCBS work programme and provide operational guidance between meetings to carry forward the decisions and directions of the Committee;
- (c) report to the GHOS when appropriate; and
- (d) represent the BCBS externally and be the principal spokesperson for the BCBS.

11. The Secretariat

The Secretariat is provided by the Bank for International Settlements (BIS) and supports the work of the Committee, the Chairman and the groups around which the Committee organises

its work. The Secretariat is staffed mainly by professional staff, mostly on temporary secondment from BCBS members.

11.1 Responsibilities

The Secretariat's main responsibilities are to:

- (a) provide support and assistance to the Committee, the Chairman, groups, working groups and task forces;
- (b) ensure timely and effective information flow to all BCBS members;
- (c) facilitate coordination across groups, working groups and task forces;
- (d) facilitate a close contact between BCBS members and non-member authorities;
- (e) support the cooperation between the BCBS and other institutions;
- (f) maintain the BCBS records, administer the BCBS website and deal with correspondence of the BCBS; and
- (g) carry out all other functions that are assigned by the Committee and the Chairman.

11.2 Secretary General

The Secretary General reports to the Chairman and directs the work of the Secretariat. The Secretary General manages the financial, material and human resources allocated to the Secretariat. He/she also assists the Chairman in representing the Committee externally.

The Secretary General is selected by the Chairman on recommendation of a selection panel comprising BCBS and/or GHOS members and a senior representative of the BIS. The term of appointment is typically three years with the potential to be extended.

11.3 Deputy Secretaries General

Deputy Secretaries General report to and assist the Secretary General in discharging his/her duties. Deputy Secretaries General substitute for the Secretary General in case of absence, incapacity or as requested by the Secretary General.

Deputy Secretaries General are selected by the Secretary General in conjunction with the Chairman.

11.4 Location of the Secretariat

The Secretariat is located at the BIS in Basel.

V. BCBS standards, guidelines and sound practices

12. Standards

The BCBS sets standards for the prudential regulation and supervision of banks. The BCBS expects full implementation of its standards by BCBS members and their internationally active banks. However, BCBS standards constitute minimum requirements and BCBS members may decide to go beyond them.

The Committee expects standards to be incorporated into local legal frameworks through each jurisdiction's rule-making process⁵ within the pre-defined timeframe established by the Committee. If deviation from literal transposition into local legal frameworks is unavoidable, members should seek the greatest possible equivalence of standards and their outcome.

13. Guidelines

Guidelines elaborate the standards in areas where they are considered desirable for the prudential regulation and supervision of banks, in particular international active banks. They generally supplement BCBS standards by providing additional guidance for the purpose of their implementation.

14. Sound practices

Sound practices generally describe actual observed practices, with the goal of promoting common understanding and improving supervisory or banking practices.

BCBS members are encouraged to compare these practices with those applied by themselves and their supervised institutions to identify potential areas for improvement.

VI. Consultation with non-member authorities

15. Consultation with non-member authorities

Consistent with the activities described under section 2, the BCBS is committed to consulting widely on its activities with non-member authorities through the following structures and mechanisms:

15.1 *The Basel Consultative Group (BCG)*

The BCG provides a forum for deepening the Committee's engagement with supervisors around the world on banking supervisory issues. It facilitates broad supervisory dialogue with non-member authorities on new Committee initiatives early in the process by gathering senior representatives from various countries, international institutions and regional groups of banking supervisors that are not members of the Committee.

15.2 *The International Conferences of Banking Supervisors (ICBS)*

The biennial ICBS provides a venue for supervisors around the world to discuss issues of common interest.

15.3 *Participation in BCBS groups, working groups and task forces*

By participating as observers in BCBS bodies, non-member authorities contribute to the Committee's policy development work.

15.4 *The Financial Stability Institute (FSI)*

The FSI is a joint initiative of the BCBS and the BIS to assist supervisors around the world in implementing sound prudential standards. The BCBS supports FSI activities, including in particular the BCBS-FSI High Level Meetings. These are targeted at senior policymakers

⁵ This should also be read as regional rule making process.

within central banks and supervisory authorities and provide a series of regional fora for distributing information on BCBS standards, keeping participants updated on Committee work, sharing supervisory practices and concerns, and establishing and maintaining strong contacts.

15.5 Regional groups of banking supervisors

The BCBS supports the work and activities of regional groups of banking supervisors worldwide. Secretariat staff may participate in meetings of such groups to exchange ideas and seek feedback on BCBS work.

VII. Relationship with other international financial bodies

16. International cooperation

The BCBS cooperates with other international financial standard setters and public sector bodies with the purpose of achieving an enhanced coordination of policy development and implementation. In carrying out their responsibilities to support this cooperation, the Chairman and the Secretariat will pay particular attention to the need to comply with the BCBS's due process and governance arrangements.

Together with other international financial standard setters, the BCBS sponsors the Joint Forum, where issues of common concern to the standard setters can be addressed and recommendations for coordinated action can be developed.

The BCBS is a member of the Financial Stability Board (FSB) and participates in the FSB's work to develop, coordinate and promote the implementation of effective regulatory, supervisory and other financial sector policies.

VIII. Public consultation process

17. Public consultation process of draft BCBS standards, guidelines and sound practices

In principle, the BCBS seeks input from all relevant stakeholders on policy proposals. The consultation process will include issuing a public invitation to interested parties to provide comments in writing to the Secretariat on policy proposals issued by the Committee, within a specified timeframe. The consultation period shall normally last 90 calendar days, but could exceptionally be shorter or longer. As a general rule, responses to public invitations for comments shall be published on the BCBS website, unless confidential treatment is requested by respondents.

This process is compulsory for BCBS standards.