



Basel Committee on Banking Supervision

BANK FOR INTERNATIONAL SETTLEMENTS

The global financial crisis and the future of international standard setting: lessons from the Basel Committee

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Secretary General
Basel Committee on Banking Supervision

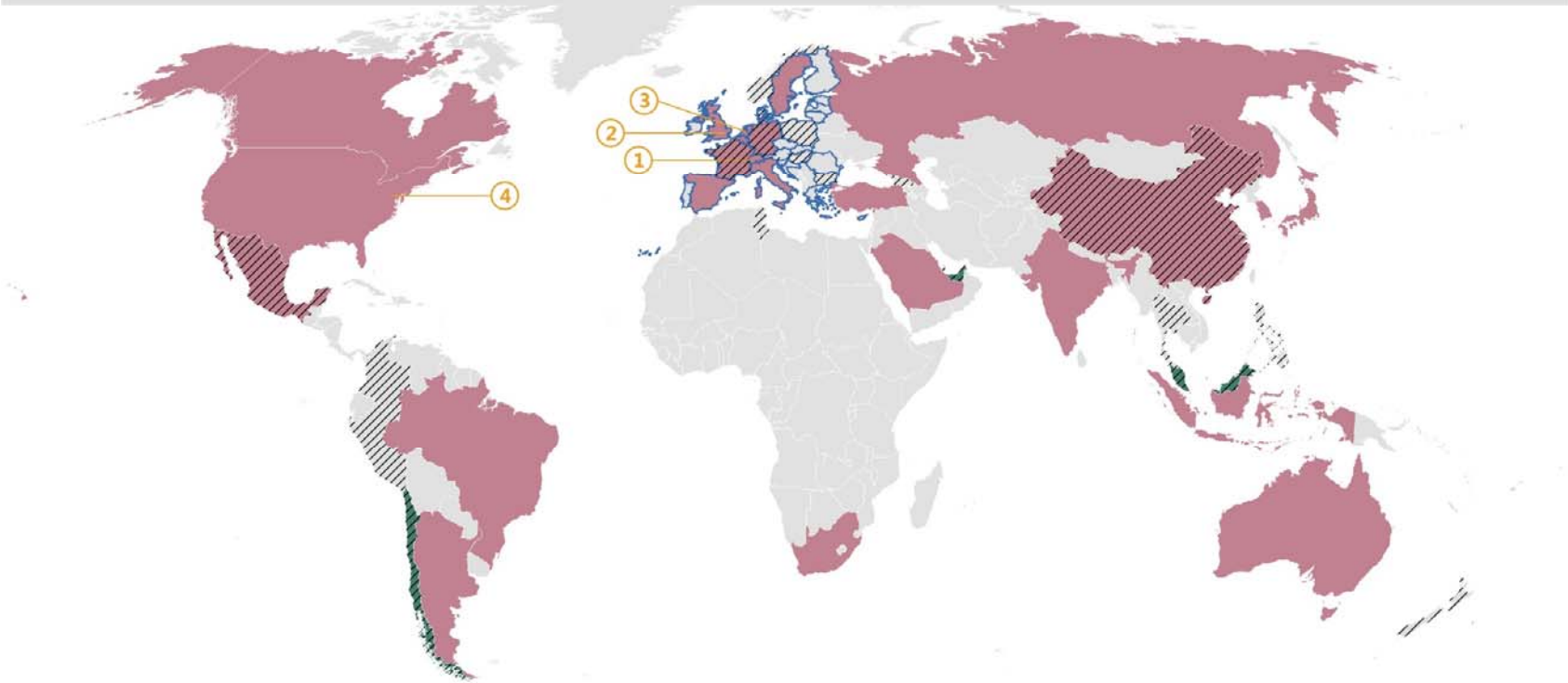
Harvard Law School
Cambridge, MA
12 December 2016



Agenda

- Basel Committee on Banking Supervision
 - Who we are and what we do
 - Why and how we do it
- The global financial crisis
 - How we responded and what has changed
- Questions for discussion
 - Adoption and application of Basel standards

Institutions represented on the Basel Committee on Banking Supervision



Members

- Countries
- European Union

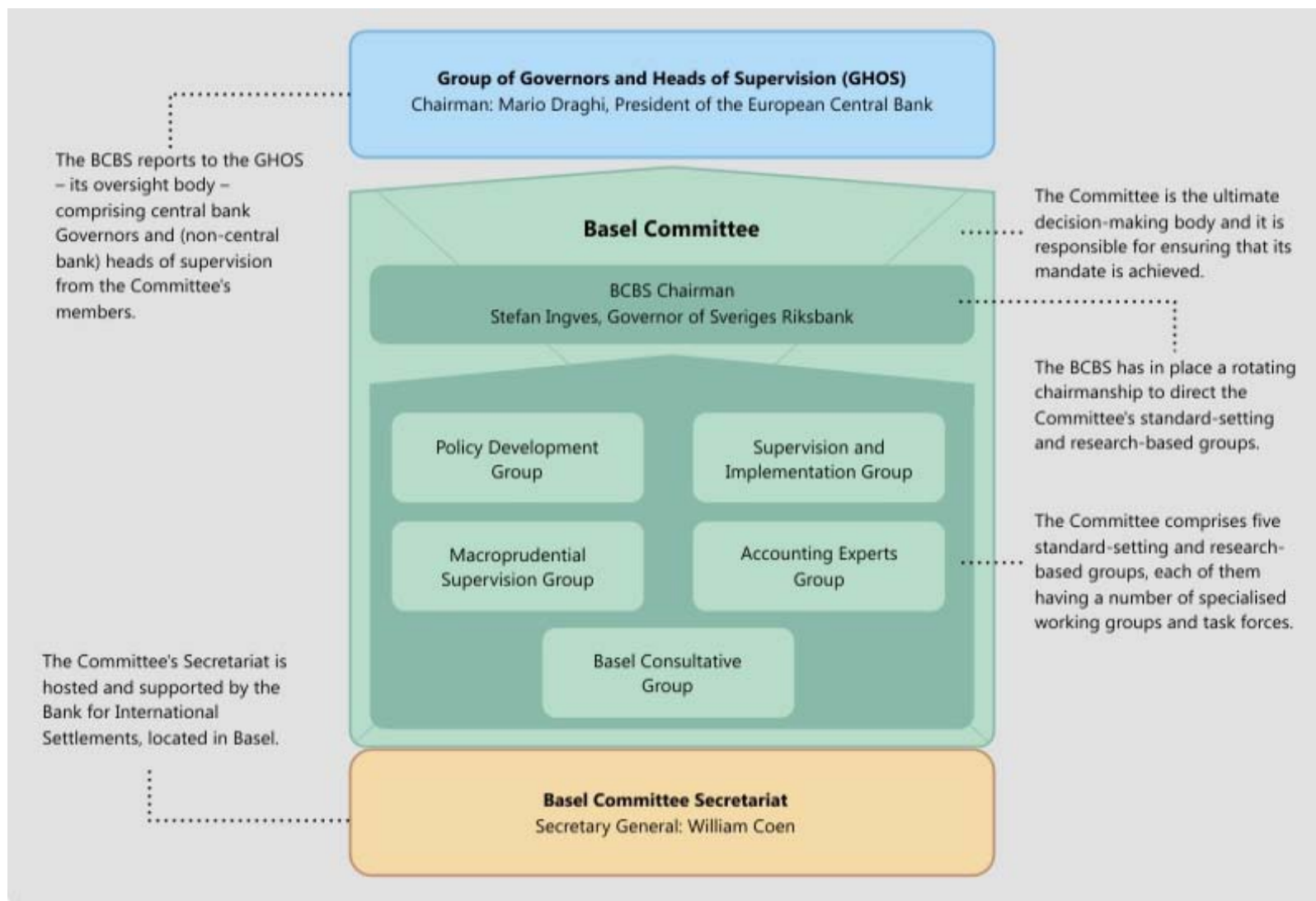
Observers

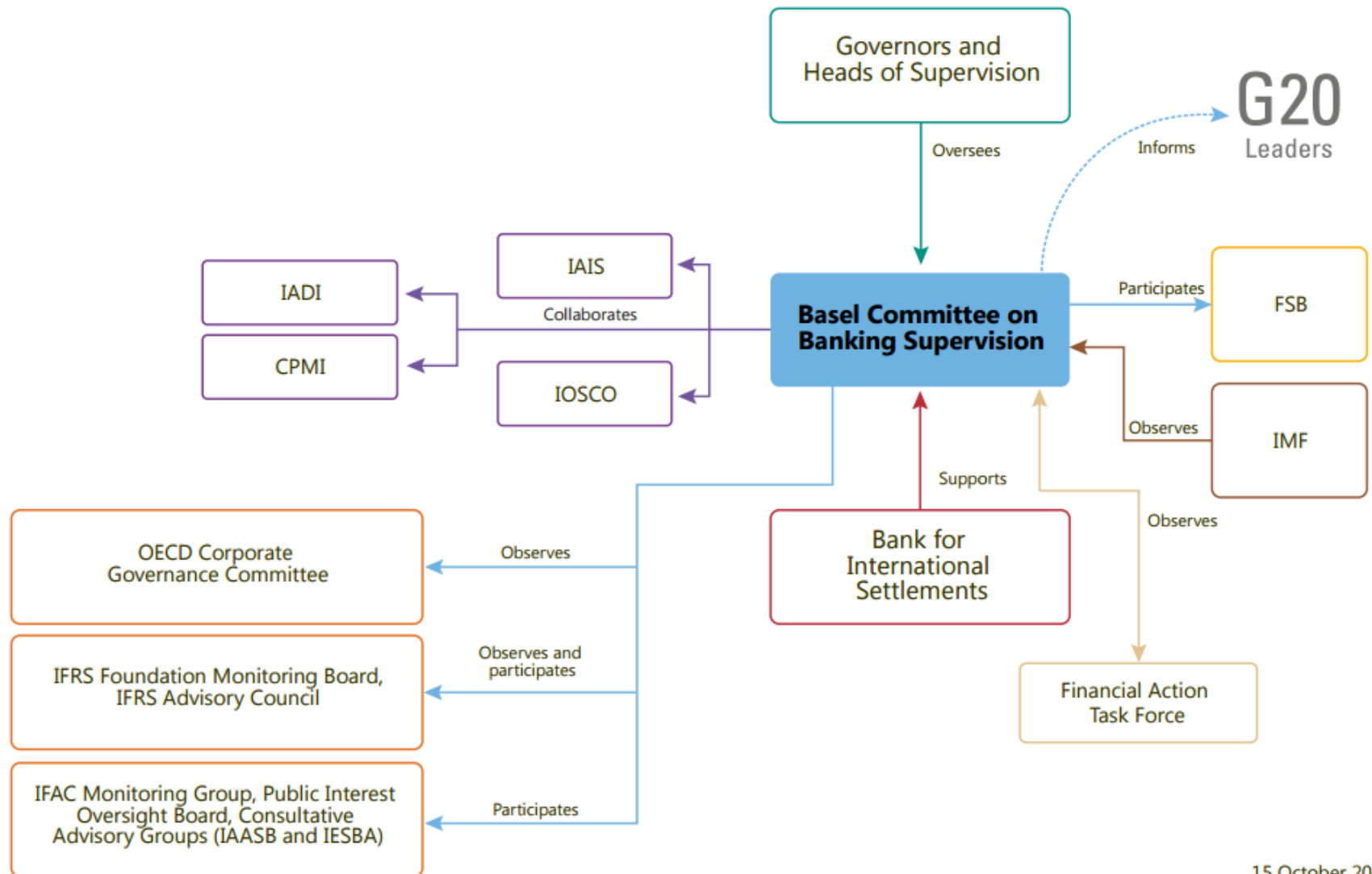
- Country Observers
- Supervisory groups, international agencies and other bodies:
 - Basel Consultative Group
 - 1 Bank for International Settlements
 - 2 European Banking Authority
 - 3 European Commission
 - 4 International Monetary Fund

▨ Countries

▨ Supervisory groups, international agencies and other bodies:

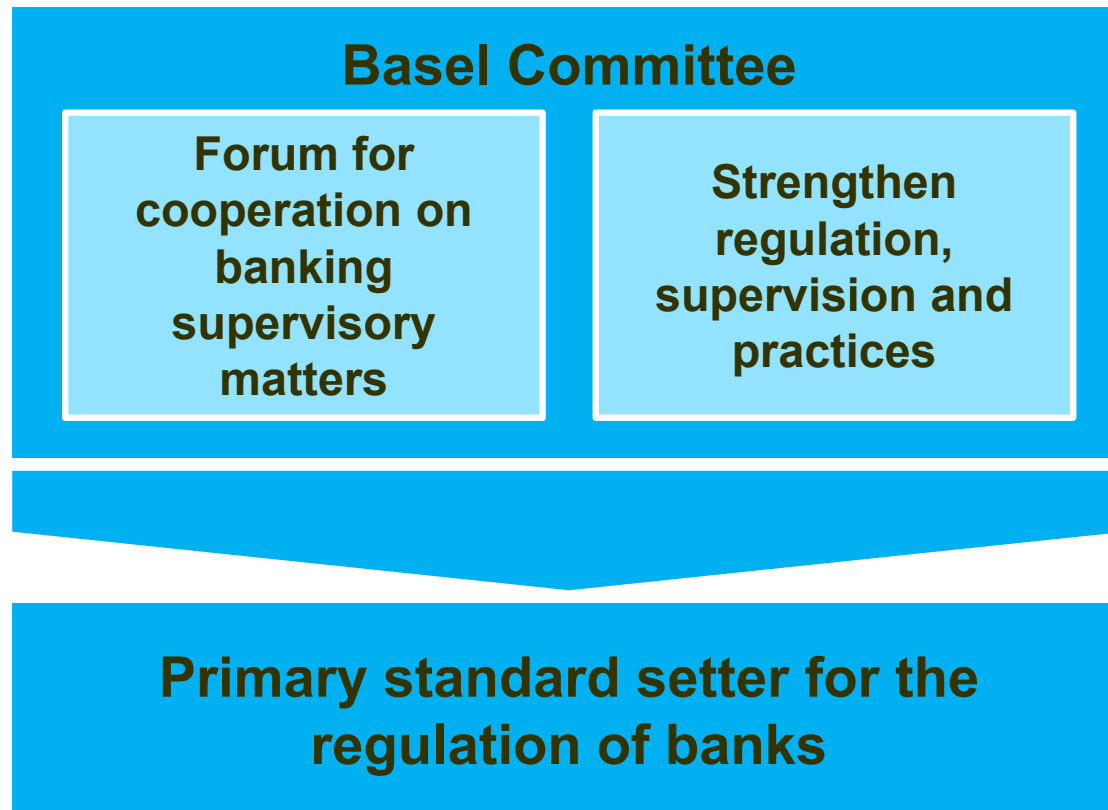
Arab Committee of Banking Supervisors ● Association of Supervisors of Banks of the Americas ● Caribbean Group of Banking Supervisors ● Central Bank of West African States ● Executives' Meeting of East Asia Pacific Working Group on Banking Supervision (EMEAP) ● Financial Stability Institute, BIS ● Group of Banking Supervisors from Central and Eastern Europe ● Group of International Finance Centre Supervisors ● Gulf Cooperation Council Committee of Banking Supervisors ● International Monetary Fund ● Islamic Financial Services Board ● World Bank





15 October 2015

Mandate



Activities

**Exchange
information**

**Share views on
supervisory
issues**

**Establish and
promote global
minimum
standards**

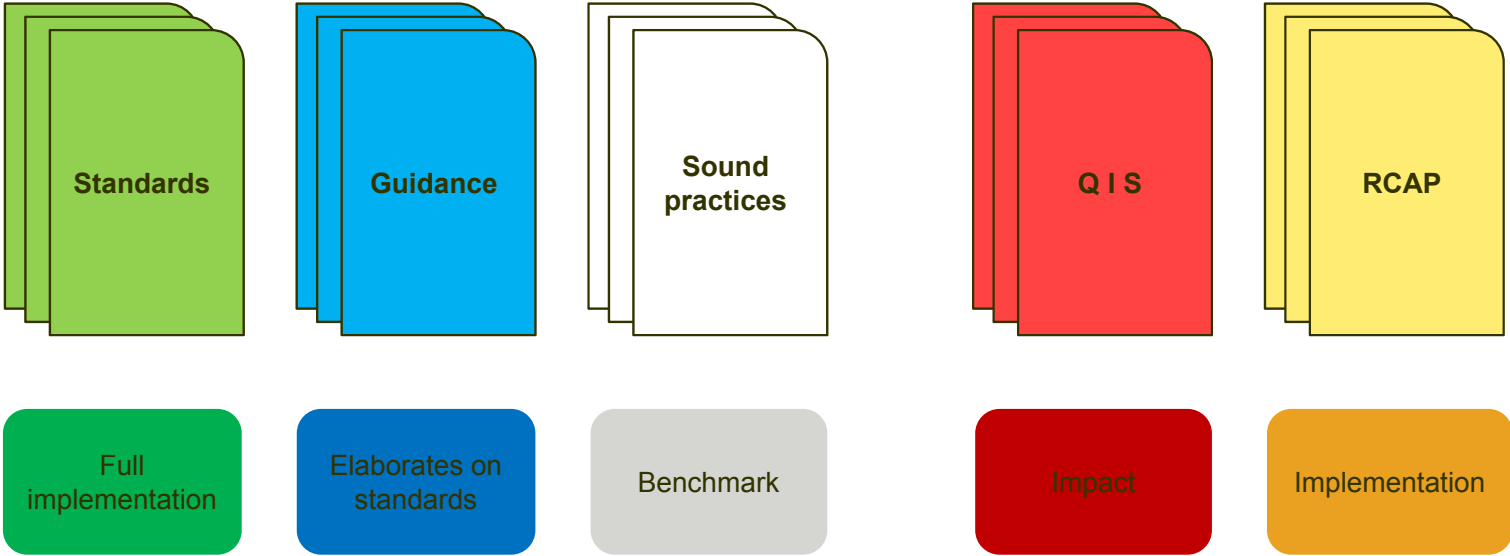
**Monitor
implementation
of standards**

Cooperate

Basel Committee "output"

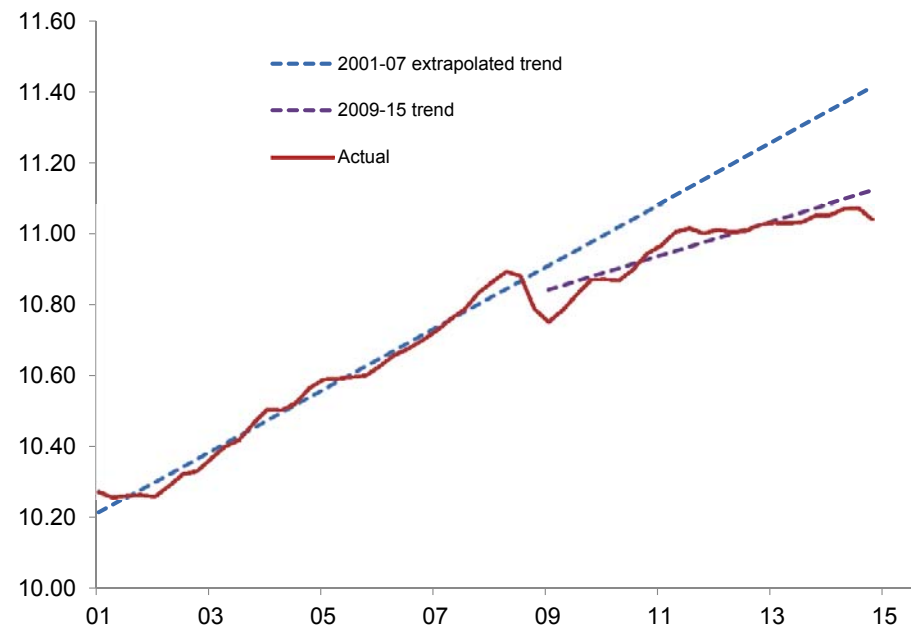
Policy and supervision

Monitoring



The costs of the financial crisis are significant (and still with us)

Chart 1: Real GDP level (USD bn)^{(a)(b)}



Source: National data and BCBS calculations.

(a) Seasonally adjusted quarterly data, on a logarithmic scale, in billions of current US dollars.

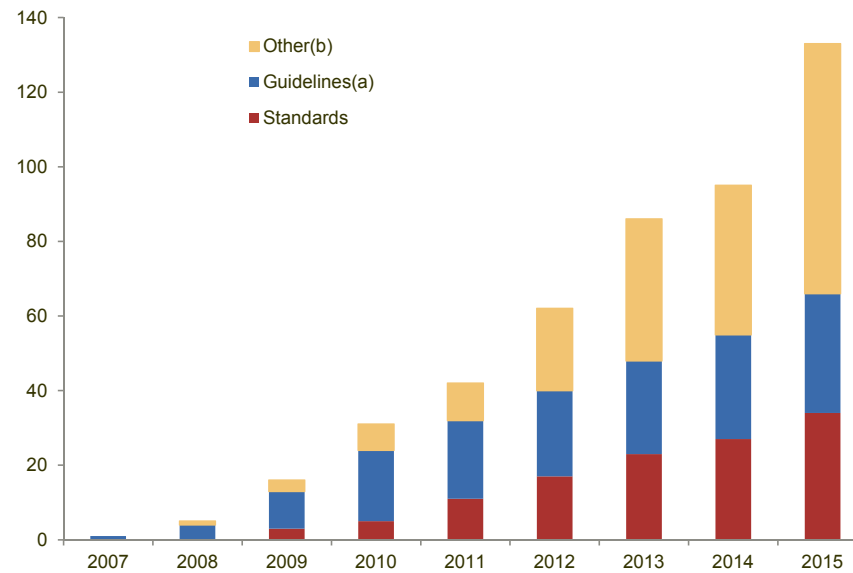
(b) Sample consists of BCBS member countries: Argentina, Belgium, Brazil, Canada, China, France, Germany, Hong Kong SAR, India, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, Russia, Singapore, Spain, South Africa, Sweden, Switzerland, Turkey, the United Kingdom and the United States.

Table 1: Regulatory metrics – strengths and weaknesses

Metric	Strengths	Weaknesses
Risk-weighted ratio	Sets capital requirements according to the perceived riskiness of a bank's assets.	Susceptible to setting too low capital requirements, either unintentionally (model risk), or intentionally (gaming).
Leverage ratio	Guards against inordinately low capital arising from model risk, gaming, excessive leverage.	Does not differentiate risk, and could potentially result in risk shifting if used as the sole measure.
Liquidity Coverage Ratio	Ensures min buffer of liquid assets for outflows; enables banks to meet early stages of liquidity run and/or resolution.	Reduces reliance on the least stable/very short-term liabilities only.
Net Stable Funding Ratio	Matches liquidity of assets against stability of liabilities for resilience to medium-term funding risk.	Does not directly ensure a buffer of usable short-term liquidity.

What more needs to be done? More regulation?

Chart 2: Cumulative number of finalised publications by the Basel Committee ^{(a)(b)}

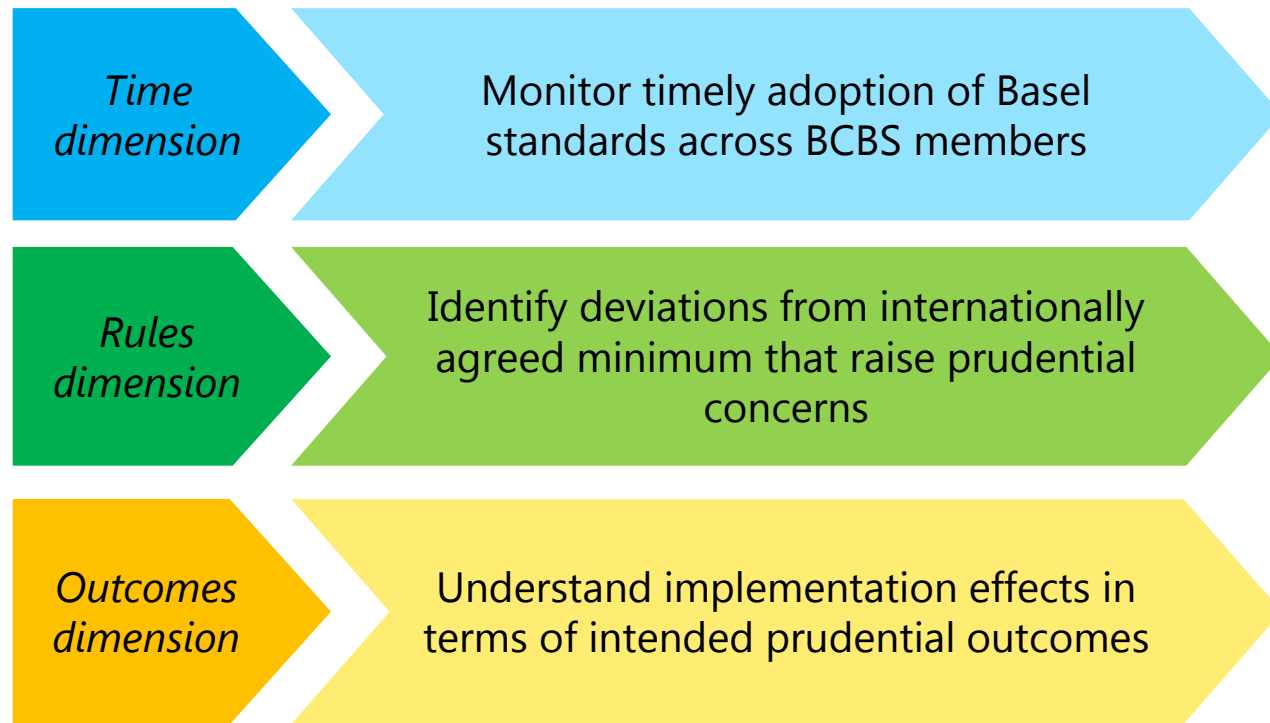


Source: Basel Committee website and Secretariat calculations.

(a) Includes principles, sound practices and guidance.

(b) Includes implementation-related reports and ad-hoc publications.

Regulatory consistency assessment programme



Basel Committee's assessment of members' implementation

- Risk-based capital framework
 - Review of all BCBS jurisdictions (19) now complete
 - 15 "Compliant"
 - 3 "Largely Compliant"
 - 1 "Materially Non Compliant"
 - More than 1,000 findings
 - most rectified during assessments
 - 85% of remaining findings non-material
- Liquidity Coverage Ratio (LCR)
 - Review of 12 BCBS jurisdictions (review completed by end-2017)
 - 10 "Compliant"
 - 2 "Largely Compliant"

Overview of jurisdictional assessments

Status	Jurisdiction	Publication date of assessment	Overall assessment grade
Risk-based capital standards	Japan	Oct 2012	Compliant
	Singapore	Mar 2013	Compliant
	Switzerland	Jun 2013	Compliant
	China	Sep 2013	Compliant
	Brazil	Dec 2013	Compliant
	Australia	Mar 2014	Compliant
	Canada	Jun 2014	Compliant
	EU (9 members)	Dec 2014	Materially non-compliant
	United States	Dec 2014	Largely compliant
	Hong Kong	Mar 2015	Compliant
	Mexico	Mar 2015	Compliant
	India	June 2015	Compliant
	South Africa	June 2015	Compliant
	Saudi Arabia	Sept 2015	Compliant
	Russia	Mar 2016	Compliant
	Turkey	Mar 2016	Compliant
Argentina	Sep 2016	Compliant	
Korea	Sep 2016	Largely compliant	
Indonesia	Dec 2016	Largely compliant	
Liquidity (LCR)	Hong Kong	Mar 2015	Compliant
	Mexico	Mar 2015	Compliant
	India	June 2015	Largely compliant
	South Africa	June 2015	Compliant
	Saudi Arabia	Sept 2015	Largely compliant
	Russia	Mar 2016	Compliant
	Turkey	Mar 2016	Compliant
	Argentina	Sep 2016	Compliant
	Korea	Sep 2016	Compliant
	Indonesia	Dec 2016	Compliant
	Japan	Dec 2016	Compliant
	Singapore	Dec 2016	Compliant

Questions for discussion

- Are global standards necessary?
- Should local “specificities” be taken into account?
- Which banks should be subject to the rules?
- What are implications of agreeing to, adopting the standards?
- What are implications for *not* agreeing or adopting?