Basel Committee
on Banking Supervision

Implementation of Basel standards

A report to G20 Leaders on implementation of the Basel III regulatory reforms

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Summary

This is the seventh report from the Basel Committee on Banking Supervision to update the G20 Leaders on progress by the 27 Basel Committee member jurisdictions in implementing the Basel III regulatory reforms.[1] It summarises the outcomes from the Committee's Regulatory Consistency Assessment Programme (RCAP), which involves: (i) monitoring progress in adopting the Basel III standards; (ii) assessing the consistency of national or regional banking regulations with the Basel III standards; and (iii) analysing the prudential outcomes from those regulations.

The Basel III capital and liquidity standards have generally been transposed into domestic regulations within the time frame set by the Basel Committee. Further progress has been made towards implementing the Basel III framework since last year's report. Its key components, including the risk-based capital standards and the Liquidity Coverage Ratio (LCR), are now enforced by all member jurisdictions. Also, all member jurisdictions that are home jurisdictions to global systemically important banks (G-SIBs) have the G-SIB framework in force. Further, member jurisdictions continue their efforts to adopt other Basel III standards, including the leverage ratio and the Net Stable Funding Ratio (NSFR). Non-Basel Committee jurisdictions also report substantial progress in adopting the framework's core elements.

That said, a considerable number of revised Basel standards await transposition into domestic regulations over the next couple of years. While still committed to implementing these standards, some jurisdictions report challenges in meeting the agreed implementation deadlines. These include:

- margin requirements for non-centrally cleared derivatives (by September 2016)
- the revised Pillar 3 framework (by end-2016)
- the standardised approach for measuring counterparty credit risk (by January 2017)
- capital requirements for central counterparty (CCP) exposures (by January 2017)
- capital requirements for equity investments in funds (by January 2017).

The reported challenges relate in part to domestic legislative or rule-making processes. In addition, some jurisdictions report that banks face difficulties in adjusting their information systems to meet and report on the new requirements.

Delayed implementation may have implications for the level playing field, and puts unnecessary pressure on jurisdictions that have implemented the standards based on the agreed timelines. A concurrent implementation of global standards is all the more important, as many jurisdictions serve as hosts to internationally active banks.

With regard to the consistency of implementation, the Basel Committee finds that the domestic regulations are generally consistent with Basel III standards. Since its update last year, the Committee has concluded assessments of risk-based capital and LCR regulations in Russia and Turkey. It has also conducted a cross-jurisdictional assessment of the G-SIB framework's implementation in the five jurisdictions in which the G-SIBs are headquartered, ie China, the European Union, Japan, Switzerland and the United States. The assessments found all these jurisdictions to be compliant with the Basel G-SIB framework. Importantly, most member jurisdictions have actively rectified observed deviations by amending their domestic regulations in the course of the assessment. Assessments of the implementation

[1] The Basel Committee on Banking Supervision consists of senior representatives of bank supervisory authorities and central banks from Argentina, Australia, Belgium, Brazil, Canada, China, France, Germany, Hong Kong SAR, India, Indonesia, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, Russia, Saudi Arabia, Singapore, South Africa, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. The Committee's previous update to the G20 Leaders was in November 2015. That and other updates to the G20 are available at www.bis.org/bcbs/impl_moni_g20.htm.

of Basel standards in Argentina, Indonesia and South Korea are under way. The Committee will complete its assessments of members' implementation of the risk-based capital standards and the LCR by end-2016 and end-2017, respectively.

Regarding regulatory outcomes, the quantitative monitoring to review the implications of the Basel III standards shows that banks have continued to build capital and liquidity buffers since last year's report.[2] In particular, all internationally active banks meet the fully phased-in risk-based capital and leverage ratio requirements. Most of these banks also meet the fully phased-in liquidity standards, ie both the LCR and NSFR, ahead of the 2019 deadline.

With regard to the consistency of regulatory outcomes, previous work conducted by the Basel Committee revealed evidence of excessive variation in banks' calculation of risk-weighted assets (RWA). To reduce this variation and improve consistency and comparability across banks, the Committee earlier this year proposed modifications to the methods used by banks to calculate their minimum regulatory capital requirements for credit risk. These proposals would constrain banks' use of internal models and would reduce the complexity of the regulatory framework. The Committee had previously consulted on the design of capital floors based on standardised approaches and is still considering the design and calibration of floors. This would complement the proposed constraints on banks' use of internal models. The Committee has also conducted a comprehensive quantitative impact study. The results of the QIS exercise along with an analysis of comments received on the Committee's proposals will help inform the final design and calibration of the proposals, with a focus on not significantly increasing overall capital requirements.

Overall, further progress has been made since last year's update to the G20 Leaders in implementing the Basel III standards in a full, timely and consistent manner. Banks continue to build higher and better quality capital and liquidity buffers while reducing their leverage. However, challenges remain, in particular regarding the timely regulatory adoption of Basel standards in some jurisdictions. In order to maximise the benefits of its reforms, the Basel Committee will continue to monitor closely the implementation and impact of its standards and report to the G20 on progress.

[2] The Committee publishes its Basel III Monitoring Reports semiannually. The most recent report is available at www.bis.org/bcbs/publ/d354.htm.

Progress report on Basel III implementation

1. Introduction

The Committee's mandate is to strengthen the regulation, supervision and practices of banks worldwide with the purpose of enhancing financial stability. Its work agenda has thus revolved around four key themes: (i) completing the post-crisis reform agenda; (ii) focusing on implementation efforts; (iii) reviewing the balance between simplicity, comparability and risk sensitivity of the framework; and (iv) enhancing supervisory effectiveness.

This report focuses on the Committee's implementation agenda, which consists of: (i) monitoring the adoption of Basel III standards; (ii) assessing the consistency and completeness of members' Basel III regulations vis-à-vis the globally agreed Basel standards; and (iii) analysing regulatory outcomes. This helps the Committee to monitor and evaluate the effects of Basel III reforms as they are being implemented.

2. Timely adoption of Basel III standards

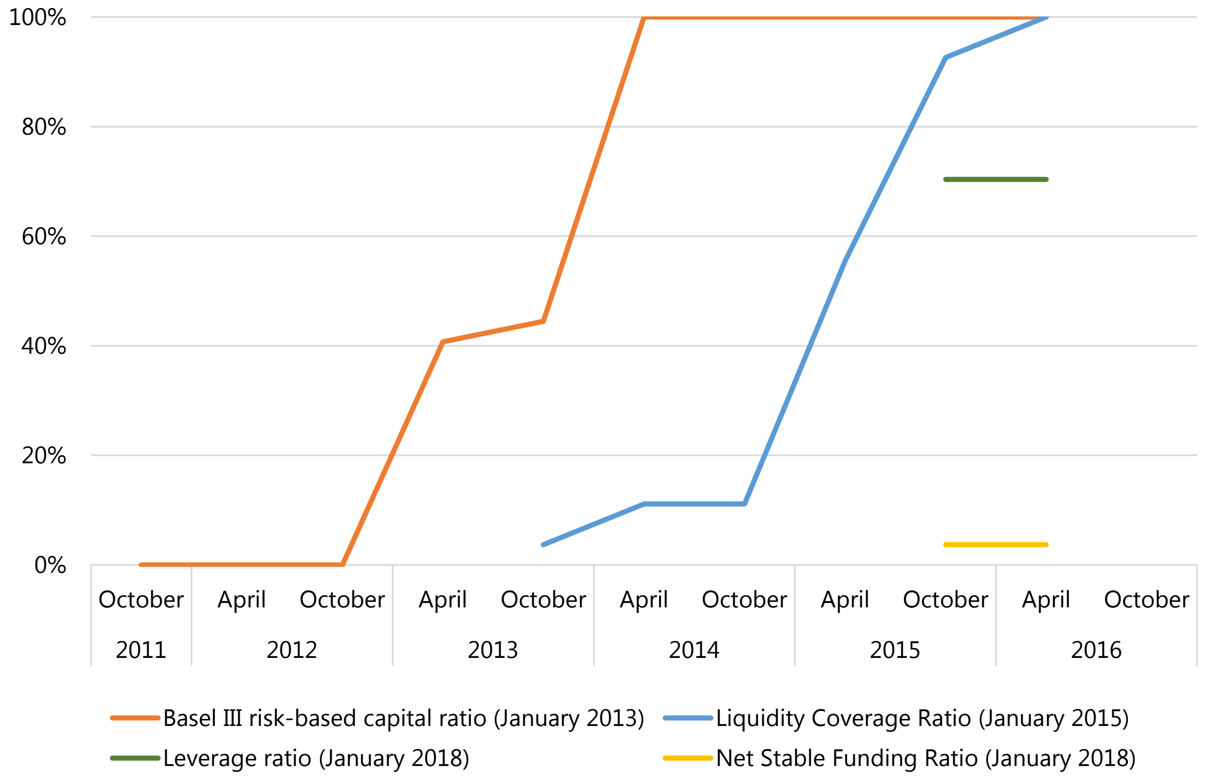
Basel Committee member jurisdictions

Further progress has been made towards implementing the Basel III framework since last year's report. All 27 Basel Committee member jurisdictions now have final risk-based capital rules, LCR regulations and capital conservation buffers in force (see Annex 1 for a summary overview of the adoption status). Further, 24 member jurisdictions have issued final rules for the countercyclical capital buffers and 23 have issued final or draft rules for their D-SIBs framework. With regard to the G-SIB framework, all members that are home jurisdictions to G-SIBs have implemented the Basel framework for G-SIBs. Members continue their efforts to implement other Basel III standards, including the leverage ratio and the NSFR, which are due by January 2018.

This has provided transparency on the timeliness of implementation and has complemented the Committee's quantitative impact study (QIS) work on banks' readiness to meet the Basel framework's minimum standards. Graph 1 below shows the progress made by member jurisdictions in implementing Basel standards since 2011.

Progress in implementing Basel standards

Percentage of BCBS member jurisdictions that have put the Basel standard into force Graph 1



The Basel Committee's agreed implementation dates in parenthesis.

Source: Basel Committee monitoring reports on the adoption of Basel standards, www.bis.org/bcbs/implementation/bprl1.htm.

The implementation of Basel III capital and liquidity standards into domestic regulations has generally been timely thus far. However, a significant number of revised Basel standards await transposition into domestic regulations over the next couple of years and, while still committed to implementing them, some jurisdictions report challenges in meeting the agreed implementation deadlines for these standards. These include:

- margin requirements for non-centrally cleared derivatives (by September 2016)
- the revised Pillar 3 framework (by end-2016)
- the standardised approach for measuring counterparty credit risk (by January 2017)
- capital requirements for CCP exposures (by January 2017)
- capital requirements for equity investments in funds (by January 2017).

The reported challenges relate in part to domestic legislative or rule-making processes. In addition, some jurisdictions report that banks face difficulties in adjusting their information systems to meet and report on the new requirements.

The Committee will continue to monitor closely the timeliness of implementation, and report on progress to the G20. Delayed implementation may have implications for the level playing field and puts unnecessary pressure on jurisdictions that have implemented the standards based on the agreed timelines.

A concurrent implementation of global standards is all the more important as many jurisdictions serve as hosts to internationally active banks.

Non-Basel Committee member jurisdictions

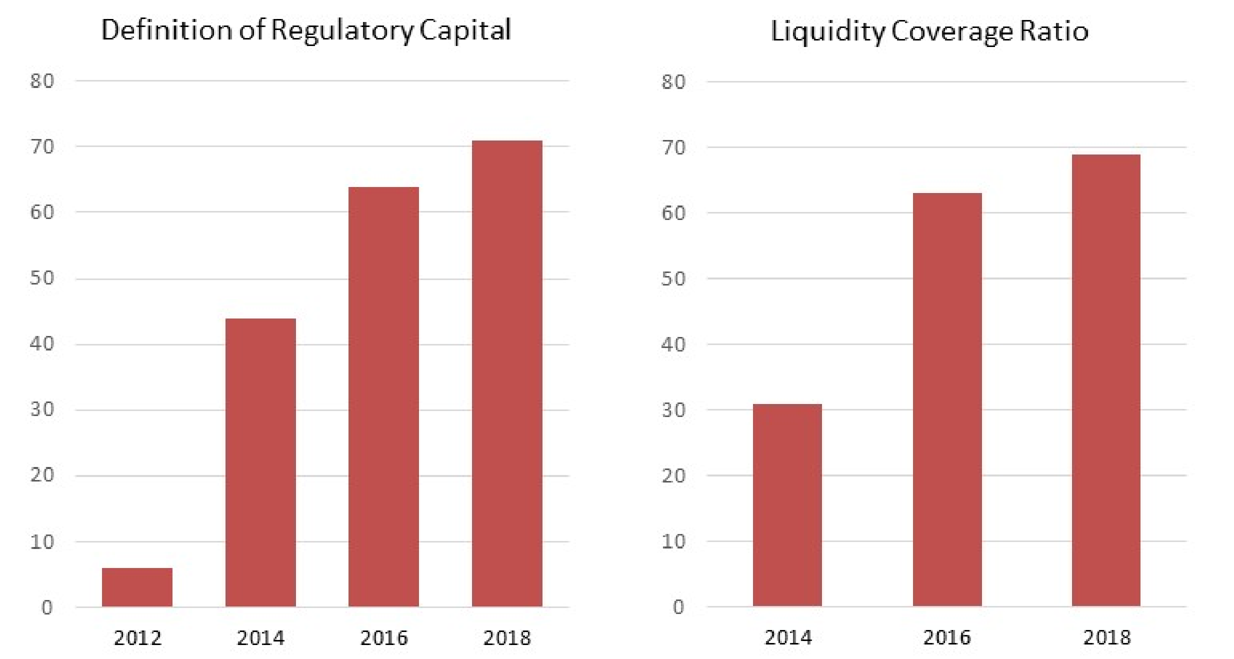
A significant number of non-Basel Committee member jurisdictions have already brought key elements of Basel III into force or are in the process of doing so. Final Basel III rules have been increasingly adopted in these jurisdictions over the years, of which a number have closely followed the Basel Committee agreed implementation dates.

Information obtained from Financial Stability Institute (FSI) surveys[3] on the implementation of the Basel framework shows that, in 2012, only six non-Basel Committee member jurisdictions had adopted final rules relating to the new definition of regulatory capital. This number increased to 44 in 2014 and is expected to grow to 64 by the end of 2016.

Similar trends were observed with respect to the adoption of final rules relating to the LCR. Graph 2 shows that the number of jurisdictions that had adopted the LCR was 31 in 2014. It is envisaged that, by the end of 2016, 63 non-Basel Committee member jurisdictions will have issued final rules on the LCR framework, joining all Basel Committee member jurisdictions that already have implemented the framework.

The FSI survey results also show that, by 2018, around 70 non-Basel Committee member jurisdictions intend to have issued final rules on the above key elements of the Basel III framework. This shows that non-member jurisdictions are also actively working towards Basel III implementation.

Implementation of Basel III capital and liquidity standards in non-Basel Committee member jurisdictions — Graph 2



[3] The FSI's Basel implementation surveys are available at www.bis.org/fsi/fsipapers.htm.

3. Assessments of implementation consistency

Since last year's report to the G20, the Basel Committee has found further evidence that its members' domestic regulations are generally consistent with Basel III standards. Further, the Committee has published a more detailed methodology for consistency assessments, the RCAP Handbook. This has resulted in greater consistency in applying these standards.[4]

The Basel Committee published assessment reports for Russia and Turkey in March 2016. Both member jurisdictions were found to be compliant with the Basel standards (see Annex 2 for a summary of the assessments). To date, the Basel Committee has published assessment reports on the implementation of risk-based capital regulations for 24 member jurisdictions, including those in which G-SIBs are headquartered.[5] Fourteen of these jurisdictions were found to be compliant, one largely compliant and nine (assessed as a single jurisdiction) materially non-compliant. The implementation assessments for Argentina, Indonesia and South Korea are in the process of being finalised. The Basel Committee will review assessment reports for Argentina and South Korea at its September 2016 meeting and for Indonesia at its November 2016 meeting. As a result, by the end of this year, the Basel Committee will have completed its assessments of members' implementation of the risk-based capital standard.

The Basel Committee has published seven assessment reports on the domestic adoption of the LCR framework by the following member jurisdictions: Hong Kong SAR, India, Mexico, Russia, Saudi Arabia, South Africa and Turkey. Five of these jurisdictions were found to be compliant and two largely compliant. By September 2017, the Basel Committee intends to complete its assessments of all members' implementation of the LCR framework.

In March 2016, the Basel Committee published overviews of post-assessment follow-up actions by jurisdictions previously assessed, including Australia, Brazil, Canada, China, the European Union, Japan, Singapore, Switzerland and the United States. The follow-up reports summarise the areas in which the jurisdictions have taken or plan to take further action to address findings raised in the RCAP assessments. While member jurisdictions typically seek to address findings during the assessment process, the post-assessment monitoring allows members to report on any actions that could not be finalised within the time frame of the assessment. Overall, it is encouraging to see that, since the start of the RCAP, most member jurisdictions have actively sought to rectify findings to ensure consistency with the Basel standards. The Committee expects to publish its next post-RCAP monitoring report in early 2017. The report will cover jurisdictions that were assessed in 2015 (Hong Kong SAR, India, Mexico, Saudi Arabia and South Africa).

In June 2016, the Basel Committee published assessment reports on the implementation of its frameworks for global and domestic systemically important banks (G-SIBs and D-SIBs) in the five jurisdictions in which G-SIBs are headquartered: China, the European Union, Japan, Switzerland and the United States. This was the first assessment conducted on a cross-jurisdictional basis, with these five jurisdictions being simultaneously assessed against the Basel framework. The implementation of the G-SIB framework was found to be compliant in all five jurisdictions. The graded assessment covered the higher loss absorbency requirement and the associated public disclosure requirements. With respect to the D-SIB frameworks, each of the jurisdictions in which the framework has been implemented was found to be broadly aligned with the Committee's D-SIB principles. Some variation was, however, observed across jurisdictions in the additional requirements and policy measures applied to D-SIBs.

4 See www.bis.org/bcbs/publ/d361.htm. The RCAP Handbook presents a general framework as well as specific guidance, processes and procedures for assessing a jurisdiction's regulatory framework. The Handbook brings together the experience gained since the start of the jurisdictional assessments in 2012.

5 All published assessment reports are available at www.bis.org/bcbs/implementation/l2.htm.

4. Monitoring and consistency analysis of regulatory outcomes

Quantitative monitoring of Basel III impact

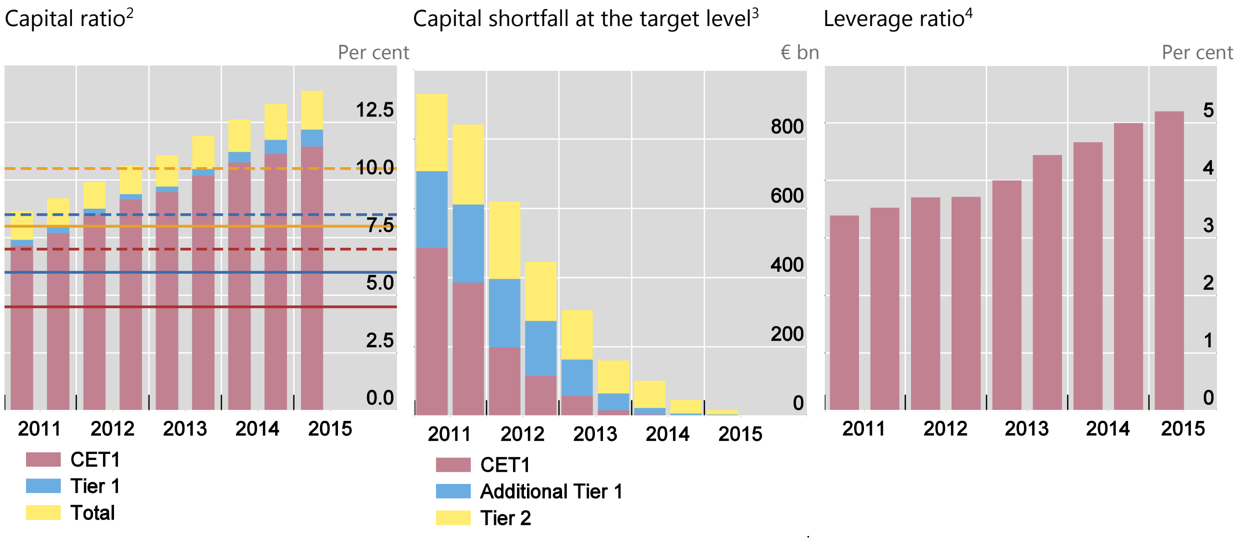
Regarding the regulatory outcomes, the quantitative monitoring of Basel III regulations shows that banks have continued to build capital and liquidity buffers since last year's progress report on Basel III implementation.

The average capital ratio of large internationally active banks continued to rise in the first half of 2015, while the capital shortfall declined further (Graph 3). The weighted average Basel III leverage ratio for large internationally active banks was 5.2%, up from 5.0% in December 2014. With regard to the liquidity standards, the weighted average LCR for large internationally active banks was 123.6%, and the weighted average NSFR was 111.9% (Graph 4). However, a number of banks still need to increase their liquidity buffer to meet the minimum requirement of 100%. The transitional arrangements for implementing the liquidity buffers allow these banks to adjust gradually to the minimum requirements over time.

In the last five years, the international banking system has made substantial progress in building capital and liquidity buffers. Since 2011, the amount of CET1 capital held by large internationally active banks has increased by around EUR 1.3 trillion, while the leverage ratio has steadily risen depicting a considerable reduction in the level of leverage. The pool of high-quality liquid assets and inflows have increased by around EUR 3.5 trillion since 2011.

Average Basel III capital ratios, capital shortfall and leverage ratios

Fully phased-in Basel III, samples of large internationally active banks[1] Graph 3



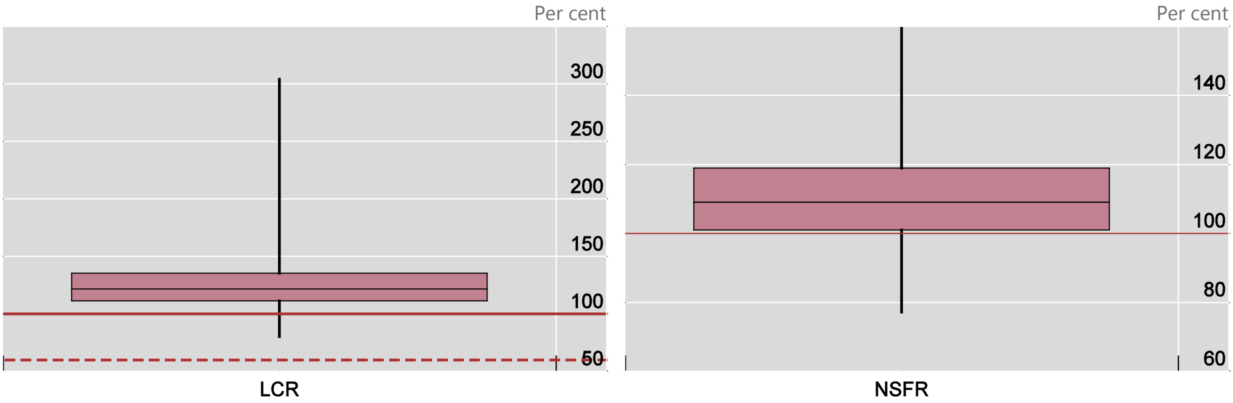
[1] Large internationally active banks are those that have Tier 1 capital of more than €3 billion and are internationally active; 101 such banks took part in the Committee's monitoring exercise at the end-June 2015 reporting date. [2] Consistent sample of 91 banks that provided data for all relevant periods. [3] Sample and exchange rates as at the reporting dates. The height of each bar shows the aggregated capital shortfall considering requirements for each Tier (ie CET1, Tier 1 and Total) of capital. Solid lines show the relevant minimum ratio, dotted lines the minimum ratio plus the capital conservation buffer. [4] Tier 1 leverage ratio, consistent sample of 91 banks. The data points for H1 2013 use an approximation for the final definition of the Basel III leverage ratio exposure where gross instead of adjusted gross securities financing transaction values are used.

Source: Basel Committee on Banking Supervision, *Basel III Monitoring Report*, March 2016, www.bis.org/bcbs/publ/d354.htm.

Basel III liquidity ratios

Sample of large internationally active banks[1] Graph 4

Liquidity Coverage Ratio[2] Net Stable Funding Ratio



[1] The median value is represented by a horizontal line, with 50% of the values falling in the range shown by the box. The upper and lower end points of the thin vertical lines show the range of the entire sample. [2] The sample is capped at 400%, meaning that all banks with an LCR above 400% were set to 400%. The horizontal red lines represent the 60% minimum (2015, dashed line) and the 100% minimum (2019, solid line).

Source: Basel Committee on Banking Supervision, *Basel III Monitoring Report*, March 2016, www.bis.org/bcbs/publ/d354.htm.

Consistency analysis of regulatory outcomes

Since last year's update to the G20 Leaders, the Basel Committee found further evidence of excessive variation in banks' calculation of RWA.

In April 2016, the Basel Committee published a second report on RWA variation in the banking book.[6] The study examines the variability of RWA in banks that use internal models to calculate their credit risk regulatory capital requirements. The report focuses on: (i) RWA variability in retail and small and medium-sized enterprise (SME) banking book portfolios; and (ii) variability in estimates of exposure at the time of default (EAD) across the entire banking book. Overall, the report found considerable variation in average RWA for credit risk in the banking book. The report also describes sound practices relating to banks' independent model validation functions.

In total, the Basel committee has published five thematic assessments on RWA variability across member jurisdictions, covering credit risk, counterparty credit risk and market risk. The findings from these thematic assessments have contributed to the Committee's standard-setting work, including the revision of the market risk framework, published in January 2016,[7] and the Committee's proposals to revise the internal ratings-based approach for credit risk and capital floors.[8]

[6] See www.bis.org/bcbs/publ/d363.pdf.

[7] See www.bis.org/bcbs/publ/d352.pdf.

[8] See www.bis.org/bcbs/publ/d362.pdf.

5. The Basel Committee's implementation work plan

The Committee will continue to promote consistency of regulatory implementation across its member jurisdictions. The key elements of the Committee's implementation strategy for 2016–18 will be to:

- continue monitoring the adoption of Basel III standards;
- continue quantitative monitoring of the impact of Basel III standards;
- complete the remaining jurisdictional assessment reports on the consistency of implementation of the risk-based capital requirements (by end-2016), continue the planned jurisdictional assessments of LCR implementation (by-end 2017) and continue the annual review of post-assessment follow-up actions;
- continue to review and update, based on lessons learnt from the risk-based capital, LCR and G-SIB assessments, the methodology for consistency assessments; and
- plan the next series of consistency assessments, covering notably the implementation of the NSFR and the leverage ratio.

In addition, the Basel Committee will continue to support national authorities in the implementation and supervision of sound risk management practices by banks, including for example by monitoring the implementation of the principles for effective risk data aggregation and risk reporting. Since the publication of these principles in 2013, banks have made noticeable gains, particularly in establishing or strengthening banks' internal governance frameworks, and, in general, improving their risk data aggregation and risk reporting capabilities. However, as highlighted in the third annual progress report on banks' adoption of these principles that was published by the Committee in December 2015, there are still areas where banks fall short of full implementation.[9] This is especially the case with the timely completion of the necessary large-scale data architecture and IT infrastructure projects. Significant gaps were also identified in terms of data accuracy and adaptability. Additional work needs to be done to meet the intent of the principles in these areas.

[9] See www.bis.org/bcbs/publ/d348.pdf.

Annex 1: Regulatory adoption of Basel standards

The following table summarises the status of adoption of the various Basel standards in the 27 Basel Committee member jurisdictions. The information is based on the 10th progress report on the adoption of the Basel regulatory framework published in April 2016.[10] Overall, Basel Committee member jurisdictions continue to make progress in accordance with the Basel Committee's agreed deadlines and transitional arrangements.

As of March 2016, all 27 member jurisdictions have final risk-based capital rules, LCR regulations and capital conservation buffers in force, 24 have issued final rules for the countercyclical capital buffers and 23 have issued final or draft rules for their D-SIB framework. With regard to the G-SIB framework, all members that are home jurisdictions to G-SIBs have the final framework in force. Member jurisdictions continue their efforts to implement other Basel standards that are due to come into force in the next couple of years, including the NSFR and leverage ratio.

Adoption status of Basel III (end-March 2016)

Number of Basel Committee member jurisdictions — Table 1

Basel standard	BCBS agreed date of implementation	Status as of end-March 2016	
		Risk-based capital standards	
Definition of capital	Jan 2013	Final rules in force	27
		Final rules issued (not in force)	--
		Draft rules issued	--
Capital conservation buffer	Jan 2016	Final rules in force	27
		Final rules issued (not in force)	--
		Draft rules issued	--
Countercyclical buffer	Jan 2016	Final rules in force	24
		Final rules issued (not in force)	--
		Draft rules issued	2
Capital requirements for equity investments in funds	Jan 2017	Final rules in force	2
		Final rules issued (not in force)	1
		Draft rules issued	1
SA-CCR	Jan 2017	Final rules in force	--
		Final rules issued (not in force)	1
		Draft rules issued	1
Securitisation framework	Jan 2018	Final rules in force	--
		Final rules issued (not in force)	--
		Draft rules issued	12
Capital requirements for CCPs	Jan 2017	Final rules in force	--
		Final rules issued (not in force)	1
		Draft rules issued	1

[10] See www.bis.org/bcbs/publ/d366.pdf.

Liquidity standards			
Liquidity Coverage Ratio (LCR)	Jan 2015	Final rules in force	27
		Final rules issued (not in force)	--
		Draft rules issued	--
LCR disclosure requirements	Jan 2015	Final rules in force	16
		Final rules issued (not in force)	--
		Draft rules issued	1
Net Stable Funding Ratio (NSFR)	Jan 2018	Final rules in force	1
		Final rules issued (not in force)	--
		Draft rules issued	2
NSFR disclosure requirements	Jan 2018	Final rules in force	1
		Final rules issued (not in force)	--
		Draft rules issued	--
Other Basel III standards			
Leverage ratio	Jan 2018	Final rules in force	18
		Final rules issued (not in force)	2
		Draft rules issued	2
Leverage ratio disclosure requirements	Jan 2015	Final rules in force	25
		Final rules issued (not in force)	--
		Draft rules issued	2
G-SIB requirements	Jan 2016	Final rules in force	21
		Final rules issued (not in force)	--
		Draft rules issued	--
D-SIB requirements	Jan 2016	Final rules in force	21
		Final rules issued (not in force)	2
		Draft rules issued	1
Pillar 3 disclosure requirements	Dec 2016	Final rules in force	2
		Final rules issued (not in force)	--
		Draft rules issued	3
Large exposures	Jan 2018	Final rules in force	1
		Final rules issued (not in force)	--
		Draft rules issued	3

Source: Basel Committee on Banking Supervision, *Progress report on adoption of the Basel regulatory framework*, April 2016, www.bis.org/bcbs/publ/d366.pdf.

Annex 2: Consistency of regulatory implementation

Since the last update to the G20 Leaders in November 2015, the assessment reports for Russia and Turkey were published.[11] Also, the RCAP assessment reports on the implementation of the domestic G-SIB regulations were published for the five jurisdictions that are home to G-SIBs. In addition, the D-SIB framework was reviewed in these jurisdictions.

Russia

Assessment of risk-based capital standards

Based on the amended risk-based capital requirements issued in December 2015, Russia is considered compliant with the minimum Basel capital standards. All components of the Basel framework were assessed as being compliant. The Russian capital framework benefited from a number of amendments during the course of the RCAP assessment, most of which became effective in January 2016. The additional regulatory initiatives undertaken by the Central Bank of the Russian Federation (CBR) significantly improved the level of compliance with the Basel minimum standards.

Several important elements in the CBR's toolbox, notably the Pillar 2 capital framework, are still in early stages of implementation and their effectiveness will require the CBR and the banks to build up further experience with these elements. Further, the Assessment Team recommends keeping under review the Russian securitisation framework, of which the internal ratings-based approach has not been implemented yet.

Assessment of liquidity coverage ratio

Overall, the final LCR regulations in Russia are assessed as compliant with the minimum Basel LCR standard. All graded components of the LCR framework, including the high-quality liquid assets, the liquidity inflows and outflows and disclosure requirements, are assessed as compliant. The amendments made by the CBR and issued in December 2015 considerably improved the level of compliance with the Basel minimum standards.

A notable feature of the CBR's LCR implementation is the adoption of alternative liquidity approaches (ALA). In particular, the CBR created a committed liquidity facility (CLF) to ensure that sufficient liquid assets are available for Russian banks to comply with the minimum LCR requirements. The CBR also allows banks to use additional foreign currency HQLA to cover domestic liquidity needs.

Turkey

Assessment of risk-based capital standards

Based on the amended regulations issued in August and January 2016, the Assessment Team assessed Turkey as compliant with the Basel risk-based capital standards. Also, all underlying components of the

[11] All published assessment reports can be found at: www.bis.org/bcbs/implementation/l2.htm.

risk-based capital framework are assessed as compliant. The regulatory reforms undertaken by the Banking Regulation and Supervision Agency of Turkey (BRSA) throughout 2015 and early 2016 have significantly strengthened the Turkish prudential framework and improved its level of compliance with the Basel minimum standards.

The Assessment Team noted that the internal ratings-based (IRB) approach for credit risk has, at this point, either minimal or no current participation by Turkish banks. While the RCAP team is confident that Turkish rules in these areas comply with the Basel framework, these regulations have yet to be applied in practice to a Turkish bank. In addition, some elements in the BRSA's toolbox, notably the Pillar 2 framework, are still in the early stages of implementation and their effectiveness will require the BRSA and the banks to gain further experience with these tools. The Assessment Team also recommended keeping under review the regulatory framework for securitisations, of which the IRB approach has not been implemented yet.

Assessment of liquidity coverage ratio

Overall, the final LCR regulations in Turkey are assessed as compliant with the minimum Basel LCR standard. All graded components of the LCR framework, including the high-quality liquid assets, the liquidity inflows and outflows and disclosure requirements, are assessed as compliant. The amendments issued by the BRSA in January 2016 improved the level of compliance with the Basel minimum standards.

Assessment of G-SIB and D-SIB frameworks

The RCAP-SIB is the first cross-jurisdictional RCAP assessment. It assessed the implementation of the G-SIB frameworks in China, the European Union, Japan, Switzerland and the United States. It also reviewed the D-SIB frameworks in these jurisdictions (on a non-graded basis).

The G-SIB framework in all five jurisdictions is assessed as compliant with the Basel framework. A number of common themes emerged across the G-SIB assessments.

- Operation of buffer restrictions on distributions: the consequences for a G-SIB of falling below its higher loss-absorbency requirement (ie into its combined buffer) was discussed in every assessment report. The assessment recommends that the Basel Committee develops additional guidance on the interpretation of capital conservation standards in the Basel III framework.
- Potential for additional buckets: the Basel G-SIB framework incorporates an empty fifth bucket to discourage banks from becoming more systemically important. Should this bucket become populated in the future, a new bucket will be added to maintain these disincentives. The structure of the Basel framework, in anticipating the potential increase in systemic importance of some G-SIBs and continuously maintaining an empty bucket, does not translate easily into domestic regulations. Consequently, the top bucket, and the potential for buckets to be added, were not always explicit in the regulations of the assessed jurisdictions. Should a G-SIB enter the fifth (or higher) bucket in the future, it may take jurisdictions some time to update their domestic regulations to reflect this.
- Reporting and disclosure requirements: the scope of G-SIB reporting and disclosure requirements has been implemented differently across jurisdictions. The differences affect: (i) the inclusion of banks added to the G-SIB sample or G-SIB list by supervisory judgment or by virtue of being a G-SIB in the previous year; (ii) the metrics and currency used for reporting and disclosure thresholds; and (iii) whether the requirements are applied to banks that are not internationally active.

Schedule of completed and upcoming RCAP assessments

RCAP: assessment of implementation of Basel III standards (2012–17) Table 2

Basel Committee member jurisdiction	Scope of assessment	Assessment status	Overall grade	Expected date of publication
Australia	Liquidity Coverage Ratio	Planned	-	September 2017
Brazil	Liquidity Coverage Ratio	Planned	-	September 2017
Canada	Liquidity Coverage Ratio	Planned	-	September 2017
China	Liquidity Coverage Ratio	Planned	-	June 2017
Switzerland	Liquidity Coverage Ratio	Planned	-	June 2017
European Union	Liquidity Coverage Ratio	Planned	-	March 2017
United States	Liquidity Coverage Ratio	Planned	-	March 2017
Japan	Liquidity Coverage Ratio	Under way	-	December 2016
Singapore	Liquidity Coverage Ratio	Under way	-	December 2016
Indonesia	Risk-based capital	Under way	-	December 2016
	Liquidity Coverage Ratio	Under way	-	December 2016
Argentina	Risk-based capital	Under way	-	September 2016
	Liquidity Coverage Ratio	Under way	-	September 2016
Korea	Risk-based capital	Under way	-	September 2016
	Liquidity Coverage Ratio	Under way	-	September 2016
China	G-SIB framework	Completed	Compliant	Published June 2016
European Union	G-SIB framework	Completed	Compliant	Published June 2016
Japan	G-SIB framework	Completed	Compliant	Published June 2016
Switzerland	G-SIB framework	Completed	Compliant	Published June 2016
United States	G-SIB framework	Completed	Compliant	Published June 2016
Turkey	Risk-based capital	Completed	Compliant	Published March 2016
	Liquidity Coverage Ratio	Completed	Compliant	Published March 2016
Russia	Risk-based capital	Completed	Compliant	Published March 2016
	Liquidity Coverage Ratio	Completed	Compliant	Published March 2016
Saudi Arabia	Risk-based capital	Completed	Compliant	Published September 2015
	Liquidity Coverage Ratio	Completed	Largely compliant	Published September 2015
South Africa	Risk-based capital	Completed	Compliant	Published June 2015
	Liquidity Coverage Ratio	Completed	Compliant	Published June 2015
India	Risk-based capital	Completed	Compliant	Published June 2015
	Liquidity Coverage Ratio	Completed	Largely compliant	Published June 2015
Mexico	Risk-based capital	Completed	Compliant	Published March 2015
	Liquidity Coverage Ratio	Completed	Compliant	Published March 2015
Hong Kong SAR	Risk-based capital	Completed	Compliant	Published March 2015
	Liquidity Coverage Ratio	Completed	Compliant	Published March 2015
United States	Risk-based capital	Completed	Largely compliant	Published December 2014
European Union	Risk-based capital	Completed	Materially non-compliant	Published December 2014

Canada	Risk-based capital	Completed	Compliant	Published June 2014
Australia	Risk-based capital	Completed	Compliant	Published March 2014
Brazil	Risk-based capital	Completed	Compliant	Published December 2013
China	Risk-based capital	Completed	Compliant	Published September 2013
Switzerland	Risk-based capital	Completed	Compliant	Published June 2013
Singapore	Risk-based capital	Completed	Compliant	Published March 2013
Japan	Risk-based capital	Completed	Compliant	Published October 2012
European Union	Risk-based capital	Completed	No overall grade (preliminary assessment)	Published October 2012
United States	Risk-based capital	Completed	No overall grade (preliminary assessment)	Published October 2012