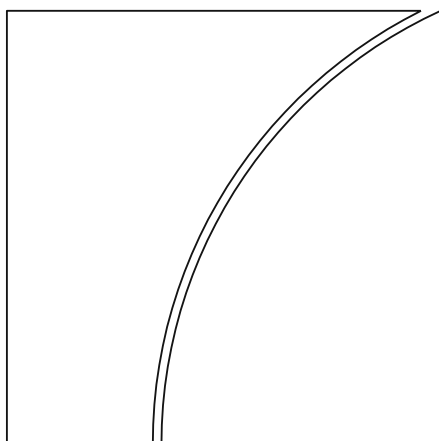


Basel Committee on Banking Supervision



Progress report on implementation of the Basel regulatory framework

October 2013



BANK FOR INTERNATIONAL SETTLEMENTS

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ISBN 92-9131-967-8 (print)

ISBN 92-9131-967-8 (online)

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Progress report on implementation of the Basel regulatory framework

Introduction

This report sets out the adoption status of Basel II, Basel 2.5 and Basel III regulations for each Basel Committee¹ member jurisdiction as of end-September 2013. It updates the Committee's previous semiannual progress reports published in October 2011, April 2012, October 2012 and April 2013.²

In 2012, the Basel Committee started the Regulatory Consistency Assessment Programme (RCAP) to monitor progress in introducing regulations, assess their consistency and analyse regulatory outcomes.³ Regarding the consistency of implementation, the Committee recently published the assessment reports on China's and Switzerland's implementation of Basel III risk-based capital regulations, following a similar assessment of Singapore and Japan, and preliminary assessments of the European Union and the United States. The reports are available on the website of the Bank for International Settlements.⁴ Currently, assessments of Brazil and Australia are under way, and assessments of Canada, the European Union and the United States will begin later in 2013.

Regarding regulatory outcomes, the Committee published its analysis on the measurement of risk-weighted assets for banking book assets in July 2013. A report on the risk-weighting of trading book assets was published in January 2013.

The attached table outlines the adoption status of the risk-based capital requirements, the requirements for global and domestic systemically important banks, the Liquidity Coverage Ratio (LCR) and the leverage ratio by the Committee member jurisdictions. For jurisdictions that are not members of the Committee, the Financial Stability Institute of the Bank for International Settlements published the results of its survey on Basel III's adoption status in July 2013.⁵

¹ The Basel Committee on Banking Supervision consists of senior representatives of bank supervisory authorities and central banks from Argentina, Australia, Belgium, Brazil, Canada, China, France, Germany, Hong Kong SAR, India, Indonesia, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, Russia, Saudi Arabia, Singapore, South Africa, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. The Committee's governing body is the Group of Central Bank Governors and Heads of Supervision, which comprises central bank governors and (non-central bank) heads of supervision from member countries. The Committee usually meets at the Bank for International Settlements (BIS) in Basel, Switzerland, where its permanent Secretariat is located.

² Previous progress reports are available at www.bis.org/publ/bcbs232.htm.

³ See Basel Committee on Banking Supervision, *Basel III Regulatory Consistency Assessment Programme*, April 2012, www.bis.org/publ/bcbs216.pdf.

⁴ See Basel Committee on Banking Supervision *Regulatory Consistency Assessment Programme (RCAP) Assessment of Basel III regulations – Switzerland*, June 2013, www.bis.org/bcbs/implementation/l2_ch.pdf. The assessment reports for the European Union, Japan, Singapore and the United States are available at www.bis.org/bcbs/implementation/l2.htm.

⁵ See *FSI Survey - Basel II, 2.5 and III Implementation*, July 2013, www.bis.org/fsi/fsiop2013.htm.

Scope

The Basel III framework builds on and enhances the regulatory framework set out under Basel II and Basel 2.5. The table attached here therefore reviews 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 2006.⁶ The Framework consists of three pillars: Pillar 1 contains the minimum capital requirements; Pillar 2 sets out the supervisory review process; and Pillar 3 corresponds to market discipline.
- Basel 2.5, agreed in July 2009, enhanced the measurements of risks related to securitisation and trading book exposures.⁷ 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 requirements⁸ and introduced a new global liquidity framework.⁹ Committee members agreed to implement Basel III from 1 January 2013, subject to transitional and phase-in arrangements.
- In November 2011, the Committee published the rules text that sets out the framework on the assessment methodology for global systemic importance and the magnitude of additional loss absorbency that global systemically important banks (G-SIBs) should have. The requirements will be introduced on 1 January 2016 and become fully effective on 1 January 2019. To enable their timely implementation, national jurisdictions agreed to implement by 1 January 2014 the official regulations/legislations that establish the reporting and disclosure requirements.
- In January 2013, the Basel Committee issued the full text of the revised Liquidity Coverage Ratio (LCR). The LCR underpins the short-term resilience of a bank's liquidity risk profile. The LCR will be introduced as planned on 1 January 2015 and will be subject to a transitional arrangement before reaching full implementation on 1 January 2019.
- The Basel Committee is currently in the process of finalising the details of the Basel III leverage ratio standard. In June 2013, the Committee issued a consultative paper on the revised leverage ratio framework, along with public disclosure requirements starting on 1 January 2015.

In their meeting in St Petersburg in September 2013, the G20 Leaders noted the progress that has been made in promoting financial system stability as additional jurisdictions adopted final rules to implement Basel III. The G20 Leaders reiterated their commitment to implementing Basel III according to internationally agreed timelines, and to maintaining the momentum of reform.

⁶ *International convergence of capital measurement and capital standards*, June 2006, www.bis.org/publ/bcbs128.htm.

⁷ *Enhancements to the Basel II framework*, July 2009, www.bis.org/publ/bcbs157.htm.

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

⁹ *Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools*, January 2013, www.bis.org/publ/bcbs238.htm.

Methodology

The data contained in the following table are based on responses from Basel Committee member jurisdictions. The following classification is used for the adoption status of Basel regulatory rules:

1. Draft regulation not published: 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: a draft law, regulation or other official document is already publicly available, for example, for public consultation or legislative deliberations. The content of the document has to be specific enough to be implemented when adopted.
3. Final rule published: the domestic legal or regulatory framework has been finalised and approved but is still not applicable to banks.
4. Final rule in force: 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.¹⁰ In addition to the status classification, a colour code is used to indicate the implementation status of each jurisdiction.¹¹

¹⁰ The table is also available on the Basel Committee's website (www.bis.org/bcbs). The web version of the tables includes links to relevant domestic regulations.

¹¹ **Green** = implementation completed; **Yellow** = implementation in process; **Red** = no implementation.

Table

Country	Basel II	Basel 2.5	Basel III			
			Risk-based capital	G-SIB / D-SIB requirements	Liquidity (LCR)	Leverage ratio ¹²
Argentina	3, 4	1, 4	3, 4	1	1	
	(3) Final Pillar 3 rules published on 8 February 2013 will come into force on 31 December 2013. (4) Final rules for Pillar 1 credit risk and Pillar 2 came into force on 1 January 2013.	(1) Revisions to the Basel II market risk framework (July 2009): market risk amendments to reflect Basel 2.5 are considered a lower priority given the limited activity in Argentina. (4) Enhancements to the Basel II framework (July 2009): rules relating to enhancements to securitisation came into force on 1 January 2013.	(3) Final Pillar 3 rules published on 8 February 2013 will come into force on 31 December 2013. (4) Final rules for Pillars 1 and 2 came into force on 1 January 2013.			
Australia	4	4	4	1	2	
					Revised draft standards issued in May 2013 based on the January 2013 BCBS revisions.	

¹² The Basel Committee is currently in the process of finalising the details of the Basel III leverage ratio standard. Classification scores for the implementation status will be assigned once the leverage ratio standard is finalised. The agreed start date for banks to begin disclosing their leverage ratios is 1 January 2015.

Country	Basel II	Basel 2.5	Basel III			
			Risk-based capital	G-SIB / D-SIB requirements	Liquidity (LCR)	Leverage ratio ¹²
Belgium	4	4	(3)	(3)	(3)	
			(Follow EU process)	(Follow EU process)	(Follow EU process)	(Follow EU process)
Brazil	4	4	4	1	1	
Canada	4	4	4	3, 4	1	
			Requiring banks to meet an "all-in" basis – thereby meeting 2019 capital levels but phasing out non-qualifying capital instruments. ¹³	(3) Capital rules take effect in January 2016 (4) Final rules issued and additional supervisory expectations and disclosure obligations in effect.	Domestic process has begun and public consultation will commence in November 2013.	Domestic process begun to consider alignment of current Assets-to-Capital Multiple to Basel III leverage requirements.
China	4	4	4	1	1	
				The CBRC is reviewing the specific D-SIB supervisory framework. D-SIB surcharge of 1% has been applied to the five largest Chinese banks since 2010.		A domestic leverage ratio requirement of 4% has been in effect since 2012.
France	4	4	(3)	(3)	(3)	
			(Follow EU process)	(Follow EU process)	(Follow EU process)	(Follow EU process)

¹³ Final rules for the credit valuation adjustment (CVA) issued on 10 December 2012 will come into force on 1 January 2014.

Country	Basel II	Basel 2.5	Basel III			
			Risk-based capital	G-SIB / D-SIB requirements	Liquidity (LCR)	Leverage ratio ¹²
Germany	4	4	(3)	(3)	(3)	
			(Follow EU process)	(Follow EU process)	(Follow EU process)	(Follow EU process)
Hong Kong SAR	4	4	4	1	2	
			Final rules on minimum capital standards and associated disclosure requirements took effect on 1 January 2013 and 30 June 2013, respectively. Rules on capital buffers expected to be issued in 2014.	Rules on G-SIB / D-SIB requirements expected to be issued in 2014 (likely in conjunction with rules on capital buffers).	Undertaking industry consultation on implementation of LCR. Rules on LCR expected to be issued in 2014.	Rules on disclosure of leverage ratio expected to be issued in 2014.
India	4	4	4	1	2	
			Footnote ¹⁴		Draft guidelines issued in February 2012. Final rules on LCR are being formulated.	Guidelines issued in May 2012. Leverage Ratio monitoring started from quarter ending June 2013.
Indonesia	4	1	2	1	1	
		Securitisation exposures are insignificant and prospects remain highly subdued for any material issuance. Furthermore,	Regulation on Basel III capital is to be issued in 2013.	BI is currently conducting a study to determine the appropriate D-SIB framework that fits	BI has started dialogues with supervisors and the banking industry to reach a common interpretation of	Leverage ratio discussed in Basel III consultative paper released in June 2012.

¹⁴ Final rules for the credit valuation adjustment (CVA) issued for implementation from 1 January 2014. Composition of capital disclosure rules implemented from 1 July 2014. Rules on capital requirements for banks' exposures to central counterparties (CCPs) issued for implementation from 1 January 2014.

Country	Basel II	Basel 2.5	Basel III			
			Risk-based capital	G-SIB / D-SIB requirements	Liquidity (LCR)	Leverage ratio ¹²
		no bank opts to adopt the internal model approach (IMA) for market risk. Nevertheless, a consultative paper on Basel 2.5 is to be issued in 2013 to seek the industry's comments on the possible changes to BI's relevant regulations eg BI's 2005 regulation concerning asset securitisation for banks and BI's 2007 regulation concerning market risk internal model.		with the nature of the Indonesian financial system.	elements required in the 2013 LCR.	
Italy	4	4	(3)	(3)	(3)	
			(Follow EU process)	(Follow EU process)	(Follow EU process)	(Follow EU process)
Japan	4	4	4	1	1	
			Rules covering capital conservation buffer and the countercyclical buffer not yet issued. Draft regulations expected in 2014/15.			
Korea	4	4	3	1	1	
			Final regulation was published on 3 July 2013 and it will come into force on 1 December 2013.			
Luxembourg	4	4	(3)	(3)	(3)	

Country	Basel II	Basel 2.5	Basel III			
			Risk-based capital	G-SIB / D-SIB requirements	Liquidity (LCR)	Leverage ratio ¹²
			(Follow EU process)	(Follow EU process)	(Follow EU process)	(Follow EU process)
Mexico	4	1, 4	4	1	1	
		(1) Other than the Pillar 2 provisions, which have been partially implemented, the remaining aspects will be implemented in 2013. (4) Pillar 2 provisions have been partially implemented.	Rules on banks' exposure to central counterparties (CCPs) not yet issued.			
The Netherlands	4	4	(3)	(3)	(3)	
			(Follow EU process)	(Follow EU process)	(Follow EU process)	(Follow EU process)
Russia	1, 4	1, 4	3	1	1	
	(1) Draft regulations for Pillars 2 and 3 are being developed. They are planned to be published during 2013. (4) Simplified standardised approach for credit risk, simplified approach for market risk and the Basic Indicator Approach for operational risk implemented.	(1) Draft regulations for Pillars 2 and 3 are planned to be published during 2013. (4) Final regulation on the revised standardised approach for market risk in force since 1 February 2013.	Regulation for capital definition and capital adequacy ratios published in February 2013 with draft amendments published in July 2013. Reporting under the new capital rules started at 1 April 2013 with 1 January 2014 being the effective date of their implementation as a regulatory requirement.	Methodology of D-SIB determining is planned to be published for public consultation in 2013.	Draft regulation for LCR developed and planned to be published in 2013.	Draft regulation for leverage ratio planned to be published in 2013 with the parallel run period starting from third quarter of 2013.
Saudi Arabia	4	4	4	1	4	
				Draft D-SIB Framework is currently being	Final circular #107020 on amended LCR	Leverage ratio is monitored at a

Country	Basel II	Basel 2.5	Basel III			
			Risk-based capital	G-SIB / D-SIB requirements	Liquidity (LCR)	Leverage ratio ¹²
				finalised.	issued on 10 July 2013 and in force.	minimum of 3% since January 2011.
Singapore	4	4	4	1	1	
						See footnote. ¹⁵
South Africa	4	4	4	3	3	
	See footnote. ¹⁶		A directive has been recently issued which has the effect that the capital charge for credit valuation adjustment (CVA) risk on banks' exposures to ZAR-denominated OTC derivatives and non-ZAR OTC derivatives transacted purely between domestic entities will be zero-rated for the course of	The requirements related to G-SIB/ D-SIB has already been incorporated into the Regulations (Basel III) that were implemented with effect from 1 January 2013. Subsequently the BSD issued a directive to banks regarding the application of the amended capital framework, which	The requirements related to the calculation of and reporting to the BSD of LCR have already been incorporated into the Regulations (Basel III) that were implemented with effect from 1 January 2013, which is currently primarily being used for monitoring purposes. Subsequently the BSD	The requirements related to the calculation of and reporting to the Bank Supervision Department (BSD) of a leverage ratio have already been incorporated into the Regulations (Basel III) that were implemented with effect from 1 January 2013, which is currently primarily

¹⁵ MAS has published and implemented requirements on the calculation of the leverage ratio and reporting to MAS in MAS Notice 637, based on the rules published in the Basel III text dated 16 December 2010 (revised 1 June 2011). The Basel rules on the Leverage Ratio are expected to be updated by the end of 2013 for the implementation of the disclosure requirement by 1 January 2015, and the final Basel rules on the Leverage Ratio are expected to be published in 2017. MAS will reference these revisions in the Basel rules and implement them in their regulations accordingly.

¹⁶ The Regulations that contain the Basel II, Basel 2.5 and Basel III requirements are available at www.resbank.co.za/publications/detail-item-view/pages/publications.aspx?sarbweb=3b6aa07d-92ab-441f-b7bf-bb7dfb1bedb4&sarblast=21b5222e-7125-4e55-bb65-56fd3333371e&sarbitem=5442.

Country	Basel II	Basel 2.5	Basel III			
			Risk-based capital	G-SIB / D-SIB requirements	Liquidity (LCR)	Leverage ratio ¹²
			2013, ie until 31 December 2013. ¹⁷	includes the requirements related to G-SIBs / D-SIBs. ¹⁸	issued a directive to banks to incorporate the updated LCR framework issued by the Basel Committee during January 2013. ¹⁹	being used for monitoring purposes.
Spain	4	4	(3)	(3)	(3)	
			(Follow EU process)	(Follow EU process)	(Follow EU process)	(Follow EU process)
Sweden	4	4	(3)	(3)	(3)	
			(Follow EU process)	(Follow EU process)	(Follow EU process) The Basel Committee's December 2010 LCR is implemented and in force. ²⁰	(Follow EU process)
Switzerland	4	4	4	4	4, 1	
				Final rule in force for G-SIBs and D-SIBs.	(4) Published requirements for monitoring period for LCR until end 2014.	Test reporting planned for 2014 based on BCBS-approval of revised Basel III

¹⁷ This came about as a result of the limited time between the finalisation by the Basel Committee of the proposed rules and the intended date of implementation, and the absence of a domestic central counterparty for domestic OTC derivatives transactions.

¹⁸ The directive is available at www.resbank.co.za/publications/detail-item-view/pages/publications.aspx?sarbweb=3b6aa07d-92ab-441f-b7bf-bb7dfb1bedb4&sarblast=21b5222e-7125-4e55-bb65-56fd333371e&sarbitem=5686.

¹⁹ The directive is available at www.resbank.co.za/publications/detail-item-view/pages/publications.aspx?sarbweb=3b6aa07d-92ab-441f-b7bf-bb7dfb1bedb4&sarblast=21b5222e-7125-4e55-bb65-56fd333371e&sarbitem=5626.

²⁰ The rule is available at <http://fi.se/Folder-EN/Startpage/Regulations/Regulatory-Code/FFFS-201206/>.

Country	Basel II	Basel 2.5	Basel III			
			Risk-based capital	G-SIB / D-SIB requirements	Liquidity (LCR)	Leverage ratio ¹²
					Published qualitative requirements for liquidity risk management. (1) Discussions with stake holders on draft LCR rules. Consultation of draft ordinance and circular planned for December 2013. Enactment planned for first quarter of 2014.	leverage ratio. Swiss G-SIBs are required to fulfil a SIFI-Basel III leverage ratio since beginning of 2013.
Turkey	4	4	3	1	2	
			Final regulations issued in September 2013 will come into force on 1 January 2014.		Draft regulation issued in July 2013.	Draft regulation issued in March 2013.
United Kingdom	4	4	(3)	(3)	(3)	
			(Follow EU process)	(Follow EU process)	(Follow EU process)	(Follow EU process)
United States	4	3, 4	3	1	1	
	Parallel run ongoing: 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	(4) Final market risk capital requirements, which incorporate Basel 2.5, became effective on 1 January 2013. (3) Other Basel 2.5 revisions included as part of the final Basel III rule approved in July 2013, effective 1 January 2014.	Final Basel III rule approved in July 2013, effective 1 January 2014.	US agencies currently anticipate issuance of a notice of proposed rulemaking to implement the G-SIB framework by year-end 2013, pending finalisation of this framework by the Basel Committee.	US agencies currently anticipate issuance of a notice of proposed rulemaking with regard to the LCR by year-end 2013.	Leverage ratio included in final Basel III rule approved in July 2013 and effective 1 January 2014. Existing US leverage ratio remains in effect. Basel III leverage ratio reporting begins 1 January 2015, and compliance with minimum

Country	Basel II	Basel 2.5	Basel III			
			Risk-based capital	G-SIB / D-SIB requirements	Liquidity (LCR)	Leverage ratio ¹²
	regulatory capital ratios to supervisors on a quarterly basis. US institutions in parallel run remain subject to Basel I capital requirements.					requirements begins 1 January 2018.
European Union	4	4	3	3	3	
			The agreement between the European Parliament and the EU Council on the legislative texts implementing Basel III and further measures regarding sound corporate governance and remuneration structures published in the Official Journal ²¹ on 27 June 2013 with a date of application of 1 January 2014. The legislative texts are Directive (No 2013/36) and Regulation (No 575/2013). Where necessary, detailed technical standards will be prepared by EBA and	Mandatory G-SIB and optional D-SIB buffers implemented by Article 131 of Directive No 2013/36 with date of application of 1 January 2016.	LCR to be implemented by a delegated act to be adopted by the Commission before 30 June 2014 for application in 2015 (cf Article 460 Regulation No 575/2013).	Mandatory disclosure of leverage ratio from 1 January 2015 (cf Articles 451 and 521 of Regulation 575/2013).

²¹ Available at <http://eur-lex.europa.eu/JOHtml.do?uri=OJ:L:2013:176:SOM:EN:HTML>.

Country	Basel II	Basel 2.5	Basel III			
			Risk-based capital	G-SIB / D-SIB requirements	Liquidity (LCR)	Leverage ratio ¹²
			adopted by the Commission on a timely basis.			

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