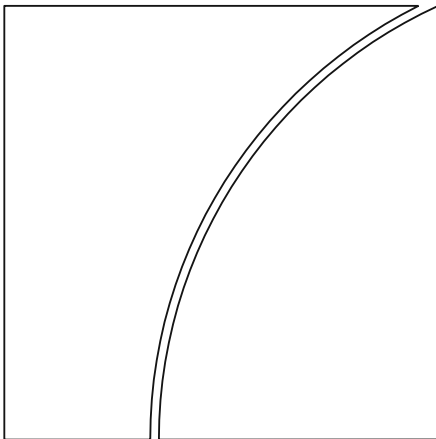


Basel Committee on Banking Supervision

Technical Amendment

G-SIB assessment
methodology review
process technical
amendment finalisation



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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 three year review of the methodology used to determine the list of global systemically important banks (G-SIBs).

After considering the merits of restarting the three year review process the Committee agreed to adjust its approach. The new approach to reviewing the assessment methodology is described below, together with a technical amendment to the Basel Framework to reflect the new approach. The technical amendment was issued for consultation¹ in July 2021 and the final version set out below is unchanged from the version set out in the consultative document.

The Committee wishes to thank stakeholders that responded to the consultation and address two key points raised by respondents. First, the technical amendment to the Basel Framework does not affect the long standing commitment of the Committee to consult widely on any proposed changes to the assessment methodology. Future potential changes will continue to be subject to impact assessments and implementation dates will be set to give banks and authorities sufficient time to prepare for any changes in the methodology. Second, the Committee wishes to thank respondents for their suggestions regarding issues that the Committee should consider as part of the new ongoing review of the assessment methodology. If stakeholders have analysis relating to the effectiveness of the G-SIB regime, or alternative methodologies for assessing systemic importance, they are encouraged to share these with the Committee.²

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.³ 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 has replaced the three year review cycle with a process of ongoing monitoring and review. This includes 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 reflect the new approach, SCO40.30 of the Basel Framework has been replaced 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.

¹ For the consultative document see: www.bis.org/bcbs/publ/d522.htm

² Analysis can be sent to baselcommittee@bis.org

³ For the GHOS statement see: www.bis.org/press/p201130.htm