Basel Committee
on Banking Supervision

Regulatory Consistency Assessment Programme (RCAP)

Handbook for jurisdictional assessments

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Foreword

The Handbook for Jurisdictional Assessments (the Handbook) contains in a single document the guidance and principles for RCAP (Regulatory Consistency Assessment Programme) assessors, assessed jurisdictions and experts seeking background information on RCAP issues and implementation topics.

In addition, the Handbook describes the RCAP process for conducting jurisdictional assessments. This process is closely supervised by the RCAP Peer Review Board (PRB), with feedback from the Basel Committee's Supervision and Implementation Group (SIG), and the jurisdictional assessments are finalised by the Basel Committee. The SIG is a key part of this process as it is responsible for monitoring the implementation of the Basel III framework through the RCAP. An overview of the key actors and groups involved in RCAP assessment is provided in Annex 1.

The Handbook is a flexible compendium in that guidance and principles are revised or elaborated further as the RCAP evolves. It is revised and updated periodically based on lessons learnt from jurisdictional assessments. It is also a reference for jurisdictions intending to carry out their own implementation reviews. As such, it could also help for training and preparation purposes.

The Handbook presents a general framework as well as specific methodologies for assessing a regulatory framework's quality and consistency. The framework is sufficiently general to accommodate differences in structural and institutional factors across jurisdictions.

1. Objectives of RCAP

A key component of the Basel Committee's work agenda is to ensure strong regulatory regimes and effective supervisory systems across its member jurisdictions. The lessons of the recent financial crisis have highlighted the need for full, timely and consistent implementation of the Basel standards to underpin public confidence in banks, prudential ratios, and a level playing field.

Recognising the importance of implementation, the Committee established the Regulatory Consistency Assessment Programme (RCAP) in 2012. By means of the RCAP, the Committee's purpose is to ensure the consistent implementation of the Basel III framework, and thus to contribute to global financial stability.[1] The programme consists of two distinct but complementary parts: the first is based on self-reporting and is to *monitor* the timely adoption of Basel III standards (an overview table is provided in Annex 2); the second, which has two elements – jurisdictional peer reviews and thematic assessments of regulatory outcomes – is to *assess* the consistency and completeness of the adopted standards.

The Handbook focuses on the jurisdictional peer reviews. The *jurisdictional assessments* complement the monitoring on the timely adoption of Basel standards and sit at the RCAP's core. They review whether and to what degree domestic regulations in each member jurisdiction are aligned with the minimum requirements defined by the Committee. The aim is to promote full and consistent adoption of the Basel framework by identifying provisions in the domestic regulations applicable to internationally active banks that are not in line with the letter and spirit of the relevant Basel standards. Importantly, the assessments also help to highlight the current and potential impact of any gaps in these regulations on financial stability and on the regulatory environment for internationally active banks. Issues relating to the functioning of regulatory frameworks and effectiveness of implementation and supervisory frameworks are not in the scope of *jurisdictional assessments*. One key outcome of the assessments is to help member jurisdictions to undertake the reforms needed to make them more aligned with Basel standards.

[1] The RCAP supports the Financial Stability Board's (FSB's) monitoring of the implementation of the agreed G20/FSB financial reforms. The RCAP and the IMF/World Bank's Financial Sector Assessment Program (FSAP) (which, among other things, assesses country compliance with the Basel Committee's *Core principles for effective banking supervision*) are complementary programmes. The RCAP focuses on regulatory implementation of the Basel III framework in terms of consistency and completeness, while the assessment of the Basel Core Principles under the FSAP takes into account the full range of supervisory practices and is carried out in the context of a wider financial stability risk analysis.

2. Jurisdictional assessments: general process and time line

To strengthen the RCAP, the Basel Committee has approved a number of refinements to the RCAP methodology in recent years. The aim has been to improve both the efficiency and governance of the assessments undertaken under the programme, while retaining the continuity of the existing approach and preserving consistency across assessments.

The present RCAP procedures for assessing the capital, LCR and G-SIB standards are outlined below. An overview of the key actors and groups involved is provided in Annex 1. A schematic flow-chart of the RCAP assessment process is presented in Annex 3.

2.1 Preparatory phase

2.1.1 RCAP assessment questionnaire

Jurisdictions participating in an RCAP assessment start working on the RCAP self-assessment questionnaires well ahead of the actual assessment. The RCAP questionnaires for capital and LCR are available on the Basel Committee's website and a Word version can be obtained from the Secretariat on request.[2]

2.1.2 Establishment of the RCAP Assessment Teams

Capital and LCR framework

The initial selection of the RCAP Team Leader (TL) is done by the PRB, taking into account any recommendation from the Committee's Head of Basel III Implementation. The Secretariat, in consultation with the TL, designates an Assessment Team (AT). Once the team is selected, it is formally approved by the PRB. The size and composition of the team depends upon the scope of the assessment and the assessed jurisdiction. Teams are selected with a view mainly to (i) obtaining high-quality expertise to cover all components of the Basel capital and LCR framework; (ii) ensuring that selected members can work both as primary and secondary reviewers within the team (ensuring "four eyes" for each assessed component); and (iii) achieving appropriate geographic diversity and language skills. In forming the team, the PRB ensures that the assessment teams and review teams are independent from the assessed jurisdiction, so as to avoid potential conflicts of interest.

G-SIB framework

All jurisdictions that currently have G-SIBs are assessed for their consistency and completeness with the G-SIB framework.

These jurisdictions are simultaneously reviewed by a single Assessment Team. Based on the principle of independent peer review and to avoid potential conflicts of interest, AT members should be drawn from jurisdictions that are not being assessed.

The AT collects information on the implementation of the D-SIB principles (see Chapter 7). The information is used for a qualitative narrative and jurisdictions are not assessed on a graded basis.

2.1.3 Establishment of the RCAP Review Teams

A review process complements the assessment work. Alongside the establishment of the AT, the PRB also sets up a Review Team (RT) for the assessed jurisdiction. The RT is drawn from the SIG, other experts from the Committee, notably the Policy Development Group (PDG), and a senior member of the Secretariat.

[2] See http://www.bis.org/bcbs/publ/d361.htm.

2.1.4 Time line

A high-level time line of the different steps for a typical RCAP assessment is provided in Section 2.10. The time required for each RCAP is about six months from the time the TL communicates the scope of the assessment and requests data and information (the preliminary self-review exercise having already been completed by the assessed jurisdiction). A detailed time line is formulated for each assessment by the TL and the Committee's Secretariat and agreed with the assessed jurisdiction. Adjustments may be required to the time line depending on the deviations observed based on a desk review and off-site analysis by the AT.

Cutoff date

At the start of an RCAP assessment, a cutoff date is agreed between the TL and the assessed jurisdiction. The AT takes into account regulations and rectifications, provided that these are issued before the cutoff date of the assessment. The cutoff date should ensure that there is sufficient time for RCAP teams to assess the consistency of the finalised regulations before submitting the report to the Review Team (RT).

Principles are set out for handling any delays in the cutoff date and the date for submission of the assessment report to the Committee (see Section 2.9).

2.2 Off and on-site assessment phase

2.2.1 Capital and LCR framework

The Committee's Secretariat together with the TL prepares a "Scoping Note" that includes specific details regarding the scope of the assessment, the assessment process and the time line for the assessment, including the cutoff date, and the sample of banks for materiality testing.

Off-site assessment phase

A process for rigorous off-site review is based on work undertaken by primary and secondary assessors. As a general RCAP practice, the primary assessor identifies those parts of the domestic rules that are clearly compliant with the Basel standards while seeking to identify, without further evaluation, those parts that are super-equivalent, and to reserve for further consideration those parts that may be sub-equivalent. The second assessor's task is to look at the sub-equivalent list, and consider whether any of the initial items should be removed. As an example: the language may differ between the local and Basel texts, but the local text achieves the same outcome (or close enough to the same outcome) to make no practical difference. The second assessor's work may result in a shorter list of potential sub-equivalences. This second list is forwarded to the jurisdiction for further analysis and data collection for assessment of materiality. The primary assessor should take the lead on determining the data necessary, where relevant, to form a materiality view. The secondary assessor should assist particularly for those items considered potentially material and on issues requiring the use of expert judgment.

This process should ensure that the focus of the RCAP is to identify substantive issues rather than narrow wording differences.

On-site assessment phase

As a general principle, on-site reviews are expected to be conducted as part of the assessment process of risk-based capital and LCR standards. On-site reviews provide the best opportunity to ensure the correct understanding of issues related to the adoption and implementation of Basel III identified during the off-site review, through face-to-face exchanges with relevant experts and the senior authorities responsible for the transposition of Basel III into domestic regulations. The length and content of each on-site review should be set based on the complexity of the domestic implementation and on the materiality of the issues identified. Domestic banking regulators and supervisors are expected to be the key counterparts of the

AT during the on-site reviews, but meetings with other relevant parties (including the finance ministry or treasury, industry representatives, accounting representatives, rating agencies and analysts) may also take place to ensure that the AT collects a broad range of views and develops a sound understanding of local regulatory requirements and implementation issues. Meetings with the banking industry are expected to take place if possible without the participation of representatives of the domestic authorities. The purpose of these meetings is:

- to discuss issues that could materially impact the quality and sustainability of implementation;
- to understand the integrity of the implementation process in the jurisdiction and the readiness of the industry;
- to give the industry an opportunity to exchange views on the broader Basel framework and any unintended hurdles in implementation; and
- to inform the judgment of the team on materiality of issues where data are not available or deviations are not quantifiable.

2.2.2 G-SIB Framework

Given its nature and compact scope, the G-SIBs assessment is done mostly off-site, relying upon the quality of information submitted by the assessed jurisdictions. More detail on the G-SIB assessment approach is provided in Section 5.

2.3 Drafting of the RCAP report

Some parts of an RCAP report, eg the background information relating to regulations and banking system of the assessed jurisdiction, are drafted during the off-site phase. The Committee's Secretariat sends the report template for completion to the assessed jurisdiction prior to the on-site visit.

2.4 Review phase

The Review Team (RT) reviews the draft report before the draft report goes to the SIG and PRB for review and approval. Comments raised by the RT are shared with the SIG when the SIG is informed by the TL about the material findings or policy issues arising from the RCAP assessment. The comments and suggestions from the SIG are communicated to the PRB before it approves the report for submission to the Basel Committee.

2.5 Response from the assessed jurisdiction

Jurisdictions being assessed have the opportunity to comment on the draft report before it is presented for the review phase. As part of this process, the assessed jurisdiction has the opportunity to present its views on the findings of the assessment and have them reflected in a separate section of the report.

2.6 Approval of the report and publication

The Basel Committee has the final responsibility for approving jurisdictional assessment reports. Assessments are approved by consensus. If full consensus cannot be reached during the Committee meeting to which the report is presented, minority views are footnoted in the report. Jurisdictions being assessed have opportunity to comment on the draft report during the Committee meeting but do not take part in the decision-making.

After formal approval by the Committee, the report, including the response from the assessed jurisdiction, is published on the Committee's website. The Committee member from the assessed jurisdiction is also invited to publish the report on its website.

2.7 Follow-up of RCAP jurisdictional reports

The Basel Committee has established a system to keep abreast of the continuing efforts by its members to implement Basel III standards. The aim is to provide some continuity between assessments as well as to serve as a foundation for targeted implementation follow-up. Further, this improves the quality of reporting to stakeholders on actual progress with implementation of the Basel framework. Above all, the process is intended to help member jurisdictions to systematise and communicate their own monitoring efforts at the national level.

The issues for follow-up RCAP assessments are listed in the jurisdictional reports and limited to the deviations that have a material or a potentially material impact. Follow-up assessments focus on re-assessing the materiality of these deviations and assessing any rectifications or amendments undertaken by the jurisdiction following the publication of the assessment report. Findings that relate to domestic implementation issues are not in the scope of follow-up assessments.

Based on a monitoring template completed by jurisdictions whose assessments were completed and published two years prior, a yearly report is presented to the Committee on the follow-up actions taken by those jurisdictions (eg 2013 and 2014 RCAPs are covered in the 2015 and 2016 follow-up reports, respectively, 2015 RCAPs are covered in the 2017 follow-up report etc). This report explains how the deviations from the Basel requirements identified for follow-up work in the RCAP report were addressed or what proposals have been made to address them. The report includes new or amended Basel-based requirements or regulatory changes that have been enacted by the assessed jurisdiction.

The individual submissions are published on the Basel Committee website along with the original RCAP assessment report and the self-reported follow-up actions may be subject at some later stage to a formal assessment under the RCAP programme.

2.8 Confidentiality arrangements around the RCAP process

The Assessment Team (AT), Review Team (RT), SIG and PRB follow the confidentiality arrangements of the Committee. The AT, TL and the Committee's Secretariat staff who are directly involved with the assessment are subject to a specific RCAP confidentiality agreement that is agreed with the assessed jurisdiction.

2.9 Principles for handling delays of an RCAP jurisdictional assessment report

Since the adoption of the RCAP, there have been a limited number of situations in which a Committee discussion of a draft RCAP jurisdictional assessment report has been delayed beyond the scheduled expected timeframe to accommodate amendments in domestic regulations. The "scheduled expected timeframe" for completing the assessment and presenting the findings for a Committee discussion is the one agreed between the AT and the assessed jurisdiction in the Scoping Note. The tentative publication month for publication of the assessment report is made public on the Basel Committee's implementation webpage and in the Basel III implementation progress reports to the G20. Ordinarily when there is no delay, follow-up on amendments that are made after the scheduled cutoff date should take place during the RCAP assessment follow-up programme. In these cases, such amendments do not affect the assessment findings. In exceptional cases, however, a small delay can materially improve the prudential outcome. The principles to be followed while handling any delay in the cutoff date or the date for submission of the assessment report to the Committee are set out below.

Principles

When a member jurisdiction plans to amend its domestic regulations but cannot do so in the scheduled expected timeframe, the member can formally request a delay in the cutoff date and the date for submission of the assessment report to the Committee. Responsibility for recommending a delay to the Committee rests with the PRB. The principal considerations the PRB should weigh are:

(i) Promoting better outcomes;

(ii) Making a case for a delay;

(iii) Limiting the delay and the scope of the amendments; and,

(iv) Meeting public commitments made by the Committee.

2.10 General time line for RCAP-Capital and RCAP-LCR

For both the RCAP-Capital and LCR assessments, the AT follows the general timeline detailed below. Exact timings are tailored to each RCAP:

Initiator	Assessment Step	Time line up to RCAP publication
PRB	Selection of TL by the PRB on the recommendation of the Head of Basel III Implementation.	>6 months
TL and Secretariat	Establishing the AT and a designated RT drawn from the SIG, other Committee's expert groups – notably the Policy Development Group (PDG), and a senior member of the Basel Committee Secretariat.	>6 months
Assessed jurisdiction	Submit the completed RCAP assessment questionnaire, plus data and information regarding the self-identified gaps to Secretariat.	>6 months
TL and AT	Draft a "Scoping Note" that lists the key features of the assessment, including timelines, the coverage of banks, the assessment methodology and process, data and information gaps/needs, and any special institutional and structural factors; the Scoping Note is discussed and agreed between the TL and the assessed jurisdiction and transmitted to the RT and the PRB for information.	>6 months
Assessed jurisdiction and AT	Off-site/desk review and assessment undertaken by AT; exchange of information and data between the AT and the assessed jurisdiction on technical matters emerging from the off-site work.	6–4 months
AT	Discuss and agree on the findings during the team meeting. Subsequently, first draft of the assessment report prepared by the AT on the state of regulatory regime; material/policy/special issues discussed by the TL with the jurisdiction and the Head of Basel III Implementation; additional data and information requests sent to the jurisdiction; if required, TL informs and/or discusses emerging issues with the RT and the PRB.	6–4 months
Assessed jurisdiction	Additional data, information, clarifications sent to RCAP team.	4–3.5 months
AT	Off-site work and drafting/revisions to the RCAP report continues; on-site visit undertaken. Draft RCAP report and its findings along with the preliminary assessment grades discussed and presented; draft RCAP report left for comments with the jurisdiction.	3.5-3 months
Assessed jurisdiction	Comments received from the assessed jurisdiction by the TL.	3-2.5 months
AT	Draft RCAP report revised and circulated to the designated RT for comments.	2.5-1.5 months
RT	Where material revisions are suggested by the RT and accepted by the TL, the position is explained to the jurisdiction.	1.5–1 months
Assessed jurisdiction	Assessed jurisdiction sends a formal and final response to be appended to the RCAP report.	1 month
TL and Secretariat	RCAP report finalised by the TL, and submitted by the Secretariat for review by SIG and clearance by the PRB; views and recommendations by SIG are shared with the PRB.	1–0.5 month
Secretariat	RCAP report submitted to the Basel Committee for discussion and approval.	0.5 month
Basel Committee	RCAP report published. Secretariat to follow up on progress.	0 month

2.11 Amendments or extensions of the RCAP methodology

In the course of a jurisdictional assessment, methodological questions may arise. Examples from previous assessments include: (i) determining criteria to assess the "bindingness" of domestic regulatory documents; (ii) establishing a process to allow more time for jurisdictions to rectify deviations; and (iii) designing an approach for assessing quantifiable and non-quantifiable deviations.

In such a case, the Committee's Secretariat and the Team Leader, after discussion with the Committee's Head of Basel III Implementation, propose a course of action to the PRB for discussion. The PRB then determines the course of action or signs-off of the proposed process or criteria for the purposes of the current assessment. If there is sufficient time and the issue does not need to be closely held, feedback from SIG should be requested before submitting the draft assessment report to the Basel Committee. Otherwise, the PRB can decide to raise the matter directly at the Basel Committee.

2.12 Approach for assessing revised Basel standards

When a jurisdiction has implemented, or is in the process of implementing, a revised Basel standard ahead of the agreed implementation deadline for that standard, it may request the assessment to be based on the revised Basel standard instead of the existing – to-be-superseded – Basel standard.

Once the agreed implementation deadline of a revised Basel standard has passed, a jurisdictional RCAP assessment is automatically based on the revised Basel standard. Basel standards that are under revision and/or in consultation cannot be part of the scope of a jurisdictional RCAP assessment.

3. Basel risk-based capital standards: scope, design and methodology of assessment

3.1 Scope

The RCAP assessments of risk-based capital regulations cover the full scope of Basel standards, ie Basel II, 2.5 and III. The assessment covers 14 components (see below). These assessments cover all Committee member jurisdictions. The assessments are carried out with reference to Basel capital standards enumerated in Annex 4 and are based, whenever possible, on the final domestic regulations that are binding in nature.

The following table contains the 14 key components of the Basel framework that are currently within the scope of risk-based RCAP jurisdictional assessments. Assessed jurisdictions receive a grade for each of these components individually as well as an overall grade.

Key components of risk-based capital framework subject to RCAP assessment
General provisions and definition of capital
1. Scope of application
2. Transitional arrangements
3. Definition of capital
Pillar 1: Minimum capital requirements
4. Credit risk: Standardised Approach
5. Credit risk: Internal Ratings-Based Approach
6. Credit risk: securitisation framework
7. Counterparty credit risk rules
8. Market risk: Standardised Measurement Method
9. Market risk: Internal Models Approach
10. Operational risk: Basic Indicator Approach and Standardised Approach
11. Operational risk: Advanced Measurement Approaches
12. Capital buffers (conservation and countercyclical)
Pillar 2: Supervisory review process
13. Legal and regulatory framework for the supervisory review process and for taking supervisory actions
Pillar 3: Market discipline
14. Disclosure requirements

3.2 Design

The RCAP assessments are designed as peer reviews undertaken by technical experts selected from jurisdictions. This approach is reflected throughout the assessment process, and due care is taken in balancing the composition of the AT and the RT.

3.3 Assessment methodology

The assessment methodology for capital standards has evolved over the past years. It deals with the classification of findings into quantifiable and non-quantifiable deviations, assessment of materiality and potential materiality of the deviations at the key component level, assignment of grades to key components, determination of an overall grade, and the identification and treatment of Basel provisions that are open to different interpretations. The general principles underlying the assessment methodology are the following:

(i) The jurisdictional assessments focus on reviewing the content of domestic regulations. The assessment of compliance with the Basel rules is based on:

- a comparison of domestic regulations with the international agreements to identify if all the required provisions of Basel III have been adopted (completeness of the regulations); and
- notwithstanding the form of local requirements, whether there are any differences in substance between the domestic regulation and the Basel rules (consistency of the regulations).

(ii) The assessment is not a "word for word" comparison. The objective is to ensure that substance of the every Basel provision exists somewhere in the domestic regulation.

(iii) When a gap or difference is identified, a key driver for assessing compliance is its materiality and impact. The component grades and overall grade are based on the aggregate impact on the reported risk-based capital ratios or risk-weighted assets (RWA) of (i) all deviations that are considered currently or potentially material and (ii) all non-material deviations where the impact has been quantified.

(iv) The assessment also seeks to clarify the rationale for any identified gaps and differences between the domestic provisions and the corresponding Basel rules, with a view to ensuring a firm understanding of the specificities and drivers of local implementation. This helps various stakeholders view the assessment in proper perspective. However, these elements are not taken into account when assessing compliance beyond the scope of national discretion already specified within Basel III.

(v) Domestic measures that are stricter than the minimum Basel requirements are fully in line with the nature of the international agreements, which are intended to set minimum requirements, and are therefore considered as compliant. However, they are not considered as compensating for inconsistencies or gaps identified elsewhere, unless they fully and directly address the identified inconsistencies or gaps.

(vi) Consistent with the scope of the jurisdictional assessments, the AT is not expected to verify the actual implementation at the ground level if a regulation is *prima facie* compliant with the Basel provision.

(vii) A distinction can be made between assessment findings, such as deviations and gaps, and observations. Observations highlight certain special features of the regulatory implementation of the Basel standards in the assessed jurisdiction. Observations are presented separately in the assessment report for contextual and informational purposes. They do not indicate sub-equivalence, but are considered compliant with the Basel standard and do not have a bearing on the assessment outcome.

3.4 Bindingness of the regulatory documents

Laws and regulations provide a framework to set and enforce prudential requirements for banks. While legal and regulatory structures could differ across jurisdictions, the general expectation is that the Basel minimum prudential standards are implemented through laws and regulations that are legally binding and can be enforced effectively. It is important that these laws and regulations are clearly distinguishable from instruments used to provide any guidance that are not strictly binding on banks.

The following are the main principles and criteria for the eligibility of instruments, other than laws and regulations, in RCAP assessments. The list below helps establish their legitimacy and "bindingness" for assessing the completeness and consistency of the regulatory regime:

1. The instruments used are part of a well defined, clear and transparent hierarchy of a legal and regulatory framework;
2. They are public and easily accessible;
3. They are properly communicated and viewed as binding by banks as well as by the supervisors;
4. They would generally be expected to be legally upheld if challenged, and are supported by precedent;
5. Consequences of failure to comply are properly understood and carry the same practical effect as for the primary law or regulation;
6. The regulatory provisions are expressed in clear language that complies with the Basel provisions in both substance and spirit; and,
7. The substance of the instrument is expected to remain in force for the foreseeable future.

Key elements of Basel III standards should be implemented through laws and regulations. Only interpretative issues and clarifications should be conveyed via Q&As, FAQs or supervisory guidance, or other ad hoc instruments.

3.5 Assessment of materiality

The RCAP team should classify any identified gaps as quantifiable or non-quantifiable deviations. As regards quantifiable deviations, the assessment of materiality is performed. The basis of the materiality assessment for identified deviations is the impact on the reported capital ratios and RWAs of the banks in the sample agreed between the AT and the assessed jurisdiction. Normally, this sample should embrace a minimum of 60% of the total banking assets of all banks in the assessed jurisdiction that are subject to the Basel standard. The sample should also be representative of the various types of bank operating in the jurisdiction. The assessment takes into account both the current impact and consequences, and the potential future impact. For quantifiable deviations, when materiality thresholds are used, these thresholds are also meant as guidelines, not as hard limits. Assessors need to apply judgment when assessing the materiality of deviations and in exceptional cases, may deviate from the thresholds based on expert judgment. In all cases, the team should justify the materiality assessment and provide a clear underpinning of the materiality assessment.

In evaluating the impact of the non-quantifiable deviations and integrating this analysis with the quantitative impact of other deviations, the RCAP teams should apply expert judgment in a consistent manner.

3.6 Compliance scale

All assessments are summarised according to a four-grade scale: compliant, largely compliant, materially non-compliant and non-compliant.[3]

- Regulation is compliant with Basel standards: a regulation is considered compliant if all minimum provisions of the international framework have been satisfied and if no material differences have been identified which would give rise to prudential concerns or provide a competitive advantage to internationally active banks.
- Regulation is largely compliant with Basel standards: a regulation is considered largely compliant with Basel standards if only minor provisions of the international framework have not been satisfied and if only differences that have a limited impact on financial stability or the international level playing field have been identified.
- Regulation is materially non-compliant with Basel standards: a regulation is considered materially non-compliant with Basel standards if key provisions of the international framework have not been satisfied or if differences that could materially impact financial stability or the international level playing field have been identified.
- Regulation is non-compliant with Basel standards: a regulation is considered non-compliant if Basel standards have not been adopted or if differences that could severely impact financial stability or the international level playing field have been identified.

The outcome of the assessment process takes the form of an overall assessment of the compliance of the jurisdiction's regulation with Basel standards and assessments of the compliance of the jurisdiction's regulation for each of the key components of the capital framework as listed in Annex 5.

3.7 Assessment grading

Assessment grades are assigned largely according to the materiality of identified deviations; that is, the current and potential impact of the identified deviation of the formal published texts of local rules or regulations from the Basel standards. The assessment team identifies the gaps for each of the key components of the risk-based capital framework. Once the gaps have been determined, they are classified as quantifiable or non-quantifiable.

The materiality of quantifiable gaps is measured in terms of the current and potential impact on risk-based capital ratios and RWAs. In some cases, data limitations may hamper materiality assessments of quantifiable gaps. Where a direct estimate of the impact is not possible, the assessment team attempts to assess materiality based on proxies such as the level of exposure to the affected asset class, the number of banks engaged in specific business activities, data from public sources, results of impact studies, or other similar types of information made available by the assessed jurisdiction. In these cases, teams use their collective expertise to form a best-efforts estimate of the impact on banks' capital ratios and RWAs.

Some aspects of the Basel framework are, by nature, non-quantifiable. For instance, gaps in Pillar 1 involving issues related to governance of the use of internal models, or gaps in Pillar 2 or Pillar 3 would fall in this category. The materiality of such gaps is assessed based on the degree of uncertainty these gaps are likely to cause, at present or in the future, regarding the accuracy of the capital measurement process and/or the quality of risk management when that is relevant. For instance, in the

[3] This four-grade scale is consistent with the approach used for assessing countries' compliance with the Basel Committee's *Core principles for effective banking supervision*. The actual definition of the four grades has however been adjusted to take into account the different nature of the two exercises In addition, and as noted above, components of Basel III that are not relevant to an individual jurisdiction may be assessed as non-applicable.

case of Pillar 2, the materiality of risks not captured under the RCAP is judged within the context of the importance of these risks for financial stability and the level playing field.

Once the materiality of the individual gaps is determined, the RCAP team proceeds to determine the assessment grades for each component of Basel capital standards using one of the four grades defined above in Section 3.6. The following-three step approach should guide this process:

Step 1: For each component, the cumulative impact of the quantifiable gaps is calculated in terms of both capital ratios and RWAs (where applicable). This forms the basis for a preliminary component-level grade.

Step 2: For each component, the cumulative impact of non-quantifiable gaps is also evaluated. As the focus is on the cumulative materiality of the gaps, the RCAP team does not average out between the quantifiable and non-quantifiable gaps. The grade derived in Step 1 can be lower but cannot be improved once non-quantifiable gaps are taken into consideration.

Step 3: A final judgmental check is applied to ensure that the resulting component grade is consistent with the description of the grade. Any new consideration affecting this judgment is documented and explained in the assessment report.

Finally, the RCAP team determines the overall grade following these four steps below:

Step 1: The cumulative impact of all quantifiable gaps is calculated. This calculation forms the basis for the overall preliminary grade.

Step 2: The cumulative materiality of all non-quantifiable gaps is assessed. Again, the grade derived under Step 1 can only be kept at the same level or lowered, but not improved.

Step 3: The overall grade cannot be more than one notch higher than the worst component grade.[4]

Step 4: A final judgmental check is applied to assess whether the resulting overall grading is consistent with the description of the grade. Any new consideration that is relevant to the assignment of the final grade is appropriately documented and explained in the assessment report.

4 For example, a Committee member jurisdiction that has one component assessed as "materially non-compliant" cannot receive an overall grade that is higher than "largely compliant".

4. Basel Liquidity Coverage Ratio: scope, design and methodology of assessment

4.1 Scope

As with the risk-based capital standards, the RCAP-LCR assessment focuses on the completeness and consistency of local regulations with respect to the Basel standards. The RCAP assessments of Basel liquidity standards (LCR) cover implementation of the LCR and the related LCR disclosure standards. The assessment assigns an overall grade for LCR implementation and for four components of the LCR: (i) high-quality liquid assets, (ii) outflows, (iii) inflows, and (iv) LCR disclosure standard (Annex 5).

Graded components of the Basel LCR framework
1. High-quality liquid assets
2. Outflows
3. Inflows
4. LCR disclosure standard

The assessment focuses on the completeness of the local regulations adopted and the consistency of local implementations of the LCR with the standards established by the Committee. The assessment determines any gaps or deviations from the Basel framework and evaluates their materiality on the LCR and on the resulting liquidity risks more broadly. The assessment is based on the following documents:

(i) *Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools* (January 2013), including any published frequently asked questions (eg *Frequently Asked Questions on Basel III's January 2013 Liquidity Coverage Ratio framework*, issued in April 2014);

(ii) Liquidity Coverage Ratio disclosure standards (January 2014);

The liquidity monitoring tools and the principles for sound liquidity risk management are outside the scope for grading. The following Basel documents are therefore reviewed for information purposes only:

(i) *Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools* (January 2013) (part of liquidity risk monitoring tools);

(ii) *Monitoring tools for intraday liquidity management* (April 2013); and,

(iii) *Principles for sound liquidity risk management and supervision* (September 2008).

In addition, the RCAP-LCR assessment collects information on implementation issues that are subject to prudential judgment or discretion (Annex 6).

4.2 Design

As in the case of assessment of Basel capital standards, the RCAP-LCR assessments are also designed as peer reviews undertaken by technical experts selected from jurisdictions.

4.3 Assessment methodology

The aims of the methodology are to achieve as much consistency as possible across jurisdictions, to support a rigorous analysis by the AT and to make efficient use of resources. The RCAP-LCR assessment methodology reflects the fact that the LCR standard is a "standardised approach" based on a predefined weighting scheme. Further, there is a significant qualitative element underlying the computation of the LCR, which requires implicit or explicit regulatory and supervisory treatment (often by taking into account the situation in the respective jurisdiction and/or market specific circumstances). A key challenge of the LCR assessment is thus to ensure that, within the scope of differences in regulatory and supervisory treatments provided for by the LCR standard, bank assets and liabilities are mapped consistently to the appropriate LCR categories on both sides of the balance sheet.

As a general principle, mirroring the established RCAP assessment methodology, the RCAP-LCR materiality assessment is based on both quantitative impact and qualitative factors. Similar to capital assessments, teams may list contextual observations regarding the regulatory implementation of the Basel LCR standard separately in the assessment report. Observations do not indicate sub-equivalence, but are considered compliant with the Basel standard and do not have a bearing on the assessment outcome.

4.4 Bindingness of the regulatory documents

The main principles and criteria for the eligibility of instruments, other than laws and regulations, in RCAP assessments, are the same as those used for assessing risk-based capital standards.

4.5 Data collection

The data collection includes specific materiality data requests required for the LCR assessment. In addition to the assessment team's interaction with the supervisory authority of the assessed jurisdiction, the team would also establish contact with the central bank on a need-to-know basis, eg in the context of the data collection and in terms of their role as lenders of last resort, provision of R-CLF facilities etc. Meetings with the banking sector and other representatives from the private sector (such as audit firms, consultants and experts for a specific jurisdiction) provide the AT with a more comprehensive view on implementation, and help to verify findings, but are not usually used for the assessment.

4.6 Compliance scale and assessment grading

The assessment outcome follows one of the four grades used in the RCAP-Capital: compliant (C), largely compliant (LC), materially non-compliant (MNC), and non-compliant (NC).

As in the case of the assessment of the risk-based capital standards, the grading is, to the extent possible, based on quantitative materiality analysis, supplemented by qualitative analysis for non-quantifiable factors. Also, the overall grade cannot be more than one notch higher than the worst component grade. For example, a jurisdiction that has one of the components assessed as "materially non-compliant" cannot receive an overall grade that is higher than "largely compliant".

5. Basel framework for global systemically important banks (G-SIBs): scope, design and methodology of assessment

5.1 Scope

Consistent with the general RCAP monitoring and assessment methodology for risk-based capital standards and the LCR, the RCAP-SIB assesses the completeness and consistency of domestic implementation with the Basel standards

The RCAP assessment of the Basel framework for G-SIBs covers the 12 provisions of the Basel G-SIB framework. These deal with (i) reporting and public disclosure requirements, and (ii) the higher loss absorbency requirement and its composition, and coordination with other regulatory requirements.

Alongside, as part of the half-yearly monitoring of the adoption of Basel III standards, all Committee member jurisdictions with banks having a size indicator (measured as exposure for leverage ratio computation) above the EUR 200 billion threshold are required to monitor their own adoption of G-SIB reporting and disclosure requirements. These banks form the core of the main sample for deciding G-SIB status. Jurisdictions can add banks to the main sample based on supervisory judgment and then they must also self-monitor. The focus of that monitoring is on completeness and timeliness.

The G-SIB framework has several key requirements, namely: (i) reporting requirements (including reporting data to the Committee) and public disclosure by banks; (ii) the level and composition of the HLA requirement and coordination with other regulatory requirements (both domestic and cross-border).

At this time, only the G-SIB home jurisdictions are subject to a formal G-SIB RCAP assessment. When a jurisdiction has implemented the full G-SIB requirements but has no designated G-SIB, it can also volunteer for such an assessment. However, in this case, the assessment is not graded.

Jurisdictions with banks in the main sample, but without designated G-SIBs, report the status of adoption (timeliness and completeness) of the G-SIB reporting and disclosure standards as part of the half-yearly Basel III implementation monitoring exercise. These member jurisdictions are not assessed for any of the G-SIB requirements.

If a jurisdiction has a bank that becomes a designated G-SIB, it becomes subject to an assessment of the G-SIB framework. In this context, the Basel G-SIB framework provides some leeway for jurisdictions, as banks are required to meet the additional requirement within 12 months after progressing to a higher bucket. If a jurisdiction has a bank that exceeds the EUR 200 billion threshold, or includes a bank in the sample based on its supervisory judgment, it becomes subject to the monitoring of the adoption status of reporting and disclosure requirements.

5.2 Design

The assessment is carried out on a cross-jurisdictional basis covering the five member jurisdictions that currently have G-SIBs. It is designed so that most of the work is based on desk analysis.

5.3 Assessment methodology

A distinction must be made between the *identification part* of the G-SIB framework and the *consequences part* (ie the requirements for banks that are designated G-SIBs). For the *identification part*, the Assessment Team does not make a line-by-line assessment of the G-SIBs reporting instructions (that aim at collecting the data necessary to assess the systemic importance of banks). For the *consequences part*, jurisdictions are free to be more conservative than prescribed by the Basel framework. In this case, areas of superequivalence are noted in the assessment report, as is done for the RCAP-Capital and RCAP-LCR assessments.

5.4 Assessment of reporting and disclosure requirements

The aim of the reporting and disclosure requirements is to assess whether the national implementation ensures that the 12 indicators are reported and disclosed by banks as per the agreed Basel instructions and that the data submission is of high quality.[5]

Therefore, in their self-assessment, jurisdictions should indicate how they have implemented the reporting and disclosure requirements for each of the 12 indicators. To support the assessment, additional questions regarding the implementation and enforcement of the reporting instructions are included in the self-assessment questionnaire.

5.5 Assessment of materiality

The existing RCAP-Capital materiality approach is used where possible. For quantifiable deviations, the impact is measured with the help of data publicly available or submitted by the RCAP counterparty agency on an only-where-needed basis. For such deviations, when materiality thresholds are used, these thresholds are also meant as guidelines, not as hard limits. Assessors need to apply judgment when assessing the materiality of deviations and may deviate from the thresholds based on expert judgment. In all cases, the team should justify the materiality assessment and provide a clear underpinning of the materiality assessment.

In general, for quantifiable deviations, bank-specific data are requested to support the analysis of materiality. The data should reflect the full implementation of the Basel standards and should not take into account phase-in arrangements. Where local regulations are assessed to be in line with the Basel rules, there is no requirement to provide data for materiality testing. Likewise, where the domestic regulations impose requirements on banks over and above the requirements in the Basel text, the provision of supporting data is optional.

5.6 Compliance scale and assessment grading

As in the case of the RCAP-Capital and RCAP-LCR, the formal G-SIB assessment is graded (applicable only to those jurisdictions that are assessed for the full G-SIB framework). There is one overall grade, and two component grades (Annex 5):

- A grade for the implementation of the HLA requirements. This includes the phase-in arrangements, instruments to meet the HLA and the interaction with other elements of the Basel III framework; and,
- A grade for the disclosure requirements.

[5] The Basel reference document is *Instructions for the end-year data collection exercise of the Macroprudential Supervision Group*, which details the reporting instructions for banks participating in the data collection exercise. It is available at www.bis.org/bcbs/gsib/index.htm.

6. Basel framework for domestic systemically important banks (D-SIBs): scope, design and methodology of review

The implementation of the D-SIB principles of member jurisdictions is not formally assessed on a graded basis. Instead, the AT collects information on the implementation of the D-SIB standards in the assessed member jurisdictions, which is used for a qualitative narrative. This approach is broadly consistent with the Committee's objectives; while the Committee collects valuable information on implementation, a narrative respects the high-level, principles-based nature of the D-SIB framework.

7. Interpretative issues: process for clarifying Basel standards

Jurisdictional assessments usefully inform the Basel Committee about implementation challenges and interpretative issues that member jurisdictions and assessment teams come across when assessing the consistency of the domestic regulatory frameworks. Specifically, the assessments identify areas where further clarification is needed to ensure consistent implementation. To provide clarifications in a timely and consistent manner, a process has been established to complement the existing Basel FAQ process. The process is based on an escalation ladder while at the same time ensuring leeway for the assessment team to form its own view and apply expert judgment.

If an interpretative issue cannot be resolved during the assessment, the issue is taken out of the scope of the assessment and submitted to the relevant Basel Committee's working group for further guidance and clarification. The Basel Committee approves the proposed clarification before its publication as an FAQ.

Annexes

Annex 1: Composition, terms of reference and mandate of RCAP governing bodies

Body	Members	Terms of reference / mandate
Peer Review Board (PRB)	The Peer Review Board consists of the Chairman of the Basel Committee, the Chairman of the Supervision and Implementation Group, and the Secretary General of the Basel Committee. The PRB is supported by the Head of Basel III implementation at the Secretariat.	The PRB supervises the assessment process and approves the RCAP team leaders, Assessment Teams and Review Teams. In approving the teams, the PRB ensures that they enjoy independence with respect to the assessed jurisdiction. The PRB provides final clearance of the assessment report for submission to the Basel Committee. During the assessment, the PRB can be consulted on issues related to assessment methodology. Interpretative issues can be referred to the Peer Review Board by the Head of Basel III Implementation.
Head of Basel III Implementation		To avoid any conflict of interest, the Head of Basel III Implementation at the Secretariat does not take part in the validation effort by the Review Team or the PRB. Her/his role is to act as a facilitator between the RCAP assessment team and the assessed jurisdiction, ensure the consistency and completeness of each RCAP, and assist on technical or policy matters as they may arise.
Assessment Team	The Assessment Team consists of regulatory and supervisory experts drawn from the Committee members' organisations. As a principle, Assessment Team members are selected from jurisdictions different from the assessed jurisdiction.	The Assessment Team conducts the off-site and on-site assessment, drafts the assessment report and determines the assessment grades. The ownership of the assessment report is transferred from the Assessment Team to the Basel Committee once the report has been cleared by the PRB and circulated to the Basel Committee for discussion and approval.
Review Team	The Review Team typically consists of SIG members, other experts from the Committee, notably the Policy Development Group (PDG), and a senior member of the Committee's Secretariat.	The Review Team reviews and agrees on the draft report before it goes to the PRB for final review. The review team also reports to the SIG when the SIG is informed by the team leader about material findings or policy issues arising from the RCAP assessment. During the assessment, the Review Team can be consulted on interpretative issues. If the Assessment Team and the Review Team cannot reach a common understanding, the issue can be escalated to the PRB.
Supervision and Implementation Group (SIG)	SIG representatives of the member jurisdictions	The SIG reviews the draft assessment reports and provides feedback to the Team Leader and Assessment Team. The SIG feedback is also shared with the PRB for approving the assessment reports. SIG members can be asked to take part in the Review Team. The PRB can submit proposals for amendments to the assessment methodology to the SIG for review

		and approval for submission to the Basel Committee.
Basel Committee	Basel Committee representatives of the member jurisdictions.	The Committee has the final responsibility for approving the assessment reports and assessment methodology. The assessments are approved by consensus. The representatives of the assessed jurisdiction do not take part in the decision-making but their views are reflected in a separate section of the report. If the Committee cannot reach full consensus, minority views are footnoted in the report. After the Committee's formal approval, the report, including the formal response from the assessed jurisdiction is published on the Committee's website. The Committee member from the assessed jurisdiction is also invited to publish the report on its website.

Annex 2: Monitoring regulatory adoption

The aim of the monitoring effort undertaken as part of the RCAP is to ensure that relevant Basel standards are transposed into domestic laws or regulations according to the internationally agreed timeline. The monitoring framework put in place by the Committee's Secretariat keeps a regular watch on the adoption of the Basel standards by member jurisdictions. Based on information provided by each jurisdiction, the monitoring output comprises a half-yearly report ("Progress report on the adoption of the Basel regulatory framework") for the Committee's approval and publication. Initially focused on the Basel capital standards, the monitoring framework has been progressively extended to cover the adoption progress of all Basel III standards that will become effective by 2019. The revised progress report then provides a consolidated overview of the progress made by member jurisdictions in adopting the Basel III capital standards, Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR), leverage ratio, SIBs requirements, revised Pillar 3 disclosure framework and large exposure framework. Progress is evaluated according to numerical grades with an overlay of colour codes (see below).

Numerical grades

1 = draft regulation not published; 2 = draft regulation published; 3 = final rule published (but not yet implemented by banks); 4 = final rule in force (published and implemented by banks).

Colour codes

Green = adoption completed; Yellow = adoption in process; Red = no adoption; No colour = Rules are not due for implementation as of date of assessment.

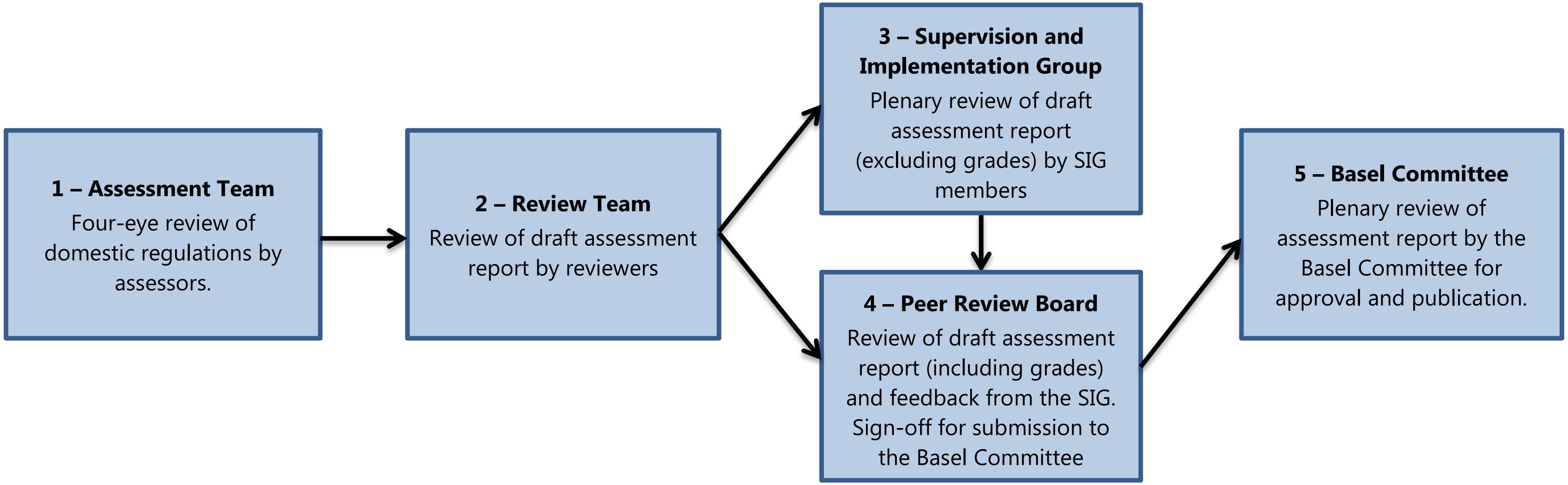
Overview table

The following table is used to summarise the status of adoption of Basel standards by member jurisdictions. The latest updated table is available at the website of the Basel Committee.[6] The table is typically updated twice a year, in April and October. The table below includes hypothetical scores and colours for illustrative purposes only.

6 See www.bis.org/bcbs/implementation/bprl1.htm.

Country	Basel standards		Agreed date of implementation	Status	Remarks
Example: Country X	Risk-based capital	Definition of capital	Jan 2013	4	
		Capital conservation buffer	Jan 2016	4	
		Countercyclical buffer	Jan 2016	4	
		Capital requirements for equity investments in funds	Jan 2017	3	
		SA-CCR	Jan 2017	2	
		Securitisation framework	Jan 2018	2	
		Capital requirements for CCPs	Jan 2017	2	
	Liquidity standards	Liquidity Coverage Ratio (LCR)	Jan 2015	4	
		LCR disclosure requirements	Jan 2015	4	
		Net Stable Funding Ratio	Jan 2018	2	
		NSFR disclosure requirements	Jan 2018	1	
	Leverage ratio		Jan 2018	4	
	Leverage ratio disclosure requirements		Jan 2015	4	
	G-SIB requirements		Jan 2016	4, 1	
	D-SIB requirements		Jan 2016	4	
	Pillar 3 disclosure requirements		Dec 2016	2	
	Large exposures		Jan 2019	2	

Annex 3: Flow chart of jurisdictional assessments



1. For each individual jurisdictional assessment, a **Team Leader** is proposed by the Secretariat and formally approved by the Peer Review Board (PRB). The Team Leader is generally a Basel Committee or a SIG member. An **Assessment Team** is then proposed by the Secretariat (in consultation with the Team Leader) and formally approved by the PRB. The Assessment Team members are subject-area experts from Basel Committee member organisations. Assessment Team members cannot come from the jurisdiction being assessed. Each component of the Basel Framework is reviewed by a pair of Assessment Team members (four-eye review).

2. Similarly, a **Review Team** is proposed by Secretariat and formally approved by the PRB. The Review Team consists of senior supervisors or policy experts drawn from the Supervision and Implementation Group (SIG), other Committee's expert groups – notably the Policy Development Group (PDG) and a senior member from the Basel Committee Secretariat. The nationality of Review Team members is typically chosen so as not to overlap that of the jurisdiction being assessed and the Assessment Team members.

3. The draft reports (excluding assessment grades) are discussed by the **SIG**.

4. The **PRB** receives the reports (including the grades) around the same time as they are submitted to the SIG. The PRB formally signs off on the reports before circulation to the Committee. Following the SIG discussion, the PRB is informed about the key issues raised by SIG members.

5. The final reports (including the grades) are submitted to the Basel Committee for approval and publication.

Annex 4: Reference and supporting documents for RCAP-Capital assessments[7]

The following list constitutes the Basel documents that are in scope of the assessment as of date. It may be noted that the published Basel FAQs that clarify the interpretation of published Basel II, 2.5 and III documents are also within the scope of this assessment. Further, annexes referred to in the Basel documents are also within the scope of the assessment. This list is automatically updated once the implementation of a Basel standard has passed.

1. *Basel II: International Convergence of Capital Measurement and Capital Standards: A Revised Framework – Comprehensive Version* (June 2006)
2. *Enhancements to the Basel Framework* (July 2009)
3. *Guidelines for computing capital for incremental risk in the trading book* (July 2009)
4. *Final elements of the reforms to raise the quality of regulatory capital issued by the Basel Committee* (January 2011)
5. *Revisions to the Basel II market risk framework – updated as of 31 December 2010* (February 2011)
6. *Basel III: A global regulatory framework for more resilient banks and banking systems – revised version* (revised June 2011)
7. *Pillar 3 Disclosure Requirements for Remuneration* (July 2011)
8. *Treatment of trade finance under the Basel capital framework* (October 2011)
9. *Interpretive issues with respect to the revisions to the market risk framework* (November 2011)
10. *Composition of capital disclosure requirements – Rules text* (June 2012)
11. *Capital requirements for bank exposures to central counterparties* (July 2012)
12. *Regulatory treatment of valuation adjustments to derivative liabilities: final rule issued by the Basel Committee* (July 2012); and
13. *FAQs published by the Committee including those that would solve any interpretative issue arising during the assessment.*[8]

[7] See also www.bis.org/bcbs/basel3/compilation.htm. Regulatory compliance against Basel standards that are not yet finalised is subject to follow-up assessments at a later stage.

[8] Eg *Basel III counterparty credit risk – Frequently asked questions* (November 2012), *Basel III definition of capital – Frequently asked questions* (December 2011).

Annex 5: Overview of graded components of the Basel framework

Basel risk-based capital standard

1. Scope of application
2. Transitional arrangements
Pillar 1: Minimum capital requirements
3. Definition of capital
4. Credit risk: Standardised Approach
5. Credit risk: Internal Ratings-Based Approach
6. Securitisation framework
7. Counterparty credit risk framework
8. Market risk: Standardised Measurement Method
9. Market risk: Internal Models Approach
10. Operational risk: Basic Indicator Approach and Standardised Approach
11. Operational risk: Advanced Measurement Approaches
12. Capital buffers (conservation and countercyclical)
Pillar 2: Supervisory review process
13. Legal and regulatory framework for the supervisory review process and for taking supervisory actions
Pillar 3: Market discipline
14. Disclosure requirements

Basel LCR standard

1. High-quality liquid assets
2. Outflows
3. Inflows
3. LCR disclosure requirements

Basel G-SIB standard

1. Higher loss absorbency
2. Disclosure requirements

Annex 6: Issues subject to prudential judgment or discretion in the LCR

Elements requiring judgment (non-comprehensive list) — Table A6.1

Para	Description
24f	Treatment of the concept of "large, deep and active markets"
50	Treatment of the concept of "reliable source of liquidity"
52	Treatment of the concept of "relevant period of significant liquidity stress"
74–84	Retail deposits are divided into "stable" and "less stable"
83, 86	Treatment of the possibility of early withdrawal of funding with maturity above 30 days (Para 83 – retail deposits; Para 86 – wholesale funding)
90–91	Definition of small business customers' exposure is based on nominal EUR amount (1 million)
94–103	Deposits subject to "operational" relationships
131f	Definition of other financial institutions and other legal entities

Elements left to national discretion (non-comprehensive list) — Table A6.2

Para	Description
5	These two standards [the LCR and NSFR] are comprised mainly of specific parameters that are internationally "harmonised" with prescribed values. *Certain parameters, however, contain elements of national discretion to reflect jurisdiction-specific conditions. In these cases, the parameters should be transparent and clearly outlined in the regulations of each jurisdiction to provide clarity both within the jurisdiction and internationally.*
8	Use of phase-in options
11	The Committee also reaffirms its view that, during periods of stress, it would be entirely appropriate for banks to use their stock of HQLA, thereby falling below the minimum. Supervisors subsequently assess this situation and give guidance on usability according to circumstances. *Furthermore, individual countries that are receiving financial support for macroeconomic and structural reform purposes may choose a different implementation schedule for their national banking systems, consistent with the design of their broader economic restructuring programme.*
50b	Eligibility of central bank reserves
50c	Marketable securities that are assigned a 0% risk-weight under the Basel II Standardised Approach for credit risk
53–54	Eligible Level 2B assets
54a	Provision relating to the use of restricted contractual committed liquidity facilities (RCLF)[9]
55f	Treatment for jurisdictions with insufficient HQLA (subject to separate peer review process)
68	Treatment of sharia-compliant banks
78	Treatment of deposit insurance
79f	Categories and run-off rates for less stable deposits
123	Market valuation changes on derivative transactions

9 See www.bis.org/publ/bcbs274.htm.

134–140	Run-off rates for other contingent funding liabilities
160	Weight assigned to other contractual inflows
164–165	Determination of scope of application of LCR (whether to apply beyond "internationally active banks" etc) and scope of consolidation of entities within a banking group
168–170	Differences in home/host liquidity requirements due to national discretions
Annex 2	Principles for assessing eligibility for alternative liquidity approaches (ALA)