



International Centre for  
Financial Regulation

# Annual International Regulatory Summit

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**Regulation Without Borders – G20 Ideals and National  
Interests**

[www.icffr.org](http://www.icffr.org)

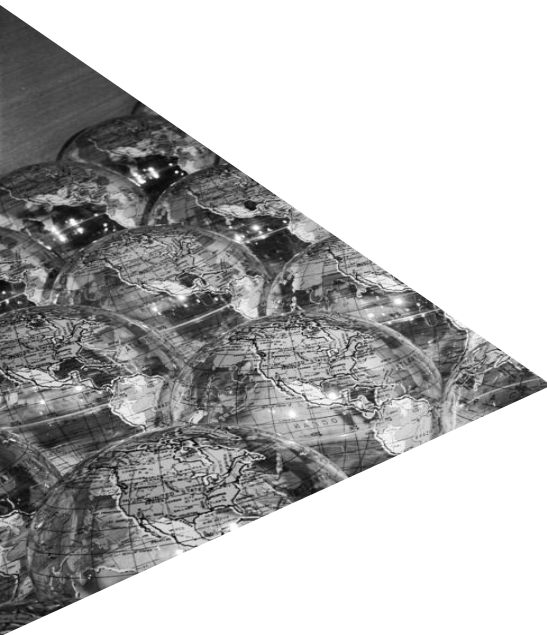


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# Bank regulation

**Deloitte.**

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# Impact of Basel III

Patricia Jackson  
Head of Financial Regulatory Advice EMEIA

# Strengthening the resilience of the banking sector

Regulatory change- Basel Committee Proposals approved by G20

Increasing the quantity and quality of bank capital

Quality of bank capital

\* Tier1 will be largely equity and reserves

Quantity of capital

The overall ratios will rise and a leverage ratio to be introduced

- \*Capital conservation
- \*Countercyclical capital buffer
- \*Forward looking provisions?

Capital requirements increasing

- \* Trading book and securitisations

Counterparty risk

Changes to capital requirements

Changes to risk management

**Global requirements for liquidity buffers**

- Liquidity coverage ratio – requires stock of high quality liquid assets
- \*Stable funding ratio- illiquid assets have to be backed by stable funding

# Timeline

Pressure from G20

Framework agreed

Discussions on systemically important banks continuing

Fundamental Review of Trading Book – Next Year

22-23

October 2009

G20 finance ministers - Agree way forward

End-2010

Basel III detailed wording issued

Fundamental Trading Book Review

11-12  
November  
2009

Seoul Summit

Mid 2011  
decisions on systemically important banks – capital surcharge?; contingent capital; bail in. Also resolution plans.

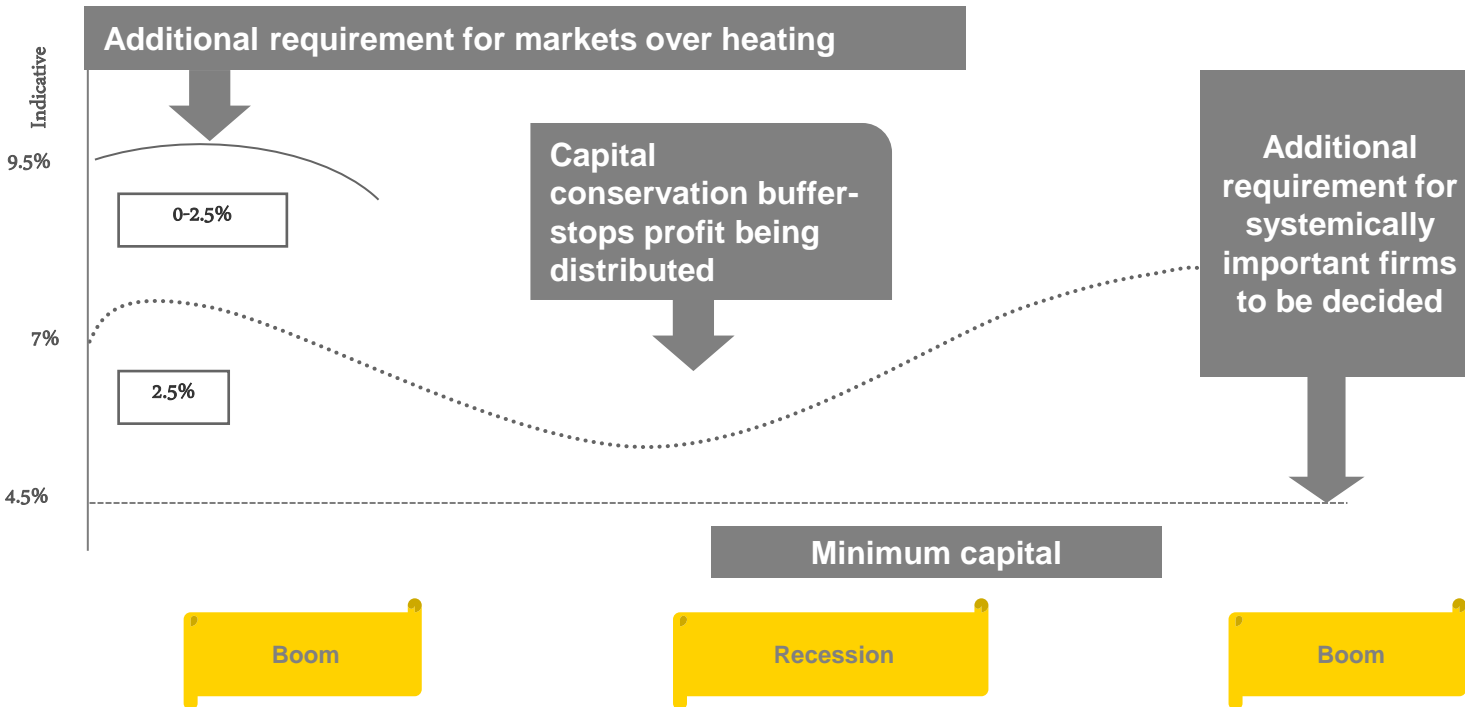
End 2011  
Release of changes to trading book treatments

Long transition provisions - final implementation phased from 2012-2023

# Capital Buffers

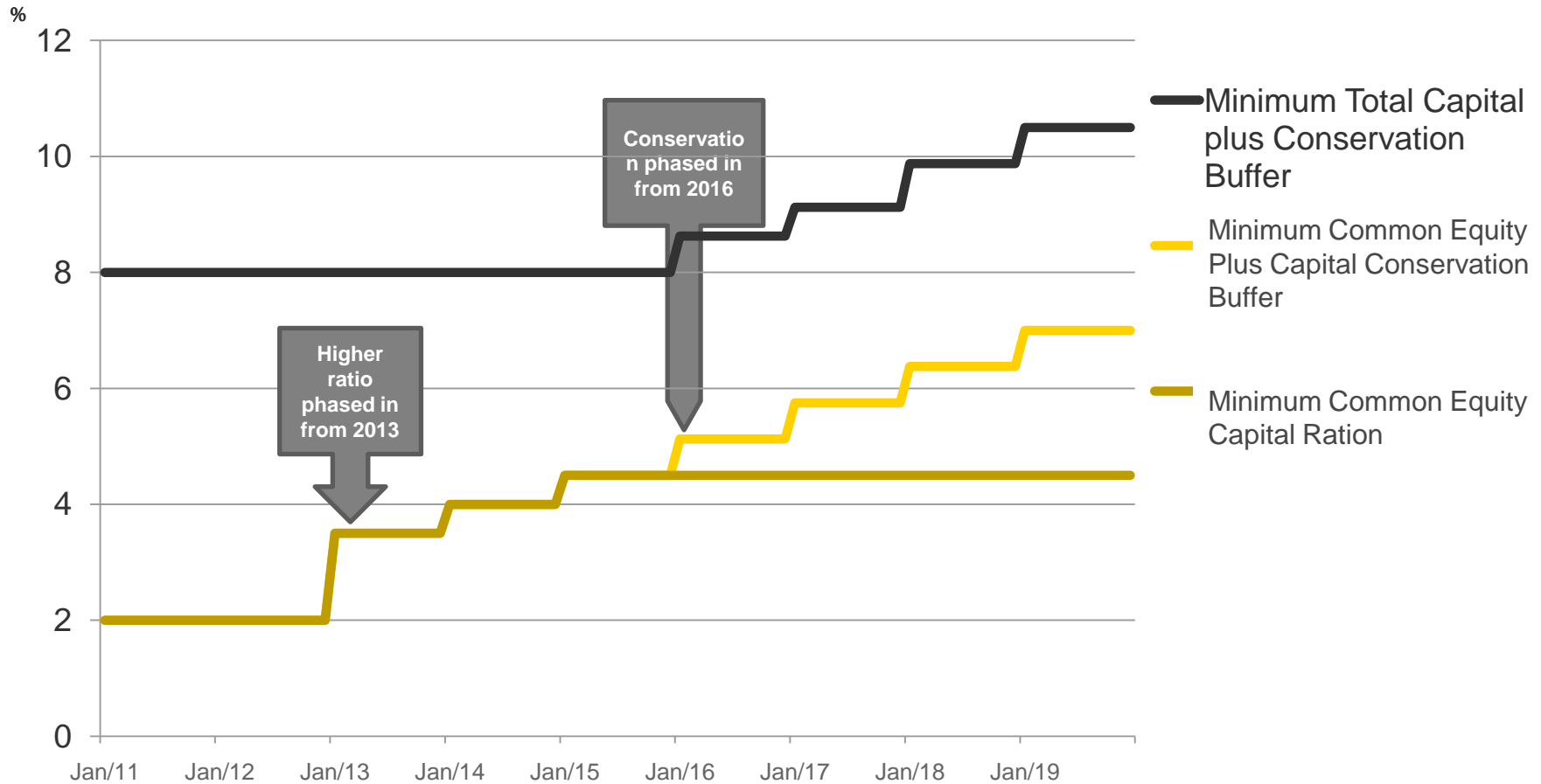
Basel III – focusing on changing quality and quantity of bank capital

- Hybrid capital increased confidence effects
- Subordinated debt – was debt
- Equity capital not high enough



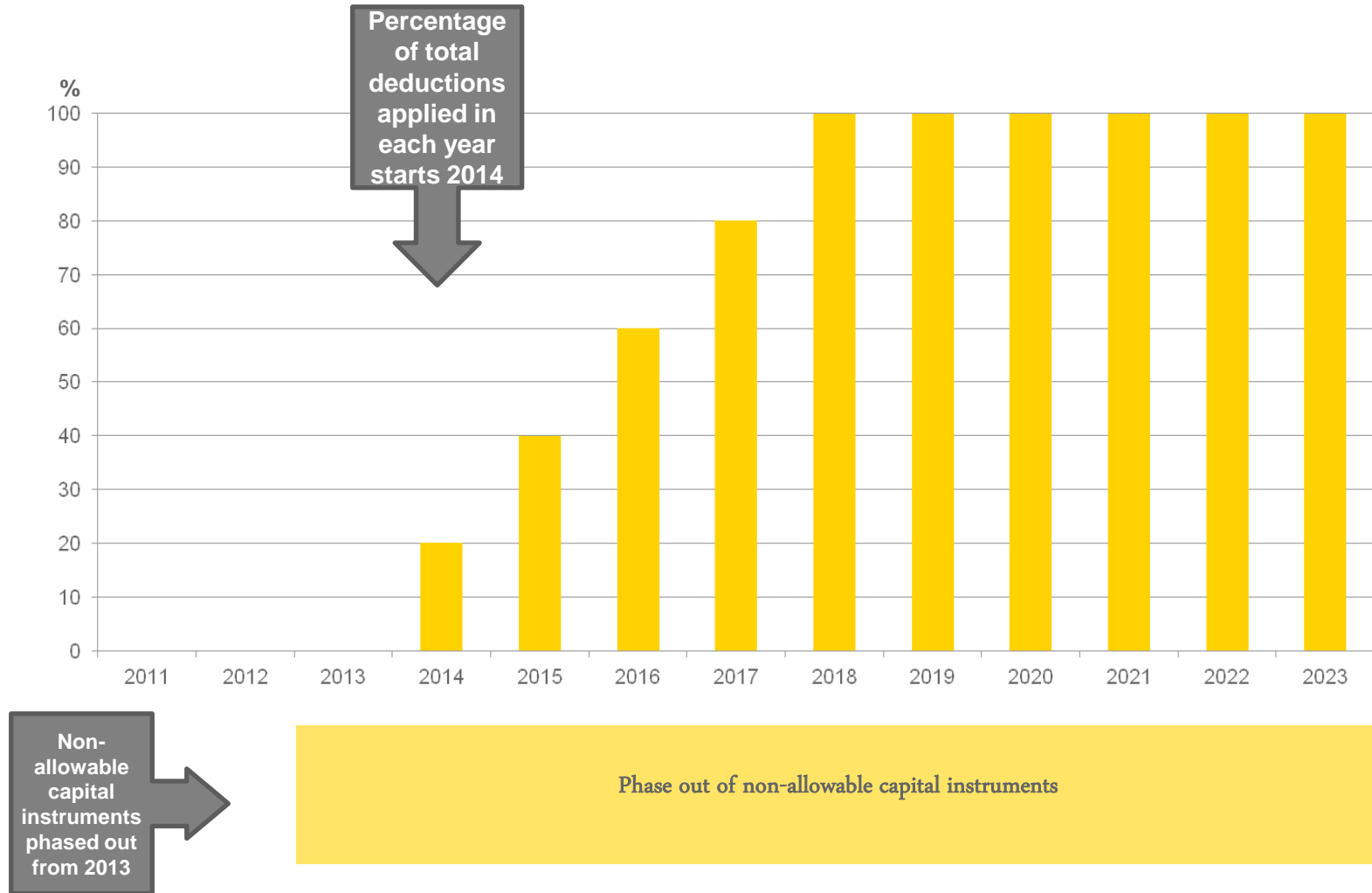
- But multiple buffers will add to complexity
- Too much capital will drive disintermediation
- Increase cost for industry
- industry incentive to move to point in time models to offset buffers

# Implementation Timeline – Long Phase-in important

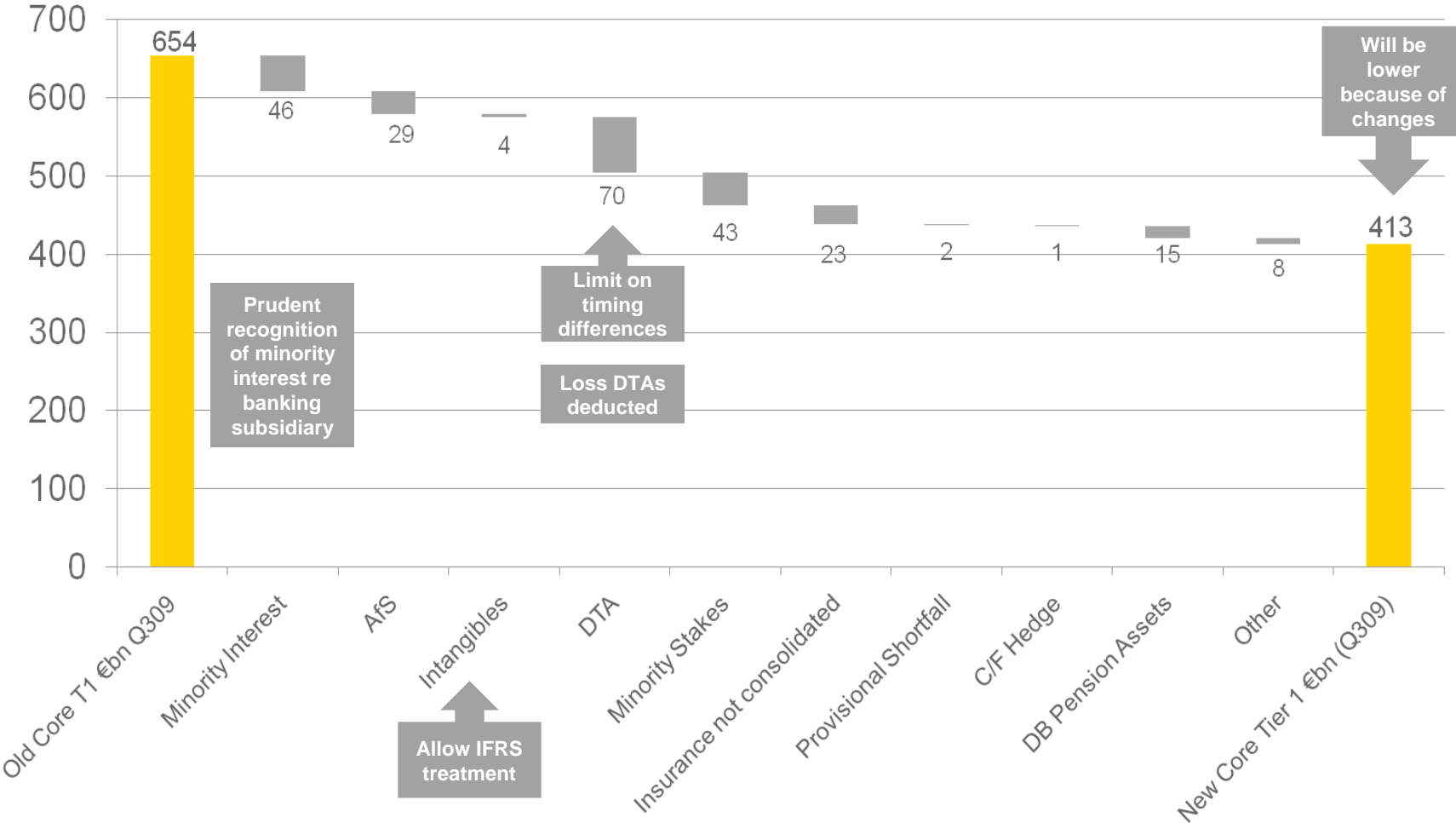


# Implementation Timeline

## Deductions and phase-out of capital instruments



# Deductions – the effect of the different proposals on European Banks’ Core Tier 1 (€bn) – original vs current

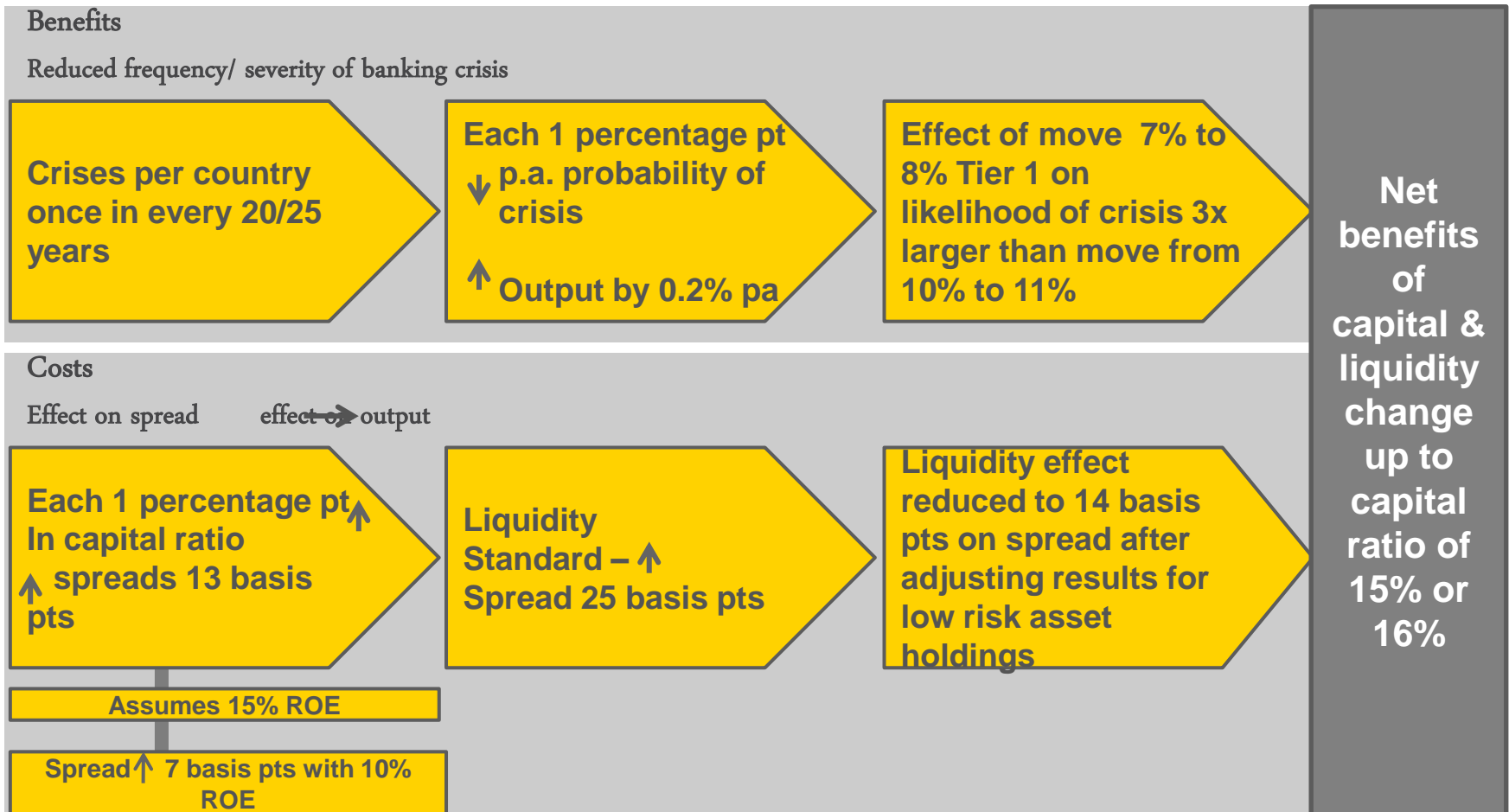


Main industry concerns were minority interests and DTAs – minority interests somewhat relaxed but still very large.

Source: Morgan Stanley Estimates

# Basel Committee cost/ benefit estimates

- assume capital needed is available & high cost of crisis



Costs assume implementation follows Basel time line so that there are no capital shortages.