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The
G20 Research Group
at Trinity College at the Munk School of Global Affairs
in the University of Toronto
presents the

2016 G20 Hangzhou Summit Interim Compliance Report

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Prepared by
Sarah Scott, Alissa Xinhe Wang and the G20 Research Group, Toronto,
and Mark Rakhmangulov, Irina Popova, Andrey Shelepov, Andrei Sakharov and the
Center for International Institutions Research
of the Russian Presidential Academy of National Economy and Public Administration,
Moscow

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www.g20.utoronto.ca
g20@utoronto.ca

"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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14. Financial Regulation: Financial Sector Reform Agenda

"To this end, we remain committed to finalizing remaining critical elements of the regulatory framework and to the timely, full and consistent implementation of the agreed financial sector reform agenda, including Basel III and the total-loss-absorbing-capacity (TLAC) standard as well as effective cross-border resolution regimes."

G20 Leaders' Communiqué: Hangzhou Summit

Assessment

	No Compliance	Work in Progress	Full Compliance
Argentina		0	
Australia			+1
Brazil		0	
Canada		0	
China		0	
France		0	
Germany			+1
India			+1
Indonesia		0	
Italy		0	
Japan		0	
Korea		0	
Mexico		0	
Russia		0	
Saudi Arabia			+1
South Africa		0	
Turkey		0	
United Kingdom			+1
United States		0	
European Union			+1
Average	+0.30		

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."[2070] Since that time, G20 members have made substantial progress in developing and implementing reforms aimed at improving the functioning of the global financial system. However, some critical elements of the global financial regulatory framework still need to be finalized and implemented at the national level in a full, consistent and timely manner. These remaining elements of the G20 financial agenda became a focus at the 2016 Hangzhou Summit.

Commitment Features

This commitment focuses on three areas of the global financial regulatory reform: Basel III framework, total-loss-absorbing-capacity (TLAC) standard, and effective cross-border resolution regimes.

[2070] Implementation and Effects of the G20 Financial Regulatory Reforms, 31 August 2016. Access date: 12 January 2017. http://www.fsb.org/wp-content/uploads/Report-on-implementation-and-effects-of-reforms.pdf.

Basel III is a comprehensive set of reform measures, developed by the Basel Committee on Banking Supervision, to strengthen the regulation, supervision and risk management of the banking sector. These 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.[2071] Particular requirements under the Basel III framework are presented in the Bank for International Settlements (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.[2072]

TLAC standard developed by the Financial Stability Board (FSB) aims to address the risks arising from global systemically important financial institutions (G-SIFIs). Particular features of the TLAC standard are described in the Principles on Loss-absorbing and Recapitalization Capacity of G-SIBs in Resolution and Total Loss-absorbing Capacity (TLAC) Term Sheet prepared by the FSB.[2073] It should be mentioned that TLAC requirements are applicable only to global systemically important banks. Thus, each G20 member should be checked for having the headquarters of G-SIBs located on its territory before being assessed for compliance with this part of the commitment. The list of G-SIBs is regularly updated by the FSB.[2074] G20 members without G-SIBs are not assessed for compliance with this part of the commitment.

The FSB Principles for Cross-border Effectiveness of Resolution Actions published in November 2015 set out statutory and contractual mechanisms that jurisdictions should consider including in their legal frameworks to give cross-border effect to resolution actions in accordance with the Key Attributes[2075] developed one year earlier. There are nine effectiveness principles:

1. Authorities should pursue a close alignment of resolution powers and tools with the FSB Key Attributes of Effective Resolution Regimes for Financial Institutions to facilitate the process of giving cross-border effect to resolution actions.
2. The legal framework should confer on a domestic authority or authorities the legal capacity to give effect to foreign resolution measures.
3. The legal framework for giving effect to foreign resolution measures or adopting measures to support foreign resolution actions should clearly establish: (i) the conditions for recognition, enforcement or support actions; (ii) the grounds for refusal of such actions, which should be limited; and (iii) the process for taking such actions.
4. The process for giving effect to foreign resolution measures should be guided by the principle of equitable treatment of creditors.
5. Processes for giving effect to foreign resolution actions should be expedited.
6. The capacity to give effect to foreign resolution actions should be complemented by the necessary legal protections for authorities and their officials.
7. Authorities should require, or provide incentives for, firms to adopt, where appropriate, contractual approaches to fill the gap until statutory approaches have been fully implemented and to complement such approaches by reinforcing the legal certainty and predictability of cross-border recognition under statutory frameworks that are in place.

[2071] Basel III: international regulatory framework for banks. URL: http://www.bis.org/bcbs/basel3.htm.
[2072] Basel Committee on Banking Supervision reforms - Basel III. Access date: 12 January 2017. http://www.bis.org/bcbs/basel3/b3summarytable.pdf.
[2073] Principles on Loss-absorbing and Recapitalisation Capacity of G-SIBs in Resolution. 9 November 2015. Access date: 12 January 2017. http://www.fsb.org/wp-content/uploads/TLAC-Principles-and-Term-Sheet-for-publication-final.pdf.
[2074] 2016 List of Global Systemically Important Banks (G-SIBs) 21 November 2016. Access date: 12 January 2017. http://www.fsb.org/wp-content/uploads/2016-list-of-global-systemically-important-banks-G-SIBs.pdf.
[2075] Key Attributes of Effective Resolution Regimes for Financial Institutions. 15 October 2014. Access date: 12 January 2017. http://www.fsb.org/wp-content/uploads/r_141015.pdf.

8. Contractual cross-border recognition of temporary stays on early termination rights should be framed as a contractual agreement by the parties to a financial contract to be bound by temporary stays on early termination that are imposed under the resolution regime applicable to the counterparty, subject to safeguards that are consistent with the Key Attributes.
9. Capital or debt instruments that are governed by the laws of a jurisdiction other than that of the issuing entity should include legally enforceable provisions recognising a write-down, cancellation or conversion of debt instruments in resolution ('bail-in') by the relevant resolution authority if the entity enters resolution.[2076]

To fully comply with this commitment, G20 members are required to make progress in all three areas: Basel III framework, the total-loss-absorbing-capacity (TLAC) standard and effective cross-border resolution regimes, by taking measures indicated in the respective documents of the Basel Committee and FSB. Measures taken in one or two areas mean partial compliance.

Scoring Guidelines

−1	Member does not take actions aimed at the timely, full and consistent implementation of the agreed financial sector reform agenda, in the following areas: (1) Basel III, (2) the total-loss-absorbing-capacity (TLAC) standard, and (3) effective cross-border resolution regimes.
0	Member takes actions aimed at the timely, full and consistent implementation of the agreed financial sector reform agenda in one or two of the following areas: (1) Basel III framework, (2) the total-loss-absorbing-capacity (TLAC) standard (for countries with G-SIBs), and (3) effective cross-border resolution regimes.
+1	Member takes actions aimed at the timely, full and consistent implementation of the agreed financial sector reform agenda in all of the following areas: (1) Basel III framework, (2) the total-loss-absorbing-capacity (TLAC) standard (for countries with G-SIBs), and (3) effective cross-border resolution regimes.

Argentina: 0

Argentina has partially complied with the commitment on financial regulation.

On 21 September 2016, the Basel Committee published "Basel III implementation assessments of Argentina" which informed that domestic implementation of the risk-based capital framework is "compliant" with the Basel standards. Ten of the 11 assessed components of the framework are assessed as compliant and one - the scope of application - is assessed as "largely compliant". Argentina is also assessed as "compliant" with the Basel liquidity coverage ratio (LCR) standards, including the LCR regulation and the LCR disclosure standards. A compliant assessment grade is the highest of the four possible grades.[2077]

Argentina is not assessed against the total-loss-absorbing-capacity requirements due to the absence of global significant system banks in the country.[2078]

[2076] Principles for Cross-border Effectiveness of Resolution Actions. 3 November 2015. Access date: 12 January 2017. http://www.fsb.org/wp-content/uploads/Principles-for-Cross-border-Effectiveness-of-Resolution-Actions.pdf.
[2077] Basel III implementation assessments of Argentina and Korea published by the Basel Committee, Bank for International Settlements, 21 September 2016. Access date: 25 December 2016. http://www.bis.org/press/p160921.htm.
[2078] 2016 list of global systemically important banks (G-SIBs), Financial Stability Board, 21 November 2016. Access date: 25 December 2016. http://www.fsb.org/wp-content/uploads/2016-list-of-global-systemically-important-banks-G-SIBs.pdf.

Argentina has taken actions aimed at implementing Basel III framework, but no facts of effective cross-border resolution regimes implementation have been registered. Thus, it receives a score of 0.

Analyst: Angelina Khudoleeva

Australia: +1

Australia has fully complied with the commitment on financial sector reforms.

The Australian Prudential Regulation Authority (APRA) implemented a set of reforms in line with Basel III liquidity and capital requirements. On 1 January 2015, APRA approved the Liquidity Coverage Ratios framework. In addition, APRA specified the run-off rates for banks' liabilities within a 30-day liquidity stress scenario.[2079] As for capital reforms, the APRA's application of the Basel III capital framework came into effect in Australia on 1 January 2013. In particular, APRA required deposit-taking institutions (ADIs) to meet its new increased capital requirements for Common equity Tier 1 (CET1) capital.[2080]

According to the Financial Stability Board (FSB), there are no G-SIBs in Australia.[2081]

Domestically, Council of Financial Regulators agencies (The Reserve Bank of Australia, the Australian Prudential Regulation Authority, the Australian Securities and Investments Commission and the Treasury) continue to collaborate on strengthening Australia's resolution and crisis management arrangements. In October 2016, APRA reviewed and benchmarked recovery plans submitted by large authorized deposit-taking institutions (ADIs), and developed its resolution planning framework, to ensure it is able to use its resolution powers when needed.[2082]

Australia has made efforts aimed at implementing reforms in financial sector regulation in all three areas. Thus, it receives a score of +1.

Analyst: Ildar Khalilyulin

Brazil: 0

Brazil has partially complied with the commitment on financial regulation.

On 19 October 2016, the Basel Committee on Banking Supervision informed that Brazil had completed the adoption of capital definition and requirements to capital conservation buffer, countercyclical buffer, liquidity coverage ratio (LCR), LCR disclosure requirements, leverage ratio disclosure requirements, global systemically important banks (G-SIBs)G-SIBs requirements (there are no G-SIBs in Brazil, although some banks fall under the public G-SIBs disclosure framework), and domestic systemically important banks (D-SIB) requirements. In contrast, the adoption of margin requirements for non-centrally cleared derivatives has not started yet.[2083]

[2079] Financial Stability Review – March 2015, Reserve Bank of Australia. Access date: 28 December 2016. http://www.rba.gov.au/publications/fsr/2015/mar/box-a.html.

[2080] Financial Stability Review – September 2013, Reserve Bank of Australia. Access date: 28 December 2016. http://www.rba.gov.au/publications/fsr/2013/sep/box-b.html.

[2081] 2016 list of global systemically important banks (G-SIBs), Financial Stability Board. Access date: 28 December 2016. http://www.fsb.org/wp-content/uploads/2016-list-of-global-systemically-important-banks-G-SIBs.pdf.

[2082] Financial Stability Review – October 2016, Reserve Bank of Australia. Access date: 28 December 2016. http://www.rba.gov.au/publications/fsr/2016/oct/dev-fin-sys-arch.html.

[2083] Eleventh progress report on adoption of the Basel regulatory framework, Bank for International Settlements 19 October 2016. Access date: 28 December 2016. http://www.bis.org/bcbs/publ/d388.htm.

Brazil has taken actions aimed at the timely, full and consistent implementation of the agreed financial sector reform agenda in the area of Basel III framework, but no facts of effective cross-border resolution regimes implementation have been registered. Thus, it receives a score of 0.

Analyst: Sofia Streltsova

Canada: 0

Canada has partially complied with the commitment on financial regulation

On 9 September 2016, new Capital Adequacy Requirements (CAR) Guideline which provides a "framework for assessing the capital adequacy of federally regulated deposit-taking institutions" was issued in Canada. The CAR Guideline is based on requirements agreed by the Basel Committee on Banking Supervision.[2084]

According to the Eleventh progress report on adoption of the Basel regulatory framework, Canada has successfully introduced measures in the spheres of definition of capital, capital conservation buffer, margin requirements for non-centrally cleared derivatives, liquidity coverage ratio (LCR), LCR disclosure requirements and D-SIB requirements.[2085]

According to the 2016 list of global systemically important banks (G-SIBs) published by the Financial Stability Board (FSB),[2086] Canada is not home to any G-SIB, however additional supervisory expectations and disclosure obligations are in effect in the country for this type of banks.[2087]

Canada has taken actions aimed at implementing Basel III framework, but no facts of effective cross-border resolution regimes implementation have been registered. Thus, it receives a score of 0.

Analyst: Irina Popova

China: 0

China has partially complied with the commitment on financial regulation.

On 30 September 2016, the China Banking Regulatory Commission (CBRC) issued the Guidelines on Comprehensive Risk Management of Banking Institutions to improve the comprehensive risk management capability of banking institutions, and to guide them in better serving the real economy.[2088]

[2084] Capital Adequacy Requirements Guideline, Office of the Superintendent of Financial Institutions. Access date: 23 November 2016. http://www.osfi-bsif.gc.ca/eng/osfi-bsif/med/Pages/CAR17_nr20160906.aspx.
[2085] Eleventh progress report on adoption of the Basel regulatory framework, Bank for International Settlements 19 October 2016. Access date: 11 January 2017. http://www.bis.org/bcbs/publ/d388.pdf.
[2086] 2016 list of global systemically important banks (G-SIBs). Access date: 23 November 2016. http://www.fsb.org/2016/11/2016-list-of-global-systemically-important-banks-g-sibs/.
[2087] Eleventh progress report on adoption of the Basel regulatory framework, Bank for International Settlements 19 October 2016. Access date: 11 January 2017. http://www.bis.org/bcbs/publ/d388.pdf .
[2088] The CBRC Issued the Guidelines on Comprehensive Risk Management of Banking Institutions, China Bank Regulatory Comission 30 September 2016. Access date: 08 January 2017.http://www.cbrc.gov.cn/EngdocView.do?docID=4B659527B7C744989B170DD502B40A85.

On 13 September 2016, Chairman of CBRC Shang Fulin pointed out that risk prevention should be strengthened to guard the financial stability and Chinese banks must enhance risk control, and adopt multiple measures to resolve NPAs and improve risk absorbing capacity.[2089]

Chinese G-SIBs include Industrial and Commercial Bank of China Limited, Agricultural Bank of China, Bank of China and China Construction Bank.[2090]

On 18 December 2015, CBRC stated that Chinese global systemically important banks should comply with capital requirements other than possession of a particular form of qualified debt instruments to increase the total loss absorption capacity and to meet the new total-loss-absorbing-capacity (TLAC) requirements. The new total loss absorptive capacity standards will be progressively implemented from 1 January 2019.[2091]

China has taken actions aimed at the implementation of Basel III framework and the total-loss-absorbing-capacity (TLAC) standard, but no facts of effective cross-border resolution regimes implementation have been registered. Thus, it receives a score of 0.

Analyst: Kirill Krivosheyev

France: 0

France has partially complied with the commitment on financial regulation.

On 23 September 2016, French Finance Minister Michel Sapin together with German Finance Minister Wolfgang Schaeuble, warned against the introduction of new rules that would force banks to reserve more capital, saying this could "choke off private lending and hurt growth prospects." Minister Sapin said it was critical that new Basel III rules did not put European banks at a disadvantage and both governments were "preoccupied" with the rules currently being discussed under Basel III. "Today the issue is to have enough capacity to finance the real economy and companies, and we shouldn't hamper them on this," Mr. Sapin added.[2092]

On 25 November 2016, the Board members of the European Banking Federation (EBF) emphasized their commitment to responsibly financing households and businesses in the European economy. Addressing the upcoming talks in the Basel Committee on Banking Supervision (BCBS), the Board called on the committee to respect the G20 mandate for additional capital requirements, which should not have a significant impact in any region, including Europe. EBF members also invited the committee to respect the global playing field in banking by considering the variety of banking models in Europe.[2093]

On 22 November 2016, the report "French Banks: well positioned to meet regulatory requirements" was published. According to it French government is expected by the end of the year to sign into law

[2089] Chairman Shang Fulin Attended the Second Meeting of the Seventh General Conference of China Banking Association, China Bank Regulatory Comission 14 September 2016. Access date: 08 January 2017. http://www.cbrc.gov.cn/EngdocView.do?docID=30E3716CE58F4DD0B1FD8A15CEE51212.

[2090] 2016 list of global systemically important banks (G-SIBs), Financial Stability Board. Access date: 28 December 2016. http://www.fsb.org/wp-content/uploads/2016-list-of-global-systemically-important-banks-G-SIBs.pdf.

[2091] China Construction Bank was included to the Global Systemic Important Bank list, China Bank Regulatory Comission 18December 2015. Access date: 08 January 2017. http://www.cbrc.gov.cn/chinese/home/docView/5FABDD50F29543409B727D8880D14BE1.html.

[2092] France, Germany warn against stricter capital rules for banks, Reuters 23.09.2016. Access date: 6 December 2016 http://uk.reuters.com/article/uk-germany-france-economy-idUKKCN11T1PJ

[2093] EBF asks Basel Committee to respect G20 mandate, EBF BOARD COMMUNIQUÉ 25.11.2016. Access date: 5 December 2016 http://www.fbf.fr/en/files/AG2LV5/EBF per cent20- per cent20Board per cent20Communique per cent20- per cent20Brussels per cent20- per cent20November per cent202016.pdf legislation that would allow banks to issue non-preferred senior unsecured debt. This new class of debt would be explicitly bail-inable in resolution and eligible for meeting total-loss-absorbing-capacity (TLAC) requirements. Existing senior unsecured debt would be granted preference and rank above in the creditor hierarchy.[2094]

On 16 October 2016, the Financial Times reported that the French Government viewed the total loss absorbing capacity rules being developed by the EU as too narrow. As drafted, the rule would cover a total of 13 EU lenders, including BNP Paribas, Société Générale, Crédit Agricole and Groupe BPCE from France. The standard is set to fully apply from January 2022.[2095]

No French actions in the area of effective cross-border resolution regimes have been registered during the compliance period.

France has taken actions aimed at the timely, full and consistent implementation of the agreed financial sector reform agenda in two following areas: (1) Basel III framework, (2) the total-loss-absorbing-capacity (TLAC) standard. Thus, it receives a score of 0.

Analysts: Mark Rakhmangulov & Anastasiya Polovko

Germany: +1

Germany has fully complied with the commitment on financial regulation.

On 29 September 2016, the Federal Bank published a report on the implementation of Basel's requirements in German banking system by 31 December 2015. There is a progress, but institutions need to continue working on their profitability and business models.[2096]

On 11 October 2016, a working group on cyber security in the financial sector, in which German representatives participated, prepared a report with eight basic elements. They are recommended to the financial sector in the G7 countries as a basic guarantee to protect their consumers, institutions, data and infrastructure. It is an important measure to make financial operations safer and more effective.[2097]

On 18 November 2016, Bundesbank Executive Board member Andreas Dombret expressed the position of German Federal Bank on Basel's III requirements. He said that Germany would defend the right of the banks to use internal risk models, because they may be more effective. Dombret also

[2094] French Banks: Well Positioned to Meet Regulatory Requirements, Scope 22.11.2016. Access date: 6 December 2016. https://www.scoperatings.com/study/download?id=3b34f6c7-703b-4f9f-936c-fdb33f2b3e95&q=1
[2095] Financial Times. Access date: 6 December 2016. https://www.ft.com/content/ac8563e2-937a-11e6-a1dc-bdf38d484582
[2096] Ergebnisse des Basel III-Monitoring für deutsche Institute zum Stichtag 31. Dezember 2015, Federal Bank 29 September 2016. Access date: 25 December 2016. https://www.bundesbank.de/Redaktion/DE/Pressemitteilungen/BBK/2016/2016_09_29_basel_3.html.
[2097] Grundelemente zur Cyber-Sicherheit, Federal Ministry of Finance 11 October 2016. Access date: 25 December 2016. http://www.bundesfinanzministerium.de/Content/DE/Standardartikel/Themen/Internationales_Finanzmarkt/Internationale_Finanzpolitik/2016-10-11-Cyber-Sicherheit.html.

emphasized the importance of international agreements such as Basel III and he expressed the hope that negotiations would continue.[2098]

On 30 November 2016, the list of the institutions was published by the Federal Financial Supervisory Authority. The identified institutes are referred to so-called "other system-relevant institutes" (A-SRI), what is an extended version of the list of the "globally system-relevant institutes" (G-SRI). From 1 January 2017 selected German banks will be required to provide more equity within the scope of so-called capital buffers. It is intended to enable the institutes to better absorb possible losses in the future.[2099]

On 2 December 2016, the Bundestag adopted the law, designing numerous instruments to prevent a bank from bankruptcy. If such a case occurs, the costs will ultimately be borne through the European Settlement Fund. This also applies to large and international banks and especially to Deutsche Bank, which refers to "globally system-relevant institutes" (G-SRI).[2100]

Germany has taken actions aimed at the implementation of Basel III framework, the total-loss-absorbing-capacity (TLAC) standard, and effective cross-border resolution regimes. Thus, it receives a score of +1.

Analyst: Elizaveta Nekrasova

India: +1

India has fully complied with the commitment on financial regulation.

On 25 December 2014, Indian Government announced "Indradhanush" - plan to revamp Public Sector banks (PSBs) and as part of that, a program of capitalization to ensure that PSBs remain Basel III complaint was also announced, worth INR700 billion (USD10.4 billion) and supposed to be provided between 2015-2019.[2101] According to the analysis carried out by Fitch, Indian banks will require around USD90 billion in new capital by Financial year 19 (FY19) to meet Basel III standards. Banks are heavily dependent on the government in raising new capital due to the poor conditions for asset quality. Indian government had previously earmarked USD10.4 billion for capital injections into the state banks through to FY19, and USD3.4 billion have been already frontloaded.[2102]

[2098] Dombret outlines demands ahead of Basel negotiations, Federal Bank 18 November 2016. Access date: 25 December 2016.
https://www.bundesbank.de/Redaktion/EN/Topics/2016/2016_11_18_dombret_euro_finance_week.html?startpageId=Startseite-EN&startpageAreaId=Teaserbereich&startpageLinkName=2016_11_18_dombret_euro_finance_week+384218

[2099] Kapitalzuschläge für systemrelevante Banken in Deutschland, Federal Bank 30 November 2016. Access date: 25 December 2016.
https://www.bundesbank.de/Redaktion/DE/Themen/2016/2016_11_30_kapitalzuschlaege_systemrelevante_banken.html?startpageId=Startseite-DE&startpageAreaId=Teaserbereich&startpageLinkName=2016_11_30_kapitalzuschlaege_systemrelevante_banken+371328.

[2100] Ergebnisse des Basel III-Monitoring für deutsche Institute zum Stichtag 31. Dezember 2015, Federal Bank 29 September 2016. Access date: 25 December 2016.
https://www.bundesbank.de/Redaktion/DE/Pressemitteilungen/BBK/2016/2016_09_29_basel_3.html.

[2101] Outcome Budget 2016-2017, Ministry of Finance of the Republic of India 31 December 2015. Access date: 26 December 2016. http://finmin.nic.in/reports/OutcomeBudget2016_17.pdf.

[2102] Indian banks require nearly Rs 6 lakh crore to meet Basel III norms: Fitch, Z Business 12 September 2016. Access date: 19 December 2016. http://www.zeebiz.com/companies/news-indian-banks-require-nearly-rs-6-lakh-crore-to-meet-basel-iii-norms-fitch-6006.

According to 2016 list of global systemically important banks, there are no G-SIBs in India.[2103]

On 21 September 2016, Department of Economic Affairs of the Indian Ministry of Finance presented the Report of Committee to Draft Code on Resolution of Financial Firms. According to this Report, actions taken by Indian government are performed in accordance with FSB Principles for Cross-border Effectiveness of Resolution Actions.[2104]

India has taken actions aimed at the timely, full and consistent implementation of the Basel III framework and effective cross-border resolution regimes. Thus, it receives a score of +1.

Analyst: Evgeny Tsarik

Indonesia: 0

Indonesia has partially complied with the commitment on financial regulation.

Introduction of the Basel III framework in Indonesia has been underway since 2014 with full compliance planned by 2019. In particular, formal implementation of liquidity coverage ratio started in Indonesia in January 2016.[2105] However, it is reported that "banks desire more guidance on how to implement the liquidity requirements, the use of the foundation and advanced internal rating based approach and the exact timeline of the Basel III requirements."[2106]

Indonesia belongs to the group of economies, whose banks are "well positioned to meet the Basel III minima for implementation in 2019."[2107]

No Indonesian banks are on the FSB's 2016 list of global systemically important banks (G-SIBs),[2108] which means TLAC standard related part of the commitment is not applicable to Indonesia.

Indonesia has reached slight progress on Principle 1 of the Principles for Cross-border Effectiveness of Resolution Actions – "Authorities should pursue a close alignment of resolution powers and tools with the FSB Key Attributes of Effective Resolution Regimes for Financial Institutions to facilitate the process of giving cross-border effect to resolution actions."[2109] As reported in the Second Thematic Review on Resolution Regimes,[2110] Indonesia found itself among ten FSB jurisdictions that

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[2103] 2016 list of global systemically important banks (G-SIBs), FSB 21 November 2016. Access date: 16 December 2016. http://www.fsb.org/wp-content/uploads/2016-list-of-global-systemically-important-banks-G-SIBs.pdf.

[2104] Report of Committee to Draft Code on Resolution of Financial Firms, Department of Economic Affairs Ministry of Finance 21 September 2016. Access date: 16 December 2016. http://finmin.nic.in/fslrc/report_rc_sept21.pdf.

[2105] Regulatory trends in Indonesia: 2016 by Andy Arnoys, Country Manager Indonesia, Wolters Kluwer 2 March 2016. Access date: 28 November 2016. https://www.wolterskluwerfs.com/onesumx/commentary/regulatory-trends-in-indonesia-2016.aspx.

[2106] Regulatory trends in Indonesia: 2016 by Andy Arnoys, Country Manager Indonesia, Wolters Kluwer 2 March 2016. Access date: 28 November 2016. https://www.wolterskluwerfs.com/onesumx/commentary/regulatory-trends-in-indonesia-2016.aspx.

[2107] Why Asian Banks are Well Positioned for Basel III by Walter Yao 23 November 2016. Access date: 28 November 2016. http://www.frbsf.org/banking/asia-program/pacific-exchange-blog/why-asian-banks-are-well-positioned-for-basel-iii/.

[2108] 2016 list of global systemically important banks (G-SIBs), Financial Stability Board 21 November 2016. Access date: 27 November 2016. http://www.fsb.org/wp-content/uploads/2016-list-of-global-systemically-important-banks-G-SIBs.pdf

[2109] FSB Principles for Cross-border Effectiveness of Resolution Actions, Financial Stability Board 3 November 2015. Access date: 28 November 2016. http://www.fsb.org/wp-content/uploads/Principles-for-Cross-border-Effectiveness-of-Resolution-Actions.pdf.

[2110] Second Thematic Review on Resolution Regimes, Financial Stability Board March 2016. Access date: 28 November 2016. http://www.fsb.org/wp-content/uploads/Second-peer-review-report-on-resolution-regimes.pdf.

have introduced four or fewer of the required resolution powers in accordance with the FSB Key Attributes of Effective Resolution Regimes for Financial Institutions.

Implementation of the remaining eight Principles is to be further monitored throughout the entire compliance period (ending in July 2017).

Indonesia has reached mediocre progress on Basel III and effective cross-border resolution regimes, while TLAC standard related part of the commitment is not applicable to Indonesia. Thus, it receives a score of 0.

Analyst: Pavel Doronin

Italy: 0

Italy has partially complied with the commitment on financial regulation.

On 20 December 2016, Senior Deputy Governor of the Bank of Italy and President of the Italian Insurance Supervisory Authority (Istituto per la vigilanza sulle assicurazioni or IVASS) Salvatore Rossi made a statement to the Parliamentary Commission, pointing out that the need to simplify the banking, financial, insurance systems and make them more transparent and costumer-oriented. He also declared that failures of banks and insurance companies cannot be avoided but can be minimized.[2111]

On 30 December 2015, the Bank of Italy has identified the UniCredit banking group as a global systemically important institution (G-SII) authorized to operate in Italy. The UniCredit group is required to maintain a capital buffer equal to 0.50 per cent of its total risk exposure from 1 January 2017. The buffer must be increased annually by 0.25 per cent of total risk exposure to reach one per cent no later than 1 January 2019. The decision was taken pursuant to Bank of Italy Circular No. 285/2013 on prudential regulations for banks, on which the methodology for identifying the G-SIIs is based.[2112]

Italy has taken actions in the sphere of regulating G-SIBs and Basel III requirements, but no facts of effective cross-border resolution regimes implementation have been registered. Thus, it receives a score of 0.

Analyst: Maria Strelnikova

Japan: 0

Japan has partially complied with the commitment on financial regulation.

The Basel Committee on Banking Supervision recognized Japan's regulatory framework for implementing the Basel III as compliant with the Basel standards as early as in late 2012.[2113] Moreover, in June 2016 it was reported by the Basel Committee on Banking Supervision that "G-

[2111] Investigation into simplification and transparency in relations with users in the financial, banking and insurance sectors, Bank of Italy 20 December 2016. Access date: 04 January 2017. https://www.bancaditalia.it/pubblicazioni/interventi-direttorio/int-dir-2016/en_Rossi_20122016.pdf?language_id=1.
[2112] Identification of UniCredit banking group as a global systemically important institution (G-SII) in 2016, Banca D'Italia 30 December 2015. Access date: 27 December 2016. https://www.bancaditalia.it/compiti/stabilita-finanziaria/politica-macroprudenziale/documenti/en_GSII_2016_Comunicato.pdf?language_id=1.
[2113] Basel III regulatory consistency assessment (Level 2) – Japan, Bank for International Settlements October 2012. Access date: 28 November 2016. http://www.bis.org/bcbs/implementation/l2_jp.pdf.

SIB framework in Japan is assessed as compliant with the Basel G-SIB framework."[2114] These facts imply that the Basel III related part of the commitment is not applicable to Japan.

Japanese Mitsubishi UFJ FG, Mizuho FG, Sumitomo Mitsui FG are on the FSB's 2016 list of global systemically important banks (G-SIBs),[2115] which means TLAC standard related part of the commitment is applicable to Japan.

The measures referring to the TLAC standard implementation have been introduced in Japan before the start of the compliance period and will remain relevant throughout the entire compliance period (July 2017) and beyond.

On 15 April 2016, Japan's Financial Services Agency (FSA) published its approach to implement the TLAC framework throughout 2016 – 2019.[2116] This guidance calls for Japan's G-SIBs to hold a minimum TLAC of 16 per cent of risk-weighted assets and have a Basel III leverage of 6 per cent by the end of March 2019, rising to 18 per cent and 6,75 per cent in March 2022. The FSA TLAC framework also notes that resolution should take place through a single point of entry, with any losses expected to be absorbed by the banks' holding companies.

Japan has reached considerable progress on Principle 1 of the Principles for Cross-border Effectiveness of Resolution Actions – "Authorities should pursue a close alignment of resolution powers and tools with the FSB Key Attributes of Effective Resolution Regimes for Financial Institutions to facilitate the process of giving cross-border effect to resolution actions."[2117] As reported in the Second Thematic Review on Resolution Regimes,[2118] Japan has introduced all but two resolution powers in accordance with the FSB Key Attributes of Effective Resolution Regimes for Financial Institutions. Continuity powers and bail-in remain lacking, according to the Review.

Implementation of the remaining eight Principles is to be further monitored throughout the entire compliance period (ending in July 2017).

Japan has taken a number of significant steps on the Basel III and TLAC standard prior but relevant to the compliance period, while progress on effective cross-border resolution regimes has been mediocre. Thus, it receives a score of 0.

Analyst: Pavel Doronin

Korea: 0

Korea has partially complied with the commitment on financial regulation.

[2114] 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: 28 November 2016. http://www.bis.org/bcbs/publ/d371.pdf.

[2115] 2016 list of global systemically important banks (G-SIBs), Financial Stability Board 21 November 2016. Access date: 27 November 2016. http://www.fsb.org/wp-content/uploads/2016-list-of-global-systemically-important-banks-G-SIBs.pdf.

[2116] The FSA's Approach to Introduce the TLAC Framework, Japan's Financial Services Agency 15 April 2016. Access date: 28 November 2016. http://www.fsa.go.jp/en/news/2016/20160415-1/01.pdf.

[2117] FSB Principles for Cross-border Effectiveness of Resolution Actions, Financial Stability Board 3 November 2015. Access date: 28 November 2016. http://www.fsb.org/wp-content/uploads/Principles-for-Cross-border-Effectiveness-of-Resolution-Actions.pdf.

[2118] Second Thematic Review on Resolution Regimes, Financial Stability Board March 2016. Access date: 28 November 2016. http://www.fsb.org/wp-content/uploads/Second-peer-review-report-on-resolution-regimes.pdf.

In September 2016, the Basel Committee on Banking Supervision issued reports on assessment of the Basel III risk-based capital regulations[2119] and liquidity ratio coverage regulations[2120] in Korea. The reports suggest that implementation of the risk-based capital regulatory framework is "largely compliant" with the Basel III. Specifically – 12 of the 14 components of the framework are assessed as compliant, while the remaining "definition of capital" and "transitional arrangements" components are assessed as "largely compliant" (second-highest grade) and "materially non-compliant." With respect to liquidity ratio coverage, implementation of this regulatory framework in Korea is found compliant with the Basel III.

No Korean banks are on the FSB's 2016 list of global systemically important banks (G-SIBs),[2121] which means TLAC standard related part of the commitment is not applicable to Korea.

Korea has reached considerable progress on Principle 1 of the Principles for Cross-border Effectiveness of Resolution Actions – "Authorities should pursue a close alignment of resolution powers and tools with the FSB Key Attributes of Effective Resolution Regimes for Financial Institutions to facilitate the process of giving cross-border effect to resolution actions."[2122] As reported in the Second Thematic Review on Resolution Regimes,[2123] Korea has introduced all but two resolution powers in accordance with the FSB Key Attributes of Effective Resolution Regimes for Financial Institutions. Continuity powers and bail-in remain lacking, according to the Review.

Implementation of the remaining eight Principles is to be further monitored throughout the entire compliance period (ending in July 2017).

Korea has taken actions to implement Basel III, while mediocre progress on effective cross-border resolution regimes has been registered prior to the compliance period. TLAC standard related part of the commitment is not applicable to Korea. Thus, it receives a score of 0.

Analyst: Pavel Doronin

Mexico: 0

Mexico has partially complied with the commitment on financial regulation.

According to the Eleventh progress report on adoption of the Basel regulatory framework published by the Basel Committee on Banking Supervision in October 2016,[2124] Mexico has to implement a number of the Basel III requirements in short-term perspective, namely: capital requirements for equity investments in funds (deadline: January 2017); capital requirements for Central Counterparties (CCPs) (deadline: January 2017), and some others.

[2119] Regulatory Consistency Assessment Programme (RCAP). Assessment of Basel III risk-based capital regulations – Korea, Bank for International Settlements September 2016. Access date: 28 November 2016. http://www.bis.org/bcbs/publ/d380.pdf.

[2120] Regulatory Consistency Assessment Programme (RCAP). Assessment of Basel III LCR regulations – Korea, Bank for International Settlements September 2016. Access date: 28 November 2016. http://www.bis.org/bcbs/publ/d379.pdf.

[2121] 2016 list of global systemically important banks (G-SIBs), Financial Stability Board 21 November 2016. Access date: 27 November 2016. http://www.fsb.org/wp-content/uploads/2016-list-of-global-systemically-important-banks-G-SIBs.pdf.

[2122] FSB Principles for Cross-border Effectiveness of Resolution Actions, Financial Stability Board 3 November 2015. Access date: 28 November 2016. http://www.fsb.org/wp-content/uploads/Principles-for-Cross-border-Effectiveness-of-Resolution-Actions.pdf.

[2123] Second Thematic Review on Resolution Regimes, Financial Stability Board March 2016. Access date: 28 November 2016. http://www.fsb.org/wp-content/uploads/Second-peer-review-report-on-resolution-regimes.pdf.

[2124] Eleventh progress report on adoption of the Basel regulatory framework. Access date: 23 November 2016. http://www.bis.org/bcbs/publ/d388.pdf.

On 2 December 2016, the Mexican National Banking and Securities Commission (CNBV) published the information of the third quarter of 2016 on liquidity coverage ratio of 44 banking institutions. During the period from July to September 2016 all Mexican commercial banks complied with this requirement, according to the CNBV data.[2125]

According to the 2016 list of global systemically important banks (G-SIBs) published by the Financial Stability Board (FSB) on 21 November 2016,[2126] Mexico is not home to any G-SIB, so the country doesn't need to comply with the TLAC standard.

According to the BBVA (Banco Bilbao Vizcaya Argentaria) research of January 2016,[2127] Mexico is on the way to adapt its resolution regime to the FSB requirements.

On 7 September 2016, the Bank of México, Mexican National Banking and Securities Commission (CNBV) and US Commodity Futures Trading Commission (CFTC) signed a cooperation agreement to exchange information on derivatives transactions between the US and Mexico as well as strengthen a supervision of institutions that act as central derivatives counterparties. The agreement is in line with the Mexican financial sector reforms aimed at promoting derivatives market transparency and liquidity as well as advancing supervision.[2128]

Mexico has taken actions aimed at the timely, full and consistent implementation of the agreed financial sector reform agenda in Basel III framework, but no facts of effective cross-border resolution regimes implementation have been registered. Thus, it receives a score of 0.

Analyst: Elizaveta Safonkina

Russia: 0

Russia has partially complied with the commitment on financial regulation.

According to the Action Plan (Road Map) on the Key Measures for the Development of the Financial Market of the Russian Federation in 2016-2018, in 2016 the Central Bank of Russia elaborated the Bank of Russia Regulation 'On Calculation of the Net Stable Funding Ratio (Basel III)' for "implementing internationally recognised approaches to the regulation of the banking sector in Russian law in full with due regard for the timeframes for their phased implementation stipulated by the Basel Committee on Banking Supervision." To clarify the approaches to calculating equity of credit institutions to prevent any sources of fictitious capital from being included in the calculation of equity it published the Bank of Russia Ordinance 'On Amending Bank of Russia Regulation No. 395-P, dated 28 December 2012, 'On the Methodology for Measuring Bank Capital and Assessing its Adequacy (Basel III)', aimed at preventing any sources of fictitious capital from being included in the calculation of equity.[2129]

[2125] 97-2016 Nivel promedio del Coeficiente de Cobertura de Liquidez (CCL) de las 44 instituciones de banca multiple. http://www.gob.mx/cnbv/prensa/97-2016-nivel-promedio-del-coeficiente-de-cobertura-de-liquidez-ccl-de-las-44-instituciones-de-banca-multiple?idiom=es.

[2126] 2016 list of global systemically important banks (G-SIBs). Access date: 23 November 2016. http://www.fsb.org/2016/11/2016-list-of-global-systemically-important-banks-g-sibs/.

[2127] Resolution regimes in Latin America. Access date: 25 November 2016. https://www.bbvaresearch.com/wp-content/uploads/2016/02/Analisis-LATAM1.pdf.

[2128] Comunicado Conjunto. Firman Banxico, CNBV y la CFTC de Estados Unidos acuerdo de cooperación e intercambio de información. http://www.gob.mx/cnbv/prensa/comunicado-conjunto-firman-banxico-cnbv-y-la-cftc-de-estados-unidos-acuerdo-de-cooperacion-e-intercambio-de-informacion?idiom=es.

[2129] 2016 Action Plan (Road Map) of the Bank of Russia for Implementing the Guidelines for the Development of the Russian Financial Market in 2016–2018. http://www.cbr.ru/eng/finmarkets/files/development/map-2016_e.pdf

No Russian actions in the area of effective cross-border resolution regimes have been registered during the compliance period.

Russia has taken actions aimed at the timely, full and consistent implementation of the agreed financial sector reform agenda in the area of Basel III framework. Thus, it receives a score of 0.

Analyst: Mark Rakhmangulov

Saudi Arabia: +1

Saudi Arabia has fully complied with the commitment on financial regulation.

On 16 September 2016, Moody's published information that Saudi Arabia had complied with Basel III and have introduced liquidity coverage ratios.[2130]

On 26 September 2016, the G20 published "Growth Strategy Saudi Arabia." It notes that Saudi banks were among the first international banks which met the Basel III capital, liquidity and leverage standards. Saudi Arabia Monetary Agency set up a dashboard of early warning indicators and a high-level Financial Stability Committee which will facilitate the monitoring of financial sector risks.[2131]

On 1 October 2016, the IMF noted that Saudi banks already comply with the Basel III capital, liquidity and leverage standards that international banks are slate to comply with by 2019.[2132]

There are no global systemically important banks in Saudi Arabia according to the FSB.[2133]

In 2016, the Financial Stability Board published the Second Thematic Review on Resolution Regimes which states that Saudi Arabia has no specific resolution regime and that the country has ongoing or planned reforms to its resolution regime. Saudi Arabia Monetary Agency has broadly-framed but far-reaching supervisory powers which have been used to prevent bank failures through managed sales and mergers or dilution of shareholders through recapitalization.[2134]

In 2016 the Saudi Arabian Monetary Agency leaded the national process of issuing a new Resolution Law, which was undergoing the formal legislative approval process. This law will apply to all financial institutions, including banks, finance companies and insurance companies. For all these institutions, the Key Attributes will be implemented, so that Saudi Arabia's resolution regime is not only applicable to SIFIs, but also to smaller financial institutions.[2135]

Saudi Arabia has taken actions in accordance with Basel III requirements and improved its resolution regime. Thus, it receives a score of +1.

Analyst: Aydar Shakirov

[2130] LCRs of Islamic lenders in Qatar comparable to conventional peers, Islamic Finance 16 September 2016. Access Date: 21 December 2016. http://www.islamicfinance.de/?q=node/9651.

[2131] 2016 Growth Strategy Saudi Arabia, G20 Official Website 26 September 2016. Access Date: 29 November 2016. http://g20.org/English/Documents/201609/P020160926605531911938.pdf.

[2132] Saudi Arabia Selected Issues, IMF Country Report No. 16/327 October 2016. Access Date: 21 December 2016. https://www.imf.org/external/pubs/ft/scr/2016/cr16327.pdf.

[2133] 2016 list of global systemically important banks (G-SIBs), Financial Stability Board 21 November 2016. Access Date: 21 December 2016. http://www.fsb.org/wp-content/uploads/2016-list-of-global-systemically-important-banks-G-SIBs.pdf.

[2134] Second Thematic Review on Resolution Regimes, Financial Stability Board 18.03.2016. Access Date: 21 December 2016. http://www.fsb.org/wp-content/uploads/Second-peer-review-report-on-resolution-regimes.pdf.

[2135] Financial Stability Report, Saudi Arabia Monetary Agency 2016. Access Date: 21 December 2016. http://www.sama.gov.sa/en-US/EconomicReports/Financial per cent20Stability per cent20Report/Financial per cent20Stablity per cent20Report per cent202016_en.pdf.

South Africa: 0

South Africa has partially complied with the commitment on financial regulation.

According to the Eleventh progress report on adoption of the Basel regulatory framework, South Africa has finalized the work on the issues of definition of capital (in force since January 2013), Capital conservation buffer (in force since January 2016), countercyclical buffer (in force since January 2016), liquidity coverage ratio (LCR) (amended in 2015), LCR disclosure requirements (amended in 2015), Leverage ratio disclosure requirements (in force since January 2015) and D-SIB requirements (in force since January 2016).[2136]

On 13 August 2015, the National Treasury, the South African Reserve Bank and the Financial Services Board published for public comment a discussion document "Strengthening South Africa's Resolution Framework for Financial Institutions" which contains information about cross-border issues.[2137] The document is still under discussion.[2138]

On 25-26 October 2016, the South African Reserve Bank hosted the tenth meeting of the Financial Stability Board (FSB) Regional Consultative Group (RCG) for Sub-Saharan Africa in Cape Town, South Africa. At the meeting promoting full, timely and consistent implementation of the international financial reforms; and addressing new risks and vulnerabilities were discussed. The members were also provided with an update on the Basel Committee on Banking Supervision's Basel III reforms.[2139]

According to the 2016 list of global systemically important banks (G-SIBs) published by the Financial Stability Board (FSB) on 21 November 2016,[2140] South Africa is not home to any G-SIB, so the country doesn`t need to comply with the TLAC standard.

South Africa has taken actions aimed at the timely, full and consistent implementation of the agreed financial sector reform agenda in Basel III framework, but no facts of effective cross-border resolution regimes implementation have been registered. Thus, it has been awarded a score of 0.

Analyst: Irina Popova

Turkey: 0

Turkey has partially complied with the commitment on financial regulation.

According to the Eleventh progress report on adoption of the Basel regulatory framework, Turkey has finalized the work on the issues of definition of capital (in force since January 2014), capital conservation buffer (in force since January 2014), countercyclical buffer (in force since January 2014), liquidity coverage ratio (LCR) (in force since 2015), LCR disclosure requirements (in force

[2136] Eleventh progress report on adoption of the Basel regulatory framework, Bank for International Settlements 19 October 2016. Access date: 12 January 2017. http://www.bis.org/bcbs/publ/d388.pdf.
[2137] National Treasury releases Strengthening South Africa's Resolution Framework for Financial Institutions for comment, South African Government 13 August 2015. Access date: 12 January 2017. http://www.gov.za/speeches/national-treasury-releases-strengthening-south-africa per centE2 per cent80 per cent99s-resolution-framework-financial.
[2138] A new macroprudential policy framework for South Africa, South African Reserve Bank. Access date: 12 January 2017. https://www.resbank.co.za/Lists/News per cent20and per cent20Publications/Attachments/7547/Macroprudential per cent20policy.pdf .
[2139] FSB Regional Consultative Group for Sub-Saharan Africa discusses financial stability issues and regulatory reforms, Financial Stability Board 26 October 2016. Access date: 12 January 2017. http://www.fsb.org/2016/10/fsb-regional-consultative-group-for-sub-saharan-africa-discusses-financial-stability-issues-and-regulatory-reforms/.
[2140] 2016 list of global systemically important banks (G-SIBs). Access date: 23 November 2016. http://www.fsb.org/2016/11/2016-list-of-global-systemically-important-banks-g-sibs/.

since December 2015), leverage ratio disclosure requirements (in force since December 2015) and domestic systemically important banks (D-SIB) requirements (in force since March 2016).[2141]

According to Basel Committee on Banking Supervision's Assessment of Basel III risk-based capital regulations for Turkey, the country is compliant with all the key components of the Basel capital framework.[2142]

On 20 August 2015, the Banking Regulation and Supervision Authority of Turkey updated the Regulation on Liquidity Coverage Ratios, clarifying the rules for calculating liquidity coverage ratios of banks in Turkey. In March 2016, the Basel Committee on Banking Supervision's team for Assessment of Basel III LCR regulations found it compliant with the key components of the Basel capital framework.[2143]

According to the 2016 list of global systemically important banks (G-SIBs) published by the Financial Stability Board (FSB) on 21 November 2016,[2144] Turkey is not home to any G-SIB, however additional supervisory expectations and disclosure obligations concerning this type of banks are in effect in the country.[2145]

Turkey has taken actions aimed at the timely, full and consistent implementation of the agreed financial sector reform agenda in Basel III framework, but no facts of effective cross-border resolution regimes implementation have been registered. Thus, it receives a score of 0.

Analyst: Irina Popova

United Kingdom: +1

United Kingdom has partially complied with the commitment on financial regulation.

On 1 November 2016 total-loss-absorbing-capacity (TLAC): There is a number of issues related to Minimum Required Eligible Liabilities (MREL) that are not set out in this Statement of Policy. These include reporting, disclosure and the treatment of institutions' holdings of MREL liabilities. The Bank will continue to develop its approach to these issues — as well as its approach to the calibration of MREL within groups (internal MREL) — taking into account international standards including the FSB's proposed guidance on internal TLAC due for consultation later this year. The Bank expects to provide further detail on a number of these issues in due course. As set out in the PRA's policy statement on operational continuity in resolution, the Bank will also consider as part of this whether loss-absorbing capacity should be allowed within groups to ensure operational continuity.[2146]

The Commission has proposed to implement the FSB's TLAC standard as a Pillar 1 requirement for G-SIBs, phased-in from 2019 to 2022 as per the FSB TLAC term sheet.

[2141] Eleventh progress report on adoption of the Basel regulatory framework, Bank for International Settlements 19 October 2016. Access date: 12 January 2017. http://www.bis.org/bcbs/publ/d388.pdf.
[2142] Assessment of Basel III risk-based capital regulations – Turkey, Bank for International Settlements. Access date: 12 January 2017. http://www.bis.org/bcbs/publ/d359.pdf.
[2143] Assessment of Basel III LCR regulations –Turkey, Bank for International Settlements. Access date: 12 January 2017. http://www.bis.org/bcbs/publ/d360.pdf .
[2144] 2016 list of global systemically important banks (G-SIBs). Access date: 23 November 2016. http://www.fsb.org/2016/11/2016-list-of-global-systemically-important-banks-g-sibs/.
[2145] Eleventh progress report on adoption of the Basel regulatory framework, Bank for International Settlements 19 October 2016. Access date: 12 January 2017. http://www.bis.org/bcbs/publ/d388.pdf.
[2146] The Bank of England's Approach to Setting a Minimum Requirement for own Funds and Eligible Liabilities (MREL), Official Website of Bank of England 1 November 2016. Access Date: 12 December 2016. http://www.bankofengland.co.uk/financialstability/Documents/resolution/mrelpolicy2016.pdf.

The current MREL framework will be retained as a Pillar 2 mechanism for resolution authorities to set additional loss-absorbency requirements for G-SIBs, or total loss- absorbency requirements for non G-SIBs. To do this, the Commission has introduced a number of new definitions into the EU loss-absorbency framework and made several modifications to the criteria for eligible instruments.

The Commission has also decided to require the EU-based material subsidiaries of non- EU G-SIBs to pre-position TLAC-eligible liabilities at 90 per cent of the notional amount required for EU G-SIBs – the upper end of the internationally agreed range of 75 per cent-90 per cent for "internal" TLAC.

The Commission has proposed to harmonise the bank insolvency creditor hierarchy in relation to the ranking of holders of senior unsecured debt eligible to meet the BRRD rules and TLAC standard.[2147][2148]

On 8 November 2016, the Bank of England announced new rules which ask banks to increase sufficient reserves to cover up losses so that, in case of their failure, they can bail-out themselves without taking taxpayers' money and causing financial market disruptions. The rule is being implemented through the Minimum Requirement for own funds and Eligible Liabilities (MREL) policy, which is a requirement under the EU Bank Recovery and Resolution Directive. This works towards ensuring that the TLAC standard is met by UK G-SIBs.[2149]

United Kingdom has taken actions aimed at the timely, full and consistent implementation of the agreed financial sector reform agenda in Basel III framework, effective cross-border resolution regimes, and addressing risks through the TLAC. Thus, it receives a score of +1.

Analyst: Elina Nizamova

United States: 0

The US has partially complied with the commitment on financial regulation.

The US G-SIBs include Citigroup, JP Morgan Chase, Bank of America, Goldman Sachs, Wells Fargo, Bank of New York, Morgan Stanley.[2150]

On 8 September 2016, the Federal Reserve Board released a policy statement detailing the framework the Board would follow in implementing the Countercyclical Capital Buffer macroprudential tool

[2147] Proposal for a Regulation of the European Parliament and of the Council Amending Regulation (EU) No 575/2013 as Regards the Leverage Ratio, the Net Stable Funding Ratio, Requirements for Own Funds and Eligible Liabilities, Counterparty Credit Risk, Market Risk, Exposures to Central Counterparties, Exposures to Collective Investment Undertakings, Large Exposures, Reporting and Disclosure Requirements and Amending Regulation (EU) No 648/2012 23 November 2016. Access Date: 15 December 2016. http://ec.europa.eu/finance/bank/docs/regcapital/crr-crd-review/161123-proposal-amending-regulation_en.pdf.

[2148] Summary of Key Proposals in the Revised Capital Requirements Directive (CRD V) and Regulation (CRRII) November 2016. Access Date: 15 December 2016. https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/risk/deloitte-uk-ecrs-summary-of-CRDVCRRII-nov-2016.pdf.

[2149] Bank Of England Extends Deadline For Banks To Build Bail-in Funds 8 November 2016. Access Date: 15 December 2016. http://www.finanzen.at/nachrichten/zinsen/Bank-Of-England-Extends-Deadline-For-Banks-To-Build-Bail-in-Funds-1001507501.

[2150] 2016 list of global systemically important banks (G-SIBs), Financial Stability Board 21 November 2016. Access date: 28 December 2016. http://www.fsb.org/wp-content/uploads/2016-list-of-global-systemically-important-banks-G-SIBs.pdf.

aimed at increasing the financial system resilience with the help of capital requirements raising on internationally active banking institutions in case of the risk of above-normal losses elevation.[2151]

On 18 September 2016, the Federal Reserve proposed modernized rules "…to increase the prospects for the orderly resolution of G-SIBs and to meet total loss-absorbing capacity and long-term debt requirements."[2152]

On 14 October 2016, the Board of Governors of the Federal Reserve System (Board) adopted a final Policy Statement describing the framework which included Basel III requirements that "…the Board will follow under its Regulation Q in setting the amount of the US countercyclical capital buffer for advanced approaches bank holding companies, savings and loan holding companies, and state member banks."[2153]

The US has taken actions aimed at the timely, full and consistent implementation of the agreed financial sector reform agenda in area of Basel III, the total-loss-absorbing-capacity standard, but failed in taking actions on effective cross-border resolution regimes. Thus, it receives a score of 0.

Analyst: Irina Sedova

European Union: +1

The European Union has fully complied with the commitment on financial regulation.

On 24 September 2016, the Commission Delegated Regulation (EU) 2016/1712 supplementing the Bank Recovery and Resolution Directive was published. The Regulation determines regulatory technical standards which specify a minimum set of the information on financial contracts that should be contained in the detailed records and the circumstances in which the requirement should be imposed.[2154]

On 23 November 2016, the European Commission proposed amendments to the capital requirement directive and regulation. The proposals, designed to reinforce banks' ability to sustain potential shocks, amend such pieces of legislation as: 1) Capital Requirements Regulation and Capital Requirements Directive; 2) Bank Recovery and Resolution Directive and Single Resolution Mechanism Regulation.[2155]

On 23 November 2016, the European Commission proposed a package of reforms which include a requirement for Global Systemically Important Institutions (G-SIIs) to hold minimum levels of capital and other instruments which bear losses in resolution. This requirement, known as "Total Loss-Absorbing Capacity," will be integrated into the existing Minimum Requirement for own funds and Eligible Liabilities system, which is applicable to all banks.[2156]

[2151] For release at 4:00 p.m. EDT, Board of Governors of the Federal Reserve System 28 September 2016. Access date: 11 October 2016. https://www.federalreserve.gov/newsevents/press/bcreg/20160908b.htm.
[2152] Supervision and Regulation, Board of Governors of the Federal Reserve System 8 September 2016. Access date: 11 October 2016. https://www.federalreserve.gov/newsevents/testimony/yellen20160928a.htm.
[2153] Basel Coordination Committee Bulletins, Board of Governors of the Federal Reserve System 14 October 2016. Access date: 11 December 2016. https://www.federalreserve.gov/bankinforeg/basel/basel-coordination-committee-bulletins.htm.
[2154] EU Bank Recovery and Resolution Directive, Better Regulation 29 November 2016. Access date: 21 December 2016. http://www.betterregulation.com/ie/hot-topic/eu-banking-recovery-and-resolution-directive-brrd.
[2155] EU Banking Reform: Strong banks to support growth and restore confidence, European Commission 23 November 2016. Access date: 21 December 2016. http://europa.eu/rapid/press-release_IP-16-3731_en.htm?locale=en.
[2156] EU Banking Reform: Strong banks to support growth and restore confidence, European Commission 23 November 2016. Access date: 21 December 2016. http://europa.eu/rapid/press-release_IP-16-3731_en.htm?locale=en.

The EU has taken actions in accordance with Basel III requirements and TLAC standard, and improved its resolution regime. Thus, it receives a score of +1.

Analyst: Aydar Shakirov