

**Senate Economics Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Supplementary Budget Estimates

2016 - 2017

**Department/Agency:** Australian Prudential Regulation Authority

**Question:** 166

**Topic:** Basel III

**Reference:** Written – 19 October 2016

**Senator:** Ketter, Chris

**Question:**

Can you provide an update on the Australian banking system's implementation of and compliance with the Basel III Accord?

**Answer:**

The framework known as Basel III, which builds on the 1988 Accord and the June 2004 Basel II Framework, consists of a suite of international standards and measures relating to capital, liquidity and public disclosure. Full details of the Basel III framework have been published by the Basel Committee on Banking Supervision (BCBS) and may be found at this link: <http://www.bis.org/bcbs/basel3.htm?m=3%7C14%7C572>

The table below lists APRA's implementation of the final Basel III framework published by the BCBS as at October 2016. Further information is included in the BCBS [\*Eleventh progress report in adoption of the Basel regulatory framework\*](#), October 2016.

In 2013, the BCBS assessed Australia's compliance with those components of Basel III that were then in force (for example, the assessment did not include the Basel III liquidity measures). Australia received an overall assessment of 'compliant'. The final report, *Regulatory Consistency Assessment Programme (RCAP) Assessment of Basel III regulations – Australia* was published and is available at the following link: [http://www.bis.org/bcbs/implementation/l2\\_au.pdf](http://www.bis.org/bcbs/implementation/l2_au.pdf).

Basel III measure		BCBS agreed date of implementation	Implementation in Australia
Risk-based capital	Definition of capital	Phased in from January 2013	Full implementation from January 2013: <a href="http://www.apra.gov.au/adi/PrudentialFramework/Pages/Implementing-Basel-III-capital-reforms-in-Australia-September-2012.aspx">http://www.apra.gov.au/adi/PrudentialFramework/Pages/Implementing-Basel-III-capital-reforms-in-Australia-September-2012.aspx</a>
	Capital conservation buffer	Phased in from January 2016	Full implementation from January 2016: <a href="http://www.apra.gov.au/adi/PrudentialFramework/Pages/Capital-buffers.aspx">http://www.apra.gov.au/adi/PrudentialFramework/Pages/Capital-buffers.aspx</a>
	Countercyclical buffer	Phased in from January 2016	Full implementation from January 2016: <a href="http://www.apra.gov.au/adi/PrudentialFramework/Pages/Capital-buffers.aspx">http://www.apra.gov.au/adi/PrudentialFramework/Pages/Capital-buffers.aspx</a>
	Capital requirements for equity investments in funds	January 2017	Consultation expected in 2017.
	Standardised approach to counterparty credit risk	January 2017	Consultation on proposals in September 2016: <a href="http://www.apra.gov.au/adi/Pages/September-2016-Consultation-counterparty-credit-risk.aspx">http://www.apra.gov.au/adi/Pages/September-2016-Consultation-counterparty-credit-risk.aspx</a> Intended implementation: January 2018.
	Securitisation framework	January 2018	Final measures were released in November 2016: <a href="http://www.apra.gov.au/adi/PrudentialFramework/Pages/Revisions-prudential-framework-securitisation-Nov2016.aspx">http://www.apra.gov.au/adi/PrudentialFramework/Pages/Revisions-prudential-framework-securitisation-Nov2016.aspx</a> Implementation from January 2018.
	Margin requirements for non-centrally cleared derivatives	Phased in from September 2016	Final measures were released in October 2016: <a href="http://www.apra.gov.au/CrossIndustry/Pages/Response-margining-risk-mitigation-October-2016.aspx">http://www.apra.gov.au/CrossIndustry/Pages/Response-margining-risk-mitigation-October-2016.aspx</a> Implementation date to be announced following consideration of implementation dates in other jurisdictions.
	Capital requirements for central counterparties	January 2017	Consultation on proposals in September 2016: <a href="http://www.apra.gov.au/adi/Pages/September-2016-Consultation-counterparty-credit-risk.aspx">http://www.apra.gov.au/adi/Pages/September-2016-Consultation-counterparty-credit-risk.aspx</a>
Liquidity standards	Liquidity coverage ratio (LCR)	January 2015	Implementation from January 2015: <a href="http://www.apra.gov.au/adi/PrudentialFramework/Pages/Implementing-Basel-III-liquidity-reforms-in-Australia-May-2013.aspx">http://www.apra.gov.au/adi/PrudentialFramework/Pages/Implementing-Basel-III-liquidity-reforms-in-Australia-May-2013.aspx</a>
	LCR disclosure requirements	January 2015	Implementation from July 2015: <a href="http://www.apra.gov.au/adi/Pages/May-2015-Response-disclosure-leverage-ratio-LCR-G-SIBs.aspx">http://www.apra.gov.au/adi/Pages/May-2015-Response-disclosure-leverage-ratio-LCR-G-SIBs.aspx</a>
	Net stable funding ratio	January 2018	Consultation on proposals in September 2016:

Basel III measure		BCBS agreed date of implementation	Implementation in Australia
	(NSFR)		<a href="http://www.apra.gov.au/adi/PrudentialFramework/Pages/Basel-III-liquidity-NSFR-September-2016.aspx">http://www.apra.gov.au/adi/PrudentialFramework/Pages/Basel-III-liquidity-NSFR-September-2016.aspx</a>
	NSFR disclosure requirements	January 2018	Consultation expected in 2017.
	Leverage ratio	January 2018	Consultation expected in 2017.
	Leverage ratio disclosure requirements	January 2015	Implementation from July 2015: <a href="http://www.apra.gov.au/adi/Pages/May-2015-Response-disclosure-leverage-ratio-LCR-G-SIBs.aspx">http://www.apra.gov.au/adi/Pages/May-2015-Response-disclosure-leverage-ratio-LCR-G-SIBs.aspx</a>
	Global systemically important banks (G-SIB) requirements	January 2016	There are no G-SIBs in Australia; however, the four major banks meet the requirements for G-SIB disclosures, which were implemented from July 2015: <a href="http://www.apra.gov.au/adi/Pages/May-2015-Response-disclosure-leverage-ratio-LCR-G-SIBs.aspx">http://www.apra.gov.au/adi/Pages/May-2015-Response-disclosure-leverage-ratio-LCR-G-SIBs.aspx</a>
	Domestic systemically important banks (D-SIB) requirements	January 2016	Implemented from January 2016: <a href="http://www.apra.gov.au/adi/Publications/Pages/Domestic-systemically-important-banks-in-Australia---December-2013.aspx">http://www.apra.gov.au/adi/Publications/Pages/Domestic-systemically-important-banks-in-Australia---December-2013.aspx</a>
	Pillar 3 disclosure requirements (enhancements)	December 2016	Consultation expected in 2017.