

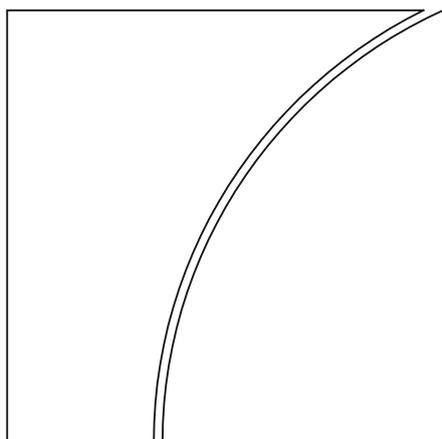
# Basel Committee on Banking Supervision

## Technical Amendment

### G-SIB assessment methodology review process

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## Introduction

Following the outbreak of Covid-19, the Basel Committee undertook various measures to free up resources at banks and supervisory authorities to focus on the impact of the pandemic. One such measure was to put on hold the regular review of the methodology used to determine the list of global systemically important banks (G-SIBs). The G-SIB assessment regime states that the Committee will undertake a review of the methodology on which the regime is based every three years. Specifically, SCO40.30 of the Basel Framework describes the three year review process as follows:

*The methodology, including the indicator-based measurement approach itself and the cutoff/threshold scores, are reviewed every three years in order to capture developments in the banking sector and any progress in methods and approaches for measuring systemic importance. In the next review, the Committee will pay particular attention to alternative methodologies for the substitutability category, so as to allow the cap to be removed at that time. The Committee will also pay particular attention to branches. As regards the structural changes in regional arrangements – in particular in the European Banking Union – they will be reviewed independently from the three-year review cycle as actual changes are made. In addition, the size of the sample of banks will be reviewed every three years.*

After considering the merits of restarting the three year review process the Committee plans to adjust its approach. The new approach to reviewing the assessment methodology is described below, together with a proposed technical amendment to the Basel Framework. The Committee invites comments on the proposed amendment by 3 September 2021.

## New approach to reviewing the assessment methodology

The Group of Governors and Heads of Supervision (GHOS), the oversight body of the Committee, recently agreed to mark a clear end to the Basel III policy agenda.<sup>1</sup> It stated that any further potential adjustments to Basel III will be limited in nature and consistent with the Committee's evidence-based evaluation work. The Committee has therefore concluded that the process of reviewing the G-SIB assessment methodology should be adjusted.

The Committee plans to replace the three year review cycle with a process of ongoing monitoring and review. This will include monitoring: (i) recent developments in techniques or new indicators that can be used for the assessment of systemic risk; (ii) emerging evidence on the effectiveness of the G-SIB regime; and (iii) structural changes that could impact the effectiveness of the regime. As part of this monitoring the Committee will consider the roles of branches and subsidiaries and alternative methodologies for the substitutability category that would allow the cap to be removed. Only if this monitoring work reveals evidence of material unintended consequences or material deficiencies with respect to the framework's objectives will the Committee consider changes to the regime.

To give effect to this planned change in approach, the Committee proposes a technical amendment that would replace SCO40.30 of the Basel Framework with the following:

*The methodology, including the indicator-based measurement approach itself, the cutoff/threshold scores and the size of the sample of banks, are regularly monitored and reviewed by the Committee in order to ensure that they remain appropriate in light of: (i) developments in the banking sector; (ii) progress in methods and approaches for measuring systemic importance; (iii) structural changes; and (iv) any evidence of material unintended consequences or material deficiencies with respect to the objectives of the framework. As regards the structural changes in regional arrangements – in particular in the European Banking Union – they will be reviewed as actual changes are made.*

<sup>1</sup> See <https://www.bis.org/press/p201130.htm>