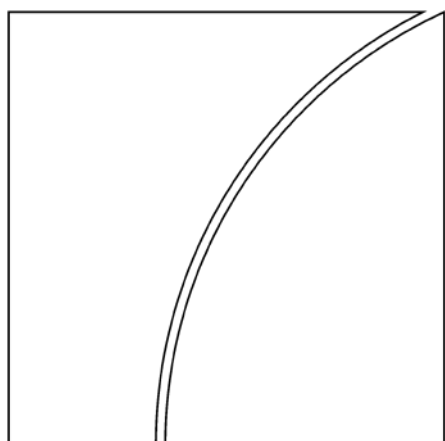


# Basel Committee on Banking Supervision



## Progress report on Basel III implementation

October 2012



BANK FOR INTERNATIONAL SETTLEMENTS



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ISBN 92-9131-157-X (print)

ISBN 92-9197-157-X (online)



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# Progress report on Basel III implementation

## Introduction

This report provides the adoption status of Basel II, Basel 2.5 and Basel III for each Basel Committee member jurisdiction as of end September 2012. It updates the Committee's previous reports published in October 2011 and April 2012, and the report to the G20 Leaders Summit in Los Cabos published in June 2012.<sup>1</sup> The Committee intends to continue to publish updates on a regular basis.

The Committee has adopted a comprehensive approach for the review of its members' Basel III implementation, which is comprised of the following three levels:

- Level 1: ensuring the timely adoption of Basel III;
- Level 2: ensuring regulatory consistency with Basel III; and
- Level 3: ensuring consistency of outcomes (focusing initially on risk-weighted assets).

This report corresponds to the first of the above three levels.

For Level 2, the Committee recently published a report on the final rules in Japan<sup>2</sup> and reports on draft rules in the European Union<sup>3</sup> and the United States.<sup>4</sup> A review of Singapore is currently underway, and reviews of Australia, Brazil, Canada, China and Switzerland will be conducted during 2013.

Updates on the Level 3 assessments will be published in late 2012 or early 2013.

Please refer to pages 8 and 9 for the scope and methodology of the survey.

The Financial Stability Institute of the Bank for International Settlements published in July 2012 the results of its survey on the adoption status for jurisdictions that are not members of the Basel Committee. The report is available at the BIS website.<sup>5</sup>

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<sup>1</sup> *Report to G20 Leaders on Basel III implementation*, June 2012, available at [www.bis.org/publ/bcbs220.htm](http://www.bis.org/publ/bcbs220.htm)

<sup>2</sup> *Basel III regulatory consistency assessment (Level 2) – Japan*, October 2012, available at [www.bis.org/press/p121001.htm](http://www.bis.org/press/p121001.htm)

<sup>3</sup> *Basel III regulatory consistency assessment (Level 2) – European Union*, October 2012, available at [www.bis.org/press/p121001.htm](http://www.bis.org/press/p121001.htm)

<sup>4</sup> *Basel III regulatory consistency assessment (Level 2) – United States*, October 2012, available at [www.bis.org/press/p121001.htm](http://www.bis.org/press/p121001.htm)

<sup>5</sup> *FSI Survey – Basel II, 2.5 and III Implementation*, July 2012, available at [www.bis.org/fsi/fsiop2012.pdf](http://www.bis.org/fsi/fsiop2012.pdf)

### Status of Basel II adoption (as of end September 2012)

Country	Basel II	Next steps – Implementation plans
Argentina	1, 4	(1) On-going work to assess the migration from Basel I to the Basel II standardised approach for credit risk. (4) Final rules for operational risk published and came into force on 30 April 2012
Australia	4	
Belgium	4	
Brazil	4	
Canada	4	
China	4	New capital regulation that combines Basel II, 2.5 and III was released in June 2012 and will be effective on 1 January 2013. The new capital regulation will be applied to all banking institutions supervised by the CBRC.
France	4	
Germany	4	
Hong Kong SAR	4	
India	4	
Indonesia	3, 4	(3) Pillar 2 and Pillar 3 to be implemented from December 2012. (4) Pillar 1 (all elements based on standardised approaches) implemented.
Italy	4	
Japan	4	
Korea	4	
Luxembourg	4	
Mexico	4	
The Netherlands	4	
Russia	1, 4	(1) Pillar 2 expected to be implemented not earlier than 2014. Pillar 3 expected to be implemented not earlier than 2013. (4) Simplified standardised approach for credit risk, simplified approach for market risk and the Basic Indicator Approach for operational risk implemented.
Saudi Arabia	4	
Singapore	4	
South Africa	4	
Spain	4	
Sweden	4	
Switzerland	4	



Turkey	4	
United Kingdom	4	
United States	4	Parallel run on-going – All Basel II mandatory institutions are required to implement the advanced approaches to credit risk and operational risk. Banks have made significant progress in implementation efforts and those institutions in parallel run are reporting both Basel I and Basel II regulatory capital ratios to supervisors on a quarterly basis. US institutions in parallel run remain subject to Basel I capital requirements.
European Union	4	

**Number and colour code:** 1 = draft regulation not published; 2 = draft regulation published; 3 = final rule published; 4 = final rule in force. **Green** = implementation completed; **Yellow** = implementation in process; **Red** = no implementation.

### Status of Basel 2.5 adoption (as of end September 2012)

Country	Basel 2.5	Next steps – Implementation plans
Argentina	1	On-going work to draft preliminary documents.
Australia	4	
Belgium	4	
Brazil	4	
Canada	4	
China	4	New capital regulation that combines Basel II, 2.5 and III was released in June 2012 and will be effective on 1 January 2013. The new capital regulation will be applied to all banking institutions supervised by the CBRC.
France	4	
Germany	4	
Hong Kong SAR	4	
India	4	
Indonesia	1	Securitisation exposures in Indonesia are currently insignificant and prospects remain highly subdued for any material issuance. However, the regulation concerning Prudential Requirement on Asset securitisation for banks has been issued since 2005. No bank has adopted the internal model approach (IMA) for market risk capital charge although the relevant regulation has been issued since 2007.
Italy	4	
Japan	4	
Korea	4	
Luxembourg	4	
Mexico	1	Pillar 2 provisions are partially implemented. The remaining aspects will be implemented during 2012 and 2013, as well as the requirements under Pillar 3.
The Netherlands	4	
Russia	1, 2	(1) Pillar 2 expected to be implemented not earlier than 2014. (2) Final regulation (revision to the simplified approach for market risk) adopted and signed by the Governor (Regulation as of 28.9.2012 No. 387-P) and expected to be published in October, and come into force on 1 February 2013.
Saudi Arabia	3	Final regulations will be enforced by 31 December 2012.
Singapore	4	
South Africa	4	
Spain	4	
Sweden	4, 1	(4) Final rules for the Basel 2.5 agreement are in force, including liquidity management and remuneration. (1) The supplementary Pillar 2 guidance is, for the most part,

		applied in practice in the Pillar 2 supervision, however a new national ICAAP guideline is still under development.
Switzerland	4	
Turkey	4	
United Kingdom	4	
United States	2, 3	(3) Final market risk capital requirements which incorporate Basel 2.5, as well as restrictions on the use of credit ratings as set forth in the Dodd-Frank regulatory reform legislation approved in June 2012. Market risk requirements are effective as of 1 January 2013.  (2) Other Basel 2.5 revisions included as part of the proposed Basel III rule approved in June 2012. The US banking agencies intend to finalise the rule after consideration of public comments.
European Union	4	Final date for full transposition by member states of the European directive implementing Basel 2.5: 31 December 2011.

**Number and colour code:** 1 = draft regulation not published; 2 = draft regulation published; 3 = final rule published; 4 = final rule in force. **Green** = implementation completed; **Yellow** = implementation in process; **Red** = no implementation.

### Status of Basel III adoption (as of end September 2012)

Country	Basel III	Next steps – Implementation plans
Argentina	1	On-going work to draft preliminary documents.
Australia	3, 2	(3) Final rules for capital requirements issued on 28 September 2012. Draft rules to implement liquidity requirements issued in November 2011. (2) Draft rules for counterparty credit risk issued on 10 August 2012
Belgium	(2)	(Follow EU process)
Brazil	2	Draft regulation published. Consultation process is over and final adjustments are being made.
Canada	2	On 1 February 2011, banks were directed to meet the 7% CET1 standard as of January 2013. Regulations for (i) non-viability contingent capital and (ii) transitioning for non-qualifying instruments published August and October 2011 respectively. Comprehensive capital regulation (CAR Guideline) issued for public comment on 7 August 2012.
China	3	New capital regulation that combines Basel II, 2.5 and III was released in June 2012 and will be effective on 1 January 2013. The new capital regulation will be applied to all banking institutions supervised by the CBRC.
France	(2)	(Follow EU process)
Germany	(2)	(Follow EU process)
Hong Kong SAR	2	Draft rules for capital standards and associated disclosure requirements issued in August and June 2012 respectively.
India	3	Final regulations issued on 2 May 2012 which come into force from 1 January 2013.
Indonesia	2	Consultative paper on Basel III, which contains draft regulation released in June 2012 for industry comments.
Italy	(2)	(Follow EU process)
Japan	3	Final rules published on 30 March 2012 – Implementation of final rules (end of March 2013 – In Japan, the fiscal year for banks starts in April and ends in March). Rules covering capital conservation buffer and the counter-cyclical buffer not yet issued. Draft regulations expected in 2014/15.
Korea	2	Draft regulation published on 27 September 2012.
Luxembourg	(2)	(Follow EU process)
Mexico	2	Draft rules published on 31 May 2012.
The Netherlands	(2)	(Follow EU process)
Russia	2	Draft regulations for capital definition and capital adequacy

		ratios published for public consultation in September 2012. Draft regulations for leverage ratio to be published by November 2012.
Saudi Arabia	3	Final regulation issued to banks.
Singapore	3	Final rules published on 14 September 2012.
South Africa	2	Draft amendments to legislation issued on 28 September 2012 for final review.
Spain	(2)	(Follow EU process)
Sweden	(2)	(Follow EU process)
Switzerland	3	Final regulation on Basel III (incl SIFI) published. Minor amendments on final rule text expected before end 2012 (also to implement latest Basel III rules updates as published by BCBS in July 2012).  Started LCR test-reporting beginning of 2012. Public consultation on draft regulation of Basel III liquidity reporting requirements starting in August 2012. Decision on final rules by Federal Council in Q4 2012. Enactment on final rule by beginning of 2013.
Turkey	1	Draft regulation expected to be published in the second half of 2012.
United Kingdom	(2)	(Follow EU process)
United States	2	Joint notice of proposed rulemaking approved in June 2012. The US agencies intend to finalise the rule after consideration of public comments. Basel 2.5 and Basel III rulemakings in the United States must be coordinated with applicable work on implementation of the Dodd-Frank regulatory reform legislation.
European Union	2	5th Council Presidency's compromise proposal agreed on 15 May 2012; Draft European Parliament Legislative Resolution agreed on 14 May 2012; The European Parliament, Council and the Commission currently in discussions to agree on a final text.

**Number code:** 1 = draft regulation not published; 2 = draft regulation published; 3 = final rule published; 4 = final rule in force. Colours will be added in the next version of the report following the 1 January 2013 start date.

## Scope

Basel III builds upon and enhances the regulatory framework adopted by Basel II and Basel 2.5. The tables above therefore review members' regulatory adoption of Basel II, Basel 2.5 and Basel III.

- Basel II, which improved the measurement of credit risk and included capture of operational risk, was released in 2004 and was due to be implemented from year-end 2006.<sup>6</sup>
- Basel 2.5, agreed in July 2009, enhanced the measurements of risks related to securitisation and trading book exposures.<sup>7</sup> Basel 2.5 was due to be implemented no later than 31 December 2011.
- In December 2010, the Committee released Basel III, which set higher levels for capital requirements and introduced a new global liquidity framework.<sup>8</sup> Committee members agreed to implement Basel III from 1 January 2013, subject to transitional and phase-in arrangements.

In November 2011, G20 Leaders in Cannes called on jurisdictions to meet their commitment to implement fully and consistently Basel II and Basel 2.5 by end 2011, and Basel III, starting in 2013 and completing by 1 January 2019. In June 2012, G20 Leaders met in Los Cabos and again urged jurisdictions to meet their commitments.

At this stage, the tables presented in this report focus primarily on the adoption of the capital requirements measured against risk-weighted assets (RWAs). Basel III's liquidity ratios, global systemically important bank additional loss absorbency requirements and the leverage ratio will be included in the review after the Committee concludes its study on any revisions or final adjustments.

## Methodology

In the tables above, the following classification is used to classify the status of adoption of regulatory rules:

1. **Draft regulation not published:** this status corresponds to cases where no draft law, regulation, or other official document has been made public to detail the planned content of the domestic regulatory rules. This status includes cases where a jurisdiction has communicated high-level information about its implementation plans but not detailed rules.
2. **Draft regulation published:** this status corresponds to cases where a draft law, regulation or other official document is already publicly available, for example for public

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<sup>6</sup> *International Convergence of Capital Measurement and Capital Standards*, June 2006, available at <http://www.bis.org/publ/bcbs128.htm>

<sup>7</sup> *Enhancements to the Basel II framework*, July 2009, available at <http://www.bis.org/publ/bcbs157.htm>

<sup>8</sup> *Basel III: A global regulatory framework for more resilient banks and banking systems*, June 2011, available at <http://www.bis.org/publ/bcbs189.htm>

consultation or legislative deliberations. The content of the document has to be specific enough to be implemented when adopted.

3. **Final rule published:** This status corresponds to cases where the domestic legal or regulatory framework has been finalised and approved but is still not applicable to banks.
4. **Final rule in force:** This status corresponds to cases where the domestic legal and regulatory framework is already applied to banks.

In order to support and supplement the status reported, summary information about the next steps and the implementation plans being considered by members are also provided for each jurisdiction.<sup>9</sup>

For Basel II and Basel 2.5, a special colour code has been used in addition to the status above, to identify the jurisdictions which, independent of the adoption status reported, have in practice not effectively completed the implementation of the rules. The use of such a colour code will be expanded to Basel III in 2013.

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<sup>9</sup> The tables are also available on the Basel Committee's website ([www.bis.org/bcbs](http://www.bis.org/bcbs)). The web version of the tables also includes links to relevant domestic regulations.