Basel Committee on
Banking Supervision

BCP

Core Principles for effective banking supervision

BCP01

Foreword

This chapter sets out the foreword to the Core Principles.

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First version in the consolidated Basel Framework.

BANK FOR INTERNATIONAL SETTLEMENTS

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01.1

The Core Principles for effective banking supervision (Core Principles) are the de facto minimum standard for sound prudential regulation and supervision of banks and banking systems. The Core Principles are considered universally applicable and should be applied by national authorities in the supervision of banks within their jurisdictions.

01.2

The Committee issues the Core Principles as its contribution to strengthening the global financial system. Weaknesses in the banking system of a country, whether developing or developed, can threaten financial stability both within that country and internationally. The Committee believes that implementation of the Core Principles by all countries would be a significant step towards improving financial stability domestically and internationally and that it would provide a good basis for further development of effective supervisory systems. The vast majority of countries have endorsed the Core Principles and have committed to fully implement them.

01.3

The Core Principles are used by countries as a benchmark to assess the effectiveness of their supervisory systems, to identify future work to achieve a baseline level of sound supervisory practices and to upgrade supervisory systems and practices (as appropriate) in line with the evolution of their respective banking systems. They are also used by the International Monetary Fund (IMF) and the World Bank in the context of the Financial Sector Assessment Program (FSAP) to assess the effectiveness of countries' banking supervisory systems and practices.

01.4

Each iteration of the Core Principles builds upon the preceding versions and seeks to achieve the right balance in raising the bar for sound supervision while retaining the Core Principles as a flexible, globally applicable standard. To ensure the universal applicability of the Core Principles, reviews are conducted by a group composed of both Committee and non-Committee member countries and regional groups of banking supervisors, as well as the IMF and World Bank. The Committee also consults with industry and the public before finalising revisions to the standard.

01.5

Given the importance of consistent and effective standards implementation, the Committee is ready to encourage work at the national level to implement the Core Principles in conjunction with other supervisory bodies and interested parties. The Committee invites international financial institutions and donor agencies to use the Core Principles to assist individual countries to strengthen their supervisory arrangements. The Committee also remains committed to further enhancing its interaction with supervisors from non-member countries.