

The
G20 Research Group
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presents the

2017 G20 Hamburg Summit Final Compliance Report

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“The University of Toronto ... produced a detailed analysis to the extent of which each G20 country has met its commitments since the last summit ... I think this is important; we come to these summits, we make these commitments, we say we are going to do these things and it is important that there is an organisation that checks up on who has done what.”

— *David Cameron, Prime Minister, United Kingdom, at the 2012 Los Cabos Summit*

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Contents

Preface.....	3
G20 Research Group Research Team	4
G20 Research Group Lead Analysts.....	4
G20 Research Group Analysts.....	4
CIIR G20 Research Team	5
CIIR Analysts.....	5
Introduction and Summary.....	6
Methodology and Scoring System	6
Commitment Breakdown.....	6
Selection of Commitments	7
Final Compliance Scores.....	7
Final Compliance by Member.....	7
Final Compliance by Commitment	7
Table 1: 2017 G20 Hamburg Summit Commitments Selected for Compliance Monitoring	8
Table 2: 2017 G20 Hamburg Summit Final Compliance Scores — All.....	10
Table 3: 2017 G20 Hamburg Summit Final Compliance Scores — G20 Research Group.....	11
Table 4: 2017 G20 Hamburg Summit Final Compliance Scores — CIIR.....	12
Table 5: 2017 G20 Hamburg Summit Final Compliance by Member — All.....	13
Table 6: 2017 G20 Hamburg Summit Final Compliance by Member — G20 Research Group.....	14
Table 7: 2017 G20 Hamburg Summit Final Compliance by Member — CIIR.....	14
Table 8: 2017 G20 Hamburg Summit Final Compliance by Commitment — All.....	14
Table 9: 2017 G20 Hamburg Summit Final Compliance by Commitment — G20 Research Group.....	15
Table 10: 2017 G20 Hamburg Summit Final Compliance by Commitment — CIIR.....	15
Table 11: G20 Compliance by Member, 2008–2016.....	16
Conclusions.....	17
Future Research and Reports.....	17
Considerations and Limitations	17
Appendix: General Considerations	18
PART ONE: G20 RESEARCH GROUP ASSESSMENTS	19
1. Climate Change: Energy and Energy Efficiency.....	19
2. Corruption: Resilience.....	72
3. Digitalization: Digital Economy	144
4. Gender: Access to Labour Markets	221
5. Health: Health System Strengthening.....	275
6. Macroeconomics: Inclusive Business Ecosystems	363
7. Migration	411
8. Sustainable Development Goals: Alignment.....	493
9. Tax: Fair and Modern System.....	589
10. Trade: Trade and Investment Frameworks	627
PART TWO: CIIR ASSESSMENTS	697
11. International Taxation: Base Erosion and Profit Shifting.....	697
12. Financial Regulation: Basel III.....	730
13. Development: Digital and Financial Literacy.....	750
14. Climate Change: Climate Resilience.....	775
15. Environment: Waste Reduction	801
16. Food and Agriculture: Information and Communications Technologies	823
17. Energy: Sustainable Energy.....	849

12. Financial Regulation: Basel III

“We will work to finalise the Basel III framework without further significantly increasing overall capital requirements across the banking sector, while promoting a level playing field.”

G20 Leaders’ Declaration: Shaping an Interconnected World

Assessment

	No Compliance	Partial Compliance	Full Compliance
Argentina			+1
Australia			+1
Brazil			+1
Canada			+1
China			+1
France			+1
Germany			+1
India			+1
Indonesia			+1
Italy			+1
Japan			+1
Korea			+1
Mexico			+1
Russia			+1
Saudi Arabia			+1
South Africa			+1
Turkey			+1
United Kingdom			+1
United States			+1
European Union			+1
Average		+1.00	

Background

In 2008, at the Washington Summit, the G20 initiated a comprehensive program of regulatory reforms to address the fault lines that caused the largest financial crisis since the Great Depression.⁵³⁹⁸ Since that time, G20 members have made substantial progress in developing and implementing reforms aimed at improving the functioning of the global financial system.

A significant set of these reforms is associated with the Basel III framework. Basel III is a comprehensive set of reform measures, developed by the Basel Committee on Banking Supervision (BCBS) of the Bank for International Settlements (BIS), to strengthen the regulation, supervision and risk management of the banking sector. The Basel III framework on bank capital and liquidity standards is a continuation of Basel I and Basel II initiatives launched by the Basel Committee on Banking Supervision (BCBS). The BCBS proposed the Basel III framework as a response to the 2008 financial crisis, which exposed weaknesses in the capitalization structure of several globally significant banks, particularly in the United States and Europe. The Basel III framework aims to strengthen

⁵³⁹⁸ Implementation and Effects of the G20 Financial Regulatory Reforms. 31 August 2016, Financial Stability Board. Access Date: 30 March 2018. <http://www.fsb.org/wp-content/uploads/Report-on-implementation-and-effects-of-reforms.pdf>

global capital and liquidity regulation in order to adopt prudent practices in capital markets and foster a resilient international financial system.⁵³⁹⁹ The official Basel III framework was put forth by the BCBS to the international community on 26 July 2010.⁵⁴⁰⁰ The Seoul Summit Document of 2010 outlined the leaders' commitment to translate the framework into national laws and regulations to be "implemented starting on January 1, 2013, and fully phased in by January 1, 2019."⁵⁴⁰¹ The commitment on implementing Basel III framework was then reiterated at each G20 summit.

Commitment Features

Basel III measures aim to improve the banking sector's ability to absorb shocks arising from financial and economic stress; improve risk management and governance; and strengthen banks' transparency and disclosures.⁵⁴⁰² Particular requirements under the Basel III framework are presented in the BIS overview table. They include: requirements to the quality and level of capital; risk coverage requirements; introduction of liquidity coverage ratio and net stable funding ratio, as well as some additional requirements for systemically important financial institutions.⁵⁴⁰³ The Basel Committee has also agreed on the timelines for the Basel III framework implementation.⁵⁴⁰⁴

To fully comply with this commitment, G20 members are required to make progress in implementing reforms in line with the Basel III framework requirements, and at the same time avoid significant increases of overall capital requirements across the banking sector.

Commitment on Basel III is a pledge, which the G20 leaders make every summit since the very first leaders' meetings. The deadline for the implementation is 2019. G20 research team tracks the progress made by G20 members every year. Actions taken before the compliance period (in this case 9 July 2017) are taken into account to present a more fair picture and show the progress members make each year. If a G20 member implemented the Basel III package before Hamburg summit and is found compliant with the requirements, it receives a score of +1 even if no actions were registered during the compliance period.

Scoring Guidelines

-1	Member does not take actions aimed at the timely, full and consistent implementation of the agreed financial sector reform agenda in line with the Basel III framework
0	Member takes actions aimed at the timely, full and consistent implementation of the agreed financial sector reform agenda in line with the Basel III framework, but at the same time significantly increases overall capital requirements across the banking sector
+1	Member takes actions aimed at the timely, full and consistent implementation of the agreed financial sector reform agenda in line with the Basel III framework without significantly increasing overall capital requirements across the banking sector

⁵³⁹⁹ Strengthening the resilience of the banking sector, Basel Committee on Banking Supervision (Basel) December 2009. Access Date: 30 March 2018. <http://www.bis.org/publ/bcbs164.htm>

⁵⁴⁰⁰ The Group of Governors and Heads of Supervision reach broad agreement on Basel Committee capital and liquidity reform package, Basel Committee on Banking Supervision (Basel) 27 July 2010. Access Date: 30 March 2018. <http://www.bis.org/press/p100726.htm>

⁵⁴⁰¹ The Seoul Summit Document. Access Date: 30 march 2018. <http://www.ranepa.ru/images/media/g20/2010%20Korea/g20seoul-doc.pdf>

⁵⁴⁰² Basel III: international regulatory framework for banks, Bank for International Settlements. Access Date: 30 march 2018. <http://www.bis.org/bcbs/basel3.htm>

⁵⁴⁰³ Basel Committee on Banking Supervision reforms - Basel III, Bank for International Settlements. Access Date: 30 march 2018. <http://www.bis.org/bcbs/basel3/b3summarytable.pdf>

⁵⁴⁰⁴ Basel III phase-in arrangements, Bank for International Settlements. Access Date: 30 march 2018. http://www.bis.org/bcbs/basel3/basel3_phase_in_arrangements.pdf

Argentina: +1

Argentina has fully complied with the commitment on Basel III implementation.

In December 2017, Argentina published revised draft regulation on countercyclical buffer, liquidity, remuneration and leverage ratio.⁵⁴⁰⁵

Argentina has taken actions aimed at the timely, full and consistent implementation of the agreed financial sector reform agenda in line with the Basel III framework without significantly increasing overall capital requirements across the banking sector.

Thus, Argentina receives a score of +1.

Analyst: Elizaveta Safonkina

Australia: +1

Australia has fully complied with the commitment on Basel III implementation.

On 28 September 2012, APRA said to monitor and assess a range of core indicators to support judgements on the level of the buffer, in addition to other data, information and market intelligence. The core indicators were being published by APRA on an annual basis.⁵⁴⁰⁶

On 23 December 2013, Australia released an information paper in which Australian Prudential Regulation Authority (APRA) claimed the policy measures for global systemically important banks (G-SIBs) aimed to address the moral hazard that arose from the perception that certain firms were too big or too interconnected to fail. The measures included a requirement that banks identified as G-SIBs had a greater capacity to absorb losses through higher capital requirements. APRA had determined four banks to be domestic systemically important banks (D-SIBs) in Australia and aimed to provide more intense supervision.⁵⁴⁰⁷

On 8 May 2015, APRA provided the results of the assessments of Australian banks according to the Basel Committee's assessment methodology for G-SIBs. No Australian bank was on the list of G-SIBs, although the four Australian D-SIBs fell under public G-SIB disclosures framework.⁵⁴⁰⁸

On 17 October 2016, APTA proposed to implement a cross-industry framework for margining and risk mitigation for non-centrally cleared derivatives and worked out a final rule. Margin requirements for non-centrally cleared derivatives have two main benefits: reduction of systematic risk and promotion of central clearing. Margin requirements also have broader macroprudential benefits, by

⁵⁴⁰⁵ Thirteenth progress report on adoption of the Basel regulatory framework. Access Date: 18 December 2017. <https://www.bis.org/bcbs/publ/d418.pdf>.

⁵⁴⁰⁶ The countercycle capital buffer in Australia, Australian Prudential Regulation Authority 17 December 2015. Access Date: 14 December 2017. http://www.apra.gov.au/adi/Documents/151217-CCyB-Information-Paper_FINAL.pdf

⁵⁴⁰⁷ Domestic systemically important banks in Australia, Australian Prudential Regulation Authority 23 December 2013. Access Date: 14 December 2017. <http://www.apra.gov.au/adi/Publications/Documents/Information-Paper-Domestic-systemically-important-banks-in-Australia-December-2013.pdf>

⁵⁴⁰⁸ Basel III disclosure requirements: leverage ratio; liquidity coverage ratio; the identification of potential global systemically important banks; and other minor amendments 4 May 2015. Access Date: 14 December 2017. <http://www.apra.gov.au/adi/Documents/150507-Disclosure-Response-to-Submissions-paper.pdf>

reducing the financial system's vulnerability to potentially procyclicality and limiting the build-up of uncollateralised exposures within the financial system.⁵⁴⁰⁹

On 10 November 2016, The Australian Prudential Regulation Authority released the final revised Prudential Standard APS 120 Securitisation (APS 120) which is accompanied by the Response to Submissions Paper Revisions to the prudential framework for securitisation November 2016. APRA also released a draft revised Prudential Practice Guide APG 120 Securitisation.⁵⁴¹⁰

On 20 December 2016, APRA released final revised prudential standard on liquidity for the Net Stable Funding Ratio, which sought to promote more stable funding of banks' balance sheets by establishing a minimum stable funding requirement based on the liquidity characteristics of an authorized deposit-taking institution's assets and off-balance sheet activities over a one-year time horizon, and by aiming to ensure that long-term assets were financed with at least a minimum amount of stable funding.⁵⁴¹¹

Australia has taken actions aimed at the timely, full and consistent implementation of the agreed financial sector reform agenda in line with the Basel III framework without significantly increasing overall capital requirements across the banking sector.

Thus Australia receives a score of +1.

Analyst: Arkadiy Khudyakov

Brazil: +1

Brazil has fully complied with the commitment on Basel III implementation.

On 31 July 2017, the liquidity coverage ratio regulations in Brazil were assessed as compliant with the Basel standards. This is the highest possible grade. In Brazil, the ratio was implemented via two regulations on minimum requirements and disclosure, issued in February and March 2015. Both regulations have been in force since October 2015 and apply to the largest banks, those with assets of more than BRL100 billion. These banks comprise around 75 per cent of the Brazilian banking system.⁵⁴¹²

In September 2017, public consultation on margin requirements for non-centrally cleared derivative ended. The implementation date will be established after analysis of the results of the public consultation.⁵⁴¹³

In September 2017, Brazil published the final rules on capital requirements for central counterparties, which will enter into force in January 2018.⁵⁴¹⁴

⁵⁴⁰⁹ Margining and risk mitigation for non-centrally cleared derivatives, Australian Prudential Regulation Authority 17 October 2016. Access Date: 18 December 2017. <http://www.apra.gov.au/CrossIndustry/Documents/161017-Response-to-Submissions.pdf>

⁵⁴¹⁰ APRA releases final revised standard on securitisation, Australian Prudential Regulation Authority 10 November 2016. Access Date: 18 December 2017. http://www.apra.gov.au/MediaReleases/Pages/16_43.aspx

⁵⁴¹¹ APRA releases final revised prudential standard on liquidity for the Net Stable Funding Ratio, Australian Prudential Regulation Authority 20 December 2016. Access Date: 14 December 2017. <https://www.apra.gov.au/media-centre/media-releases/apra-releases-final-revised-prudential-standard-liquidity-net-stable>

⁵⁴¹² Assessment of Basel III LCR regulations — Brazil, BIS, October 2017, Access Date 26 December 2017. <https://www.bis.org/bcbs/publ/d420.pdf>

⁵⁴¹³ Thirteenth progress report on adoption of the Basel regulatory framework, BIS, November 2017, Access Date: 26 December 2017. <https://www.bis.org/bcbs/publ/d418.pdf>

In September 2017, Brazil published the final rule on securitization framework which will enter into force in January 2018.⁵⁴¹⁵

Brazil has taken actions aimed at the timely, full and consistent implementation of the agreed financial sector reform agenda in line with the Basel III framework without significantly increasing overall capital requirements across the banking sector.

Thus, Brazil has received a score of +1.

Analyst: Dmitry Logvinenko

Canada: +1

Canada has fully complied with the commitment on Basel III implementation.

In December 2012, Office of the Superintendent of Financial Institutions (OSFI) issued a revised Capital Adequacy Requirements Guideline to incorporate Basel III reforms. Under the guideline, OSFI already expects banks to meet target capital levels that equal or exceed the 2019 Basel III minimum capital requirements.⁵⁴¹⁶

On 1 January 2016, regulation entered into force that require six banks in Canada to hold an additional one per cent of capital, and are subject to more intense supervision and enhanced disclosure requirements. This is a result of OSFI naming those six largest banks in Canada as domestic systemically important banks (D-SIBs).⁵⁴¹⁷

Overall, as of 30 June 2017, the liquidity coverage ratio regulations in Canada are assessed by Bank for International Settlements as compliant with the Basel standards. This is the highest possible grade. All four components, the definition of high-quality liquid assets (HQLA), liquidity outflows, liquidity inflows and disclosure requirements, are also assessed as compliant.⁵⁴¹⁸

On 30 June 2017, OSFI incorporated the Basel definition of Level 1 HQLA into its Liquidity Adequacy Requirements Guideline. The accompanying OSFI Notes state that “Securities issued under the National Housing Act Mortgage Backed Securities (NHA MBS) program may be included as Level 1 assets.” The aim of the NHA MBS program is to support the provision of mortgage loans at reasonable rates of interest and a more efficient secondary mortgage market. The parameters are established in law in the National Housing Act and administered by the Canada Mortgage and Housing Corporation.⁵⁴¹⁹

⁵⁴¹⁴ Thirteenth progress report on adoption of the Basel regulatory framework, BIS, November 2017, Access Date: 26 December 2017. <https://www.bis.org/bcbs/publ/d418.pdf>

⁵⁴¹⁵ Thirteenth progress report on adoption of the Basel regulatory framework, BIS, November 2017, Access Date: 26 December 2017. <https://www.bis.org/bcbs/publ/d418.pdf>

⁵⁴¹⁶ Global Banking Regulations and Banks in Canada, Canadian Bankers Association October 2016. Access Date: 4 December 2017. https://www.cba.ca/Assets/CBA/Files/Article%20Category/PDF/bkg_glb_reg_en.pdf

⁵⁴¹⁷ Global Banking Regulations and Banks in Canada, Canadian Bankers Association October 2016. Access Date: 4 December 2017. https://www.cba.ca/Assets/CBA/Files/Article%20Category/PDF/bkg_glb_reg_en.pdf

⁵⁴¹⁸ Assessment of Basel III LCR regulations — Canada, Bank for International Settlements October 2017. Access Date: 4 December 2017. <https://www.bis.org/bcbs/publ/d421.pdf>

⁵⁴¹⁹ Assessment of Basel III LCR regulations — Canada, Bank for International Settlements October 2017. Access Date: 4 December 2017. <https://www.bis.org/bcbs/publ/d421.pdf>

Canada has taken actions aimed at the timely, full and consistent implementation of the agreed financial sector reform agenda in line with the Basel III framework without significantly increasing overall capital requirements across the banking sector.

Thus, Canada has received a score of +1.

Analyst: Angelina Belichenko

China: +1

China has fully complied with the commitment on Basel III implementation.

On 11 July 2017, China's central bank resumed open market operations after a 12 trading-day suspension, in a move to supplement market liquidity. The People's Bank of China (PBOC) pumped CNY40 billion (USD5.9 billion) into the financial system through reverse repos, according to a PBOC statement.⁵⁴²⁰ The central bank had attributed the previous suspension to "relatively high" liquidity in the banking system before describing the liquidity as moderate on July 10.⁵⁴²¹

On 13 July 2017, China's central bank announced lending worth CNY360 billion yuan (USD53 billion) via the medium-term lending facility to keep liquidity stable. The facility was first introduced in 2014 to help commercial and policy banks maintain liquidity by allowing them to borrow from the central bank by using securities as collateral. The central bank suspended operations via reverse repos, after pumping CNY70 billion into the banking system through reverse repos the previous day.⁵⁴²²

On 6 December 2017, China's banking regulator announced new requirements for lenders to better guard the sector against liquidity risks. The China Banking Regulatory Commission introduced three new indicators into a draft revised rule on liquidity risk management.⁵⁴²³

China has taken actions aimed at the timely, full and consistent implementation of the agreed financial sector reform agenda in line with the Basel III framework without significantly increasing overall capital requirements across the banking sector.

Thus, China has received a score of +1.

Analyst: Anna Tsvetkova

France: +1

France has fully complied with the commitment on Basel III implementation.

On 20 February 2014, the president of France signed the Ordinance 2014-158 which implemented the "CRD IV package" generally aimed at meeting Basel III requirements in the European Union. It also introduced a new requirement with respect to the management of credit institutions. It was prohibited to combine the roles of chairman (of the board of directors or of the supervisory board) and chief executive, unless justified by the institution and authorized by the Prudential and

⁵⁴²⁰ China's central bank resumes reverse repos to support liquidity, Xinhua 11 July 2017.

http://english.gov.cn/state_council/ministries/2017/07/11/content_281475720890466.htm

⁵⁴²¹ China's central bank resumes reverse repos to support liquidity, Xinhua 11 July 2017.

http://english.gov.cn/state_council/ministries/2017/07/11/content_281475720890466.htm

⁵⁴²² China injects liquidity into market through MLF, Xinhua 13 July 2017.

http://english.gov.cn/state_council/ministries/2017/07/13/content_281475724516278.htm

⁵⁴²³ China drafts new requirements on banks to curb liquidity risks, Xinhua 6 December 2017.

http://english.gov.cn/state_council/ministries/2017/12/06/content_281475967212340.htm

Resolution Control Authority (Autorité de Contrôle Prudentiel et de Résolution). Buffer requirements were modified according to the EU legislation and global standards (Basel III) on bank capital. A capital conservation buffer to 2.5 per cent of a bank's total risk exposure was set.⁵⁴²⁴

On 3 November 2014, the French prime minister signed Decrees n°2014-1315 and n°2014-1316. Along with seven ministerial orders (JORF n°0256 dated 5 November 2014 (7-15)) they set forth various provisions relating to financing companies and modifying French legislation to comply with the European Union financial rules. It transposed the CRD IV package and adopted regulatory rules regarding financing companies.⁵⁴²⁵

On 7 December 2017, French central bank chief François Villeroy de Galhau accepted a deal to complete Basel III with 72.5 per cent risk-weighted assets to reach by 2027. France has been a key hold-out for completing the Basel III rules.⁵⁴²⁶

On 29 December 2017, the Haut Conseil de stabilité financière (High Council for Financial Stability), responsible for setting the counter-cyclical capital buffer rate at the national level each quarter, decided that the rate applicable in France is 0 per cent.⁵⁴²⁷ The countercyclical capital buffer aims to ensure that banking sector capital requirements take account of the macro-financial environment in which banks operate.⁵⁴²⁸

France has taken actions aimed at the timely, full and consistent implementation of the agreed financial sector reform agenda in line with the Basel III framework without significantly increasing overall capital requirements across the banking sector.

Thus, France has received a score of +1.

Analysts: Diana Kovrigina and Anastasiia Shkrebo

Germany: +1

Germany has fully complied with the commitment on Basel III implementation.

On 1 January 2014, the requirements on the capital conservation buffer and countercyclical capital buffer that had been transposed into national law entered into force and were phased in from 1 January 2016.⁵⁴²⁹

⁵⁴²⁴ Ordonnance n° 2014-158 du 20 février 2014 portant diverses dispositions d'adaptation de la législation au droit de l'Union européenne en matière financière, Legifrance (Paris) 21 February 2014. Access Date: 18 December 2017. <https://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT000028625279&categorieLien=id>

⁵⁴²⁵ Transposition en France du paquet CRD4 et de la directive Ficod, Agence France Trésor (Paris) 7 November 2014. Access Ddate: 18 December 2017. https://www.tresor.economie.gouv.fr/Ressources/10404_transposition-en-france-du-paquet-crd4-et-de-la-directive-ficod

⁵⁴²⁶ Finalisation des réformes « Bâle III », Banque de France 7 December 2017. Access Date: 24 December 2017. https://acpr.banque-france.fr/sites/default/files/medias/documents/communiqu_e_acpr-banquedefrance_baleiii_7.12.2017.pdf

⁵⁴²⁷ Le coussin de fonds propres contra-cyclique, Haut Conseil de stabilité financière 29 December 2017. Access Date: 9 January 2018. <https://www.economie.gouv.fr/hcsf/coussin-fonds-propres-contra-cyclique>

⁵⁴²⁸ Le coussin de fonds propres contra-cyclique, Haut Conseil de stabilité financière 29 December 2017. Access Date: 9 January 2018. <https://www.economie.gouv.fr/hcsf/coussin-fonds-propres-contra-cyclique>

⁵⁴²⁹ Le coussin de fonds propres contra-cyclique, Haut Conseil de stabilité financière 29 December 2017. Access Date: 9 January 2018. <https://www.economie.gouv.fr/hcsf/coussin-fonds-propres-contra-cyclique>

On 1 January 2016, regarding the national adoption status of global systemically important banks (G-SIBs), the rule as set out in Capital Requirements Directive (CRD) IV was transposed into national law and entered into force.⁵⁴³⁰

On 1 January 2016, the rule on domestic systemically important banks (D-SIBs) as set out in CRD IV was transposed into national law and entered into force. The institutions designated as D-SIBs must annually carry out linear increases of their capital buffers, from 1 January 2017 (one third of D-SIB capital buffer requirements) to 1 January 2019 (full D-SIB capital buffer requirements) (phase-in period).⁵⁴³¹

On 23 November 2016, the European Parliament adopted a resolution on the finalisation of Basel III, and stressed that upcoming changes should “not lead to an overall significant increase in the capital requirements for banks.”⁵⁴³²

On 23 November 2016, the Commission presented its review of prudential requirements in the CRD-V package. Its amendments contain three groups of provisions, covering capital and liquidity requirements (Capital Requirements Regulation) such as a binding 3 per cent leverage ratio, a binding net stable funding ratio and higher capital requirements for institutions that trade in securities and derivatives (market risk), following Basel work on the “fundamental review of the trading book.”⁵⁴³³

Germany has taken actions aimed at the timely, full and consistent implementation of the agreed financial sector reform agenda in line with the Basel III framework without significantly increasing overall capital requirements across the banking sector. Thus it receives a score of +1.

Analysts: Dariia Evreeva and Alyona Zhogol

India: +1

India has fully complied with the commitment on Basel III implementation.

On 3 November 2014, final rule on monitoring tools for intraday liquidity management came into force.⁵⁴³⁴

In January 2015, revised disclosure requirements on leverage ratio were issued. They came into force in June 2015.⁵⁴³⁵

On 5 February 2015, India’s regulations on countercyclical buffer entered into force.⁵⁴³⁶

⁵⁴³⁰ Thirteenth progress report on adoption of the Basel regulatory framework, Bank for International Settlements October 2017. Access Date: 20 December 2017. <https://www.bis.org/bcbs/publ/d418.pdf>

⁵⁴³¹ Le coussin de fonds propres contra-cyclique, Haut Conseil de stabilité financière 29 December 2017. Access Date: 9 January 2018. <https://www.economie.gouv.fr/hcsf/coussin-fonds-propres-contra-cyclique>

⁵⁴³² Amending capital requirements The ‘CRD-V package’, European Parliament 2017. Access Date: 20 December 2017. http://www.europarl.europa.eu/RegData/etudes/BRIE/2017/599385/EPRS_BRI%282017%29599385_EN.pdf

⁵⁴³³ Le coussin de fonds propres contra-cyclique, Haut Conseil de stabilité financière 29 December 2017. Access Date: 9 January 2018. <https://www.economie.gouv.fr/hcsf/coussin-fonds-propres-contra-cyclique>

⁵⁴³⁴ Thirteenth progress report on adoption of the Basel regulatory framework, Basel Committee on Banking Supervision October 2017. Access Date: 30 March 2018. <https://www.bis.org/bcbs/publ/d418.pdf>

⁵⁴³⁵ Thirteenth progress report on adoption of the Basel regulatory framework, Basel Committee on Banking Supervision October 2017. Access Date: 30 March 2018. <https://www.bis.org/bcbs/publ/d418.pdf>

⁵⁴³⁶ Thirteenth progress report on adoption of the Basel regulatory framework, Basel Committee on Banking Supervision October 2017. Access Date: 30 March 2018. <https://www.bis.org/bcbs/publ/d418.pdf>

On 10 November 2016, final rule on standardised approach to counterparty credit risk was issued. It is intended to come into force since 1 April 2018.⁵⁴³⁷

On 10 November 2016, final rule on capital requirements for central counterparties (CCPs) was issued. It is intended to come into force since 1 April 2018.⁵⁴³⁸

On 1 December 2016, final rule on large exposures framework was issued. It is expected to come into force in January 2019.⁵⁴³⁹

On 3 March 2018, the Reserve Bank of India (RBI) announced that India will achieve full implementation of the Basel III capital regulations by 31 March 2019.⁵⁴⁴⁰

India has taken actions aimed at the timely, full and consistent implementation of the agreed financial sector reform agenda in line with the Basel III framework without significantly increasing overall capital requirements across the banking sector.

Thus, India has received a score of +1.

Analyst: Polina Sbtanko

Indonesia: +1

Indonesia has fully complied with the commitment on Basel III implementation.

As of July 2017, the Basel Committee on Banking Supervision (BCBS) recognizes the Indonesian risk-based capital framework as largely compliant with the Basel prudential standards, with some deviations where the Indonesian regulations are less specific than the Basel standards, which though is judged as appropriate for the nature of the Indonesian financial system (with the understanding that the risks are measured properly and adequately capitalized as the Indonesian financial system matures).⁵⁴⁴¹

As of July 2017, the Indonesian framework for liquidity coverage ratio is assessed by the BCBS as compliant with the Basel liquidity capital ratio standards,⁵⁴⁴² while requirements for global systemically important banks (G-SIBs) do not apply to Indonesia.

On 9 October 2017, Indonesia's Financial Services Authority (OJK) announced its 10 master policies for 2017-2022, which among others include the intention to "implement international prudential standards that fit best for national interests."⁵⁴⁴³

⁵⁴³⁷ Thirteenth progress report on adoption of the Basel regulatory framework, Basel Committee on Banking Supervision October 2017. Access Date: 30 March 2018. <https://www.bis.org/bcbs/publ/d418.pdf>

⁵⁴³⁸ Thirteenth progress report on adoption of the Basel regulatory framework, Basel Committee on Banking Supervision October 2017. Access Date: 30 March 2018. <https://www.bis.org/bcbs/publ/d418.pdf>

⁵⁴³⁹ Thirteenth progress report on adoption of the Basel regulatory framework, Basel Committee on Banking Supervision October 2017. Access Date: 30 March 2018. <https://www.bis.org/bcbs/publ/d418.pdf>

⁵⁴⁴⁰ Basel III capital regulations. Access Date: 01 November 2018.

<http://pib.nic.in/newsite/PrintRelease.aspx?relid=177230>

⁵⁴⁴¹ Implementation of Basel standards. A report to G20 Leaders on implementation of the Basel III regulatory reforms. Bank for International Settlements July 2017. Access Date: 21 December 2017.

<https://www.bis.org/bcbs/publ/d412.pdf>

⁵⁴⁴² Implementation of Basel standards. A report to G20 Leaders on implementation of the Basel III regulatory reforms. Bank for International Settlements July 2017. Access Date: 21 December 2017.

<https://www.bis.org/bcbs/publ/d412.pdf>

On 25 October 2017, OJK released its assessment of the state of the financial services sector pointing that “financial services companies’ risks stood at manageable levels,” which implies no additional capital requirements are expected to be introduced so far by the Indonesian authorities.⁵⁴⁴⁴

Indonesia has taken actions aimed at the timely, full and consistent implementation of the agreed financial sector reform agenda in line with the Basel III framework without significantly increasing overall capital requirements across the banking sector.

Thus, Indonesia has received a score of +1.

Analyst: Pavel Doronin

Italy: +1

Italy has fully complied with the commitment on Basel III implementation.

Italy follows the European Union process on Basel III implementation.

On 1 January 2014, the global systemically important banks requirements entered into force in Italy and were applied from 1 January 2016. Disclosure requirements according to Commission Implementing Regulation (EU) No 1030/2014 and EBA Guidelines (EBA/GL/2014/02) are already in force and applied.⁵⁴⁴⁵

On 1 January 2016, rules on countercyclical capital buffer were transposed into Italy’s national law. The buffer is now set at 0 per cent.⁵⁴⁴⁶

With regard to the capital conservation buffer, minimum amounts were updated, both at individual and consolidated level, in order to reduce differences between Italy and other national frameworks: 1.25 per cent from 1 January 2017 to 31 December 2017; 1.875 per cent from 1 January 2018 to 31 December 2018; 2.5 per cent from 1 January 2019.⁵⁴⁴⁷

Italy has taken actions aimed at the timely, full and consistent implementation of the agreed financial sector reform agenda in line with the Basel III framework without significantly increasing overall capital requirements across the banking sector.

Thus it receives a score of +1.

Analyst: Irina Popova

Japan: +1

Japan has fully complied with the commitment on Basel III implementation.

⁵⁴⁴³ Press release “OJK sets 10 master policies for 2017-2022 period”, Otoritas Jasa Keuangan 9 October 2017. Access Date: 21 December 2017. <http://www.ojk.go.id/en/berita-dan-kegiatan/siaran-pers/Pages/Press-Release-OJK-Sets-10-Master-Policies-for-2017-%E2%80%932022-Period.aspx>

⁵⁴⁴⁴ Press release “Financial services sector stable and liquidity under control, with lower credit risks”, Otoritas Jasa Keuangan 25 October 2017. Access Date: 21 December 2017. <http://www.ojk.go.id/en/berita-dan-kegiatan/siaran-pers/Pages/Press-Release-Financial-Services-Sector-Stable-and-Liquidity-Under-Control,-with-Lower-Credit-Risks.aspx>

⁵⁴⁴⁵ Thirteenth progress report on adoption of the Basel regulatory framework, Basel Committee on Banking Supervision October 2017. Access Date: 30 March 2018. <https://www.bis.org/bcbs/publ/d418.pdf>

⁵⁴⁴⁶ Thirteenth progress report on adoption of the Basel regulatory framework, Basel Committee on Banking Supervision October 2017. Access Date: 30 March 2018. <https://www.bis.org/bcbs/publ/d418.pdf>

⁵⁴⁴⁷ Thirteenth progress report on adoption of the Basel regulatory framework, Basel Committee on Banking Supervision October 2017. Access Date: 30 March 2018. <https://www.bis.org/bcbs/publ/d418.pdf>

The Basel Committee on Banking Supervision (BCBS) recognized Japan's regulatory framework for implementing the Basel III in part of risk-based capital standards as compliant with the Basel standards as early as in 2012.⁵⁴⁴⁸ Further, loss absorbency and capital buffers frameworks were introduced in Japan, which were found to be compliant with the Basel III.⁵⁴⁴⁹

In June 2016, it was also reported by the BCBS that framework for global systemically important banks (G-SIBs) in Japan is assessed as compliant with the Basel G-SIB framework.⁵⁴⁵⁰

In December 2017, the BCBS recognized the Japanese framework for liquidity coverage ratio as compliant with the Basel liquidity capital ratio standards.⁵⁴⁵¹

On 21 December 2017, the Bank of Japan's monetary policy meeting decided to keep its monetary policy unchanged.⁵⁴⁵² Thus, there is no indication of the Bank of Japan's intention to increase overall capital requirements during the compliance period.

Japan has taken actions aimed at the timely, full and consistent implementation of the agreed financial sector reform agenda in line with the Basel III framework without significantly increasing overall capital requirements across the banking sector.

Thus, Japan has received a score of +1.

Analyst: Pavel Doronin

Korea: +1

Korea has fully complied with the commitment on Basel III implementation.

According to the information gathered, the further enforcement of Basel III provision (namely leverage ratio requirement and liquidity ration requirement) are scheduled in 2018; the Basel Accord itself has been introduced and enforced in Korea in 2013.⁵⁴⁵³

Korea has taken actions aimed at the timely, full and consistent implementation of the agreed financial sector reform agenda in line with the Basel III framework without significantly increasing overall capital requirements across the banking sector.

⁵⁴⁴⁸ Basel III regulatory consistency assessment (Level 2) — Japan, Bank for International Settlements October 2012. Access Date: 21 December 2017. http://www.bis.org/bcbs/implementation/l2_jp.pdf

⁵⁴⁴⁹ Implementation of Basel standards. A report to G20 Leaders on implementation of the Basel III regulatory reforms. Bank for International Settlements July 2017. Access Date: 21 December 2017. <https://www.bis.org/bcbs/publ/d412.pdf>

⁵⁴⁵⁰ Regulatory Consistency Assessment Programme (RCAP). Assessment of Basel III G-SIB framework and review of D-SIB frameworks — Japan, Bank for International Settlements June 2016. Access Date: 21 December 2017. <http://www.bis.org/bcbs/publ/d371.pdf>

⁵⁴⁵¹ Regulatory Consistency Assessment Programme (RCAP). Assessment of Basel III LCR regulations — Japan, Bank for International Settlements December 2016. Access Date: 21 December 2017. <https://www.bis.org/bcbs/publ/d391.pdf>

⁵⁴⁵² Japan's central bank leaves its monetary policy unchanged, CNBC 21 December 2017. Access Date: 21 December 2017. <https://www.cnbc.com/2017/12/20/bank-of-japan-monetary-policy-statement-interest-rates-decision-for-december.html>

⁵⁴⁵³ Structured finance and securitization in South Korea: overview. Access Date: 12 January 2018. [https://content.next.westlaw.com/Document/l2ef129da1ed511e38578f7ccc38dcbee/View/FullText.html?contextData=\(sc.Default\)&transitionType=Default&firstPage=true&bhcp=1](https://content.next.westlaw.com/Document/l2ef129da1ed511e38578f7ccc38dcbee/View/FullText.html?contextData=(sc.Default)&transitionType=Default&firstPage=true&bhcp=1)

Thus, Korea has received a score of +1.

Analyst: Alexander Ignatov

Mexico: +1

Mexico has fully complied with the commitment on Basel III implementation.

According to Bank for International Settlements, Mexican authorities have undertaken several important initiatives designed to strengthen the prudential framework relating to bank capital.⁵⁴⁵⁴

In November 2012, the Mexican authorities issued the Final Rule on Basel III risk-based capital.⁵⁴⁵⁵

On 31 December 2014, the amended risk-based capital requirements were issued to make Mexico compliant with the minimum Basel capital standards.⁵⁴⁵⁶

In January 2015, material reforms elaborated by Mexican authorities in association with the Regulatory Consistency Assessment Programme came into effect to further strengthen their prudential framework.⁵⁴⁵⁷

Mexico has taken actions aimed at the timely, full and consistent implementation of the agreed financial sector reform agenda in line with the Basel III framework without significantly increasing overall capital requirements across the banking sector.

Thus, Mexico has received a score of +1.

Analyst: Irina Popova

Russia: +1

Russia has fully complied with the commitment on Basel III implementation.

On 18 July 2017, the Central Bank of Russia presented the Concept of implementation of risk-oriented approach in regulating process of insurance sector in the Russian Federation.⁵⁴⁵⁸ The document includes review of current legislation and proposals for further improvement of quantitative capital requirements, corporate governance arrangements and requirements for disclosure of information and reporting for insurance companies.⁵⁴⁵⁹

⁵⁴⁵⁴ Assessment of Basel III risk-based capital regulations — Mexico, BIS. Access Date: 28 March 2018. <https://www.bis.org/bcbs/publ/d315.pdf>

⁵⁴⁵⁵ Assessment of Basel III risk-based capital regulations — Mexico, BIS. Access Date: 28 March 2018. <https://www.bis.org/bcbs/publ/d315.pdf>

⁵⁴⁵⁶ Assessment of Basel III risk-based capital regulations — Mexico, BIS. Access Date: 28 March 2018. <https://www.bis.org/bcbs/publ/d315.pdf>

⁵⁴⁵⁷ Assessment of Basel III risk-based capital regulations — Mexico, BIS. Access Date: 28 March 2018. <https://www.bis.org/bcbs/publ/d315.pdf>

⁵⁴⁵⁸ Concept of implementation of risk-oriented approach in regulating process of insurance sector in the Russian Federation. Access Date: 11 January 2018. https://www.cbr.ru/Content/Document/File/16975/concept_of_implementation.pdf

⁵⁴⁵⁹ Concept of implementation of risk-oriented approach in regulating process of insurance sector in the Russian Federation. Access Date: 11 January 2018.

https://www.cbr.ru/Content/Document/File/16975/concept_of_implementation.pdf

On 28 July 2017, the Central Bank of Russia issued the Statute on mode of settlement of structural liquidity ratio (Net Stable Funding Ratio) (Basel III) by systematically important credit organizations.⁵⁴⁶⁰

Russia takes actions aimed at timely, full and consistent implementation of the agreed financial sector reform agenda in line with the Basel III framework and does not increase overall capital requirements across the banking sector.

Thus, it has received a score of +1.

Analyst: Alexander Ignatov

Saudi Arabia: +1

Saudi Arabia has fully complied with the commitment on Basel III implementation.

Saudi Arabia published the final rules in 2012 and already in January 2013 began to implement the requirements of Basel III.⁵⁴⁶¹

On 3 December 2012, the Final Rule against the Cyclic Buffer was published in the Final Guidance Document of the Saudi Arabian Monetary Authority on the implementation of capital reforms in accordance with the Basel Platform and entered into force in January 2016 and is successfully implemented.

In December 2016, the minimum capital requirements for market risk were published in accordance with the Basel Committee. The rules will enter into force in January 2019.⁵⁴⁶²

Saudi Arabia has taken actions aimed at timely, full and consistent implementation of the agreed financial sector reform agenda in line with the Basel III framework and has not increased overall capital requirements across the banking sector.

Thus, Saudi Arabia has received a score of +1.

Analyst: Alexander Ignatov

South Africa: +1

South Africa has fully complied with the commitment on Basel III implementation.

On 1 January 2013, net stable funding ratio requirements were introduced into national regulatory framework.⁵⁴⁶³

On 12 December 2012, final rule on countercyclical buffer was issued. It came into force on 1 January 2016.⁵⁴⁶⁴

⁵⁴⁶⁰ Statute on mode of settlement of structural liquidity ratio (Net Stable Funding Ratio) (Basel III) by systematically important credit organizations. Access Date: 11 January 2018. https://www.cbr.ru/analytics/?PrtlID=na_vr&docid=376

⁵⁴⁶¹ Implementation of Basel III in Russia and abroad. <http://www.ey.com/Publication/vwLUAssets/Implementing-Basel-in-RussiaRus/USDFILE/Implementing-Basel-in-Russia-Rus.pdf>

⁵⁴⁶² Thirteenth progress report on adoption of the Basel regulatory framework, Basel Committee on Banking Supervision, October 2017. Access data: 9 December 2017. <https://www.bis.org/bcbs/publ/d418.pdf>

⁵⁴⁶³ Thirteenth progress report on adoption of the Basel regulatory framework, Basel Committee on Banking Supervision October 2017. Access Date: 30 March 2018. <https://www.bis.org/bcbs/publ/d418.pdf>

In July 2016, amended requirements on monitoring tools for intraday liquidity management were incorporated into national regulatory framework.⁵⁴⁶⁵

South Africa has taken actions aimed at timely, full and consistent implementation of the agreed financial sector reform agenda in line with the Basel III framework and has not increased overall capital requirements across the banking sector.

Thus, South Africa has received a score of +1.

Analyst: Irina Popova

Turkey: +1

Turkey has fully complied with the commitment on Basel III implementation.

The Basel Committee on Banking Supervision recognizes Turkey's both risk-based capital and liquidity coverage ratio frameworks as compliant with the Basel III standards, while requirements for global systemically important banks do not apply to Turkey.⁵⁴⁶⁶

On 30 November 2017, the Central Bank of Turkey issued its regular financial stability report, noting that "the Turkish banking sector will remain resilient against global risks since it has a strong capital base, stable asset quality and adequate level of liquid assets."⁵⁴⁶⁷

Turkey takes actions aimed at timely, full and consistent implementation of the agreed financial sector reform agenda in line with the Basel III framework and does not increase overall capital requirements across the banking sector.

Thus, Turkey has receives a score of +1.

Analyst: Pavel Doronin

United Kingdom: +1

The United Kingdom has fully complied with the commitment on Basel III implementation.

In March 2017, new rules on regulatory references about criminal offence for senior managers' relating to decisions that cause a financial institution to fail came into effect for those individuals seeking a role in a bank that would bring them within scope of the senior managers' regime or certification regime.⁵⁴⁶⁸

⁵⁴⁶⁴ Thirteenth progress report on adoption of the Basel regulatory framework, Basel Committee on Banking Supervision October 2017. Access Date: 30 March 2018. <https://www.bis.org/bcbs/publ/d418.pdf>

⁵⁴⁶⁵ Thirteenth progress report on adoption of the Basel regulatory framework, Basel Committee on Banking Supervision October 2017. Access Date: 30 March 2018. <https://www.bis.org/bcbs/publ/d418.pdf>

⁵⁴⁶⁶ Implementation of Basel standards. A report to G20 Leaders on implementation of the Basel III regulatory reforms. Bank for International Settlements July 2017. Access Date: 21 December 2017. <https://www.bis.org/bcbs/publ/d412.pdf>

⁵⁴⁶⁷ Turkish banking sector to stay resilient: Central Bank, Hurriyet Daily News 30 November 2017. Access Date: 21 December 2017. <http://www.hurriyetdailynews.com/turkish-banking-sector-to-stay-resilient-central-bank-123326>

⁵⁴⁶⁸ United Kingdom Banking Regulation 2017, Global Legal Insights 17 May 2017. Access Date: 4 December 2017. <https://www.globallegalinsights.com/practice-areas/banking-and-finance/global-legal-insights---banking-regulation-4th-ed./united-kingdom>

In June 2017, the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 will come into effect. The new regulations will replace the Money Laundering Regulations 2007.⁵⁴⁶⁹

On 28 November 2017, the Bank of England published the Financial Stability Report. The Financial Policy Committee aims to ensure the UK financial system is resilient to, and prepared for, the wide range of risks it could face — so that the system can support the real economy, even in difficult conditions.⁵⁴⁷⁰

On 4 January 2018, the Chancellor announced that legislation will be included in the Finance Bill 2017-2018 giving effect to the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting.⁵⁴⁷¹

On 13 January 2018, HM Treasury will replace the current Payment Services Directive by the Payment Services Directive 2. The directive instructs banks and credit unions to give open access to their customer data and account information to licensed third party businesses (though with the caveat that this data can only be provided with their customers' explicit consent).⁵⁴⁷²

On July 2017 HM Treasury published a consultation paper on the implementation of the Payment Services Directive 2 and the Financial Conduct Authority indicated that it would issue a consultation in the second quarter of 2017.⁵⁴⁷³

The United Kingdom has taken actions aimed at the timely, full and consistent implementation of the agreed financial sector reform agenda in line with the Basel III framework without significantly increasing overall capital requirements across the banking sector.

Thus, the UK has received a score of +1.

Analyst: Nikita Efremov

United States: +1

The United States has fully complied with the commitment on Basel III implementation.

In January 2016, the Revised Capital Framework also includes a market risk capital charge (implementing the Basel II.5 Framework) for assets held in the trading book that applies to banks and bank holding companies with significant trading positions. Unlike the Basel II.5 Framework, the U.S. rules do not rely on credit ratings to determine specific capital requirements for certain instruments. The Basel Committee adopted a revised capital requirement for market risk framework

⁵⁴⁶⁹ United Kingdom Banking Regulation 2017, Global Legal Insights 17 May 2017. Access Date: 4 December 2017. <https://www.globallegalinsights.com/practice-areas/banking-and-finance/global-legal-insights---banking-regulation-4th-ed./united-kingdom>

⁵⁴⁷⁰ Financial Stability report, Bank of England 28 November 2017. Access Date: 19 December 2017. <http://www.bankofengland.co.uk/publications/Documents/fsr/2017/fsrjun17.pdf>

⁵⁴⁷¹ UK ratifies the Multilateral Instrument on BEPS, Lexology, 4 January 2018. Access Date: 07.01.2018. <https://www.lexology.com/library/detail.aspx?g=ce99b2dc-6c78-4fdb-b9f2-1701087ea824>

⁵⁴⁷² United Kingdom Banking Regulation 2017, Global Legal Insights 17 May 2017. Access Date: 4 December 2017. <https://www.globallegalinsights.com/practice-areas/banking-and-finance/global-legal-insights---banking-regulation-4th-ed./united-kingdom>

⁵⁴⁷³ United Kingdom Banking Regulation 2017, Global Legal Insights 17 May 2017. Access Date: 4 December 2017. <https://www.globallegalinsights.com/practice-areas/banking-and-finance/global-legal-insights---banking-regulation-4th-ed./united-kingdom>

that comes into effect in January 2019, to ensure standardization and promote consistent implementation globally.⁵⁴⁷⁴

In December 2016, the Federal Reserve and Federal Deposit Insurance Corporation (FDIC) adopted final rules requiring the largest U.S. global systemically important banks (G-SIBs) and certain U.S. intermediate holding companies of non-U.S. G-SIBs to comply with new capital-related requirements, including “clean” holding company requirements (relating to short-term debt and derivatives). These requirements are aimed at improving the prospects for the orderly resolution of such an institution. The rule includes an external long-term debt requirement and a related total loss-absorbing capacity requirement (TLAC) applicable to the top-tier holding company of a U.S. G-SIB and an internal long-term debt requirements and related TLAC requirements applicable to U.S. intermediate holding companies. Long-term debt issued on or prior to 31 December 2016 is grandfathered from provisions of the rule that prohibit certain contractual provisions. Compliance is required by 1 January 2019.⁵⁴⁷⁵

On 22 August 2017, the US banking agencies (the Federal Reserve, Office of the Comptroller of the Currency (OCC) and FDIC) proposed to delay the last phase of the US Basel III capital rules’ transition provisions relating to certain deductions from capital and limitations on the recognition of minority interests, which are scheduled to become effective 1 January 2018.⁵⁴⁷⁶

In September 2017, the US banking agencies released a proposal that would significantly amend the US Basel III capital rules of all three agencies by simplifying the capital treatment of several items, primarily for non-advanced approaches banking organizations.⁵⁴⁷⁷ The proposed rule represents the agency’s efforts, discussed in the March 2017 Economic Growth and Regulatory Paperwork Reduction Act Report, to “meaningfully reduce regulatory burden, especially on community banking organizations, while ... maintaining safety and soundness and the quality and quantity of regulatory capital in the banking system.”⁵⁴⁷⁸

On 16 November 2017, the OCC, the Board of Governors of the Federal Reserve System and FDIC adopted a final rule to extend the regulatory capital treatment applicable during 2017 under the

⁵⁴⁷⁴USA Banking Regulation 2017, Global Legal Insights. Access Date: 20 December 2017.

<https://www.globallegalinsights.com/practice-areas/banking-and-finance/global-legal-insights---banking-regulation-4th-ed./usa#chaptercontent5>

⁵⁴⁷⁵USA Banking Regulation 2017, Global Legal Insights. Access Date: 20 December 2017.

<https://www.globallegalinsights.com/practice-areas/banking-and-finance/global-legal-insights---banking-regulation-4th-ed./usa#chaptercontent5>

⁵⁴⁷⁶ U.S. Banking Agencies Propose to Delay the Phase-In of Certain Capital Rules for Non-Advanced Approaches Banking Organizations, U.S. Basel III. Access Date: 5 September 2017. <https://www.usbasel3.com/single-post/2017/09/10/US-Banking-Agencies-Propose-to-Delay-the-Phase-In-of-Certain-Capital-Rules-for-Non-Advanced-Approaches-Banking-Organizations>

⁵⁴⁷⁷ Banking Agencies Propose To Simplify U.S. Basel III Capital Rules for Non-Advanced Approaches Firms, Davis Polk// U.S. Basel III 29 September 2017. Access Date: 20 December 2017. <https://www.usbasel3.com/single-post/2017/09/29/Banking-Agencies-Propose-To-Simplify-US-Basel-III-Capital-Rules-for-Non-Advanced-Approaches-Firms>

⁵⁴⁷⁸ Banking Agencies Propose To Simplify U.S. Basel III Capital Rules for Non-Advanced Approaches Firms, Davis Polk// U.S. Basel III 29 September 2017. Access Date: 20 December 2017. <https://www.usbasel3.com/single-post/2017/09/29/Banking-Agencies-Propose-To-Simplify-US-Basel-III-Capital-Rules-for-Non-Advanced-Approaches-Firms>

regulatory capital rules (capital rules) for certain items.⁵⁴⁷⁹ These items include regulatory capital deductions, risk weights, and certain minority interest limitations. The relief provided under the final rule applies to banking organizations that are not subject to the capital rules' advanced approaches (non-advanced approaches banking organizations).⁵⁴⁸⁰

On 21 November 2017, the Federal Reserve, OCC and FDIC issued a rule that has delayed the last phase of the US Basel III capital rules' transition provisions relating to certain deductions from capital and limitations on the recognition of minority interests, which were scheduled to become effective 1 January 2018, for certain banking organizations.⁵⁴⁸¹ The final rule effectively freezes the currently applicable phase of the transition provisions for these capital requirements until a separate rulemaking aimed at simplifying these and other requirements for certain banking organizations, which was proposed in September 2017, is finalized.⁵⁴⁸² The final rule was adopted without any changes to the September proposal.⁵⁴⁸³

On 1 December 2017, the Federal Reserve Board announced it voted to affirm the Countercyclical Capital Buffer at the current level of 0 percent.⁵⁴⁸⁴ In making this determination, the board followed the framework detailed in its policy statement for setting the buffer for private-sector credit exposures located in the United States.⁵⁴⁸⁵

The United States has taken actions aimed at the timely, full and consistent implementation of the agreed financial sector reform agenda in line with the Basel III framework without significantly increasing overall capital requirements across the banking sector.

Thus, the US has received a score of +1.

Analysts: Anastasia Kataeva and Svetlana Shapovalova

European Union: +1

The European Union has fully complied with the commitment on Basel III implementation.

⁵⁴⁷⁹ Regulatory Capital Rules: Retention of Certain Existing Transition Provisions for Banking Organizations That Are Not Subject to the Advanced Approaches Capital Rules, Government Publishing Office. Access Date: 16 November 2017. <https://www.gpo.gov/fdsys/pkg/FR-2017-11-21/pdf/2017-25172.pdf>

⁵⁴⁸⁰ Regulatory Capital Rules: Retention of Certain Existing Transition Provisions for Banking Organizations That Are Not Subject to the Advanced Approaches Capital Rules, Government Publishing Office. Access Date: 16 November 2017. <https://www.gpo.gov/fdsys/pkg/FR-2017-11-21/pdf/2017-25172.pdf>

⁵⁴⁸¹ U.S. Banking Agencies Delay the Phase-In of Certain Capital Rules for Non-Advanced Approaches Banking Organizations, U.S. Basel III. Access Date: <https://www.usbasel3.com/single-post/2017/11/21/US-Banking-Agencies-Delay-the-Phase-In-of-Certain-Capital-Rules-for-Non-Advanced-Approaches-Banking-Organizations>

⁵⁴⁸² U.S. Banking Agencies Delay the Phase-In of Certain Capital Rules for Non-Advanced Approaches Banking Organizations, U.S. Basel III. Access Date: <https://www.usbasel3.com/single-post/2017/11/21/US-Banking-Agencies-Delay-the-Phase-In-of-Certain-Capital-Rules-for-Non-Advanced-Approaches-Banking-Organizations>

⁵⁴⁸³ U.S. Banking Agencies Delay the Phase-In of Certain Capital Rules for Non-Advanced Approaches Banking Organizations, U.S. Basel III. Access Date: <https://www.usbasel3.com/single-post/2017/11/21/US-Banking-Agencies-Delay-the-Phase-In-of-Certain-Capital-Rules-for-Non-Advanced-Approaches-Banking-Organizations>

⁵⁴⁸⁴ Federal Reserve Board announces it has voted to affirm Countercyclical Capital Buffer (CCyB) at current level of 0 percent, Federal Reserve System 1 December 2017. Access Date: 20 December 2017. <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20171201a.htm>

⁵⁴⁸⁵ Federal Reserve Board announces it has voted to affirm Countercyclical Capital Buffer (CCyB) at current level of 0 percent, Federal Reserve System 1 December 2017. Access Date: 20 December 2017. <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20171201a.htm>

On 26 June 2013, the Directive 2013/36/EU of the European Parliament and of the Council was issued. It stated that Competent authorities shall ensure that institutions have robust strategies, policies, processes and systems for the identification, measurement, management and monitoring of liquidity risk over an appropriate set of time horizons, including intraday, so as to ensure that institutions maintain adequate levels of liquidity buffers. Those strategies, policies, processes and systems shall be tailored to business lines, currencies, branches and legal entities and shall include adequate allocation mechanisms of liquidity costs, benefits and risks.⁵⁴⁸⁶

On 26 June 2013, a mandatory buffer for global systemically important banks (G-SIBs) was implemented by Article 131 of Directive 2013/36/EU with date of application of 1 January 2016. Apart from that, the directive implemented a buffer for domestic systemically important banks (D-SIBs) with date of application of 1 January 2016. Also the following measures were adopted regarding systemically important banks: the disclosure requirements for G-SIBs and the identification methodology (technical standards on the latter were published on 8 October 2014 and are applicable from 1 January 2015), on 16 December, 2014 European Banking Authority guidelines on criteria to assess D-SIBs were published.⁵⁴⁸⁷

On 26 June 2013, the European Parliament and the Council adapted the Regulation (EU) No 575/2013, in part IV of which was stated that institutions shall monitor and control their large exposures. An institution shall report information about every large exposure to the competent authorities. Reporting shall be carried out at least twice a year. An institution shall not incur an exposure, after taking into account the effect of the credit risk mitigation in accordance with Articles 399 to 403, to a client or group of connected clients the value of which exceeds 25 per cent of its eligible capital. If, in an exceptional case, exposures exceed this limit, the institution shall report the value of the exposure without delay to the competent authorities which may, where the circumstances warrant it, allow the institution a limited period of time in which to comply with the limit.⁵⁴⁸⁸

On 23 November 2016, the proposal for implementing the standard on the interest rate risk in the banking book was adopted by the European Commission. It is currently being considered by the legislator.⁵⁴⁸⁹

On 23 November 2016, the proposal for implementing the standard on the net stable funding ratio was adopted by the European Commission. It is currently being considered by the legislator. This proposal included the following key statement: the proposals incorporate the remaining elements of the regulatory framework agreed recently within the Basel Committee on Banking Supervision (BCBS) and the Financial Stability Board (FSB). They included among others a binding leverage ratio

⁵⁴⁸⁶ Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013, Official Journal of the European Union 27 June 2013. Access Date: 26 November 2017. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:176:0338:0436:En:PDF>.

⁵⁴⁸⁷ Thirteenth progress report on adoption of the Basel regulatory framework, Basel Committee on Banking Supervision 18 October 2017. Access Date: 27 November 2017. <https://www.bis.org/bcb/publ/d418.pdf>.

⁵⁴⁸⁸ Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, Official Journal of the European Union 27 June 2013. Access Date: 27 November 2017. https://www.nbb.be/doc/cp/eng/2015/20130627_eu_2013_575.pdf.

⁵⁴⁸⁹ Thirteenth progress report on adoption of the Basel regulatory framework, Basel Committee on Banking Supervision 18 October 2017. Access Date: 27 November 2017. <https://www.bis.org/bcb/publ/d418.pdf>.

to prevent institutions from excessive leverage and a binding net stable funding ratio to address the excessive reliance on short-term wholesale funding and to reduce long-term funding risk.⁵⁴⁹⁰

On 23 November 2016, the proposal for implementing total loss-absorbing capacity (TLAC) holdings standard was adopted by the European Commission. This proposal included the following key element on TLAC holdings: a requirement for global systemically important institutions (G-SIIs) to hold minimum levels of capital and other instruments that bear losses in resolution. This requirement will be integrated into the existing minimum requirement for own funds and eligible liabilities system, which applies to all banks, and will strengthen the EU's ability to resolve failing G-SIIs while protecting financial stability and minimizing risks for taxpayers. It proposes a harmonized national insolvency ranking of unsecured debt instruments to facilitate banks' issuance of such loss absorbing debt instruments.⁵⁴⁹¹

On 23 November 2016, the proposal for implementing the market risk framework was adopted by the European Commission. This proposal included the following key element on minimum capital requirements for market risk, standardized approach for measuring counterparty risk and capital requirements for central counterparties (CCPs): more risk-sensitive capital requirements, in particular in the area of market risk, counterparty credit risk, and for exposures to CCPs.⁵⁴⁹²

On 15 December 2016, the technical standard for margin requirements for non-centrally cleared derivatives was published in the Official Journal. The application of initial margin requirements were being phased in depending on the type of counterparty from 4 February 2017. The variation margin requirements will apply from 1 March 2017. It was stated in the journal that counterparties shall establish, apply and document risk management procedures for the exchange of collateral for non-centrally cleared over-the-counter (OTC) derivative contracts. Counterparties shall calculate variation margin in accordance with Article 10 of these regulations at least on a daily basis. Initial margin models shall be developed in a way that captures all the significant risks arising from entering into the non-centrally cleared OTC derivative contracts included in the netting set, including the nature, scale, and complexity of those risks.⁵⁴⁹³

On 18 October 2017, the Basel Committee on Banking Supervision (BCBS) announced that a number of disclosure measures were adopted by European Union: mandatory public disclosure of leverage ratio applicable from 1 January 2015; the proposal for implementing the changes to the Pillar 3 framework and the second phase of the BCBS review of the Pillar 3 disclosure framework as long as total loss-absorbing capacity and market risk disclosures.⁵⁴⁹⁴

On 19 July 2018, the European Banking Authority (EBA), in accordance with its Pillar 2 Roadmap, published its final revised Guidelines aimed at further enhancing institutions' risk management and supervisory convergence in the supervisory review and examination process (SREP). The three

⁵⁴⁹⁰ EU Banking Reform: Strong Banks To Support Growth and Restore Confidence, European Commission 23 November 2016. Access Date: 26 November 2017. http://europa.eu/rapid/press-release_IP-16-3731_en.htm.

⁵⁴⁹¹ EU Banking Reform: Strong Banks To Support Growth and Restore Confidence, European Commission 23 November 2016. Access Date: 28 November 2017. http://europa.eu/rapid/press-release_IP-16-3731_en.htm.

⁵⁴⁹² EU Banking Reform: Strong Banks To Support Growth and Restore Confidence, European Commission 23 November 2016. Access Date: 28 November 2017. http://europa.eu/rapid/press-release_IP-16-3731_en.htm.

⁵⁴⁹³ Commission delegated regulation (EU) 2016/2251 of 4 October 2016, Official Journal of the European Union 15 December 2016. Access Date: 28 November 2017. <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:2016:340:FULL&from=EN>.

⁵⁴⁹⁴ Commission delegated regulation (EU) 2016/2251 of 4 October 2016, Official Journal of the European Union 15 December 2016. Access Date: 28 November 2017. <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:2016:340:FULL&from=EN>.

reviewed Guidelines focused on stress testing, particularly its use in setting Pillar 2 capital guidance (P2G), as well as interest rate risk in the banking book (IRRBB). In particular, the publication included: 1) the Final Report on the Guidelines on the revised common procedures and methodologies for the supervisory review and evaluation process (SREP) and supervisory stress testing; 2) revised final Guidelines on the management of interest rate risk arising from non-trading activities (IRRBB Guidelines) and 3) revised final Guidelines on institutions' stress testing.⁵⁴⁹⁵

- On 6 September 2018, the European Banking Authority released the two sets of templates, which will be used in the 2018 impact assessment of the finalised Basel III standards. These two sets of quantitative impact study (QIS) templates, which are built on the Basel III regular monitoring templates, will ensure that the data collection burden is proportionate to the institutions' size and complexity. Following the European Commission's Call for Advice on the European impact and implementation of the revisions to the Basel III standards agreed by the Basel Committee on Banking Supervision (BCBS) in December 2017, the EBA launched, on 13 August 2018, a data collection exercise, which runs in parallel with Q2-2018 EBA-BCBS Basel III regular monitoring exercise. To ensure that this data collection, which covers a wider sample of institutions, remains proportionate to the size and complexity of each institution, the EBA distributed two different types of QIS templates, which build on and expand the EBA-BCBS Basel III regular monitoring templates.⁵⁴⁹⁶

The European Union has taken actions aimed at the timely, full and consistent implementation of the agreed financial sector reform agenda in line with the Basel III framework without significantly increasing overall capital requirements across the banking sector.

Thus, the EU has received a score of +1.

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⁵⁴⁹⁵ EBA publishes final guidance to strengthen the Pillar 2 framework, European Banking Authority 19 July 2018. Access Date: 1 November 2018. <https://www.eba.europa.eu/-/eba-publishes-final-guidance-to-strengthen-the-pillar-2-framework>.

⁵⁴⁹⁶ EBA publishes QIS templates to assess the impact of the finalised Basel III standards, European Banking Authority 6 September 2018. Access Date: 28 October 2018. <https://www.eba.europa.eu/-/eba-publishes-qis-templates-to-assess-the-impact-of-the-finalised-basel-iii-standards>.