

Basel Committee
on Banking Supervision



Next steps for the Basel Committee

PIIE Financial Statements

25 January 2024

The views expressed are those of the speaker and not necessarily those of the Basel Committee or Bank for International Settlements

Outline

- Basel III implementation
- Response to the March 2023 banking turmoil
- Broad areas of ongoing work
 - Digitalisation of finance
 - Climate-related financial risks
 - Basel Core Principles
 - Operational resilience
 - Assessment of risks and vulnerabilities

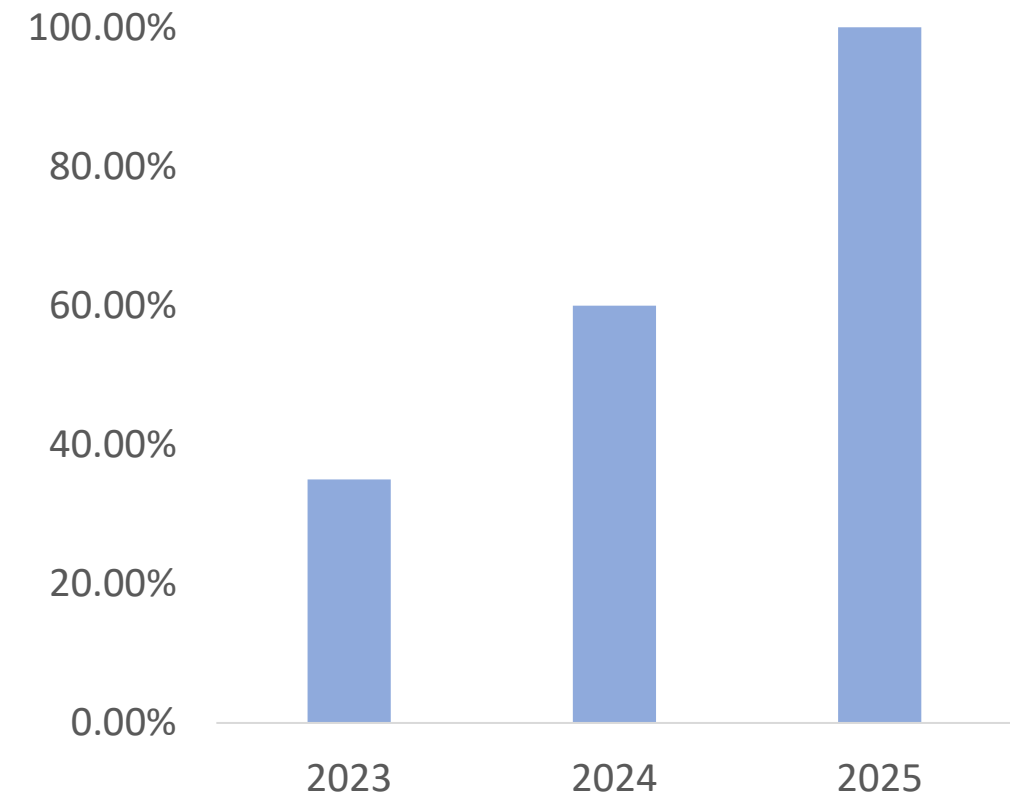
Recap: Basel III reforms

- Basel III comprises two main planks of reforms
- “Initial” standards (2010-2014)
 - Focused on level and quality of capital; capital buffers; GSIB framework; liquidity risk; leverage ratio; large exposures
 - Implemented by all member jurisdictions
- “Final” standards (2017-19)
 - Focused on restoring credibility of the risk-weighted capital framework
 - Implementation underway (started 1 January 2023).

Implementation of Basel III

- All BCBS member jurisdictions on track to implement outstanding Basel III standards by 2025.
 - Some of the more complex elements of the framework on a slightly longer timeframe.
- Continuation of Regulatory Consistency Assessment Programme (RCAP)

Share of BCBS member jurisdictions implementing outstanding Basel III standards



Transition to Basel III: 2011-2023

CET1: Initial Basel III (balanced data set over time)			
	Europe	Americas	MAAP
June 2011	6.3	5.7	9.0
Dec 2017	13.6	12.1	12.1
Dec 2022	14.5	12.3	12.8
Number of banks	28	14	35

CET1: Initial and Final Basel III (at end December 2022)			
	Europe	Americas	MAAP
Initial Basel III	14.7	12.1	12.8
Final Basel III	12.4	12.2	13.3
	41	23	47
Number of banks	39	20	37

Source: Basel III Monitoring, public dashboards, all ratios in per cent

Initial Basel III shows the actual current capital requirements that also reflect specifics of national implementation in both capital and RWA figures.

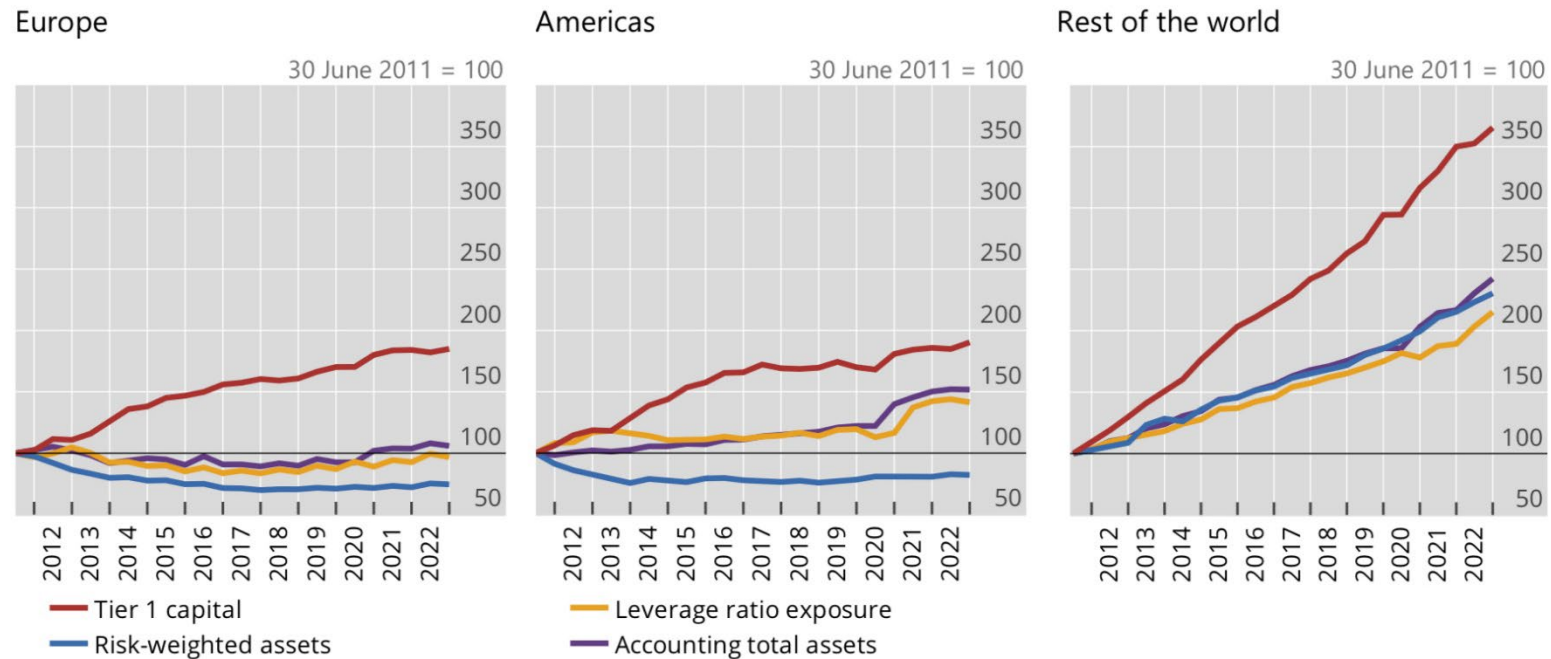
Final Basel III ("fully phased-in final in dashboard") assumes full implementation of the final Basel III framework where no transitional agreements are considered.

Tier 1 capital, RWA, leverage ratio exposure and total assets

Tier 1 capital, RWA, Basel III leverage ratio exposure and accounting total assets,¹
by region

Group 1 banks, balanced data set, exchange rates as of the current reporting date

Graph 28



¹ See footnote 1 to Graph 27.

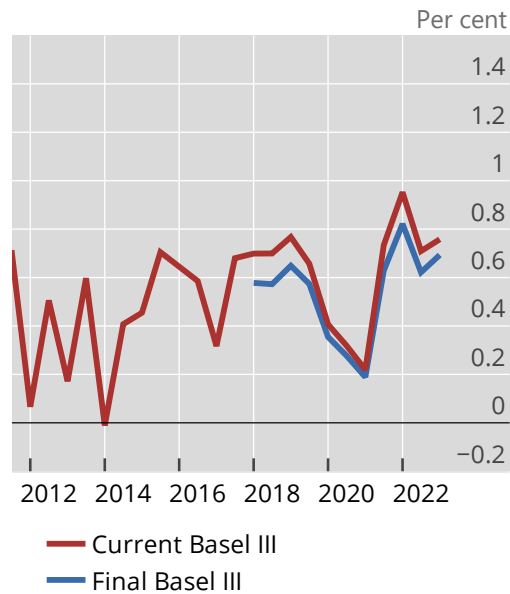
Source: Basel Committee on Banking Supervision. See the Excel data file for underlying data and sample size.

Profits to risk-weighted assets (half-yearly after tax profits)

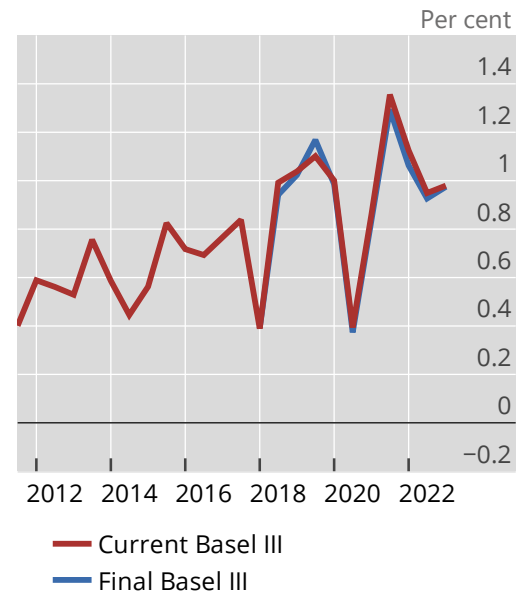
Profit after tax as a percentage of RWA

Group 1 banks, balanced data set

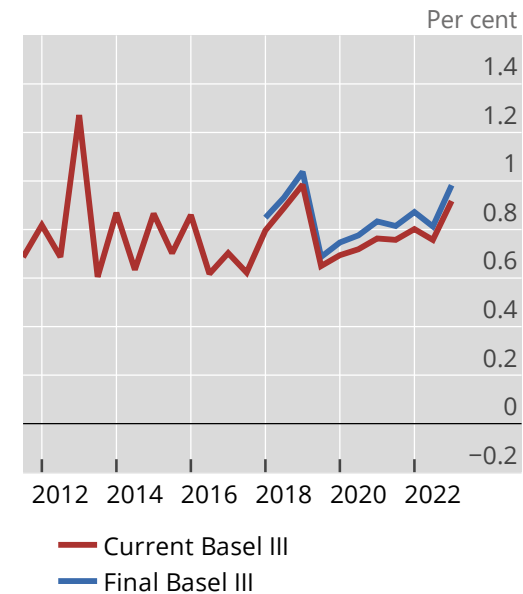
Europe



Americas



Rest of the world

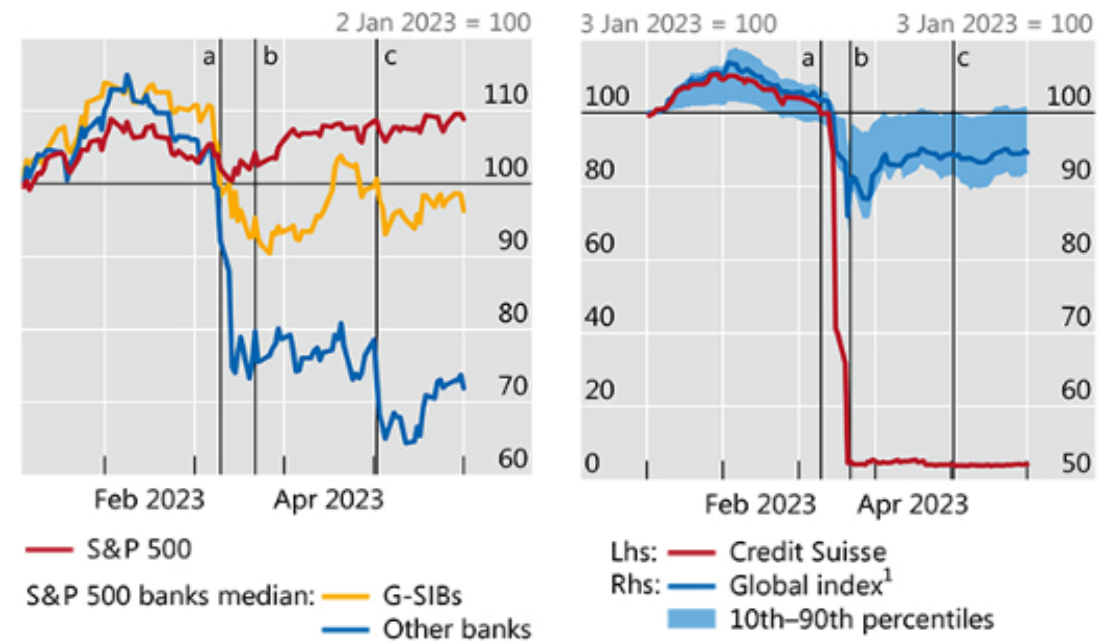


Source: Basel Committee on Banking Supervision

2023 banking turmoil

- Most significant system-wide banking stress since Great Financial Crisis
- Five banks with total assets of \$1.1 trillion failed
- Broader crisis of confidence
- Wide-scale public support measures

Equity and Additional Tier 1 (AT1) prices



Source: BIS (2023). (a) Silicon Valley Bank failure. (b) Credit Suisse failure. (c) First Republic failure

Follow-up work to 2023 banking turmoil

- Prioritise work to strengthen supervisory effectiveness
 - Identify issues that would merit additional guidance at global level
- Additional analytical work
 - Drawing on wide range of empirical evidence
 - Assess whether specific features of Basel Framework performed as intended (eg liquidity risk and IRRBB)
 - Assess need to explore policy options over the medium term
- Priority in near term is implementation of outstanding Basel III standards

Broad areas of ongoing work

- Digitalisation of finance
- Climate-related financial risks
- Basel Core Principles
- Operational resilience
- Assessment of risks and vulnerabilities