

Basel Committee on Banking Supervision

SCO

Scope and definitions

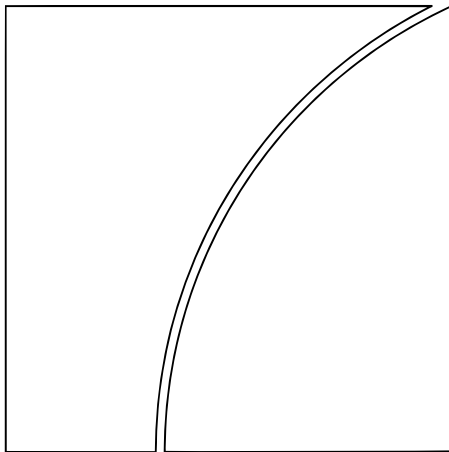
SCO10

Introduction

This chapter describes how the Basel Framework is applied on a consolidated basis to internationally active banks.

Version effective as of 15 December 2019

First version in the format of the consolidated framework.



BANK FOR INTERNATIONAL SETTLEMENTS

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10.1

This framework will be applied on a consolidated basis to internationally active banks. Consolidated supervision is the best means to provide supervisors with a comprehensive view of risks and to reduce opportunities for regulatory arbitrage.

10.2

The scope of application of the framework will include, on a fully consolidated basis, any holding company that is the parent entity within a banking group to ensure that it captures the risk of the whole banking group. Banking groups are groups that engage predominantly in banking activities and, in some countries, a banking group may be registered as a bank.

10.3

The framework will also apply to all internationally active banks at every tier within a banking group, also on a fully consolidated basis (see illustrative chart at the end of this section).

10.4

Further, to supplement consolidated supervision, it is essential to ensure that capital recognised in capital adequacy measures is adequately distributed amongst legal entities of a banking group. Accordingly, supervisors should test that individual banks are adequately capitalised on a stand-alone basis.

10.5

The diagram below illustrates the scope of application of this framework, where (A) represents the boundary of the predominant banking group, to which the framework is to be applied on a consolidated basis (ie up to holding company level, as described in [SCO10.2](#)). With respect to (B), (C) and (D), the framework is also to be applied at lower levels to all internationally active banks on a consolidated basis.

