

Basel Committee on Banking Supervision

SCO

Scope and definitions

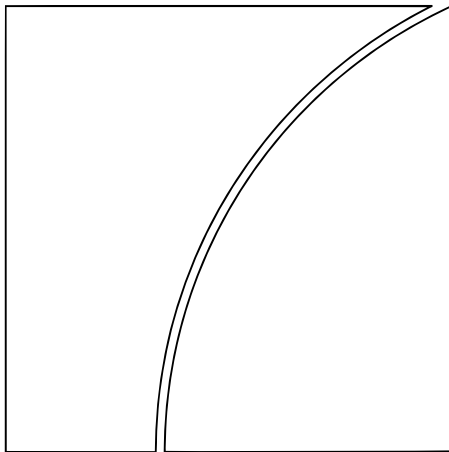
SCO10

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

This document has been generated on 17/09/2026 based on the Basel Framework data available on the BIS website (www.bis.org).

© Bank for International Settlements 2026. All rights reserved.

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.¹ Banking groups are groups that engage predominantly in banking activities and, in some countries, a banking group may be registered as a bank.

1 Footnote

- ¹ *A holding company that is a parent of a banking group may itself have a parent holding company. In some structures, this parent holding company may not be subject to this framework because it is not considered a parent of a banking group.*

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).²

1 Footnote

- ² *As an alternative to full sub-consolidation, the application of this framework to the stand-alone bank (ie on a basis that does not consolidate assets and liabilities of subsidiaries) would achieve the same objective, providing the full book value of any investments in subsidiaries and significant minority-owned stakes is deducted from the bank's capital.*

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.

1 FAQ

- FAQ1** *How should banks treat investments in banks, insurance companies and other financial institutions that are included in the consolidated group in computing the capital ratio for the stand-alone parent bank entity?*
The Basel framework is applied on a consolidated basis to internationally active banks. It captures the risks of a whole banking group. Although the framework recognises the need for adequate capitalisation on a stand-alone basis, it does not prescribe how to measure the solo capital requirements which is left to individual supervisory authorities.

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.

