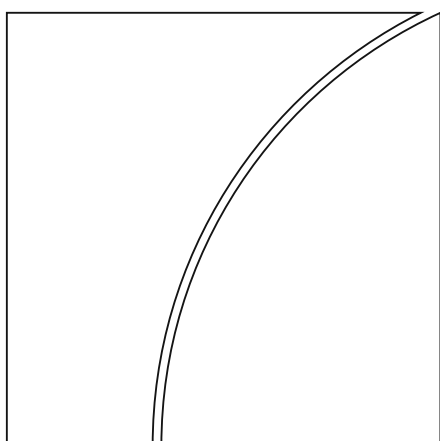


Basel Committee on Banking Supervision



Progress report on implementation of the Basel regulatory framework

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Progress report on implementation of the Basel regulatory framework

Introduction

This report provides the adoption status of Basel II, Basel 2.5 and Basel III regulations for each Basel Committee¹ member jurisdiction as of end-March 2013. It updates the Committee's previous semi-annual progress reports published in October 2011, April 2012 and October 2012.²

In 2012, the Basel Committee adopted the Regulatory Consistency Assessment Programme (RCAP) to monitor progress in introducing regulations, assess their consistency and analyse regulatory outcomes.³ Regarding the consistency of implementation, the Committee recently published the assessment report on Singapore's implementation of Basel III based capital regulations, following a similar assessment of Japan, and preliminary assessments of the European Union and the United States. The reports are available at the website of the Bank for International Settlements.⁴ Currently, assessments of China and Switzerland are underway, and assessments of Australia, Brazil and Canada will commence in 2013.

Regarding the regulatory outcomes, the Committee published its first analysis on the measurement of risk-weighted assets for trading book assets in January 2013. A report on risk-weighting of banking book assets is expected to be published in the coming months.

The attached tables focus primarily on the status of adoption of the risk-based capital requirements by the Committee member jurisdictions. The Committee intends, going forward, to expand the adoption monitoring to other Basel III components, including the Liquidity Coverage Ratio, capital charges for global and domestic systemically important banks and the leverage ratio. For jurisdictions that are not members of the Committee, the Financial Stability Institute of the Bank for International Settlements published in July 2012 the results of its survey on Basel III's adoption status.⁵

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 governing body is the Group of Central Bank Governors and Heads of Supervision, which is comprised of central bank governors and (non-central bank) heads of supervision from member countries. The Committee usually meets at the Bank for International Settlements (BIS) in Basel, Switzerland, where its permanent Secretariat is located.

² Previous progress reports are available at www.bis.org/publ/bcbs232.htm.

³ See Basel Committee on Banking Supervision, *Basel III Regulatory Consistency Assessment Programme*, April 2012, available at: www.bis.org/publ/bcbs216.pdf.

⁴ See Basel Committee on Banking Supervision *Regulatory Consistency Assessment Programme (RCAP) Assessment of Basel III regulations – Singapore*, March 2013, available at: www.bis.org/bcbs/implementation/l2_sg.pdf. The assessment reports for the European Union, Japan and the United States are available at www.bis.org/bcbs/implementation/l2.htm.

⁵ The survey is currently being updated. See *FSI Survey – Basel II, 2.5 and III Implementation*, July 2012, available at: www.bis.org/fsi/fsiop2012.pdf

Scope

The Basel III framework builds upon and enhances the regulatory framework set out under Basel II and Basel 2.5. The tables herein therefore review members' regulatory adoption of Basel II, Basel 2.5 and Basel III.

- Basel II, which improved the measurement of credit risk and included capture of operational risk, was released in 2004 and was due to be implemented from year-end 2006.⁶ The Framework consists of three pillars: Pillar 1 contains the minimum capital requirements; Pillar 2 sets out the supervisory review process and Pillar 3 corresponds to market discipline.
- Basel 2.5, agreed in July 2009, enhanced the measurements of risks related to securitisation and trading book exposures.⁷ Basel 2.5 was due to be implemented no later than 31 December 2011.
- In December 2010, the Committee released Basel III, which set higher levels for capital requirements⁸ and introduced a new global liquidity framework.⁹ Committee members agreed to implement Basel III from 1 January 2013, subject to transitional and phase-in arrangements.

In November 2011, G20 Leaders at the Cannes Summit called on jurisdictions to meet their commitment to implement fully and consistently Basel II and Basel 2.5 by end 2011, and Basel III, starting in 2013 and completing by 1 January 2019. In June 2012, G20 Leaders at the Los Cabos Summit reaffirmed their call for jurisdictions to meet their commitments. This message was reiterated in Moscow in February 2013 by the G20 Finance Ministers and Central Bank Governors.

Methodology

The data contained in this report are based on responses from Basel Committee member jurisdictions. The following classification is used for the status of adoption of Basel regulatory rules:

1. Draft regulation not published: no draft law, regulation or other official document has been made public to detail the planned content of the domestic regulatory rules. This status includes cases where a jurisdiction has communicated high-level information about its implementation plans but not detailed rules.
2. Draft regulation published: a draft law, regulation or other official document is already publicly available, for example for public consultation or legislative deliberations. The content of the document has to be specific enough to be implemented when adopted.
3. Final rule published: the domestic legal or regulatory framework has been finalised and approved but is still not applicable to banks.

⁶ *International Convergence of Capital Measurement and Capital Standards*, June 2006, available at www.bis.org/publ/bcbs128.htm

⁷ *Enhancements to the Basel II framework*, July 2009, available at www.bis.org/publ/bcbs157.htm

⁸ *Basel III: A global regulatory framework for more resilient banks and banking systems*, June 2011, available at www.bis.org/publ/bcbs189.htm

⁹ *Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools*, January 2013, available at www.bis.org/publ/bcbs238.htm

4. Final rule in force: the domestic legal and regulatory framework is already applied to banks.

In order to support and supplement the status reported, summary information about the next steps and the implementation plans being considered by members are also provided for each jurisdiction.¹⁰

In addition to the status classification, a colour code is used to indicate the implementation status of each jurisdiction.

¹⁰ The tables are also available on the Basel Committee's website (www.bis.org/bcbs). The web version of the tables includes links to relevant domestic regulations.

Tables

Status of adoption of Basel II regulations (as of end-March 2013)		
Country	Basel II	Implementation plans
Argentina	3, 4	(3) Final Pillar 3 rules published on 8 February 2013 will come into force on 31 December 2013. (4) Final rules for Pillar 1 credit risk and Pillar 2 came into force on 1 January 2013.
Australia	4	
Belgium	4	
Brazil	4	
Canada	4	
China	4	
France	4	
Germany	4	
Hong Kong SAR	4	
India	4	
Indonesia	4	
Italy	4	
Japan	4	
Korea	4	
Luxembourg	4	
Mexico	4	
The Netherlands	4	
Russia	1, 4	(1) Pillar 2 expected to be implemented not earlier than 2014. Pillar 3 expected to be implemented not earlier than 2013. (4) Simplified standardised approach for credit risk, simplified approach for market risk and the Basic Indicator Approach for operational risk implemented.
Saudi Arabia	4	
Singapore	4	
South Africa	4	
Spain	4	
Sweden	4	
Switzerland	4	
Turkey	4	
United Kingdom	4	
United States	4	Parallel run ongoing – All Basel II mandatory institutions are required to implement the advanced approaches to credit risk and operational risk. Banks have made significant progress in implementation efforts and those institutions in parallel run are reporting both Basel I and Basel II regulatory capital ratios to supervisors on a quarterly basis. US institutions in parallel run remain subject to Basel I capital requirements.
European Union	4	

Number and colour code: 1 = draft regulation not published; 2 = draft regulation published; 3 = final rule published; 4 = final rule in force.
Green = regulatory adoption completed; **Yellow** = regulatory adoption in process; **Red** = no progress.

Status of adoption of Basel 2.5 regulations (as of end-March 2013)

Country	Basel 2.5	Implementation plans
Argentina	1, 4	(1) <i>Revisions to the Basel II market risk framework</i> (July 2009): market risk amendments to reflect Basel 2.5 are considered a lower priority given the limited activity in Argentina. (4) <i>Enhancements to the Basel II framework</i> (July 2009): rules relating to enhancements to securitisation came into force on 1 January 2013.
Australia	4	
Belgium	4	
Brazil	4	
Canada	4	
China	4	
France	4	
Germany	4	
Hong Kong SAR	4	
India	4	
Indonesia	1	Securitisation exposures in Indonesia are currently insignificant and prospects remain highly subdued for any material issuance. However, the regulation concerning prudential requirements on asset securitisation for banks has been in force since 2005. No bank has adopted the internal model approach (IMA) for market risk capital charge although the relevant regulation has been in force since 2007.
Italy	4	
Japan	4	
Korea	4	
Luxembourg	4	
Mexico	1	Pillar 2 provisions are partially implemented. The remaining aspects will be implemented in 2013, as well as the requirements under Pillar 3.
The Netherlands	4	
Russia	1, 4	(1) Pillar 2 expected to be implemented not earlier than 2014. (4) Final regulation on the revised standardised approach for market risk in force since 1 February 2013.
Saudi Arabia	4	
Singapore	4	
South Africa	4	
Spain	4	
Sweden	4	
Switzerland	4	
Turkey	4	
United Kingdom	4	
United States	2, 4	(4) Final market risk capital requirements, which incorporate Basel 2.5, became effective on 1 January 2013. (2) Other Basel 2.5 revisions included as part of the proposed Basel III rule approved in June 2012. The US banking agencies intend to finalise the rule after consideration of public comments.
European Union	4	

Number and colour code: 1 = draft regulation not published; 2 = draft regulation published; 3 = final rule published; 4 = final rule in force.
Green = regulatory adoption completed; **Yellow** = regulatory adoption in process; **Red** = no progress.

Status of adoption of Basel III (capital) regulations (as of end-March 2013)		
Country	Basel III	Implementation plans
Argentina	3, 4	(3) Final Pillar 3 rules published on 8 February 2013 will come into force on 31 December 2013. (4) Final rules for Pillars 1 and 2 came into force on 1 January 2013.
Australia	4	
Belgium	(2)	(Follow EU process)
Brazil	3	Final rules published on 1 March 2013 will come into force on 1 October 2013.
Canada	4	Footnote ¹¹
China	4	Footnote ¹²
France	(2)	(Follow EU process)
Germany	(2)	(Follow EU process)
Hong Kong SAR	4	Final rules on minimum capital standards took effect on 1 January 2013. Rules on capital buffers expected to be issued in 2014. Disclosure rules scheduled to take effect on 30 June 2013.
India	4	
Indonesia	2	Consultative paper on Basel III, which contains draft regulation released in June 2012 for industry comments.
Italy	(2)	(Follow EU process)
Japan	4	Rules covering capital conservation buffer and the countercyclical buffer not yet issued. Draft regulations expected in 2014/15.
Korea	2	Draft regulation published on 27 September 2012. Final regulations are ready and will be implemented at an appropriate time to ensure a level playing field with other major countries.
Luxembourg	(2)	(Follow EU process)
Mexico	4	Footnote ¹³
The Netherlands	(2)	(Follow EU process)
Russia	3	Final regulation for capital definition and capital adequacy ratios published in February 2013. Reporting under the new capital rules starts from 1 April 2013 with 1 October 2013 being the expected effective date of their implementation as a regulatory requirement. Draft regulations for leverage ratio are planned to be published for public consultation in 2013.
Saudi Arabia	4	
Singapore	4	Footnote ¹⁴

¹¹ Final rules for the credit valuation adjustment (CVA) issued on 10 December 2012 will come into force on 1 January 2014

¹² Rules on banks' exposure to central counterparties (CCPs) will be issued shortly.

¹³ Rules on banks' exposure to central counterparties (CCPs) not yet issued.

¹⁴ Final rules on capitalisation of banks' exposure to CCPs have been issued, but will come into force from 1 July 2013.

South Africa	4	A directive has been recently issued which has the effect that the capital charge for credit valuation adjustment (CVA) risk on banks' exposures to ZAR-denominated OTC derivatives and non-ZAR OTC derivatives transacted purely between domestic entities will be zero-rated for the course of 2013, ie until 31 December 2013. ¹⁵
Spain	(2)	(Follow EU process)
Sweden	(2)	(Follow EU process)
Switzerland	4	Footnote ¹⁶
Turkey	2	Draft regulations issued on 1 February 2013 covering capital requirements. Further drafts covering buffers will follow in 2013.
United Kingdom	(2)	(Follow EU process)
United States	2	Joint notice of proposed rulemaking approved in June 2012. The US agencies intend to finalise the rule after consideration of public comments. Basel 2.5 and Basel III rulemakings in the United States must be coordinated with applicable work on implementation of the Dodd-Frank regulatory reform legislation.
EU	2	The European Parliament and the EU Council have reached an agreement on the legislative texts implementing Basel III and further measures regarding sound corporate governance and remuneration structures. The legislators agree that the acts should enter into force before the end of the first half of the year, allowing for a date of application of 1 January 2014.

Number code: 1 = draft regulation not published; 2 = draft regulation published; 3 = final rule published; 4 = final rule in force. **Green** = regulatory adoption completed; **Yellow** = regulatory adoption in process; **Red** = no progress.

¹⁵ This came about as a result of the limited time between the finalisation by the Basel Committee of the proposed rules and the intended date of implementation, and the absence of a domestic central counterparty for domestic OTC derivative transactions.

¹⁶ Parallel application of "Swiss approach" allowed for small banks until end-2018.