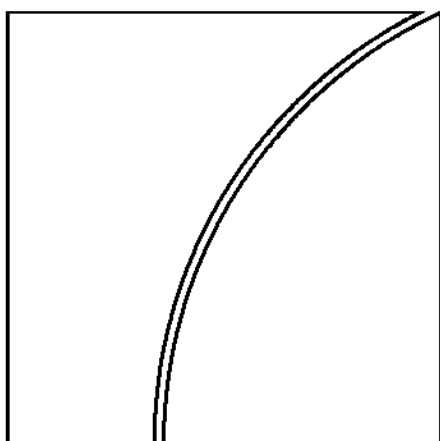


# Basel Committee on Banking Supervision



## Progress report on Basel III implementation

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# Progress report on Basel III implementation

## Introduction

At its September 2011 meeting, the Basel Committee agreed to commence a process to review members' implementation of Basel III. Full, timely and consistent implementation of Basel III will be fundamental to raising the resilience of the global banking system, in maintaining market confidence in regulatory ratios, and in providing a level playing field. The review process is intended to provide additional incentives for member jurisdictions to fully implement the standards within the agreed timelines.

This report, as part of the process, provides an update on the regulatory adoption of Basel III by each Committee member. In addition, the Committee plans to review the consistency of members' regulations with the internationally agreed standards. It also will review the consistency of the measurement of risk-weighted assets across banks and jurisdictions, covering both the banking book and the trading book. The outcome of these reviews will also be included in the updated version of this progress report when they become available.

## Scope

This report focuses on the domestic rule-making processes to ensure that Basel III is transformed into law or regulation according to the agreed international timelines. At this stage, it does not include the review of the content of the domestic rules.

Basel III builds upon and enhances the regulatory framework adopted by Basel II and Basel 2.5, which now form integral parts of the Basel III framework. This report 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.<sup>1</sup> The implementation of Basel II was re-affirmed by the G20 Leaders, who committed to complete, where necessary, the adoption of Basel II by 2011.<sup>2</sup>

Basel 2.5, agreed in July 2009, enhanced the measurements of risks related to securitisation and trading book exposures.<sup>3</sup> Basel 2.5 is to be implemented no later than 31 December 2011.<sup>4</sup>

In December 2010, the Committee released Basel III, which has set higher levels of capital requirements and introduced a new global liquidity framework.<sup>5</sup> The members agreed to

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<sup>1</sup> *International Convergence of Capital Measurement and Capital Standards – a revised framework*, June 2006.

<sup>2</sup> "All major G20 financial centers commit to have adopted the Basel II Capital Framework by 2011", The G20 Pittsburgh summit, Leaders' statement, 24-25 September 2009.

<sup>3</sup> *Enhancements to the Basel II framework, Revisions to the Basel II market risk framework and Guidelines for computing capital for incremental risk in the trading book*, July 2009.

<sup>4</sup> "The Committee's package of reforms (...) reinforces (...) the higher capital requirements for trading, derivative and securitisation activities to be introduced at the end of 2011", press release by the Governors and Heads of Supervision, 12 September 2010.

<sup>5</sup> *Basel III: A global regulatory framework for more resilient banks and banking systems*, December 2010.

implement Basel III from 1 January 2013, according to the transitional and phase-in arrangements. The importance of full and timely implementation of Basel III has also been underscored by the G20 Leaders.<sup>6</sup>

At this stage, this progress report focuses on the adoption of the capital requirements measured against risk-weighted assets. The liquidity ratios and the leverage ratio, which have been introduced by Basel III, will be included in the review after the Committee concludes its study on any revisions or final adjustments.

## Methodology

In this report, the following classification is used to classify the status of adoption of regulatory rules:

1. **Draft regulation not published:** this status corresponds to cases where no draft law, regulation, or other official document has been made public to detail the planned content of the domestic regulatory rules. This status includes cases where a jurisdiction has communicated high-level information about its implementation plans but not detailed rules.
2. **Draft regulation published:** this status corresponds to cases where a draft law, regulation or other official document is already publicly available, for example for public consultation or legislative deliberations. The content of the document has to be specific enough to be implemented when adopted.
3. **Final rule published:** this status corresponds to cases where the domestic legal or regulatory framework has been finalised and approved but is still not applicable to banks.
4. **Final rule in force:** This status corresponds to cases where the domestic legal and regulatory framework is already applied to banks.

In order to support and supplement the status reported, summary information about the next steps and the implementation plans being considered by members are also provided for each jurisdiction.<sup>7</sup>

For Basel II, a special colour code has been used in addition to the status above, to identify the jurisdictions which, independent of the adoption status reported, have in practice not effectively completed the implementation of the rules. The use of such a colour code will be expanded to Basel 2.5 in 2012 and to Basel III in 2013.

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<sup>6</sup> "We endorsed the landmark agreement reached by the BCBS on the new bank capital and liquidity framework (...) We are committed to adopt and implement fully these standards within the agreed timeframe that is consistent with economic recovery and financial stability. The new framework will be translated into our national laws and regulations, and will be implemented starting on January 1, 2013 and fully phased in by January 1, 2019." The G20 Seoul Summit, Leaders' Declaration, 11-12 November 2010.

<sup>7</sup> The attached tables are also available on the BCBS website. The web version of the tables also includes links to relevant domestic regulations.



The attached tables, based on reports made by members, indicate the adoption status of Basel II, Basel 2.5 and Basel III for each Committee member jurisdiction as of end September 2011. The Committee will update it on a regular basis.

### Status of Basel II adoption (as of end September 2011)

Country	Basel II	Next steps – Implementation plans
Argentina	1	On-going work to draft preliminary documents.
Australia	4	
Belgium	4	
Brazil	4	
Canada	4	
China	4	Parallel run on-going for large banks. Application of new market risk and operational risk rules to other banks by the end of 2011.
France	4	
Germany	4	
Hong Kong	4	
India	4	
Indonesia	3	Application of the Basel II rules in January 2012.
Italy	4	
Japan	4	
Korea	4	
Luxembourg	4	
Mexico	4	
The Netherlands	4	
Russia	1, 4	(1) Pillar 2 expected to be implemented not earlier than in 2014. (4) Simplified standardised approach for credit risk, simplified approach for market risk and the Basic Indicator Approach for operational risk implemented.
Saudi Arabia	4	
Singapore	4	
South Africa	4	
Spain	4	
Sweden	4	
Switzerland	4	
Turkey	4	Parallel run on-going. Final application from July 2012.
United Kingdom	4	
United States	4	Parallel run on-going – All Basel II mandatory institutions remain in parallel run: formal regulatory ratios are reported under Basel I and institutions are continuing to work towards implementing the Basel II advanced approaches.
European Union	4	

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

### Status of Basel 2.5 adoption (as of end September 2011)

Country	Basel 2.5	Next steps – Implementation plans
Argentina	1	On-going work to draft preliminary documents.
Australia	3	Application on 1 January 2012
Belgium	1, 4	(1) Application of market risk enhancements planned from 31 December 2011. (4) Other Basel II enhancements already implemented.
Brazil	3	Application on 1 January 2012.
Canada	2	Application planned on 1 January 2012 (draft guidance to be finalised in 2011).
China	4	
France	2	Final regulation ready – to be published after formal endorsement by competent authorities.
Germany	2, 4	(2) Final regulation to be published in Autumn 2011. (4) Supplemental Pillar 2 guidance already applied.
Hong Kong	2	Consultation completed – regulation to be finalised in Q4 2011 – application planned from 1 January 2012.
India	4	
Indonesia	1	Basel 2.5 considered as not relevant to be implemented in the Indonesian context as securitisation exposures are very small and more on traditional forms (only one bank has completed the securitisation transactions as the originator). Moreover, no banks in Indonesia have adopted the internal model for market risk capital charge calculation.
Italy	2, 4	(2) Final regulation expected by year end (consultation until October 2011) for Pillar 1 and Pillar 3 requirements. (4) Pillar 2 supplemental guidance already applied.
Japan	3	Application from 31 December 2011.
Korea	2	Final regulation to be published by 2011.
Luxembourg	4	
Mexico	1	Securitisation and resecuritisation requirements to be implemented within the Basel III framework that will be early implemented in 2012. On-going work to incorporate the enhancements to Pillar 2 and Pillar 3 and the revisions to the Basel II market risk framework.
The Netherlands	3, 4	(3) Application of IRC requirements by 31 December 2011. (4) Other components of Basel 2.5 already applied.
Russia	1, 2	(1) Pillar 2 expected to be implemented not earlier than in 2014. (2) Final regulation (revision to the simplified approach for market risk) expected shortly - regulation expected to come into force from 1 January 2012.
Saudi Arabia	3	
Singapore	3, 4	(3) Application from 31 December 2011.

		(4) Pillar 2 supplemental guidance already applied.
South Africa	2	Final regulation ready – to be published after formal endorsement by competent authorities – application planned on 1 January 2012
Spain	2	Draft regulation published - Application planned from 1 January 2012.
Sweden	1, 2, 4	(1,4) Parts of the Supplemental Pillar 2 guidance already applied but no regulation issued. Regulation regarding remuneration and liquidity management are in force.  (2) Final rules for all the other components of Basel 2.5 to be published in October 2011.
Switzerland	4	
Turkey	1, 4	(1) On-going work to harmonise current regulation with Basel 2.5 rules - draft regulation expected to be published in December 2011 and final regulation expected to be published in early 2012.  (4) Changes related to securitisation/resecuritisation positions taken into account in the BasellIII context.
United Kingdom	2	Consultation completed and final rules to be published shortly – application planned by 31 December 2011.
United States	1, 2	(2) Market risk capital requirements have been proposed and remain to be finalised.  (1) Other Basel 2.5 revisions are under development as part of the proposed Basel III rule currently expected to be issued for comment during 2011. As of this date, the United States has not published a proposed regulation to implement the trading book securitisation requirements or the requirements for banking book resecuritisations.  Basel 2.5 and Basel III rulemakings in the United States must be coordinated with applicable work on implementation of the Dodd-Frank regulatory reform legislation, in particular with regard to the use of credit ratings.
European Union	4	Final date for full transposition by member states of the European directive implementing Basel 2.5: 31 December 2011.

Number code: 1 = draft regulation not published; 2 = draft regulation published; 3 = final rule published; 4 = final rule in force.

### Status of Basel III adoption (as of end September 2011)

Country	Basel III	Next steps – Implementation plans
Argentina	1	On-going work to draft preliminary documents.
Australia	1	Discussion paper (not draft regulation) issued which describes the key policy elements that will be included in the draft Prudential Standards - Consultation until 02/12/2011 - Draft Prudential Standards to be issued 02/2012.
Belgium	2	(Follow EU process - EU proposal published on 20 July 2011)
Brazil	1	Draft regulation expected in Q4 2011 - Road map for Basel III implementation published in February 2011.
Canada	1	Draft regulation expected in May 2012 and final guidance before the end of 2012 for implementation in Q1 2013. OSFI has issued a number of public communications concerning the implementation of Basel III.
China	2	Regulation expected in November 2011 – Application expected at the start of 2012.
France	(2)	(Follow EU process - EU proposal published on 20 July 2011)
Germany	(2)	(Follow EU process - EU proposal published on 20 July 2011)
Hong Kong	1	Formal consultation on a draft Banking (Amendment) Bill planned in Q4 2011 (legislative process). In parallel, industry consultation planned in Q4 2011 on HKMA policy proposals on implementation of the various requirements under Basel III.
India	1	Draft regulation to be released for consultation within next few months.
Indonesia	1	Draft regulation to be released for consultation with industry in Q1 2012.
Italy	(2)	(Follow EU process - EU proposal published on 20 July 2011)
Japan	1	Public consultation planned in early 2012 - Publication of final rules text by the end of March 2012 - Implementation of final rules (end of March 2013 - In Japan, the fiscal year for banks starts in April and ends in March).
Korea	1	Draft regulation to be published in the first half of 2012.
Luxembourg	(2)	(Follow EU process - EU proposal published on 20 July 2011)
Mexico	1	Consultation to end in the fourth quarter this year. Final rule expected at the end of 2011 for an application during 2012.
The Netherlands	(2)	(Follow EU process - EU proposal published on 20 July 2011)
Russia	1	Draft regulations under development.
Saudi Arabia	3	Final regulation issued to banks.
Singapore	1	Announcement made on 28 June 2011 on Basel III minimum capital requirements, capital conservation buffer and transition arrangements - Draft rules to be published for consultation in Q4 2011.
South Africa	1	Draft amendments to legislation expected at the end of Q1 2012 for consultation.
Spain	(2)	(Follow EU process - EU proposal published on 20 July 2011)

Sweden	(2)	(Follow EU process - EU proposal published on 20 July 2011)
Switzerland	1	Draft regulation on Basel III to be published for public consultation on 17 October 2011 – Final SIFI regulation (level: Banking Act) adopted by parliament on 30 September 2011 – Draft SIFI regulation (level: accompanying ordinances) to be published in Q4 2011.
Turkey	1	Draft regulation expected to be published in mid-2012.
United Kingdom	(2)	(Follow EU process - EU proposal published on 20 July 2011)
United States	1	Draft regulation for consultation planned during 2011. Basel 2.5 and Basel III rulemakings in the United States must be coordinated with applicable work on implementation of the Dodd-Frank regulatory reform legislation.
European Union	2	Proposal (directive and regulation) published by the European Commission on 20 July 2011.

Number code: 1 = draft regulation not published; 2 = draft regulation published; 3 = final rule published; 4 = final rule in force.