



## Basel III Requirements

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According to a report by the Basel Committee on Bank Supervision (BCBS), **the Reserve Bank of India has fallen short** of meeting tougher **requirements set by the Basel III norms**.

- The report looked at adoption status of Basel III standards by 30 global systemically important banks (G-Sibs) as of end-May 2019.
- The RBI is **yet to publish the securitisation framework and rules on Total Loss-Absorbing Capacity (TLAC)** requirements.
  - Securitisation framework includes credit enhancement facility, liquidity facility, underwriting facility, interest rate or currency swaps and cash collateral accounts.
  - TLAC requirements ensures that G-Sibs have adequate loss absorbing and recapitalisation capacity so that critical functions can be continued without taxpayers' funds or financial stability being put at risk.
- The RBI is also yet to come out with draft regulations on **revised Pillar 3 disclosure requirements**, which took effect from end-2016.
- Indian banks are in the process of implementing **rules on Interest Rate Risk in the Banking Book (IRRBB)**. The central bank is also yet to come out with final guidelines on the same. Globally the rules were effective from end-2018.

## Basel III Norms

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- Basel III is an **internationally agreed set of measures** developed by the BCBS in response to the financial crisis of 2007-09. The measures aim to strengthen the regulation, supervision and risk management of banks.
- BCBS members are committed to implementing and applying standards in their jurisdictions within the time frame established by the Committee.
- **Basel 3 measures are based on three pillars:**
  - **Pillar 1:** Improve the banking sector's ability to absorb ups and downs arising from financial and economic instability

- **Pillar 2:** Improve risk management ability and governance of banking sector
- **Pillar 3:** Strengthen banks' transparency and disclosures

## Basel Committee on Bank Supervision (BCBS)

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- It is a **committee under the Bank For International Settlements.**
  - Established in **1930, the BIS** is owned by 60 central banks, representing countries from around the world that together account for about 95% of world GDP.
  - Its head office is in **Basel, Switzerland.**
  - Its mission is to **serve central banks in their pursuit of monetary and financial stability**, to foster international cooperation in those areas and to act as a bank for central banks.
- It is the **primary global standard** setter for the prudential regulation of banks and provides a forum for regular cooperation on banking supervisory matters.
- The Committee identifies global systemically important banks (G-SIBs) using a methodology that includes both quantitative indicators and qualitative elements.
- **A global systemically important bank** is a bank whose systemic risk profile is deemed to be of such importance that the bank's failure would trigger a wider financial crisis and threaten the global economy.