



BASEL COMMITTEE ON BANKING SUPERVISION

BANK FOR INTERNATIONAL SETTLEMENTS

Cross-Border Supervision Past, Present, and Future

Conference on Foreign Participation in China's Banking Sector

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Basel Committee's efforts – an Overview

- Principles for the cross-border supervision of international banking groups
- “Minimum standards” for the supervision of international banks
- Implications of Basel II for cross-border supervision



Basel Concordat - 1975

- No foreign banking establishment should escape supervision
- Supervision of foreign banking establishments calls for contact and co-operation between host and parent supervisory authorities
- Supervisory authorities should seek to remove restraints on transfers of information



Revised Basel Concordat - 1983

- Established principle of consolidated supervision
- Host authorities are responsible for subsidiaries



Basel Minimum Standards - 1992

- All international banks should be supervised by a home country authority that capably performs consolidated supervision
- Creation of a cross-border bank should receive the prior consent of both the host country and the home country authority
- Home country authorities should possess the right to gather information from their cross-border banking establishments
- If the host country authority determines that any of these three standards is not being met, it could impose restrictive measures or prohibit the establishment of banking offices



Committee's outreach to non-member countries

- Basel II is a good example of the cooperation with those countries that are not members of the Committee
- Especially two formal channels
 - International Conferences of Banking Supervisors
 - Core Principles Liaison Group

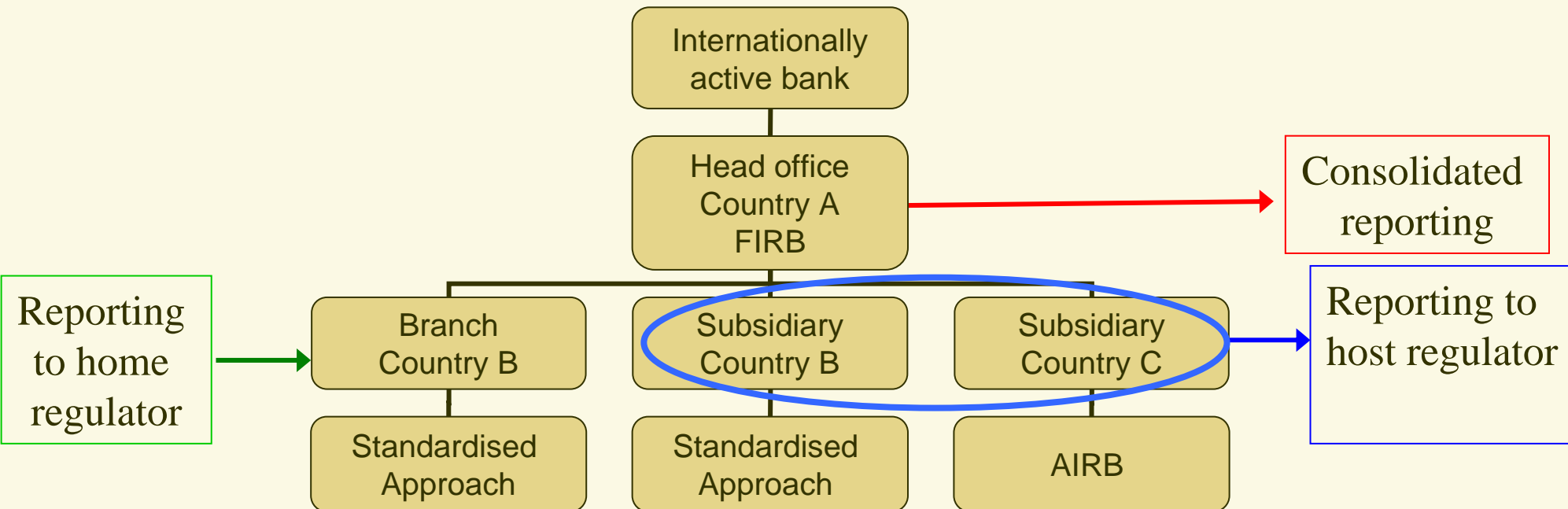


Basel II – Elements relevant to cross-border supervision

- Contains several options for calculating capital requirements for credit and operational risk
- Should be applicable to banking systems worldwide and subject to national discretion
- Puts emphasis on banks' internal risk management systems



Cross-border example: credit risk





Home/host supervisory issues

- Dealt with in the Accord Implementation Group (AIG)
- August 2003: High-level principles for the cross-border implementation of Basel II



AIG – Preliminary Findings

- Implementation plan should be as clear as possible
- Head office needs to communicate implementation plans to local offices
- Flexible and pragmatic solutions are required
- Validation is an important developing topic