Basel Committee
on Banking Supervision

Basel capital framework national discretions

November 2014

BANK FOR INTERNATIONAL SETTLEMENTS

This publication is available on the BIS website (www.bis.org).

ISBN 978-92-9131-975-6 (print)

ISBN 978-92-9131-980-0 (online)

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Basel capital framework national discretions

The Basel capital framework[1] contains a number of national discretions to allow the standards to be implemented differently by authorities in different jurisdictions. This can be useful when differences in the structure and development of financial systems warrant different approaches. In practice, however, the Committee recognises that the use of national discretions can also impair the comparability of implementation across jurisdictions, particularly if supervisors do not implement them with the same conservatism. This was highlighted by three recent studies on the variation of risk-weighted assets in the banking book and trading book.[2]

In July 2013, the Basel Committee published a discussion paper on risk sensitivity, simplicity and comparability.[3] It discussed the use of national discretions and recommended a review of how current national discretions are used by members. As a first step, the Basel Committee conducted a survey of members later in the year. This report summarises the results of that survey and shows the current use of national discretions included in the Basel capital framework by all 27 Basel Committee members.

The survey results should be read in conjunction with the *International Convergence of Capital Measurement and Capital Standards: A revised framework* (Basel II) and *Basel III: A global regulatory framework for more resilient banks and banking systems*. For example, "54 (claims on sovereign or central bank)" refers to paragraph 54 of the Basel II accord which defines a national discretion regarding these sorts of claims:

> "54. At national discretion, a lower risk weight may be applied to banks' exposures to their sovereign (or central bank) of incorporation denominated in domestic currency and funded in that currency. Where this discretion is exercised, other national supervisory authorities may also permit their banks to apply the same risk weight to domestic currency exposures to this sovereign (or central bank) funded in that currency."

Most terms used in the tables in this report are straightforward: "Yes" means a discretion is used by the jurisdiction; "No" means it is not. "n/a" means "not applicable" rather than "not available." Other terms like "Option 1", "Option 2", "Explicit or Implicit", "Market or Both", "Simple Risk Weighted Assets (RWA)" or "Both" and "Deduction (Ded) or Risk Weighted (RW)" are defined in the respective paragraphs of the Basel standards.

The results of the survey are presented below in two series of tables, seven summary tables and seven main tables with one summary table for each main table. The summaries simply count the number of members who use a particular discretion. The main tables detail use of discretions by individual Basel Committee member jurisdictions. These are presented in separate tables for the European Union (EU) and non-European Union (non-EU) jurisdictions to accommodate the fact that in the EU, the Basel framework is implemented partially at the regional level directly and partially at the member state level, so some of the responses are common across EU members. The footnotes to each of the main tables explain specific details of individual country responses.

1 Including Basel II, Basel 2.5 and Basel III. Each is available at www.bis.org.

2 *Regulatory Consistency Assessment Programme (RCAP) – Analysis of risk-weighted assets for market risk*, February 2013; *Analysis of risk-weighted assets for credit risk in the banking book*, July 2013; and *Second report on risk-weighted assets for market risk in the trading book*, December 2013, all available at www.bis.org

3 *The regulatory framework: balancing risk sensitivity, simplicity and comparability*, July 2013, www.bis.org

The Basel Committee has begun analysis of these discretions to understand how much they contribute to unwarranted variations in capital standards. The Committee will then consider which of the discretions should be eliminated from the framework, which would serve to increase the comparability of implementation of the standards across jurisdictions. This process to consider eliminating certain discretions will begin in 2015.

Basel II – implementation of national discretions

Summary of Table 1 - Standardised approach for credit risk – Basel Committee members						
Basel II paragraph	Yes	No	n/a	Both	Option 1	Option 2
54 claims on sovereign (or central bank)	26		1			
55 Recognition of ECAs	17	9	1			
57 Claims on domestic PSEs as if banks		3	1	9	10	4
58 Claims on domestic PSEs as if sovs	15	10	2			
60-64 Claims on banks		1	1	9	7	9
64 Pref RW for claims on banks (<3m)	19	6	2			
67 increased RW for unrated	3	23	1			
68 100% RW for all corporates	19	7	1			
69 75% RW for regulatory retail claims	23	3	1			
70 Numerical limit for granularity criterion	11	15	1			
71 Increased RWs for regulatory retail	7	19	1			
72-73 Preference RW for claims secured by residential property	26		1			
74 CRE 50% RW if strict conditions are met	12	14	1			
75 RW of 50% for unsecured part of past due loan where provisions > 50%	4	22	1			
75 Treat non-past due loans RW at 150% as if past due	4	22	1			
76 Transitional provision to accept wider collateral		26	1			
77 100% RW for fully secured past due loan if provisions >15%	5	21	1			
78 RW for past due mortgages of 50% if provisions > 20%	6	20	1			
80 150% RW of higher for other assets	21	5	1			
81 RW gold bullion at 0%	23	3	1			
81 20% RW cash items in the process of collected	17	9	1			
102 domestic currency rating for exposure in foreign exchange transactions when loan extended by MDB	15	10	2			
108 Allow use of unsolicited ratings	13	12	2			
201 Lower RW to claims guaranteed by sovereign (or central bank) when denominated and funded in domestic currency	24	2	1			

Summary of Table 2 - IRB roll-out and min requirements – Basel Committee members			
Basel II paragraph	Yes	No	n/a
257 Phased roll-out of IRB	23	1	3
259 IRB exemptions for non-material portfolios	24		3
260 Require IRB equity, even if bank is standardised	4	20	3
264-265 Relaxation of data requirements for transition	18	6	3
404 Greater number of borrower grades than 7 for non-defaulted	6	18	3
443 Require an external audit	5	19	3
452 180 days definition of default for retail and PSE	6	18	3
458 Establish more specific requirements for re-ageing	3	20	4
467 mandatory adjustment of PD for seasoning effects	16	8	3
521 Recognition of other collateral meeting criteria	20	4	3

Summary of Table 3 - Internal Ratings-Based approach – Basel Committee members

Basel II paragraph	Yes	No	n/a	Explicit	Implicit	Both	Market	Simple RW
231 Exposure thresholds to distinguish between retail/corporates	5	19	3					
231 Limits on maximum number of housing units per exposure	3	21	3					
232 Minimum number of exposures within a pool for retail		24	3					
237 Allowance for directly hedged equity holdings	7	17	3					
238 Re-categorise debt holdings as equities	10	14	3					
242 Purchased receivables “bottom up” approach conc. limits	6	17	4					
250 HVCRE: Banks can use foundation approach with separate RW function	7	14	6					
251 HVCRE: Banks can use advanced approach with separate RW function	8	13	6					
267 Exempt equity exposures from IRB for transitional 10 years	11	12	4					
274 Allow firm-size adjustment and SME threshold to be based on total assets	18	6	3					
277 Specialised lending: Lower RWs of 50% and 70% (<2.5yrs)	19	5	3					
282 HVCRE: Lower RW of 70% and 95% (<2.5yrs)	3	17	7					
288 Wider definition of subordination	1	23	3					
289 Certain commercial mortgages recognised as corporate	14	10	3					
318 Require explicit M adjustment for FIRB			4	10	3	10		
319 Exempt certain small domestic firms from explicit M adjustment	13	11	3					
322 Carve out instruments from 1-yr floor within M adjustment	21	3	3					
341-342 Equity: market-based or PD/LGD approach?			4			19	4	
346-349 Equity: Simple RW or internal models approach?			4			21		2
356 Exclude equity holdings in entities whose debt is 0% RW under standardised	14	8	5					
357 Exemption for equity under legislative programmes	13	9	5					
358 Exemption for equity based on materiality threshold	18	4	5					
373 Purchased receivables: Recognise internally-rated guarantors for dilution risk	15	8	4					

Summary of Table 4 – Other issues – Basel Committee members

Basel II paragraph	Yes	No	n/a	Consol.	Deduct	RW
24 & 27 Consolidation or deduction of majority-owned sec entities and financial subsidiaries	18			7	2	
43 Apply limit on recognition of excess provisions	3	21	3			
49 Develop bank by bank floors	15	10	2			
582 Securitisation: unconditionally cancellable servicer cash advances 0%CCF	23	3	1			
639 Securitisation: Allow alternative treatment for liquidity facilities in IRB	18	4	5			
652-654 Op risk: Alternative Standardised Approach	17	9	1			
654 Op risk: More conservative treatment of negative gross income	5	21	1			
656 Op risk: Allow allocation mechanism for non-significant subs	15	8	4			
663 Op risk: Impose criteria for non-internationally active banks using TSA	19	6	2			
669 (b) Op risk: Allow bank to demonstrate it captures EL	21	2	4			
669 (d) Op risk: Allow bank to use internal correlations across estimates	21	2	4			
673 Op risk: Establish threshold for internal loss data	15	9	3			
798 Securitisation: Require review prior to exercising a call	4	22	1			

Summary of Table 5 – Credit risk mitigation techniques – Basel Committee members

Basel II paragraph	Yes	No	n/a
136 Allow banks to not apply supervisory or own-estimate haircuts for certain repos	24	3	
154 Bank's internal H for categories of security when debt rated BBB-/A-3 or higher	19	7	1
170 & 294 Banks can apply H=0 for certain repos	24	3	
171 Establish a definition of core market participants	24	3	
172 Follow other supervisors' preferential treatment carve-out of repos	7	20	
507 & 508 Recognition of CRE/RRE in the FIRB where not all conditions are met	11	12	3

Summary of Table 6 – Trading book/market risk – Basel Committee members

Basel II paragraph	Yes	No	n/a
683(v) Permit banking groups to report short and long positions in the same instrument on a net basis	20	5	2
689 (ii) Dealer exception for holdings of other banks' and financial entities' capital in the trading book	4	21	2
701 (ii) Allow banks to use their own internal risk management models	24	2	1
701 (i) Apply a specific risk weight to securities issued by certain foreign governments	5	21	1
710 (i) FN118 Include local and regional gov subject to a zero credit RW in the government category	17	9	1
711 Apply lower specific risk charge to gov paper denominated and funding in domestic currency	23	3	1
711 (i) Include in qualifying category securities issued by banks in Basel jurisdictions	11	15	1
711 (i) Include in qualifying category securities issued by sec firms that are subject to equivalent rules	12	14	1
712 (ii) Apply a higher specific risk charge to instruments with high yield to redemption and/or disallow offsetting	7	19	1
718 (vii) Allow banks to use the duration method for general market risk	22	3	2
718 (xL) Choice of shorthand method or internal models for foreign exchange risk	21	5	1
718 (xLii) Exemption for negligible foreign exchange positions where no FX positions on own account	16	10	1
718 (xLvii) Permit netting between sub categories for same commodity	18	5	4
718 (Lvi) Permit simplified and intermediate approach treatment of options	24	2	1
718 (Lix) FN152 Require banks to use the scenario or internal models approach for exotic options / options close to expiry	7	18	2
718 (Lxiii) Permit interest rate options to be based on the calculation on a min of six sets of time-bands	8	16	3
718 (Lxxvi)(h) Require banks to adjust their capital measures for options risk through other methods eg simulations	14	11	2
718 (Lxxvi)(j) Require back testing on hypothetical or actual outcomes or both	22	3	2
Annex 4, 96(iv) FN252 Permit calculating NGR on counterparty or aggregate basis for transactions subject to netting	8	17	2

Basel III – implementation of national discretions

Summary of Table 7 – Basel III – Basel Committee members

Basel III paragraph	Yes	No	n/a
52 Consider appropriate audit, verification or review process	20	7	
61 Apply a limit lower than 0.6% to excess provisions		24	3
78-89 FAQ14 consolidation alternative to deduction	11	15	1
80 (FN 27) & 84 (FN 31) Permit banks to use a conservative estimate instead of look-through	19	8	
80 & 84 Permit banks to exclude investments made in the context of resolution	19	8	
99 Apply para 104 instead of 98 non-IMM CVA charge	17	7	3
121 Allow banks to use unsolicited ratings	15	10	2
132 (c) Apply at solo level	20	4	3
132 (d) Impose time limits on draw down of buffers	19	4	4
133 Impose shorter transitional periods	7	18	2
142 FN 50 Apply at solo level	19	5	3
PON Press release 1 (a) Apply Statutory approach	12	15	

Standardised approach for credit risk (1) – Basel Committee members (excluding EU)										Table 1
Jurisdiction / Basel II paragraph	54 claims on sovereign (or central bank)	55 Recognition of ECAs	57 Claims on domestic PSEs as if banks	58 Claims on domestic PSEs as if sovs	60-64 Claims on banks	64 Pref RW for claims on banks (<3m)	67 increased RW for unrated	68 100% RW for all corporates	69 75% RW for regulatory retail claims	70 Numerical limit for granularity criterion
Argentina	Yes	No	No (1)	Yes	Option 1	Yes	No	Yes	Yes	Yes
Australia	Yes (1)	No	Option 1	Yes	Option 2	No	No	Yes	No (2)	No
Brazil	Yes	No	No	No	Option 2 (1)	Yes	No	Yes (2)	Yes	Yes
Canada	Yes	Yes (1)	Option 1	Yes	Option 1	n/a (2)	No	Yes (3)	Yes	No
China	Yes	No	Option 1	n/a (1)	Option 1	Yes	No	Yes	Yes	No
Hong Kong SAR	Yes	No	Option 1	No	Option 2	Yes	No	No	Yes	No
India	Yes	No	No (1)	No (1)	No (2)	No	No	No	Yes	Yes
Indonesia	Yes	No	Option 2	No	Option 2	No	No	No	Yes	Yes
Japan	Yes	Yes	Option 1	Yes	Option 1	Yes	No	Yes	Yes	Yes
Korea	Yes	Yes	Option 1	Yes	Option 1	Yes	No	No	Yes	Yes
Mexico	Yes	No	Option 1	No	Option 1	No	No	No	No	Yes
Russia	Yes	Yes	Option 1	No	Option 1	Yes	Yes	Yes	No	No
Saudi Arabia	Yes	Yes	Option 2	No	Option 2	Yes	No	No	Yes	Yes
Singapore	Yes	No	Option 2 (1)	No	Option 2	No	Yes	Yes	Yes	No (2)
South Africa	Yes	Yes	Option 2	No	Option 2	Yes	Yes	Yes	Yes	Yes
Switzerland	Yes	Yes	Option 1	No	Option 2	No	No	Yes	Yes	Yes
Turkey	Yes	Yes	Option 1	Yes	Option 2	Yes	No	No	Yes	Yes
United States	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)

Standardised approach for credit risk (1) – European Union

Table 1

Jurisdiction / Basel II paragraph	54 claims on sovereign (or central bank)	55 Recognition of ECAs	57 Claims on domestic PSEs as if banks	58 Claims on domestic PSEs as if sovs	60-64 Claims on banks	64 Pref RW for claims on banks (<3m)	67 increased RW for unrated	68 100% RW for all corporates	69 75% RW for regulatory retail claims	70 Numerical limit for granularity criterion
EU (CRD4/CRR)	Yes	Yes	Both (1)	Yes	Both (1)	Yes	No	Yes	Yes	No
Belgium										
France										
Germany										
Italy										
Luxembourg										
The Netherlands										
Spain										
Sweden										
The United Kingdom										

Standardised approach for credit risk (2) – Basel Committee members (excluding EU)

Table 1

Jurisdiction / Basel II paragraph	71 Increased RWs for regulatory retail	72-73 Preference 35% RW for claims secured by residential property	74 CRE 50% RW if strict conditions are met	75 RW of 50% for unsecured part of past due loan where provisions > 50%	75 Treat non-past due loans RW at 150% as if past due	76 Transitional provision to accept wider collateral	77 100% RW for fully secured past due loan if provisions >15%
Argentina	Yes	35%-100% (2)	Yes	Yes	No	No	Yes
Australia	Yes	35%-100% (3)	No	No	No	No	No
Brazil	No	35% (3)	No	No	No	No	No
Canada	No	35% (4)	No	No	No	No	No
China	No	50%	Yes (3)	No	No	No	No
Hong Kong SAR	No	35% (1)	No	No	No	No	No (2)
India	No	50-75% (3)	No (4)	Yes	No	No	Yes
Indonesia	No	35-45% (1)	No	No	No	No	No
Japan	No	35% (1)	No	Yes	Yes	No	Yes
Korea	No	35%	No	No	Yes	No	Yes
Mexico	Yes	50-100% (1)	No	No	No	No	No
Russia	Yes (1)	70-150% (2)	No	No (3)	No (3)	No	No (3)
Saudi Arabia	No	100%	No	No	No	No	Yes
Singapore	Yes	35% (3)	No	No	Yes	No	No
South Africa	Yes	35%-100% (1)	No	Yes	No	No	No
Switzerland	No	35% (1)	No	No	No	No	No
Turkey	Yes	50% (1)	Yes	No	Yes	No	No
United States	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)

Standardised approach for credit risk (2) – European Union

Table 1

Jurisdiction / Basel II paragraph	71 Increased RWs for regulatory retail	72-73 Preference RW for claims secured by residential property	74 CRE 50% RW if strict conditions are met	75 RW of 50% for unsecured part of past due loan where provisions > 50%	75 Treat non-past due loans RW at 150% as if past due	76 Transitional provision to accept wider collateral	77 100% RW for fully secured past due loan if provisions >15%
EU (CRD4/CRR)	No	35% (2)	Yes	No	No	No	No
Belgium							
France							
Germany							
Italy							
Luxembourg							
The Netherlands							
Spain							
Sweden							
The United Kingdom							

Standardised approach for credit risk (3) – Basel Committee members (excluding EU)

Table 1

Jurisdiction / Basel II paragraph	78 RW for past due mortgages of 50% if provisions > 20%	80 150% RW or higher for other assets	81 RW gold bullion at 0%	81 20% RW cash items in the process of collected	102 domestic currency rating for exposure in foreign exchange transactions when loan extended by MDB	108 Allow use of unsolicited ratings	201 Lower RW to claims guaranteed by sovereign (or central bank) when denominated and funded in domestic currency
Argentina	Yes	Yes	Yes	Yes	n/a (3)	n/a (3)	Yes
Australia	No	Yes	Yes	Yes	No	No	Yes (2)
Brazil	No	Yes	Yes	No	No	No	Yes
Canada	No	No	Yes	Yes	Yes	No	Yes
China	No	Yes	Yes	No	No	No	No
Hong Kong SAR	No	No (3)	Yes	Yes	Yes	Yes	Yes
India	Yes (5)	Yes (6)	No	No	No	No	Yes
Indonesia	No	No	Yes	No	No	No	Yes
Japan	Yes	No	Yes	Yes	Yes	No	Yes
Korea	Yes	Yes	Yes	No	Yes	No	Yes
Mexico	No	Yes	No	No	No	No	Yes
Russia	No (3)	Yes (4)	Yes	No	No	Yes	Yes
Saudi Arabia	No	No	Yes	No	Yes	No	Yes
Singapore	No	Yes	Yes	Yes	Yes	Yes	Yes
South Africa	Yes	Yes	Yes	Yes	No	No (2)	Yes
Switzerland	No	Yes	No	No	No	Yes	No
Turkey	Yes	Yes	Yes	Yes	No	No (2)	Yes
United States	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)

Standardised approach for credit risk (3) – European Union

Table 1

Jurisdiction / Basel II paragraph	78 RW for past due mortgages of 50% if provisions > 20%	80 150% RW or higher for other assets	81 RW gold bullion at 0%	81 20% RW cash items in the process of collected	102 domestic currency rating for exposure in foreign exchange transactions when loan extended by MDB	108 Allow use of unsolicited ratings	201 Lower RW to claims guaranteed by sovereign (or central bank) when denominated and funded in domestic currency
EU (CRD4/CRR)	No	Yes	Yes	Yes	Yes	Yes	Yes
Belgium							
France							
Germany							
Italy							
Luxembourg							
The Netherlands							
Spain							
Sweden							
The United Kingdom							

Table 1 notes:

Argentina

(1) PSEs are RWs as per corporates. **(2)** Loans secured by residential property that is the only and permanent home of the debtor has a RW of 35% up to an LTV of 75% or 100% for LTVs > 75%. Loans secured by residential property that is not the only and permanent home of the debtor have a RW of 50% up to an LTV of 75% or 100% for LTVs > 75%. **(3)** Replaced references to ratings with regulatory risk weights.

Australia

(1) Australia exercised the discretion to lower the risk weight applied to an authorised deposit-taking institution's (ADI's) exposures to its sovereign or central bank of incorporation denominated and funded in domestic currency. Australia did not exercise the discretion permitting an ADI to apply the same risk weight to domestic currency exposures to any sovereign/central bank funded in that currency, where such sovereign has exercised its discretion to apply a lower risk-weight under the earlier part of paragraph 54. **(2)** APRA applies 100% risk-weight. **(3)** 35-100% depending on LTV and insurance (35% if LTV ≤ 80% or insurance of ≥ 40% of mortgage). APRA's definition of residential mortgage exposures also includes loans secured by residential property that are not necessarily for residential purposes.

Brazil

(1) The BCB does not rely on rating assessments from ECAs and ECAIs thus Brazilian treatment for banks exposures is based on risk weights applicable to unrated banks according to option 2. Claims on banks are risk weighted at 20% or 50% depending on maturity of the claim (more or less than three months). **(2)** In the Brazilian framework the standard risk weight for corporate exposures is set at 100%, as for the unrated corporate exposures in Basel II. Nevertheless, for certain corporates, the RW is set at 85%. **(3)** 35% RW if LTV ≤80% and loan is encumbered with a fiduciary lien. 50% RW if LTV ≤80% and loan is encumbered with a first-degree mortgage lien. 75% RW if LTV >80% and exposure qualifies as retail (ie total exposure to a single counterparty below R$1.5 million). All other exposures are RW 100%.

Canada

(1) Only for claims on sovereigns that do not receive an ECAI rating. **(2)** Since Option 1 will be used. **(3)** Limited to institutions that OSFI would not expect to implement an IRB Approach. However, if an institution chooses to adopt this option, it must use the 100% risk weight for all of its corporate exposures. **(4)** 35% for first mortgages provided such loans are not 90 days or more past due and do not exceed an LTV of 80% and collateral mortgages not 90 days or more past due and not, collectively, exceeding an LTV of 80%.

China

(1) All domestic PSEs are assigned with risk-weight of 20%. **(2)** Lending fully secured by mortgages on residential property are assigned with risk-weight of 50%. **(3)** Personal loans secured by commercial real estate are assigned with risk weight of 75%.

Hong Kong

(1) 35% if, among other things, original LTV does not exceed 70% and current LTV does not exceed 100%. **(2)** If a past due loan is fully secured by real property (market value of the real property needs to be subject to a haircut of 10% if it is residential property or 20% if it is any other type of real property), the secured portion of the loan may be assigned a RW of 100%. Past due loans secured by other non-eligible collateral should be assigned 150% RW, regardless of the amount of specific provisions made. **(3)** 100% RW applies to other assets, but under the Banking (Capital) Rules the HKMA has the power to require banks to apply a higher RW to other assets.

India

(1) Domestic PSEs are treated as corporates. **(2)** As external ratings for all types of banks are not available, a risk sensitive alternative is being used to arrive at the risk weight. The alternative is based on the matrix of level of CRAR of the investee bank and the type of banks, with a floor of 20%. **(3)** The claims secured by residential property have been assigned risk weight ranging from 50% to 75%, depending on the amount of exposure and loan to value ratio. **(4)** Commercial real estate attracts risk weight of 100%, except in case of Commercial Estate - Residential Housing which attracts Risk Weight of 75%. **(5)** The mortgage loans with specific provision in the range of 20%-50% will be assigned a RW of 75% net of specific provision and mortgage loans with more than 50% specific provision will be assigned 50% RW net of specific provision. **(6)** Venture capital funds have been assigned 150% RW among other assets. Further, as per the local condition and risk sensitivity assessed by the RBI, some exposures like capital market exposure, consumer credit, etc have been assigned a risk weight of 125% or higher. The rest of the exposure (for which no specific risk weight has been prescribed in the guideline) is assigned 100% risk weight.

Indonesia

(1) 35% RW if LTV ratio ≤ 70%. 40% RW if the ratio LTV is 70% - 80%. 45% RW if the LTV ratio is 80% - 95%.

Japan

(1) 35% if having first priority and (i) not the exposure to the entity that works for house construction or housing land development mainly (ii) not for the purpose of a loan to construct, acquire or improve the company housing (iii) not the exposure to a house that is placed a mortgage and rented out and the prospect of repayment and recovery depends primarily on the cash flow (rent payment or other income) generated by the house.

Mexico

(1) 50% RW if the down payment is at least 30% or the down payment plus the covered amount is at least 30% of the home value (ie LTV ≤ 70%). 75%RW if the down payment is 20-30%, or if the down payment plus the covered amount is 20-30% of the home value (ie LTV 70-80%). All other residential mortgages not meeting these conditions are risk weighted 100%.

Russia

(1) RW for unsecured consumer loans from 110 to 600 percent based on the full loan cost and the currency of denomination. **(2)** RW of 70% if loan is <1million Euros, LTV ≤70%, DTI ≥2.0; RW of 100% if LTV is between 70% and 90%; RW 150% if LTV >90%. **(3)** Under the current capital adequacy regulation, the size of loan-loss provisions does not determine RW, including for past due loans. **(4)** Insignificant investments in equity, investments in CIU, debt securities rated below "B", exposures to insurance/reinsurance companies, exposures to entities of selected off-shore territories not covered by a guarantee of an entity rated "B" or higher, other exposures considered non-transparent.

Singapore

(1) MAS rules additionally apply a higher risk weight of 100% for unrated PSEs instead of the 50% stated in Basel capital rules under Option 2. **(2)** While MAS rules do not set a numerical limit for granularity criterion in the retail portfolio, banks are required to demonstrate to the satisfaction of MAS that the exposure is one of a sufficient number of exposures with similar characteristics and that the portfolio is sufficiently diversified such that the risks associated with such lending are reduced. Banks are to consider whether any total exposure to any obligor or group of obligors is not more than 0.2% of the total exposures of the regulatory retail asset class. **(3)** A preferential rate of 35% may be applied where the LTV is less than or equal to 80%, or where the LTV is 80-90% and qualifying mortgage insurance covers at least the portion of each exposure in excess of 80% (otherwise a 75% risk weight applies where the LTV is 80-90%). For loans >90% LTV the risk weight is 100%.

South Africa

(1) 35% RW if LTV is less than or equal to 80%. 75% RW if LTV exceeds 80% but is less than 100%. 100% RW if LTV is equal to or exceeds 100%. **(2)** Only with the prior written approval of the Registrar.

Switzerland

(1) 35% RW if LTV is less than or equal to 66%. 75% RW if LTV is between 66% and 80%. 100% RW if LTV > 80%. If self-regulation (hard equity, amortisation) are not satisfied then the RW is 100% for the entire mortgage exposure.

Turkey

(1) Lending fully secured by mortgages on residential property are assigned with risk-weight of 50%. **(2)** As an exception, if an ECAI has given a solicited rating for three consecutive periods for a firm then that ECAI can give an unsolicited rating for that firm just once in the fourth period.

United States

(1) The US does not implement the standardised approach for its internationally active banks.

European Union

(1) If the PSE or bank is not rated then Option 1 shall apply, or if the PSE or bank is rated and the mapping table similar to that presented under Basel Option 2 shall apply **(2)** A risk weight of 35% can be applied if certain criteria are met, including an LTV of 80%. If those criteria are not met, the default risk weight is 100%. Competent authorities also have the discretion to set a RW between 35% and 150% or stricter criteria for the applicability of the 35% risk weight, where appropriate, depending on the actual risk. An EBA technical standard currently in preparation will spell out the criteria applicable to the exercise of such discretion.

IRB roll-out and min requirements – Basel Committee members (excluding EU)

Table 2

Jurisdiction / Basel II paragraph	257 Phased roll-out of IRB	259 IRB exemptions for non-material portfolios	260 Require IRB equity, even if bank is standardised	264-265 Relaxation of data requirements for transition	404 Greater number of borrower grades than 7 for non-defaulted	443 Require an external audit	452 180 days definition of default for retail and PSE	458 Establish more specific requirements for re-ageing	467 mandatory adjustment of PD for seasoning effects	521 Recognition of other collateral meeting criteria
Argentina	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)
Australia	Yes	Yes	No (1)	No	No	No	No	No	Yes	No
Brazil	Yes	Yes	No	Yes	No	No	Yes (1)	No	No	Yes
Canada	Yes (1)	Yes (2)	No	No (3)	No	No	Yes (4)	No	No (5)	Yes
China	Yes	Yes	No	No	Yes	No (1)	No	No	Yes	Yes (2)
Hong Kong SAR	Yes	Yes	No	Yes (1)	No (2)	Yes	No	n/a (3)	Yes	Yes
India	Yes	Yes	Yes	No	No	No	No	No	Yes (1)	Yes
Indonesia	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)
Japan	Yes	Yes	No	Yes	No	No	No	No	Yes	Yes
Korea	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes
Mexico	Yes	Yes	No	Yes	No	No	No	Yes	No	Yes
Russia	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)
Saudi Arabia	Yes	Yes	No	Yes	Yes	Yes	No	No	Yes	Yes
Singapore	Yes	Yes	Yes	Yes (1)	Yes	Yes	No	Yes	No	Yes
South Africa	Yes	Yes	Yes	Yes	Yes	No (1)	No	No	No (2)	No
Switzerland	Yes	Yes	No	No	Yes	Yes	No	No	No	No
Turkey	Yes	Yes	No	Yes	No	No	No	No	No	Yes
United States	No (1)	Yes	No	No	No	No	Yes (2)	No (3)	No (4)	No (5)

IRB roll-out and min requirements – European Union										Table 2
Jurisdiction / Basel II paragraph	257 Phased roll-out of IRB	259 IRB exemptions for non-material portfolios	260 Require IRB equity, even if bank is standardised	264-265 Relaxation of data requirements for transition	404 Greater number of borrower grades than 7 for non-defaulted	443 Require an external audit	452 180 days definition of default for retail and PSE	458 Establish more specific requirements for re-ageing	467 mandatory adjustment of PD for seasoning effects	521 Recognition of other collateral meeting criteria
EU (CRD4/CRR)	Yes	Yes	No	Yes	No	No	Yes - discretion	No	Yes	Yes
Belgium							Yes (1)			
France							Yes			
Germany							No			
Italy							No			
Luxembourg							No			
The Netherlands							No			
Spain							No			
Sweden							No			
The United Kingdom							Yes (1)			

Table 2 notes:

Argentina

(1) IRB not adopted.

Australia

(1) All equity holdings except those in the trading book are deducted from capital.

Belgium

(1) May be permitted on a case-by-case basis.

Brazil

(1) Retail exposures secured by residential properties are considered in default if past due more than 180 days.

Germany

(1) EU allows for national discretion but not applied in Germany.

Canada

(1) For domestic banks that are significant or internationally active, AIRB is expected to be in place at implementation for all material credit businesses in Canada and US. OSFI is prepared to discuss potential extensions during the review of rollout plans. **(2)** OSFI recognises that there may be some limited circumstances where certain exclusions from IRB rollout continue to be warranted. For example, where it can be demonstrated that for asset classes and/or business units operating in jurisdictions where the reliability of the legal framework for collection of defaulted debts does not support the development of robust data for credit risk estimates, OSFI will consider these exemptions. **(3)** Although it is likely that proposed revisions to the rules will allow some flexibility in the application of required standards for data that are collected prior to the date of implementation of the New Accord. In particular, OSFI will take a pragmatic view of data quality for periods proceeding November 1, 2004, where the bank provides evidence of accurate data collection post October 31, 2004. **(4)** For credit cards, banks will have the option of using either 90 or 180 days subject to provisions being booked at 90 days due; the difference between 90-day and 180-day capital charges not being significant; the bank being able to track the cure rate between 90 and 180 days; cure rates exceeding 50%, or exhibiting significant variability over time will attract supervisory attention. **(5)** Case-by-case assessment.

China

(1) If necessary, the CBRC may require an external audit of the bank's rating assignment process and estimation of loss characteristics. **(2)** The physical collateral may be accepted with the approval of the CBRC.

Hong Kong

(1) Exercised but with some variations, which took account of local circumstances and the practices of jurisdictions with banking presence in Hong Kong. **(2)** IRB banks are required to have not less than 7 borrower grades for non-defaulted exposures and not less than 1 borrower grade for defaulted exposures. But there is no explicit requirement on under what cases banks should go beyond the specified minimum. **(3)** Banks are not allowed to engage in the practice of re-ageing for the purposes of defining default.

India

(1) Although it has not been made mandatory but banks are encouraged to do so.

Indonesia

(1) IRB not adopted.

Russia

(1) Regulatory adoption in progress.

Singapore

(1) The transitional period had expired on 31 December 2011. A relaxation of the data requirement is no longer allowed.

South Africa

(1) An external audit is not a general requirement; however the Bank Supervision Department has the authority to require an external audit when deemed necessary**. (2)** No explicit national discretion but the requirements of paragraphs 464 and 465 (which are included in the Regulations) may implicitly cover this matter in any case.

United Kingdom

(1) Where banks apply for permission to use 180 days definition, this is normally granted for exposures secured by residential real estate in the retail exposure class and/or for exposures to PSEs.

<u>United States</u>

(1) See sections 121(c) & 121(d) (1) - bank must comply with all qualification requirements of 122. **(2)** In the US, revolving retail exposures and residential mortgage exposures would be in default at 180 days past due; other retail exposures would be in default at 120 days past due. The definition of default for wholesale exposures, including those to PSEs, includes the 90-day threshold. **(3)** Re-ageing not allowed, have longer period for default instead. See p 69306 of 2007 rule. **(4)** Seasoning not incorporated. See p 455 of final rule preamble which discusses. **(5)** No foundation approach in final rule.

Internal Ratings-Based approach – Basel Committee members (excluding EU)(1)

Table 3

Jurisdiction / Basel II paragraph	231 Exposure thresholds to distinguish between retail/corporates	231 Limits on maximum number of housing units per exposure	232 Minimum number of exposures within a pool for retail	237 Allowance for directly hedged equity holdings	238 Re-categorise debt holdings as equities	242 Purchased receivables "bottom up" approach conc. limits	250 HVCRE: Banks can use foundation approach with separate RW function	251 HVCRE: Banks can use advanced approach with separate RW function
Argentina	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)
Australia	No	No	No	Yes	Yes	Yes	No	No
Brazil	Yes	Yes	No	No	No	No (1)	Yes	Yes
Canada	No (1)	Yes (2)	No	Yes	Yes	Yes (3)	Yes	Yes
China	Yes	No	No	No	Yes	No	n/a (1)	n/a (1)
Hong Kong SAR	No	No	No	No	Yes	n/a (1)	n/a (2)	n/a (2)
India	No	No	No	No	No	Yes (1)	No (2)	No (2)
Indonesia	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)
Japan	No	No	No	Yes	Yes	No	Yes	Yes
Korea	No	No	No	Yes	Yes	Yes	Yes	Yes
Mexico	Yes	No	No	No	No	No	n/a	n/a
Russia	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)
Saudi Arabia	Yes	No	No	Yes	Yes	No	No	No
Singapore	No	No	No	Yes	Yes	Yes	Yes	Yes
South Africa	No	No	No	No	Yes	No	Yes	Yes
Switzerland	No	No	No	Yes	Yes	Yes	Yes	Yes
Turkey	No	No	No	No	No	No	No	No
United States	Yes (1)	Yes (2)	No (3)	No (4)	No (5)	No (6)	No	Yes

Internal Ratings-Based approach – European Union (1)

Table 3

Jurisdiction / Basel II paragraph	231 Exposure thresholds to distinguish between retail/corporates	231 Limits on maximum number of housing units per exposure	232 Minimum number of exposures within a pool for retail	237 Allowance for directly hedged equity holdings	238 Re-categorise debt holdings as equities	242 Purchased receivables "bottom up" approach concentration limits	250 HVCRE: Banks can use foundation approach with separate RW function	251 HVCRE: Banks can use advanced approach with separate RW function
EU (CRD4/CRR)	No	No	No	No	No	No	No	No
Belgium								
France								
Germany								
Italy								
Luxembourg								
The Netherlands								
Spain								
Sweden								
The United Kingdom								

Internal Ratings-Based approach – Basel Committee members (excluding EU) (2)

Table 3

Jurisdiction / Basel II paragraph	267 Exempt equity exposures from IRB for transitional 10 years	274 Allow firm-size adjustment and SME threshold to be based on total assets	277 Specialised lending: Lower RWs of 50% and 70% (<2.5yrs)	282 HVCRE: Lower RW of 70% and 95% (<2.5yrs)	288 Wider definition of subordination	289 Certain commercial mortgages recognised as corporate	318 Require explicit M adjustment for FIRB	319 Exempt certain small domestic firms from explicit M adjustment
Argentina	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)
Australia	No	Yes	No	No	No	No	Explicit	No
Brazil	No	No	No	No	No	No	Implicit	No
Canada	Yes	Yes (4)	Yes	n/a (5)	No	Yes (6)	Explicit	No
China	Yes (2)	No	Yes	n/a (1)	No	Yes	Explicit	Yes
Hong Kong SAR	No	Yes	Yes	n/a (2)	No	No	Both (3)	No
India	Yes (3)	No	Yes	No (2)	No	No	Implicit (4)	Yes
Indonesia	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)
Japan	Yes	Yes	Yes	Yes	No	Yes	Explicit	No
Korea	Yes	Yes	Yes	Yes	No	Yes	Explicit	No
Mexico	n/a	No	No	n/a	No	No	Explicit	No
Russia	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)
Saudi Arabia	No	Yes	Yes	No	Yes	Yes	Implicit	Yes
Singapore	No	No	Yes (1)	Yes (2)	No	No	Explicit	No
South Africa	No	Yes	No	No	No	No	Explicit	No
Switzerland	No	Yes	Yes	No	No	No	Explicit	No
Turkey	No	Yes	Yes	No	No	No	Explicit	Yes
United States	No	No	No	No	No (7)	No (7)	n/a (7)	No

Internal Ratings-Based approach – European Union (2)

Table 3

Jurisdiction / Basel II paragraph	267 Exempt equity exposures from IRB for transitional 10 years	274 Allow firm-size adjustment and SME threshold to be based on total assets	277 Specialised lending: Lower RWs of 50% and 70% (<2.5yrs)	282 HVCRE: Lower RW of 70% and 95% (<2.5yrs)	288 Wider definition of subordination	289 Certain commercial mortgages recognised as corporate	318 Require explicit M adjustment for FIRB	319 Exempt certain small domestic firms from explicit M adjustment
EU (CRD4/CRR)	Yes- discretion	Yes	Yes	No	No	Yes	Both	Yes
Belgium	Yes							
France	Yes							
Germany	Yes							
Italy	Yes							
Luxembourg	Yes							
The Netherlands	No							
Spain	No							
Sweden	Yes (1)							
The United Kingdom	No							

Internal Ratings-Based approach – Basel Committee members (excluding EU) (3)

Table 3

Jurisdiction / Basel II paragraph	322 Carve out instruments from 1-yr floor within M adjustment	341-342 Equity: market-based or PD/LGD approach?	346-349 Equity: Simple RW or internal models approach?	356 Exclude equity holdings in entities whose debt is 0% RW under standardised	357 Exemption for equity under legislative programmes	358 Exemption for equity based on materiality threshold	373 Purchased receivables: Recognise internally-rated guarantors for dilution risk
Argentina	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)
Australia	Yes	Market	Simple RW	No (1)	No	No	Yes
Brazil	No	Both	Both	No	No	Yes	No
Canada	No (7)	Both (8)	Both	Yes	Yes	Yes	Yes (9)
China	Yes	Market	Simple RW	n/a (2)	n/a (2)	n/a (2)	No
Hong Kong SAR	Yes	Both (4)	Both	No	No	Yes	Yes
India	Yes	Both	Both	No (5)	Yes	Yes	No
Indonesia	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)
Japan	Yes	Both	Both	Yes	No	Yes	Yes
Korea	Yes	Both	Both	Yes	Yes	Yes	Yes
Mexico	Yes	n/a	n/a	n/a	n/a	n/a	n/a
Russia	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)
Saudi Arabia	Yes	Market	Both	No	No	Yes	No
Singapore	Yes	Both	Both	No	No	Yes	No (3)
South Africa	Yes	Both	Both	No	No	No	No
Switzerland	Yes	Both	Both	No	No	No	No
Turkey	Yes	Both	Both	Yes	Yes	Yes	Yes
United States	No	Market	Both	Yes	No	No	No

Internal Ratings-Based approach – European Union (3)

Table 3

Jurisdiction / Basel II paragraph	322 Carve out instruments from 1-yr floor within M adjustment	341-342 Equity: market-based or PD/LGD approach?	346-349 Equity: Simple RW or internal models approach?	356 Exclude equity holdings in entities whose debt is 0% RW under standardised	357 Exemption for equity under legislative programmes	358 Exemption for equity based on materiality threshold	373 Purchased receivables: Recognise internally-rated guarantors for dilution risk
EU (CRD4/CRR)	Yes	Both	Both	Yes	Yes	Yes	Yes
Belgium							
France							
Germany							
Italy							
Luxembourg							
The Netherlands							
Spain							
Sweden							
The United Kingdom							

Table 3 notes:

Argentina

(1) IRB not adopted.

Australia

(1) APRA adopted the simple risk-weight method under the market-based approach, so the discretions available under paragraphs 356-358 are not relevant.

Brazil

(1) The top-down approach for purchased corporate receivables is not allowed in Brazil. The bottom-up approach must always be used.

Canada

(1) OSFI will not designate the specific property types in Canada as HVCRE. However, the HVCRE risk weights would apply to Canadian institution foreign operations' loans on properties in jurisdictions where the national supervisory authority has designated specific property types as HVCRE. **(2)** 1988 Accord limits apply ie 1- 4 family residential dwellings. **(3)** No single receivable or group of receivables guaranteed by the same seller may represent more than 3.5% of the pool of receivables. **(4)** Annual sales, unless in individual circumstances the DTI can demonstrate that it would be more appropriate to use total assets. **(5)** Real estate in Canada may not be designated as HVCRE. Real estate outside Canada may receive the preferential risk weights if allowed under the host supervisor's rules. **(6)** Residential and commercial real estate may be recognised as collateral for FIRB only when the institution's collateral interest is the first lien on the property, and there is no more senior or intervening claim. Junior liens are recognised as collateral only where the institution holds the senior lien and where no other party holds an intervening lien on the property. **(7)** OSFI will exempt from the 1-year floor on maturity adjustments the transactions listed in paragraph 322. **(8)** PD/LGD approach available only for certain types of non-tier 1 perpetual preferred shares. **(9)** This position is tentative.

China

(1) HVCRE is not an individual category. **(2)** Equity exposure requires Standardised Approach (SA).

Hong Kong

(1) The HKMA does not allow banks to apply the top-down approach in respect of purchased corporate receivables. **(2)** The HKMA does not classify certain types of commercial real estates as HVCRE. **(3)** FIRB banks are required to adopt effective maturity (M) of 2.5 years for a corporate, sovereign or bank exposure and 6 months in respect of a repo-style transaction. However, subject to the prior consent of the HKMA, banks may calculate explicit M using the AIRB approach. **(4)** Banks are allowed to choose either approach. However, they must be able to demonstrate their choice is appropriate for the institutions' equity exposures, applied consistently, and is not used for regulatory arbitrage.

India

(1) The size of the individual exposure should not be more than 1% of the size of the pool. **(2)** HVCRE sub asset class has not been prescribed by the RBI. **(3)** The discretion is kept with RBI. However, it is not likely to be used. **(4)** The discretion is with RBI to ask FIRB banks to measure Effective Maturity for each facility in the future. **(5)** It is mentioned that this exclusion can take place at the discretion of the RBI.

Indonesia

(1) IRB not adopted.

Russia

(1) Regulatory adoption in progress.

Singapore

(1) MAS rules apply the lower risk weights only for exposures with remaining maturity of less than 2.5 years. MAS' rules do not allow the lower risk weights for the case permitted under Basel para 277 where the supervisor determines that banks' underwriting and other risk characteristics are substantially stronger than specified in the slotting criteria. **(2)** MAS rules apply the lower risk weights only for exposures with remaining maturity of less than 2.5 years. MAS' rules do not allow the lower risk weights for the case permitted under Basel para 277 where the supervisor determines that banks' underwriting and other risk characteristics are substantially stronger than specified in the slotting criteria**.** **(3)** We note that this discretion may no longer be applicable, as Basel III para 120 has revised eligible protection providers for FIRB (in Basel II, para 302), so that internally rated guarantors may be recognised, without being subject to a minimum rating.

Sweden

(1) Subject to the approval of the competent authority.

United States

(1) See sections 101 & 2(a): Def of "other retail exposure", "QRE" and "residential mortgage exposure". **(2)** See sections 101 & 2(a): Def of "residential mortgage exposure" and references thereto in definition of "retail exposure" **(3)** See sections 101 and 2(a): Def of "other retail exposure" and "residential mortgage exposure**"** **(4)** See section 152(b)(3)(ii) (assigned to 100% risk weight**)** **(5)** S. 2 allows for a reservation of authority to adjust risk-weighted asset amounts, leverage, and consolidation of certain exposures. An agency, however, cannot make an exemption. **(6)** While the U.S. rule uses the concept of concentrated exposure, it does not specify numeric thresholds. **(7)** U.S. rule does not incorporate FIRB.

Other Basel II issues – Basel Committee members (excluding EU) (1)

Table 4

Jurisdiction / Basel II paragraph	24 & 27 Consolidation or deduction of majority-owned sec entities and financial subsidiaries	43 Apply limit on recognition of excess provisions	49 Develop bank by bank floors	582 Securitisation: unconditionally cancellable servicer cash advances 0%CCF	639 Securitisation: Allow alternative treatment for liquidity facilities in IRB	652-654 Op risk: Alternative Standardised Approach
Argentina	Yes	n/a (2)	n/a (2)	Yes	n/a (2)	No
Australia	Consol (1)	No	No	Yes	Yes	Yes
Brazil	Yes	No	No	Yes	No	Yes
Canada	Yes (1)	Yes (3)	Yes (4)	Yes (5)	No (6)	No
China	Consol	Yes	No	Yes	Yes	No
Hong Kong SAR	Yes	No	Yes	Yes	Yes	Yes
India	Yes (1)	No (3)	No (4)	No	Yes (5)	Yes
Indonesia	Yes	n/a	n/a	n/a	n/a	n/a
Japan	Consol	No	Yes	Yes	Yes	No
Korea	Yes	No	Yes	Yes	Yes	No
Mexico	Deduct	No	No	No	n/a (2)	No
Russia	Yes	n/a (1)	No	Yes (2)	n/a (1)	No
Saudi Arabia	Yes	Yes	Yes	No	No	Yes
Singapore	Deduct	No	Yes	Yes	Yes	Yes
South Africa	Consol	No	No (1)	Yes	Yes	Yes
Switzerland	Consol	No	Yes	Yes	Yes	No
Turkey	Consol	No	No	Yes	n/a	Yes
United States	Consol (1)	No	Yes (3)	Yes	No	No (4)

Other Basel II issues – European Union (1)

Table 4

Jurisdiction / Basel II paragraph	24 & 27 Consolidation or deduction of majority-owned sec entities and financial subsidiaries	43 Apply limit on recognition of excess provisions	49 Develop bank by bank floors	582 Securitisation: unconditionally cancellable servicer cash advances 0%CCF	639 Securitisation: Allow alternative treatment for liquidity facilities in IRB	652-654 Op risk: Alternative Standardised Approach
EU (CRD4/CRR)	Yes	No	Yes - discretion	Yes	Yes	Yes
Belgium			Yes (3)			
France			Yes			
Germany			Yes			
Italy			Yes			
Luxembourg			Yes			
The Netherlands			No			
Spain			Yes (1)			
Sweden			No			
The United Kingdom			Yes			

Other Basel II issues – Basel Committee members (excluding EU) (2)							Table 4
Jurisdiction / Basel II paragraph	654 Op risk: More conservative treatment of negative gross income	656 Op risk: Allow allocation mechanism for non-significant subs	663 Op risk: Impose criteria for non-internationally active banks using TSA	669 (b) Op risk: Allow bank to demonstrate it captures EL	669 (d) Op risk: Allow bank to use internal correlations across estimates	673 Op risk: Establish threshold for internal loss data	798 Securitisation: Require review prior to exercising a call
Argentina	No	No	No	No	No	Yes	No
Australia	Yes	Yes	No	Yes	Yes	No	Yes
Brazil	No	No	Yes	No	No	No	No
Canada	No	Yes (7)	Yes (8)	Yes (9)	Yes	No	Yes (10)
China	No	No	Yes	Yes	Yes	No	n/a (1)
Hong Kong SAR	No	n/a (1)	Yes	n/a (1)	n/a (1)	n/a (1)	No
India	No	No	Yes	Yes	Yes	Yes (6)	No
Indonesia	n/a	n/a	n/a	n/a	n/a	n/a	No
Japan	No	Yes	Yes	Yes	Yes	No	No
Korea	Yes	Yes	Yes	Yes	Yes	No	No
Mexico	No	n/a	No	n/a	n/a	No	No
Russia	Yes	n/a	n/a (3)	n/a (3)	n/a (3)	n/a	No
Saudi Arabia	Yes	No	Yes	Yes	Yes	Yes	No
Singapore	No	Yes	Yes	Yes	Yes	No (1)	Yes
South Africa	Yes	Yes	No (2)	Yes	Yes	Yes	No
Switzerland	No	No	No	Yes	Yes	Yes	Yes
Turkey	No	No	Yes	Yes	Yes	No	No
United States	No	No	No (5)	Yes	Yes	Yes	No (6)

Other Basel II issues – European Union (2)

Table 4

Jurisdiction / Basel II paragraph	654 Op risk: More conservative treatment of negative gross income	656 Op risk: Allow allocation mechanism for non-significant subs	663 Op risk: Impose criteria for non-internationally active banks using TSA	669 (b) Op risk: Allow bank to demonstrate it captures EL	669 (d) Op risk: Allow bank to use internal correlations across estimates	673 Op risk: Establish threshold for internal loss data	798 Securitisation: Require review prior to exercising a call
EU (CRD4/CRR)	No	Yes	Yes	Yes	Yes	Yes	No
Belgium							
France							
Germany							
Italy							
Luxembourg							
The Netherlands							
Spain							
Sweden							
The United Kingdom							

Table 4 notes:

Argentina

(1) Banks are not allowed to invest in insurance companies. **(2)** IRB not adopted.

Australia

(1) Consolidation for all financial subsidiaries except funds management and insurance companies in which case deduction applies.

Belgium

(1) NBB may permit proportional consolidation on a case-by-case basis. **(2)** Deduction request except for conglomerates where the parent is a mixed financial holding and the banking subsidiaries all together are subject to capital requirements under CRD IV on a sub-consolidated basis or for conglomerates where the parent is a credit institution. **(3)** Floor based on BI and standardised approach has been authorised.

Canada

(1) Full consolidation for all subsidiaries except insurance companies in which case deduction applies. **(2)** Threshold will match statutory definition of substantial, which is 10 per cent of voting rights or 25 per cent of total shareholder equity in the investment. Pro rata consolidation is not permitted unless otherwise allowed under Generally Accepted Accounting principles. **(3)** Canada does not propose a limit lower than 0.6% of RWA for eligible general allowances. **(4)** OSFI has not specified post 2009 floors. Any floors used beyond 2009 will have to be comprehensive encompassing the total overall capital charge. OSFI will continue to use the leverage multiple as a safe guard. OSFI has also indicated to banks the possibility of conditional approvals in 2007/08 if an institution fails to provide four quarters of high quality data prior to implementation the consequences of which can include the application of lower thresholds for reduction in minimum required capital. **(5)** Subject to additional conditions listed in B-5. **(6)** Banks have indicated that with the adoption of the internal assessment criteria there should be no instances where the fallback would be required. **(7)** OSFI will allow a Canadian subsidiary of a foreign bank or a subsidiary of a domestic institution to use an allocated amount from its parent's AMA provided the conditions in paragraph 656 are met. **(8)** OSFI will apply these criteria to all institutions implementing the SA. OSFI will take into consideration the risk profile and complexity of an institution on a case-by-case basis. **(9)** OSFI will permit an institution to hold capital against UL only provided that the institution can demonstrate to OSFI that it has accounted for its EL exposure. OSFI will work with industry to determine what "accounted for" means. **(10)** Banks are expected to confirm to OSFI that risk transference has not been limited for any synthetic securitisation transaction with such a call option.

China

(1) Securitisation has not been fully developed in China. Securities with call provision are rarely observed.

Hong Kong

(1) AMA has not been made available in Hong Kong yet.

India

(1) All banking and other financial subsidiaries except subsidiaries engaged in insurance and any non-financial activities (both regulated and unregulated) should be fully consolidated for the purpose of capital adequacy. **(2)** Investments in insurance subsidiaries are fully deducted from the CET1 of the consolidated group (under regulatory scope of consolidation). **(3)** The limit is up to a maximum of 0.6% of credit risk weighted assets. **(4)** The floor for IRB is linked to Standardised approach for credit risk for all banks. The floor for AMA is linked with BIA or TSA / ASA for all banks. **(5)** The CCF prescribed in RBI guidelines for eligible liquidity facilities is 100% regardless of maturity. This is more stringent than Basel II requirement. **(6)** RBI has prescribed that a bank may define one or more de-minimise thresholds across BLs and ETs subject to a maximum threshold of ₹ 50,000 for any BL/ET.

Luxembourg

(1) Exemptions are subject to requirements described in Article 49 (CRR).

Mexico

(1) Banks are not allowed to invest in capital of insurance entities **(2)** SA method is the only one recognised for capitalisation of securitisations.

Russia

(1) IRB approach not implemented. **(2)** Under the current capital adequacy regulation, a 0% percent CCF applies to all facilities that are unconditionally cancellable without prior notice. **(3)** BIA is the single approach to Op. Risk.

Singapore

(1) MAS rules require banks to establish an appropriate de minimis gross loss threshold, consistent with Basel paragraph 673.

South Africa

(1) However, the Bank Supervision Department has the authority to specify bank-by-bank floors. **(2)** However, the Bank Supervision Department has the authority to impose the requirements as conditions of approval.

Spain

(1) The decision is taken on a case-by-case basis.

United States

(1) Not in reg text; follow accounting consolidation. **(2)** See amendatory text 217.22 **(3)** and preamble p 401 which requires a 50% deduction from Tier 1 and 50% from Tier 2. **(3)** See S. 10(c), which establishes a permanent floor of the lower of ratios determined under the standardised and advanced approaches **(4)** Standardised Approach not incorporated in U.S. rule, so ASA is not relevant. **(5)** Op risk for AA banks only and Op Risk standardised approach not incorporated in U.S. rule. **(6)** See section 2(a) conditions for "eligible clean-up call" which potentially replace review requirement.

Credit risk mitigation techniques – Basel Committee members (excluding EU)

Table 5

Jurisdiction / Basel II paragraph	136 Allow banks to not apply supervisory or own-estimate haircuts for certain repos	154 Bank's internal H for categories of security when debt rated BBB-/A-3 or higher	170 & 294 Banks can apply H=0 for certain repos	171 Establish a definition of core market participants	172 Follow other supervisors' preferential treatment carve-out of repos	507 & 508 Recognition of CRE/RRE in the FIRB where not all conditions are met
Argentina	Yes	No	Yes	Yes	No	n/a
Australia	No	Yes	Yes	Yes	No	Yes
Brazil	Yes	No	Yes	Yes	No	No
Canada	Yes	Yes	Yes (1)	Yes	Yes (2)	No
China	Yes	Yes	Yes	Yes	No	No
Hong Kong SAR	Yes	n/a (1)	Yes	Yes	No	No
India	No	Yes	No	No	No	No
Indonesia	Yes	No	No	No	No	n/a
Japan	Yes	Yes	Yes	Yes	Yes	No
Korea	Yes	Yes	Yes	Yes	Yes	No
Mexico	Yes	No	Yes	Yes	No	No
Russia	Yes (1)	No	Yes	Yes	No	n/a (2)
Saudi Arabia	Yes	Yes	Yes	Yes	Yes	No
Singapore	Yes	No	Yes	Yes	Yes (1)	No
South Africa	Yes	No	Yes	Yes	No	No
Switzerland	Yes	Yes	Yes	Yes	Yes	FN92: Yes FN93: No
Turkey	Yes	Yes	Yes	Yes	Yes	Yes
United States	No	Yes (1)	No	No	No	No (2)

Credit risk mitigation techniques – European Union

Table 5

Jurisdiction / Basel II paragraph	136 Allow banks to not apply supervisory or own-estimate haircuts for certain repos	154 Bank's internal H for categories of security when debt rated BBB-/A-3 or higher	170 & 294 Banks can apply H=0 for certain repos	171 Establish a definition of core market participants	172 Follow other supervisors' preferential treatment carve-out of repos	507 & 508 Recognition of CRE/RRE in the FIRB where not all conditions are met
EU (CRD4/CRR)	Yes	Yes	Yes	Yes	No	Yes
Belgium						
France						
Germany						
Italy						
Luxembourg						
The Netherlands						
Spain						
Sweden						
The United Kingdom						

Table 5 notes

Canada

(1) OSFI will allow the carve out for repo of Government of Canada securities and securities issued by Canadian provinces and territories subject to confirmation that criteria are met by the institution. **(2)** OSFI will extend the same option for central government securities that other G-10 supervisors have designated as eligible for the carve out option.

Hong Kong

(1) Not applicable because banks are not allowed using own-estimate haircuts.

Russia

(1) Only standard supervisory haircuts are allowed**. (2)** IRB approach not implemented

Singapore

(1) MAS rules additionally require that the exposures to central government of that jurisdiction have a credit quality grade of "1", to apply that supervisor's preferential treatment with regard to carve-out of repo-style transactions.

United States

(1) See § 132(b)(2)(iii), but based on whether security is investment grade rather rated BBB-/A-3 or higher due to prohibition in US on use of credit ratings in federal regulations. **(2)** Foundation IRB approach is not incorporated in US rule.

Trading book/market risk – Basel Committee members (excluding EU) (1)

Table 6

Jurisdiction / Basel II paragraph	683(v) Permit banking groups to report short and long positions in the same instrument on a net basis	689 (ii) Dealer exception for holdings of other banks' and financial entities' capital in the trading book	701 (ii) Allow banks to use their own internal risk management models	710 (i) Apply a specific risk weight to securities issued by certain foreign governments	710 (i) FN118 Include local and regional gov subject to a zero credit RW in the government category	711 Apply lower specific risk charge to gov paper denominated and funding in domestic currency	711 (i) Include in qualifying category securities issued by banks in Basel jurisdictions	711 (i) Include in qualifying category securities issued by sec firms that are subject to equivalent rules	712 (ii) Apply a higher specific risk charge to instruments with high yield to redemption and/or disallow offsetting	718 (vii) Allow banks to use the duration method for general market risk
Argentina	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)
Australia	Yes	No (1)	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
Brazil	No	No	Yes	Yes	No	Yes	No	No	No	No
Canada	Yes (1)	Yes	Yes	No	Yes (2)	Yes (3)	No	No	Yes	No
China	Yes	No	Yes	No	No	No	No	No	No	Yes
Hong Kong SAR	Yes	No	Yes	No	No	Yes	No	No	Yes	Yes
India	No (1)	No	Yes	Yes	Yes	Yes	No	No	No (2)	Yes
Indonesia	No	n/a	Yes	No	No	Yes	No	No	No	Yes
Japan	No	No	Yes	No	Yes	Yes	No	No	No	Yes
Korea	Yes	Yes	Yes	Yes	Yes	Yes	No	No	Yes	Yes
Mexico	n/a (1)	No	No	No	No	Yes	No	No	No	Yes
Russia	Yes	No	No	Yes	Yes (1)	Yes	No	No	Yes (2)	No
Saudi Arabia	Yes	Yes	Yes	No	No	No	No	No	No	Yes
Singapore	Yes	No	Yes	No	Yes	Yes	No	Yes	Yes	Yes
South Africa	Yes	No	Yes	No	No	Yes	No	No	Yes	Yes
Switzerland	Yes	Yes	Yes	No	No	No	No	No	No	Yes
Turkey	Yes	No	Yes	No	Yes	Yes	Yes	Yes	No	Yes
United States	No (1)	No	Yes	No (2)	No (3)	Yes	No	No	Yes (4)	n/a (5)

Trading book/market risk – European Union (1)

Table 6

Jurisdiction / Basel II paragraph	683(v) Permit banking groups to report short and long positions in the same instrument on a net basis	689 (ii) Dealer exception for holdings of other banks' and financial entities' capital in the trading book	701 (ii) Allow banks to use their own internal risk management models	710 (i) Apply a specific risk weight to securities issued by certain foreign governments	710 (i) FN118 Include local and regional gov subject to a zero credit RW in the government category	711 Apply lower specific risk charge to gov paper denominated and funding in domestic currency	711 (i) Include in qualifying category securities issued by banks in Basel jurisdictions	711 (i) Include in qualifying category securities issued by sec firms that are subject to equivalent rules	712 (ii) Apply a higher specific risk charge to instruments with high yield to redemption and/or disallow offsetting	718 (vii) Allow banks to use the duration method for general market risk
EU (CRD4/CRR)	Yes	No	Yes	No	Yes	Yes	Yes	Yes	No	Yes
Belgium										
France										
Germany										
Italy										
Luxembourg										
The Netherlands										
Spain										
Sweden										
The United Kingdom										

Trading book/market risk – Basel Committee members (excluding EU) (2)

Table 6

Jurisdiction / Basel II paragraph	718 (xL) Choice of shorthand method or internal models for foreign exchange risk	718 (xLii) Exemption for negligible foreign exchange positions where no FX positions on own account	718 (xLvii) Permit netting between sub categories for same commodity	718 (Lvi) Permit simplified and intermediate approach treatment of options	718 (Lix) FN152 Require banks to use the scenario or internal models approach for exotic options / options close to expiry	718 (Lxiii) Permit interest rate options to be based on the calculation on a min of six sets of time-bands	718 (Lxxvi)(h) Require banks to adjust their capital measures for options risk through other methods eg simulations	718 (Lxxvi)(j) Require back testing on hypothetical or actual outcomes or both	Annex 4, 96(iv) FN252 Permit calculating NGR on counterparty or aggregate basis for transactions subject to netting
Argentina	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)
Australia	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Brazil	No	Yes	Yes	Yes	No	No	No	Yes	No
Canada	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes
China	Yes	No	Yes	Yes	No	No	No	Yes	Yes
Hong Kong SAR	Yes	No	No	Yes	No	No	Yes	Yes	Yes
India	Yes	No	No (3)	Yes (4)	Yes	Yes	Yes	Yes (5)	No (6)
Indonesia	Yes	No	Yes	Yes	Yes	No	No	Yes	No
Japan	No	No	No	Yes	No	No	No	Yes	No
Korea	Yes	No	Yes	Yes	No	No	No	Yes	Yes
Mexico	No	No	n/a	No	No	No	No	No	n/a
Russia	No (3)	Yes	n/a (4)	Yes (5)	n/a (6)	n/a (6)	n/a (6)	n/a (6)	No
Saudi Arabia	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
Singapore	Yes	Yes	Yes	Yes	Yes	Yes	No (1)	Yes (2)	Yes (3)
South Africa	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	No
Switzerland	Yes	No	No	Yes	No	Yes	No	No (1)	No
Turkey	Yes	Yes	Yes	Yes	No	Yes	No	Yes	Yes
United States	No (6)	No	n/a (6)	No (6)	No (6)	n/a (6)	No	Yes	No

Trading book/market risk – European Union (2)

Table 6

Jurisdiction / Basel II paragraph	718 (xL) Choice of shorthand method or internal models for foreign exchange risk	718 (xLii) Exemption for negligible foreign exchange positions where no FX positions on own account	718 (xLvii) Permit netting between sub categories for same commodity	718 (Lvi) Permit simplified and intermediate approach treatment of options	718 (Lix) FN152 Require banks to use the scenario or internal models approach for exotic options / options close to expiry	718 (Lxiii) Permit interest rate options to be based on the calculation on a min of six sets of time-bands	718 (Lxxvi)(h) Require banks to adjust their capital measures for options risk through other methods eg simulations	718 (Lxxvi)(j) Require back testing on hypothetical or actual outcomes or both	Annex 4, 96(iv) FN252 Permit calculating NGR on counterparty or aggregate basis for transactions subject to netting
EU (CRD4/CRR)	Yes	Yes	Yes	Yes	No	No	Yes	Yes	No
Belgium									
France									
Germany									
Italy									
Luxembourg									
The Netherlands									
Spain									
Sweden									
The United Kingdom									

Table 6 notes:

Argentina

(1) Our Pillar 1 rules*, though broadly in line with the Basel II Standardised Method, do not follow the BCBS standard to the letter. Besides, adjustments have to be made to incorporate the Basel 2.5 and Basel III enhancements. It is important to note that the market risk requirement is only 1.5% of the total capital requirement in our system.

Australia

(1) Basel III has changed the rules on deductions of holdings in other financial entities.

Canada

(1) Applied only for exposures that are consolidated for regulatory purposes with the OSFI-supervised institution. **(2)** Government does not include municipalities but does include direct obligations of Provincial governments which are treated as sovereign under the standardised approach. **(3)** Unrated securities/obligations of a bank or securities firm are not eligible as qualifying instruments where the reporting institution is using the standardised approach to credit risk. An institution approved to use IRB may include unrated instruments from banks and securities firms if the security is rated investment grade or better by the reporting institution's IRB rating system and the issuer has securities listed on a recognised stock exchange.

India

(1) Banks following Internal Models method are not allowed netting across jurisdictions wherever it is thought prudent to do so. As under SMM, there is limited recognition of netting, this issue is less relevant. **(2)** RBI has not required higher specific risk charges for high yield bonds as such bonds will normally be under AFS category which attracts higher capital requirements. **(3)** This is not applicable for the banks in India as they are not allowed to trade in commodities at present**.** **(4)** For banks having options positions, the type of method to be followed for capital computation will depend on the complexity of their options trading book. Those banks which solely use purchased options will be free to use the simplified approach. Banks which also write options will be expected to use delta plus method or scenario approach. **(5)** Banks are required to perform back-testing on hypothetical basis. However, due to potential incremental information which can be obtained on mismatch between banks valuation models for accounting and risk management purposes, banks are encouraged to perform back-testing on actual basis after making required cleaning exercise of the actual P&L. **(6)** In India, netting of MTM is not considered for regulatory capital computation purposes and hence, NGR is not calculated for any of the transactions. Due to lack of legal unambiguity on netting, RBI has not allowed banks to reckon exposures on net basis.

Mexico

(1) Capitalisation rules apply in a solo basis.

Russia

(1) For local and regional governments that qualify for Basel II paragraph 53. When a zero credit risk weight has been assigned at national discretion according to the provision in paragraph 54 of the Basel II Standardised Approach, the treatment of local and regional governments is different. **(2)** Both options have been implemented. **(3)** The shorthand method has been implemented. **(4)** There is no capital requirement for commodity risk. **(5)** Options are treated as delta-weighted positions. **(6)** The Scenario Approach and/or Internal Model Approach are not used.

Singapore

(1) MAS rules state that reporting bank shall apply a full 10-day price shock to option positions or positions which display non-linear price characteristics. **(2)** MAS rules state that a reporting bank has to perform backtesting on hypothetical and/or actual trading outcomes. **(3)** MAS rules require banks to calculate NGR separately for each counterparty. In addition, banks are allowed to calculate NGR on an aggregate basis, subject to MAS' approval.

Switzerland

(1) No restrictions. Bank can choose.

United States

(1) With the exception of derivatives, which may be reported on a net basis if certain accounting criteria are met. **(2)** Due to a statutory prohibition on the use of credit ratings, the U.S. agencies' market risk rules do not incorporate the Accord's ratings-based approach. § 210(b)(2)(i) describes the provisions for sovereign debt positions but does not include any specific provisions for securities issued by certain foreign governments. **(3)** The U.S. agencies' rule does not contain a "government" category. Sovereign debt positions are direct exposures to a sovereign entity, which by definition does not include local or regional governments. **(4)** The U.S. agencies, in general, reserve the authority to require a banking organisation to calculate risk-based capital requirements for specific covered positions or portfolios of covered positions, as appropriate to more accurately reflect the risks of the positions. See § 201(c)(3). **(5)** The agencies require the use of an internal model to measure general market risk and have not adopted the Accord's standardised measurement method for measuring general market risk. **(6)** Use of internal models required.

Basel III – Basel Committee members (excluding EU) (1)

Table 7

Jurisdiction / Basel III paragraph	52 Consider appropriate audit, verification or review procedures	61 Apply a limit lower than 0.6% to excess provisions	78-89 FAQ14 consolidation alternative to deduction	80 (FN 27) & 84 (FN 31) Permit banks to use a conservative estimate instead of look-through	80 & 84 Permit banks to exclude investments made in the context of resolution	99 Apply para 104 instead of 98 non-IMM CVA charge
Argentina	Yes	n/a (1)	n/a (2)	No	No	n/a (3)
Australia	No	No	No	No	No	No
Brazil	No	No	No	No	No	Yes
Canada	Yes (1)	No	No	Yes (2)	Yes (2)	Yes (3)
China	No	No	No	No	No	n/a (1)
Hong Kong SAR	No	No	No	Yes (1)	Yes (2)	Yes
India	Yes	No	No	No	Yes	No (1)
Indonesia	No	n/a (1)	Yes	Yes	No	n/a (2)
Japan	Yes	No	No	Yes	Yes	Yes
Korea	No	No	No	Yes	Yes	No
Mexico	No	No	No	No	No	No
Russia	Yes	n/a	No	No	Yes	Yes
Saudi Arabia	Yes	No	No	Yes	Yes	No
Singapore	Yes	No	No	Yes	Yes	Yes
South Africa	Yes (1)	No (2)	No	Yes (3)	Yes (3)	Yes (4)
Switzerland	Yes (1)	No	No (2)	Yes	No	No
Turkey	Yes	No	Yes (1)	No	No	Yes (2)
United States	Yes (1)	No	No	Yes	Yes	No

Basel III – European Union (1)

Table 7

Jurisdiction / Basel III paragraph	52 Consider appropriate audit, verification or review procedures	61 Apply a limit lower than 0.6% to excess provisions	78-89 FAQ14 consolidation alternative to deduction	80 (FN 27) & 84 (FN 31) Permit banks to use a conservative estimate instead of look-through	80 & 84 Permit banks to exclude investments made in the context of resolution	99 Apply para 104 instead of 98 non-IMM CVA charge
EU (CRD4/CRR)	Yes (1)	No	Yes (1)	Yes (1)	Yes	Yes (2)
Belgium						
France						
Germany						
Italy						
Luxembourg						
The Netherlands						
Spain						
Sweden						
The United Kingdom						

Basel III – Basel Committee members (excluding EU) (2)

Table 7

Jurisdiction / Basel III paragraph	121 Allow banks to use unsolicited ratings	132 (c) Apply at solo level	132 (d) Impose time limits on draw down of buffers	133 Impose shorter transitional periods	142 FN 50 Apply at solo level	PON Press release 1 (a) Apply Statutory approach
Argentina	n/a	n/a (4)	n/a (4)	n/a (4)	n/a (4)	No
Australia	No	Yes	Yes	Yes	Yes	No
Brazil	No	No	Yes	No	No	No
Canada	Yes (4)	No	No	No	No	No
China	Yes	Yes	Yes	No	Yes	No
Hong Kong SAR	Yes	Yes (3)	Yes (3)	Yes (3) (4)	Yes (3)	No
India	No	Yes	Yes	Yes	Yes (2)	No
Indonesia	No	No	n/a (3)	No	No	No
Japan	No	n/a	n/a	n/a	n/a	No
Korea	No	No	No	No	No	Yes
Mexico	No	Yes	No	Yes	No	Yes
Russia	Yes	n/a (1)	n/a (1)	No	n/a (2)	No
Saudi Arabia	No	Yes	Yes	No	Yes	No
Singapore	Yes	Yes	Yes	No	Yes	No
South Africa	No (5)	Yes	Yes	No	Yes	No
Switzerland	Yes	Yes (3)	Yes	No (4)	Yes	No
Turkey	No (3)	Yes (4)	Yes	No	Yes (4)	No
United States	n/a (2)	Yes (3)	No	No	Yes (3)	Yes

Basel III – European Union (2)

Table 7

Jurisdiction / Basel III paragraph	121 Allow banks to use unsolicited ratings	132 (c) Apply at solo level	132 (d) Impose time limits on draw down of buffers	133 Impose shorter transitional periods	142 FN 50 Apply at solo level	PON Press release 1 (a) Apply Statutory approach
EU (CRD4/CRR)	Yes (3)	Yes	Yes	Yes	Yes	Yes
Belgium				No		
France				No		
Germany				No		
Italy				Yes (1)		
Luxembourg				Yes (1)		
The Netherlands				No		
Spain				No (1)		
Sweden				Yes (1)		
The United Kingdom				No		

Table 7 notes:

Argentina

(1) IRB has not been adopted **(2)** Banks are not permitted to invest in insurance companies **(3)** Standardised approach to CVA only **(4)** Implementation still in process.

Canada

(1) Part of regular supervisory review process. **(2)** Subject to prior supervisory approval. **(3)** National discretion is included in the regulation but OSFI has not yet opined on its use as there are no banks currently using IMM. **(4)** However, banks are not permitted to rely on any unsolicited rating in determining an asset's RW except where the asset is a sovereign exposure and solicited ratings are not available.

China

(1) Standardised approach to CVA only.

Hong Kong

(1) The HKMA may permit banks to use a conservative estimate instead of look-through on a case by case basis**.** **(2)** Under the Banking (Capital) Rules, an authorised institution may, with the prior consent of the Monetary Authority, temporarily exclude investments made in the context of resolution**.** **(3)** Drafting of legislation to implement the buffer requirements is in progress. The legislation is expected to be in place in 2015 and the phase-in of the buffer requirements is intended to begin from 1 January 2016 and become fully effective on 1 January 2019. The answers provided in Table 7 represent current policy proposals subject to industry consultation and negative vetting by the Legislative Council. **(4)** The current intent of the HKMA is to follow the transitional arrangements set out by the Basel Committee. However, the HKMA proposes to reserve the flexibility to shorten the transition periods when doing so is considered appropriate.

India

(1) Banks are only permitted to use standardised CVA. **(2)** Framework is yet to be operationalised. However, as in the case with the minimum capital requirement and capital conservation buffer, the counter-cyclical buffer will also apply both on solo and consolidated basis.

Indonesia

(1) IRB has not been adopted **(2)** Not yet determined. **(3)** Not yet determined.

Italy

(1) The capital conservation buffer was introduced from 1/1/2014 (0.625% in 2014, 2015 and 2016).

Luxembourg

(1) The capital conservation buffer was introduced in full (2.5%) from 1/1/2014.

Russia

(1) Implementation of capital conservation buffer in progress. **(2)** Implementation of countercyclical capital buffer in progress.

South Africa

(1) Require formal appropriation by the board of directors. **(2)** However, the Registrar has the authority to specify a limit lower than 0.6%. **(3)** Subject to the prior written approval of and conditions specified by the Registrar. **(4)** National discretion is included in the Regulations for the Registrar to instruct the use of paragraph 104. **(5)** Only with the prior written approval of and subject to conditions specified by the Registrar.

Spain

(1) The transitional periods specified in the European legislation apply. The discretion for imposing shorter transitional periods has not been exercised.

Switzerland

(1) Appropriate audit consists of "review" and proportionate amount of dividend has to be excluded. **(2)** The only exception is insurance captives for operational risk, which exclusively insure risks of the financial group. **(3)** Restrictions on distributions can only be applied on solo level because in a formal legal approach only entities distribute dividends not groups. **(4)** However, conservation buffers in Pillar 2 are in place, which correspond to the Basel 2019 requirements.

Sweden

(1) The capital conservation buffer was introduced from 2/8/2014 (2.5% in 2014, 2015 and 2016).

Turkey

(1) Banks calculate both consolidation and deduction and apply the lowest CAR **(2)** Regulatory adoption is in progress **(3)** As an exception, if an ECAI has given a solicited rating for 3 consecutive periods for a firm then that ECAI can give an unsolicited rating for that firm just once in the fourth period. **(4)** Institutions must apply at both solo and consolidated level.

United States

(1) Interim profit and loss is included in retained earnings in accordance with accounting standards. Banking organisations' financial statements are reviewed by internal and external audit and are subject to other review and verification processes. **(2)** The US does not allow banking organisations to use unsolicited ratings given the broader prohibition in the US on use of credit ratings in federal regulations. **(3)** The capital conservation buffer and countercyclical capital buffer are applied at each level of a banking organisation subject to minimum capital requirements.

European Union

(1) Subject to prior permission from competent authorities. **(2)** Unless the competent authority allows that bank to use the advanced CVA method for the non-IMM portfolios, the bank must use the standardised CVA method. **(3)** Subject to EBA confirmation.