



Financial Stability Institute

BANK FOR INTERNATIONAL SETTLEMENTS

Implementation of Basel Standards and Proportionality

2018 FELABAN Annual Conference

11-14 November 2018

Juan-Carlos Crisanto

Deputy Chairman, Financial Stability Institute

Bank for International Settlements



**The views expressed in this presentation are those of the presenter and not of the FSI, BIS or the Basel-based committees.*

Overview

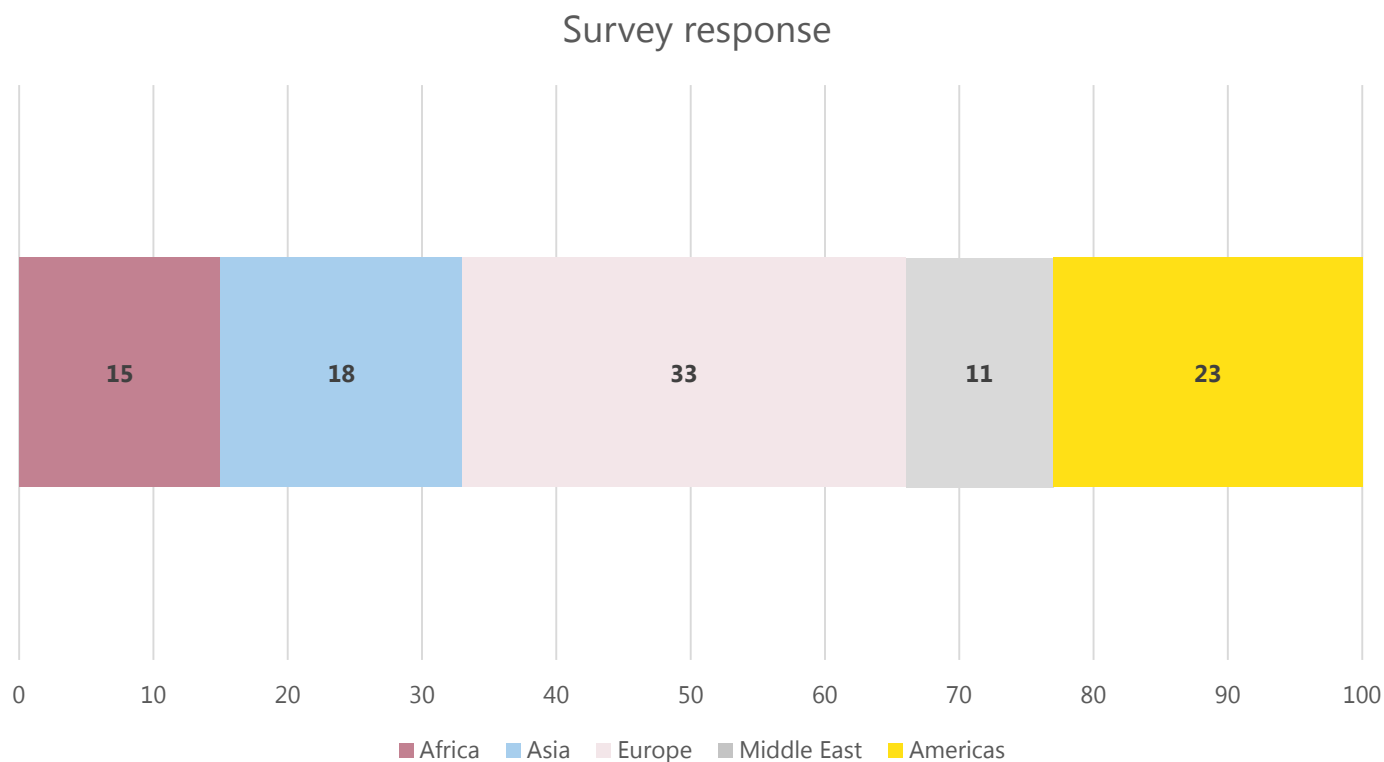
1. Basel III implementation in Basel Committee countries
2. Basel standards adoption in non-Basel Committee countries
3. Conceptual Framework for applying proportionality to banking regulation
4. Implementation of proportionality in non-Basel Committee countries
5. Conclusions

1. Basel III Implementation in Basel Committee Countries

Select Basel Standards	Deadline	A R	A U	B R	C A	C N	H K	I N	I D	J P	K R	M X	R U	S A	S G	Z A	C H	T R	U S	E U	
Definition of capital	Jan'13	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	
Conservation buffer	Jan'16	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	
Liquidity Coverage Ratio	Jan'15	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	
Risk-based Capital	Countercyclical buffer	Jan'16	4	4	4	4	*	4	4	4	4	4	4	4	4	4	4	4	4	4	
	Margin requirements	Sep'16	1	4	3	4	1	4	2	1	4	4	1	1	4	4	2	4	1	4	4
	Capital CCPs	Jan'17	4	3	4	2	1	2	3	1	4	3	1	2	4	4	2	4	2	1	2
	Revised standardised & IRB	Jan'22	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
	Revised market risk	Jan'22	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
	Revised op risk	Jan'22	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Leverage (2014 Exposure Definition)	Jan'18	4	1	4	4	4	4	4	*	*	4	4	4	4	4	4	4	4	4	*	
SIB	G-SIBs	Jan'16	n a	4	4	4	4	4	n a	n a	4	n a	n a	n a	4	n a	4	n a	4	4	
	D-SIBs	Jan'16	4	4	4	4	*	4	4	4	4	4	4	4	4	4	4	4	n a	4	
Liquidity - NSFR	Jan'18	4	4	3	1	4	4	3	4	2	4	1	4	4	4	4	2	2	2	2	
Large Exposures	Jan'19	1	3	3	1	4	2	3	2	1	1	1	2	4	2	1	3	2	2	2	
Revised Pillar 3	Dec'16	4	1	2	3	1	4	1	2	4	4	1	4	4	4	4	4	4	4	*	

2. Basel Standards Implementation in non-Basel Committee Countries

2018 FSI survey on Basel III implementation and proportionality*



2. Basel Standards Adoption in non-Basel Committee Countries

Basel capital standards

	Basel 1	Basel 2	Implementing Basel 3	Total countries
Africa	5	4	6	15
Americas	16	1	6	23
Asia	7	3	8	18
Europe	1	1	31	33
Middle East	1	1	9	11
Total Basel Approaches	30	10	60	100

2. Basel Standards Adoption in non-Basel Committee Countries

	Previous Basel Standards		Implementing Basel 3	Total
	<i>Basel 1</i>	<i>Basel 2</i>		
Risk-based Capital	<i>Basel 1</i>	<i>Basel 2</i>	60	100
	30	10		
Leverage	<i>2010 Standard</i>		15	16
	1			
LCR			54	54
NSFR			15	15
Large Exposures	<i>1991 Standard</i>		14	52
	38			

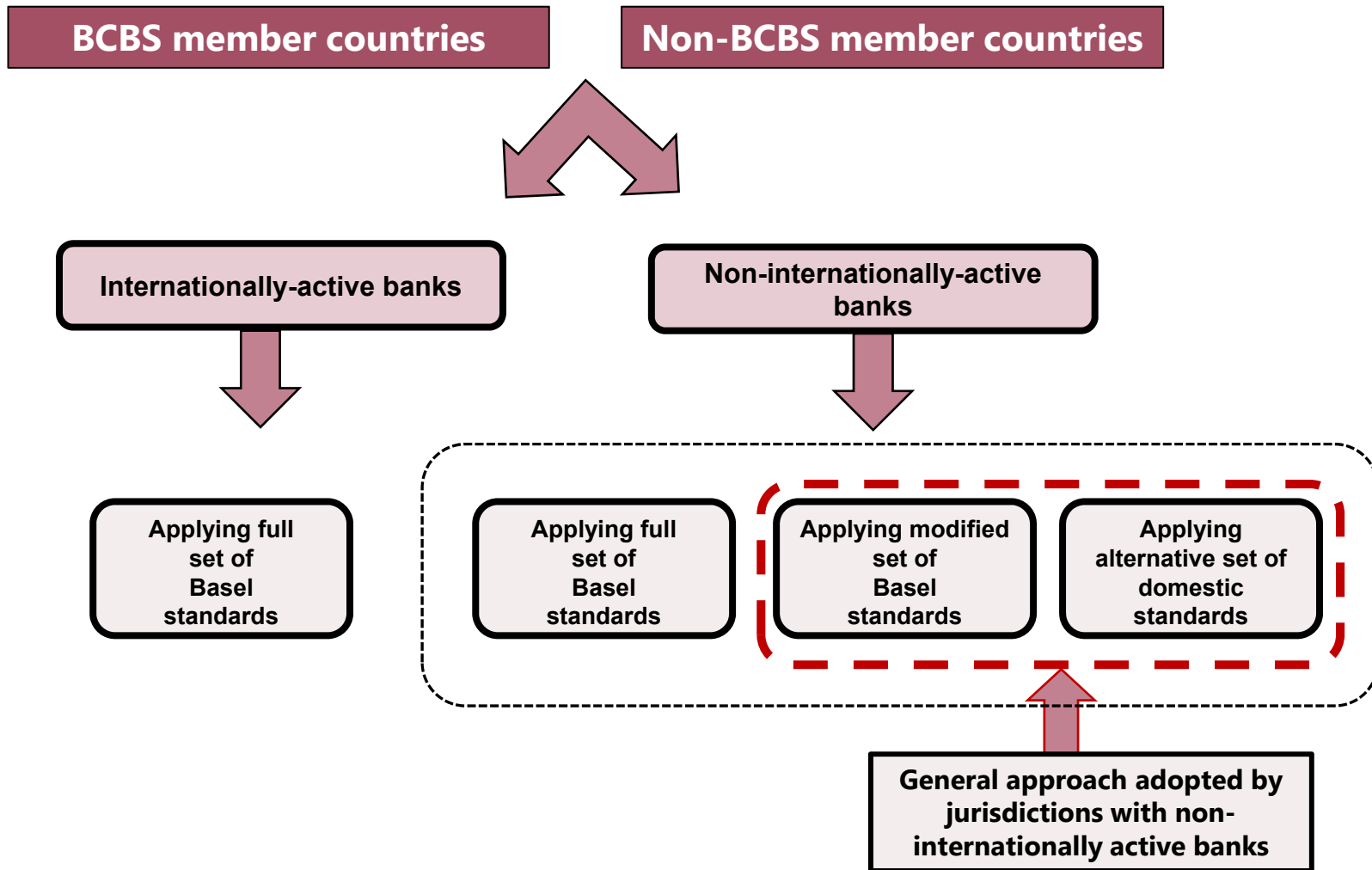
3. FSI Working Definition of Proportionality

The tailoring of Basel standards or developing alternative rules to reflect the size, complexity or risk profile of both individual banks and national banking systems.

Under this definition, proportionality encompasses a wide range of situations, such as:

- Applying a different set of rules to a different group of banks
- Modifying certain Basel standards or imposing alternative domestic rules to all banks

3. Proportional implementation of Basel standards



3. Proportionality Approaches

Categorisation Approach (CAP)	Specific Standard Approach (SSAP)	System-wide Approach (SWAP)
<ul style="list-style-type: none"> ▪ Banks categorised based on certain criteria (eg size, business model, etc) ▪ Specific prudential regime is applied to each bank categories ▪ Generally leads to consistent prudential regime for banks sharing broadly similar risk characteristics 	<ul style="list-style-type: none"> ▪ Starting point is a particular business activity ▪ Application of (i) consistent criteria to identify banks that engage in that business activity; and (ii) specific set of prudential requirements to those banks ▪ Generally leads to adoption of a simplified approach on specific areas where the size or risk o bank’s business activities are not deemed material 	<ul style="list-style-type: none"> ▪ Proportionality is applied to the banking system as a whole ▪ Modifications made to applicable standard/s are imposed on all banks, regardless of their size, complexity or business model ▪ Typically used when the entire financial system is considered relatively simple

4. Implementation of Proportionality in non-Basel Committee Countries

	Countries adopting Basel Standards	Countries applying proportionality	Of which CAP	Of which SSAP	Of which SWAP	Other*
All 100 Non- BCBS countries:						
Basel 1	30	30			29	1
Basel 2	10	10			7	3
Basel 3	60	57	5	24	19	9
Of which 23 countries in Americas:						
Basel 1	16	16			15	1
Basel 2	1	1			1	
Basel 3	6	6		1	4	1

*Mix of CAP and SWAP and SSAP and SWAP

4. Implementation of Proportionality in non-Basel Committee Countries

	Non-BCBS Countries adopting Basel Standards (of which Americas)	Countries applying proportionality to <u>adopted</u> Basel standard (of which Americas)	Different domestic standards (of which Americas)
Risk-based Capital	100 (23)	97 (23)	
Leverage	16 (3)	9 (2)	4 (2)
LCR	54 (5)	17 (2)	27 (12)
NSFR	15 (1)	5 (1)	1
Large Exposures	14	12	39 (17)

5. Conclusions

- Global banking system is operating under Basel standards
- There is, in general, a rationale for the adoption of a proportionality regime that could positively contribute to mitigate competitive distortions without undermining key prudential safeguards
- Our 2018 survey shows that non-BCBS countries apply proportionality in some manner:
 - Basel I countries: apply global standards to all banks
 - Basel II and III countries: tailor rules to different groups of banks based on various criteria
- On the adoption of Basel capital standards, our survey shows that applying proportionality in non BCBS-countries is not only about tailoring regimes for different banks but also about applying more stringent capital requirements