



**BASEL COMMITTEE ON BANKING SUPERVISION**

BANK FOR INTERNATIONAL SETTLEMENTS

# **The Basel Committee on Banking Supervision: Its Global Role and Current Initiatives**

**United Nation's General Assembly Working Group on  
the World Financial and Economic Crisis and its  
Impact on Development**

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## About the Basel Committee

## Response to Crisis

- Mandate and background of the Basel Committee
- Responses to the financial crisis



## **Basel Committee's mandate**

- Provide a forum for regular cooperation
- Improve banking supervision globally
  - Expanded membership in 2009
  - Basel Consultative Group
  - International Conference of Banking Supervisors
  - Financial Stability Institute
  - Regular interaction with regional supervisory groups



## Origins

- Created in 1974 by G10 central bank governors
- Serious disruptions in international banking markets
- Bankhaus Herstatt failure in June 1974
  - Led to contagion
  - “Herstatt risk” = FX settlement risk
- Highlighted the need for cross-border cooperation



## **Composition and structure**

- Members are central banks and supervisors
- Expanded its membership in 2009
  - 27 jurisdictions (G20 plus)
  - 42 organisations
    - 27 central banks
    - 15 supervisory authorities



## Basel Committee Members

Argentina

Australia \*

Belgium \*

**Brazil**

Canada \*

**China \***

France \*

Germany \*

**Hong Kong SAR**

India

Indonesia

Italy

Japan \*

**Korea \***

Luxembourg

**Mexico \***

Netherlands

**Russia**

Saudi Arabia

Singapore

**South Africa**

Spain

Sweden \*

Switzerland \*

**Turkey \***

United Kingdom \*

United States \*

New members that joined the Committee in 2009 appear in bold

\* Country is represented by the Central Bank *and* a supervisory authority



## Governance of the Basel Committee

- Representatives are heads of supervision and other senior officials from member organisations
- Governing body:
  - Central bank governors & heads of supervisory authorities
  - Meets two times per year
- Secretariat is hosted and fully funded by Bank for International Settlements
- G20 Heads of State have taken a keen interest in the Committee's work



## Past work

- Best known for:
  - Concordat on cross-border supervision
  - Basel I
  - Basel II
  - Core Principles for Effective Banking Supervision
  - Sound principles and guidance on wide range of risk management and supervisory topics





## Administration and operations

- Supported by a Secretariat staff of 17 professionals
  - Secretary General (seconded from NY Fed)
  - 2 Deputy Secretaries General (permanent staff)
  - 1 Senior Member of the Secretariat (permanent staff)
  - 13 Members of the Secretariat (seconded from members)
- BCBS meets four times per year (usually in Basel)
- Agreements reached by consensus
  - not by “yes” or “no” vote
- Basel Committee has no formal authority



## About the Basel Committee

## Response to Crisis

### What went wrong?

- Too much leverage
- Not enough high quality capital
- Excessive credit growth & weak underwriting standards
- Insufficient liquidity buffers
- Inadequate risk governance
- Too much systemic risk and interconnectedness
- Inadequate oversight



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## Response to Crisis

### How will these issues be addressed?

- Ensure that regulatory capital covers all material risks
- Assure that high quality capital can absorb losses
- Promote forward looking provisioning and capital buffers
- Introduce global standards for liquidity risk
- Improve supervision of systemically important banks
- Strengthen risk governance and management
- Improve market discipline through better disclosure
- Promote practical approaches for better management of cross-border bank resolutions



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## Response to Crisis

### How will this be achieved?

- Public consultation
- Assessment of impact
- Overall calibration
- Macroeconomic evaluation over the transition period
- Set of global capital and liquidity standards by year end



## **What are the Committee's objectives?**

- Greater banking resilience
- Maximum sustainable economic growth
- Reforms that are designed to be forward looking
- Ability of banks and financial systems to withstand future crises, whatever the source
- Implementation of standards by all jurisdictions to promote a global level playing field



## About the Basel Committee

## Response to Crisis

### Conclusion

- We cannot predict the source of the next crisis but we can lay the groundwork to mitigate/minimise its impact
- Financial markets are global and diverse
- Critical, therefore, that all banks and countries strengthen banking sector resilience



# **Questions or Comments?**

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