Basel Committee meets to review vulnerabilities and emerging risks, advance supervisory initiatives and promote Basel III implementation

Press release | 27 February 2020

The Basel Committee on Banking Supervision met in Basel on 26-27 February 2020 to review risks impacting the banking system, advance a range of supervisory initiatives and promote the implementation of Basel III.

The Committee dedicated a portion of its meeting to discussing progress on a strategic review initiated last year. The Committee has consulted with members and stakeholders on its future priorities, its structure and its processes. Members discussed the feedback received and exchanged initial views on the way forward. The Committee aims to finalise its review in the course of the year.

The Committee discussed the financial stability implications of the coronavirus outbreak (Covid-19) for the banking system and exchanged information on the business continuity measures that banks and authorities have put in place. The Committee encourages banks and supervisors to remain vigilant in light of the evolving situation and notes the importance of effective cross-border information sharing and cooperation when dealing with such shocks.

The Committee reviewed vulnerabilities associated with leveraged loans and collateralised loan obligations (CLOs). Among financial participants, banks have the largest direct exposures to these markets; banks are also exposed through a number of indirect channels. The Committee agreed to continue work in three areas related to leveraged loans and CLOs: members' supervisory approaches to measuring and mitigating risks; the current regulatory treatment of these exposures; and the need to further quantify banks' direct and indirect exposures.

Committee members discussed progress made by banks in preparing for the transition from the London interbank offered rate (Libor) to alternative reference rates. In December 2019, the Committee and the Financial Stability Board launched a survey on exposures to Libor and associated supervisory measures. The survey results and a report on remaining challenges to benchmark transition will be provided to G20 Finance Ministers and Central Bank Governors in July. In the interim, the Committee stressed the need for banks to dedicate the necessary resources to understanding the impact of benchmark rate reforms on their business and making the necessary preparations for a smooth transition. The Committee has published a newsletter today outlining regulatory and supervisory implications related to benchmark rate reforms.

The Committee recently established a high-level Task Force on Climate-related Financial Risks. The Committee discussed the Task Force's workplan and future deliverables, which include:

- A set of analytical reports on climate-related financial risks, including a literature review, and reports on the transmission channels of such risks to the banking system and on measurement methodologies.
- The development of effective supervisory practices to mitigate climate-related financial risks.

The Committee also reviewed a stocktake of members' current initiatives in this area. A summary of this stocktake will be published in March.

As part of its ongoing Regulatory Consistency Assessment Programme, the Committee approved the reports assessing the implementation of the Net Stable Funding Ratio and Large Exposures standards in Hong Kong SAR, Indonesia and Singapore. These reports will be published next month.

Members also reviewed the implementation status of Basel III across its member jurisdictions. The Committee received updates from its members on the progress made in implementing Basel III. Members reiterated their commitment to implement Basel III in a full, timely and consistent manner and agreed to continue monitoring the situation and keep one another informed.

The Committee also agreed to publish the following documents:

- A consultation paper aimed at strengthening the operational resilience of banks - to be published in March.
- A report on members' experience in using the countercyclical capital buffer - to be published in due course.

Note to editors:

The Basel Committee is the primary global standard setter for the prudential regulation of banks and provides a forum for cooperation on banking supervisory matters. Its mandate is to strengthen the regulation, supervision and practices of banks worldwide with the purpose of enhancing financial stability. The Committee reports to the Group of Central Bank Governors and Heads of Supervision and seeks its endorsement for major decisions. The Committee does not possess any formal supranational authority, and its decisions do not have legal force. Rather, the Committee relies on its members' commitments to achieve its mandate. The Basel Committee is chaired by Pablo Hernández de Cos, Governor of the Bank of Spain.

More information about the Basel Committee is available here.

Related information

- Newsletter "Benchmark rate reforms"