



Post-RCAP follow-up report: China

Reference RCAP report: Assessment of Basel III capital regulations in China, September, 2013

This follow-up report provides an overview of where the jurisdiction has taken, or plans to take, further actions to address findings raised in the RCAP assessment report. The report is based on self-reporting and the reported actions have not been reviewed by the Basel Committee.

Part A¹

Post-RCAP follow up: Changes applied to local regulations of the Basel Framework relating to risk-based capital standards (RCAP-Capital)

(1) Issue and/or relevant Basel paragraph number(s)	(2) Detailed description of finding (please indicate as precisely as possible the finding as identified in the relevant RCAP assessment report)	(3) Detailed reference to the domestic legislation/regulation that addresses the finding	(4) Summary description of amendment or rectification made
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Part B

In the RCAP China report, three follow-up issues were raised by the assessment team:

1. Credit risk SA: different approach to risk weighting of claims on domestic banks and PSEs, eligibility criteria for collateral and the treatment of past-due loans in relation to the Chinese provisioning rules;
2. Pillar 2: no requirement for supervisors to assess deviations from the reference definition of default; and,
3. Pillar 3: missing requirements regarding detailed disclosure of relevant data about credit quality, securitisation and remuneration.

¹ To be completed only for those findings where action has been initiated/taken. Any plans for addressing other findings may be indicated in Part B.

For credit risk SA, we are aware of the fact that the Basel Committee has dedicated tremendous effort and achieved obvious progress in developing a revised standardised approach for credit risk based on risk drivers (as opposed to a flat risk weight or risk weights based on external ratings) for the main asset classes. A similar situation also applies to Pillar 3. The *Revised Pillar 3 disclosure requirements* will set up a revised disclosure framework to improve comparability and consistency by way of introducing harmonised templates. We believe these policy developments should constitute the basis for member jurisdictions to make further amendments to their national rules accordingly. For the Pillar 2 issue, our view is that the assessment of deviations from the reference definition of default has been the de facto supervisory practice in CBRC, though the wording of this requirement is not explicitly expressed in the Capital Rules in China. We aim to adjust the wording in the next round of amendments to the Capital Rules.