



Basel II Implementation Risk Survey

- A Survey by the Professional Risk Management International Institute

SUMMER 2007

www.PRMI.org





ABOUT PRMIA

PRMIA is the Professional Risk Managers' International Association. Formed in January of 2002, PRMIA is the higher standard for risk professionals with more than 64 chapters around the world and over 45,000 members from more than 180 countries. A non-profit, member-led association of professionals, PRMIA is dedicated to advancing the standards of the profession worldwide through the free exchange of ideas. PRMIA offers the only globally endorsed Professional Risk Manager (PRM™) certification program, pursued by over 2,000 active candidates from more than 90 countries, more than any other risk certification program. More information can be found at www.PRMIA.org.

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Basel II Implementation Risk Survey EXECUTIVE SUMMARY

With implementation of the controversial Basel II banking regulation looming, and with some nations, most importantly the USA, having been late in decided on their implementation plans, the Professional Risk Managers' International Association (PRMIA) asked its members who are involved in this area to discuss possible risks around implementation. Our questions concerned the overall impact expected from Basel II implementation, what distortions or unforeseen risks might arise from it, how well prepared banks, regulators and the investing public were for the regulation and whether it was a good idea in the first place.

The survey was conducted during the summer of 2007, before the full impact of the sub-prime lending crisis had been felt, and before the US regulators made their November decision to confirm the adoption of Basel II. Over 1,000 PRMIA members, bankers (750) consultants (418) and regulators (93) active in Basel II implementation, participated in the survey. Survey participants reside in 89 different countries, with 59% of bankers who participated reporting that they represent institutions that are among the largest in their country.

KEY FINDINGS

OVERALL

The survey shows that the overall market is in favor of Basel II and that preparation for its implementation has had a beneficial impact on financial institutions. There are still, however, many concerns regarding over dependence on quantitative models and discrepancies in internal comparisons and across national boundaries. Regulators also share these concerns.

There was a significant majority from all respondents that Basel II will not be the end of developments and that we can expect changes in global regulatory capital standards in the future (“Basel III”).

The findings are summarized below. In all cases the percentages in this section exclude those who exercised “No opinion.”

FINANCIAL STABILITY

- 86% of all respondents feel that the application of Basel II norms for all players in the market promotes better risk management.
- Almost 74% of respondents believe that Basel II implementation will make the banking system sounder (more stable), while just 4% thought the system would be less sound (less stable).
- At the same time over 60% of bankers and financial practitioners (i.e. those who have to calculate regulatory capital) who had an opinion say that they expect their capital requirements to fall under Basel II.
- 28% of these say their capital requirements will fall by more than 10% with 10% saying that they will increase by more than 10%.
- Among those identifying themselves as coming from the largest banks in their countries, 22% said they expected their capital requirements to fall by more than 10% under Basel II, while again 9% expect required capital to increase by more than 10%. 36% had no opinion or said there would be no change.

READINESS

- 89% of bankers/practitioners say that there is at least a 50% chance they will be ready for Basel II when their regulator requires them to be ready. But, only 56% of these are confident that they definitely will be ready.
- Just 12% of regulators say all of the banks they supervise will be ready on time, but 59% say that the important ones will be ready. However, 25% of these regulators believe that banks within their jurisdiction, including some important ones, will not be ready in time.

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KEY FINDINGS CONTINUED

- 63% of responding bankers feel that their regulator does not have sufficiently trained supervisors to effectively implement advanced models. Even within the G10¹, 48% felt their supervisors were not sufficiently trained. Regulators themselves agree overall, with 25% suggesting the lack of training is a problem, although this appears to be less so in the G10 countries.
- Only 26% of responding bankers feel that they fully understand the elements to be included in the additional disclosure requirements (Pillar Three) which banks must provide to regulators and/or the public.
- 74% of responding bankers feel that “the market” doesn’t understand risk management sufficiently to differentiate between publicly disclosed models and data that use different methodologies.

OTHER ISSUES

- Bankers are concerned about some distortions that Basel II will create:
 - 45% of bankers believe that Basel II will create differential treatment across the banking and trading books that distorts business decisions. Regulators think the problem is less broad, but still 37% agree with the bankers.
 - 28% are concerned about home-host discrepancies, while an additional 33% report that they are still concerned, but less so than they used to be.
 - 65% of bankers feel that the lack of consistent global accounting definitions impedes the goal of creating global bank capital adequacy standards.
- 46% disagree that Basel II is overly dependent upon quantitative measures like VaR for measuring risk and capital adequacy.
- Bankers and Consultants agree that the models being used for Basel II differ from those they use internally for economic capital with 12% saying they are very different, 40% saying they are somewhat different and just 6% saying they are the same.
- Almost 13% of respondents think that Basel II implementation has created substantial economic value for the banking industry, with over 40% saying that some economic value has been created. Just 5% said that the costs have greatly outweighed the benefits.
- 58% of bankers and 57% of regulators answered “Yes” to the question ‘Do we need Basel III?’ 71% of consultants, not surprisingly, were in enthusiastic agreement.

¹ The Group of Ten or G10 refers to the group of countries that have agreed to participate in the General Arrangements to Borrow - an agreement to make resources available to the International Monetary Fund (IMF) for drawings by participants, and, under certain circumstances, by non-participants. The initial members were Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, the United Kingdom, and the United States, with Switzerland joining later (although the name of the G10 remained the same). Luxembourg is an associate member. The Bank for International Settlements (BIS), European Commission, IMF, and OECD are official observers.

BACKGROUND

Basel II is a reworking of the 1988 Basel Accord, developed under the guidance of the Bank of International Settlement (BIS), which established minimum capital requirements² for banks. Its development has taken many years and implementation is expected to be somewhat erratic, particularly in the United States where some concerns were expressed even at the time of this survey that the United States might never adopt Basel II. This concern has, in all probability, been intensified with the advent of the sub-prime crisis.

According to the BIS website:

the Basel II Framework describes a more comprehensive measure and minimum standard for capital adequacy that national supervisory authorities are now working to implement through domestic rule-making and adoption procedures. It seeks to improve on the existing rules by aligning regulatory capital requirements more closely to the underlying risks that banks face. In addition, the Basel II Framework is intended to promote a more forward-looking approach to capital supervision, one that encourages banks to identify the risks they may face, today and in the future, and to develop or improve their ability to manage those risks. As a result, it is intended to be more flexible and better able to evolve with advances in markets and risk management practices.

The efforts of the Basel Committee on Banking Supervision to revise the standards governing the capital adequacy of internationally active banks achieved a critical milestone in the publication of an agreed text in June 2004.

In November 2005, the Committee issued an updated version of the revised Framework incorporating the additional guidance set forth in the Committee's paper *The Application of Basel II to Trading Activities and the Treatment of Double Default Effects* (July 2005).

On 4 July 2006, the Committee issued a comprehensive version of the Basel II Framework. Solely as a matter of convenience to readers, this comprehensive document is a compilation of the June 2004 Basel II Framework, the elements of the 1988 Accord that were not revised during the Basel II process, the 1996 Amendment to the Capital Accord to Incorporate Market Risks, and the 2005 paper on the Application of Basel II to Trading Activities and the Treatment of Double Default Effects.

Public concerns about implementation risk have included issues related to unintended consequences, such as increasing the volatility of credit cycles, distorting business decisions or increasing cross-border arbitrage opportunities; excessive faith in statistical models which attempt to project the probability of risk to the second digit to the right of the decimal point; the ability of markets or regulators to understand the complex risks and risk disclosures managed and reported as part of Basel II and generally whether the regulation had created or destroyed wealth.

² Minimum Capital Requirement defines the amount of capital that a regulator requires a bank to have put aside in order to allow for unexpected losses occurring at that bank. Capital must be in highly liquid and secure instruments, including cash, or obligations and there are various restrictions as to how that capital must be held. The capital ratio is the percentage of a bank's capital to its risk-weighted assets (the value of assets once the risk element is taken into account).

RESPONDENT PROFILE

Over 1,000 PRMIA members, bankers (750) consultants (418) and regulators (93) active in Basel II implementation, participated in the survey. Survey participants reside in 89 different countries, with 59% of bankers who participated reporting that they represent institutions that are among the largest in their country

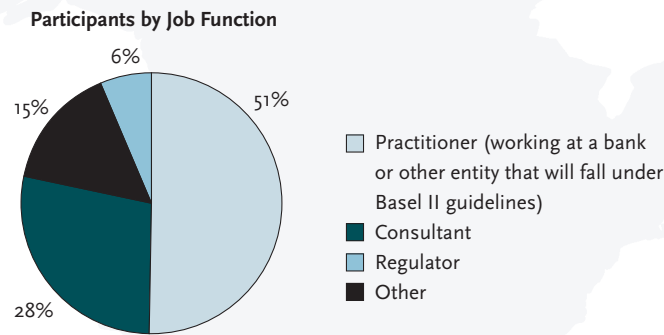


FIGURE 1

Participation in the study was global, spanning 89 countries. By geographic region, respondents hailed from:

Americas (AMER):	370 (23%)
Asia/Pacific rim (APAC):	790 (50%)
Europe/Middle East/Africa (EMEA):	424 (27%)

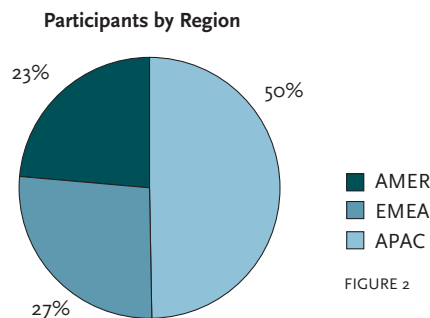


FIGURE 2

14.5% of respondents came from the US, 11.4% from the UK and a total of 43.4% from the G10 countries. Among emerging markets, India was most prominently represented with a total of 7.4% of responses coming from that country, followed by Poland (4.2%) and the Philippines (2.8%).

70% of respondents were currently involved in Basel II roll-out in their firms or clients. Of the bankers, 12.1% identified themselves as Chief Risk Officers, 10.4% said they lead their bank's Basel II implementation program and 4.7% are other C-Level officers. In addition, 23.3% are involved in the technical development of Basel II at their bank and 21.1% are involved in the managerial roll-out of Basel II.

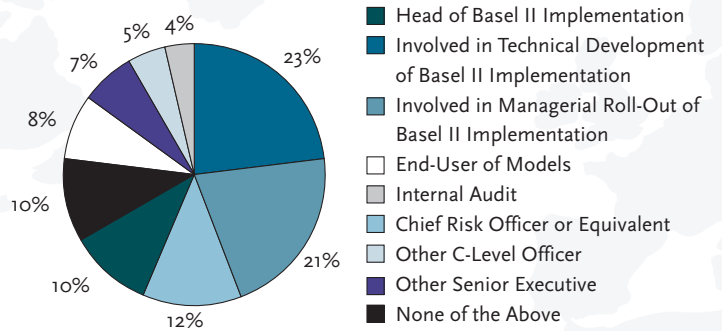


FIGURE 3

Of the consultants, 19.6% are partners or senior partners, 30.5% are consulting on the technical roll-out of Basel II, 21.1% are consulting on the managerial roll-out and 13.2% are building models for their clients.

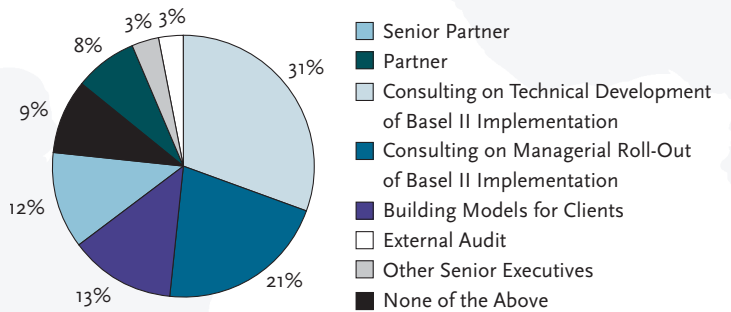


FIGURE 4

Fewer than 100 regulators participated. Of those, 33.7% are involved in policy development, 22.5% in large/complex institution supervision and 15.7% in other oversight functions.

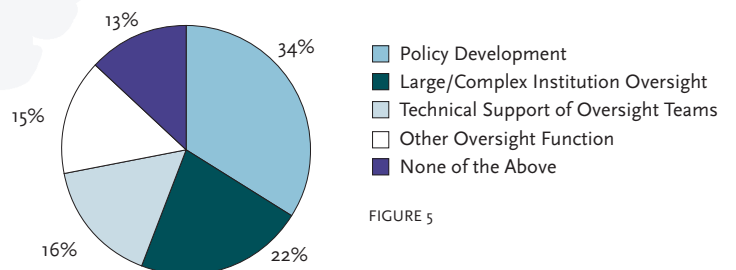


FIGURE 5

SURVEY RESULTS

Our questions were generally framed along the lines of the “three pillars” of Basel II:

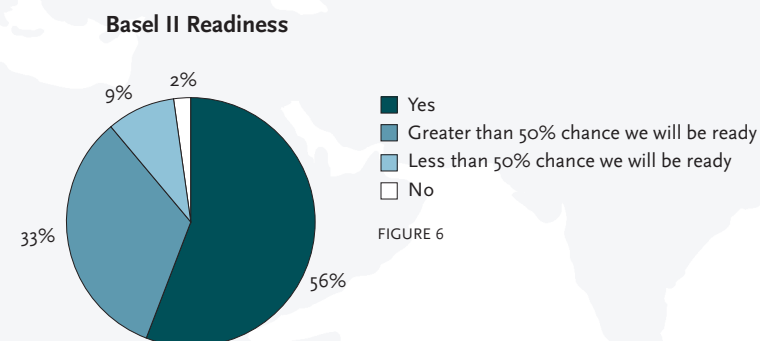
PILLAR ONE – Banks’ use of internal models to calculate required capital

PILLAR TWO – Regulatory oversight to ensure the validity of models and to establish minimum capital standards for less advanced approaches

PILLAR THREE – Transparency and disclosure to markets that could inflict discipline upon banks to ensure their best use of capital

The survey authors focused on a group of questions most closely related to implementation risk as the launch of Basel II regulations approaches in many countries on January 1, 2008.

OVERALL/GENERAL QUESTIONS



Will your firm be ready for Basel II when your home requirements to be ready are in effect?

(This was only asked for bankers)

While only 2% said that they would not be ready in time, only 56% seemed sure that their firms would be ready to implement the new guidelines. Another 33% were more than 50% sure that they would be ready, but the indications are that, for many, there will either be a rush to complete the work, or incomplete implementation from the bank’s perspective.

We also asked the regulators who responded what they believed was the readiness of the banks. Just 12% of regulators say all of the banks they supervise will be ready on time, but 59% say that the important ones will be ready. 26% of regulators, however, believe that banks within their jurisdiction, including some important ones, will not be ready in time.

A further relevant overall question is —

Will your regulator be ready to effectively implement Basel II when your home requirements to be ready are in effect?

(This was only asked for bankers)

Results here show an impressive 62.5% of respondents are confident that their local regulator will be up and running by the time their country goes live with Basel II. Only just over a fifth lacked this confidence. This is surprising considering the number of quantitative specialists the regulators will need in order to supervise Basel II. This concern did materialize in a second survey question listed on the next page.

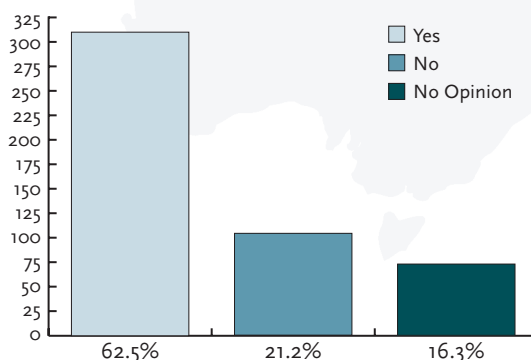


FIGURE 7

SURVEY RESULTS

Does your local regulator have sufficiently trained supervisors to effectively implement advanced models?

To this, 40.5% of banking respondents thought that the regulators would have problems. The responses to this question are at odd with the majority in Figure 7 who thought the regulators would be ready on time. Presumably readiness is seen to be achieved in the basic implementations of Basel II but not in the usage of advanced modeling techniques. A majority of regulators (58% of those expressing a view) also agreed that they had insufficient trained staff.

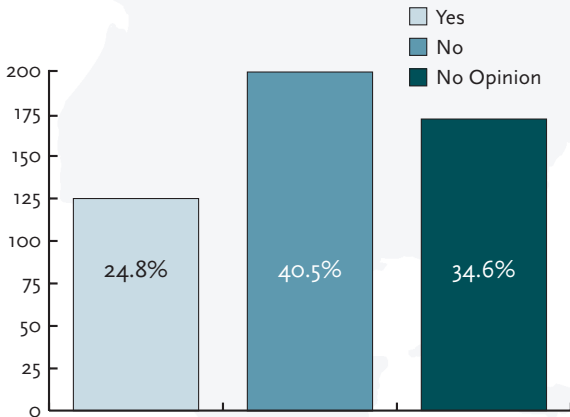


FIGURE 8

PILLAR ONE

Perhaps some of the explanation for the incomplete readiness can be found in the answers to our question about which approach our respondents' banks would be adopting — **in general, which approach does your firm plan to adopt?** Over the past several years, large banks have invested significant financial and professional resources in developing the data and analytical capabilities for Basel II implementation. A large percentage, more than 47%, indicated that they would be pursuing the Advanced approaches, with 35% choosing the Standardized approach and slightly less than 18% preferring the Basic approach.

Company's Approach

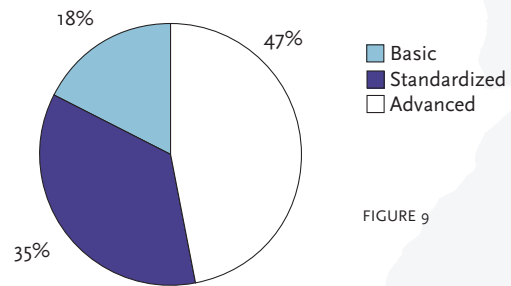


FIGURE 9

Approach per Region

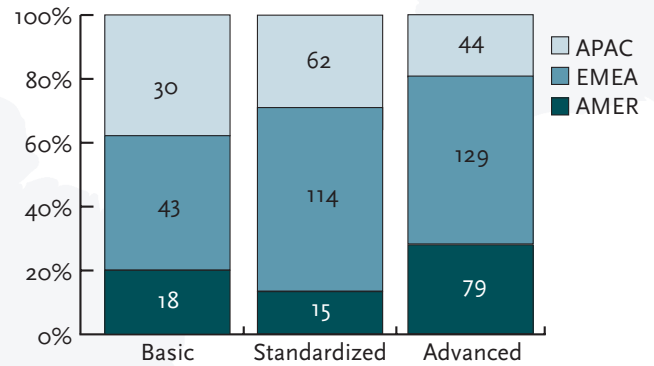


FIGURE 10

Approach per Size of Bank

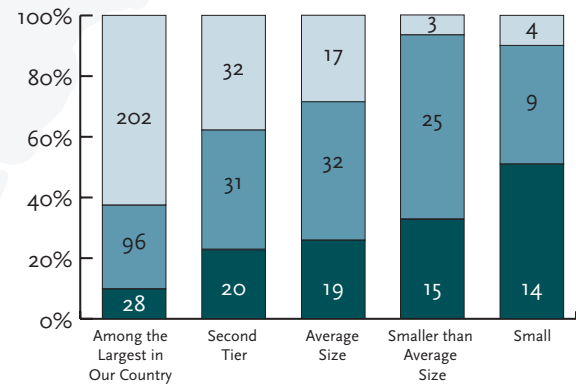


FIGURE 11

SURVEY DETAILS

As expected, those using the Advanced Approach were to be found mainly in the larger banks.

It was also noticeable that the Americas region polarized between the Advanced and the Basic Approaches. The US regulators are not permitting the usage of the Standardized approaches, so those in this survey group would have been from non-US countries in the Americas.

We asked bankers and consultants to tell us — **to what extent your bank’s Basel II models/methodologies differ from economic capital models/methodologies?**

To pursue the Advanced Approaches, banks are likely to have also developed internal economic capital models to help support risk-based product and relationship pricing, portfolio management, strategic planning, capital management, and other risk management applications. Are these efforts duplicative or complementary?

52% of bankers and consultants responded that Basel II and EC models/methodologies are either very or somewhat different. For all the participants the results were as follows:

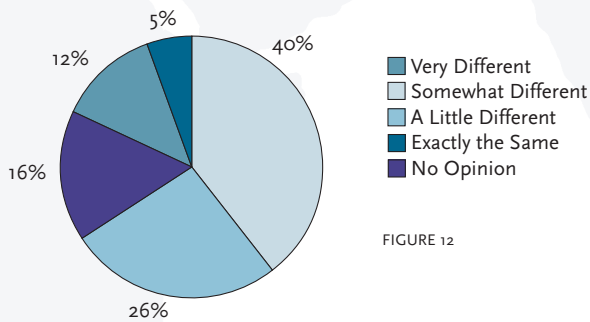


FIGURE 12

In open-ended written responses, it was pointed out that

- the underlying data requirements are similar,
- methodologies for operational risk and market risk are similar but methodologies for credit risk can vary significantly
- the key differences for credit risk capital relate to correlation and concentration adjustments, and
- many of the economic capital concepts not found in Pillar I can be addressed in Pillar II (strategic risk capital or business risk capital).

These responses seem to suggest that an integrated design and strategy could be established for both Basel II and economic capital. As such, the investments in regula-

tory and economic capital models/methodologies could be leveraged to go beyond Basel II compliance and produce tangible business benefits.

Ultimately, a question of importance to investors, creditors and regulators is what the ultimate impact on capital required will be — **what is the expected capital impact of Basel II on your organization?**

The BIS has undertaken five quantitative impact studies (QIS) to assess this as well, with the results of the most recent one having been issued just as this survey was started.

In QIS5, the BIS concluded that the overall impact on bank capital would be a reduction of around 7% for banks pursuing the Advance approach, while other approaches results in small reductions or even small increases. Our survey results suggests a slightly larger expected decrease with 28% of respondents expecting a decrease of 10% or more.

There was a bias in these results depending on the capital approach chosen. 56% of those adopting the Advanced Approach said they would see a decrease in regulatory capital as opposed to only 39% of those adopting the Basic Approach.

Note that this question was not asked of consultants or regulators but only of the regulated bankers and practitioners who would have to have calculated regulatory capital changes. When stratified according to the method they expect to adopt, we find:

The Expected Capital Impact of Basel II on Your Organization

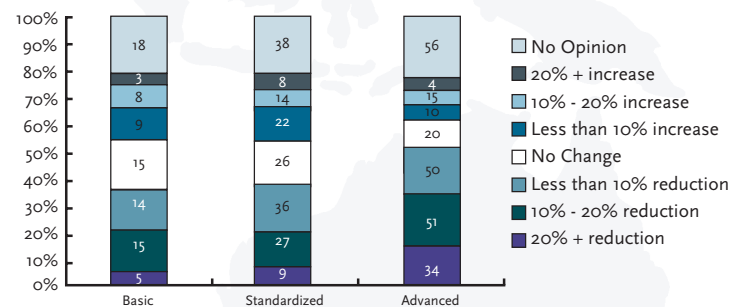


FIGURE 13

Answer	Basic	Standardized	Advanced
20% + reduction	5.8%	5.0%	14.2%
10% - 20% reduction	17.2%	15.0%	21.3%
Less than 10% reduction	16.1%	20.0%	20.8%
No Change	17.2%	14.4%	8.3%
Less than 10% increase	10.3%	12.2%	4.2%
10% - 20% increase	9.2%	7.8%	6.3%
20% + increase	3.5%	4.4%	1.7%
No Opinion	20.7%	21.1%	23.3%

DATA TABLE 1

SURVEY DETAILS

12% of bankers and practitioners adopting the Advanced Approach also said they forecast an increase in capital – which makes one wonder why they have adopted this expensive approach. We did not ask how many of the banks were being obliged to adopt this approach by their regulator.

The Expected Capital Impact of Basel II on Your Organization per Region

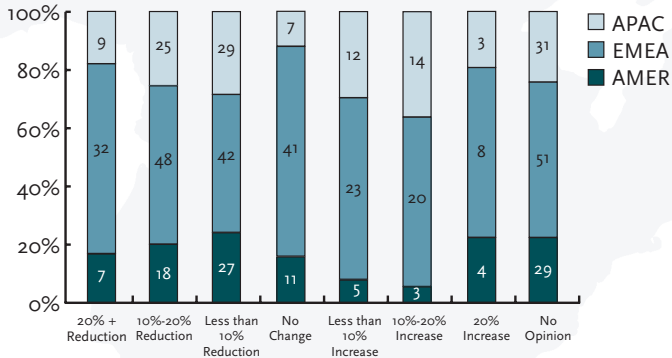


FIGURE 14

We also looked at the responses of those bankers and practitioners who identified themselves as coming from the largest banks in their countries. As expected there was a skew in favor of big banks making greater savings with just under 32% of these respondents who expressed an opinion expecting a 10% or greater reduction in their calculated regulatory capital levels.

Will the differences between countries become a barrier to implement risk capital measures?

The needs and priorities in different regions, and even in countries within a given region, may result in different timings for the implementation of the BASEL II accord. We may even see some laxity in the application of its methodologies and principles depending on the domicile of the financial institution and the strictness of the regulator body to which it must report.

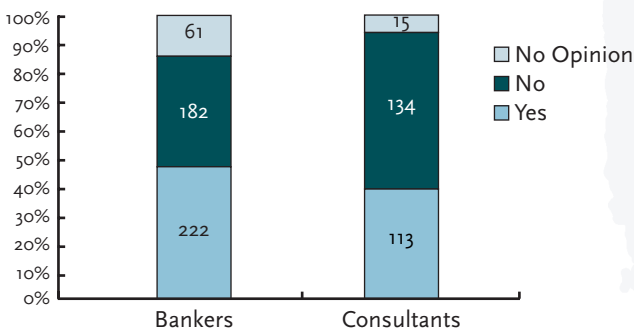


FIGURE 15

There was a split view on this question with a small majority of banker saying “Yes,” whilst a small majority of consultants disagreed and said “No.” It would be fair to observe that there was an even split in responses to this question. We are still, however, left with the result that half of respondents believe that national discrepancies will cause them problems.

Does the lack of consistent global accounting definitions impede the goal of creating global bank capital adequacy measures?

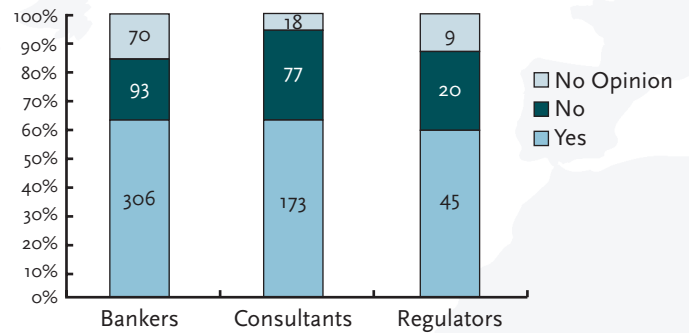


FIGURE 16

One of the most difficult and intractable issues facing risk managers and other consumers of financial data are the widely disparate accounting regimes around the globe. Beyond the differences between the world of GAAP in the US and IFRS around the world, country specific accounting conventions render financial data difficult to compare.

Answer	Bankers	Consultants	Regulators
Yes	65.3%	64.6%	60.8%
No	19.8%	28.7%	27.0%
No opinion	14.9%	6.7%	12.2%

DATA TABLE 2

Results were very even here across all respondents. Overall, 65% of respondents including bankers felt this was a serious impediment to the success of Basel II and of creating a level playing field for capital adequacy.

SURVEY DETAILS

PILLAR TWO

Is Basel II overly dependent upon quantitative methods such as VAR for measuring risk and thus bank capital adequacy?

The Basel II framework enshrines the use of statistical models such as VAR to assess capital adequacy. Given the considerable debate in the academic and professional communities regarding the efficacy of statistical models to measure specific risk exposures, the heavy reliance upon “contemporary” risk management tools is one of the more controversial aspects of the proposal.

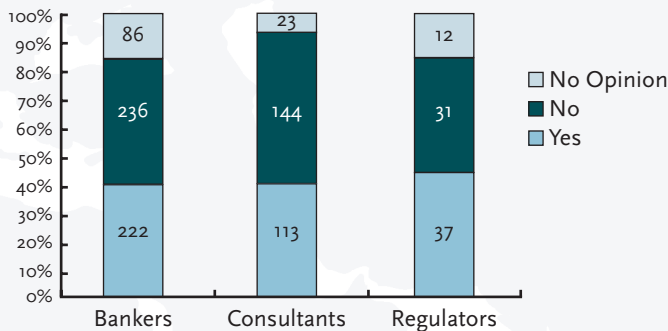


FIGURE 17

While 46% of bankers said “yes,” a similar 41% portion of respondents indicated their view that the dependence on VaR models was acceptable. A majority of regulators, however, felt that the regulation was too dependent on VaR and similar measures.

These opinions will be colored by the structure of Basel II. Pillar One is all about the capital calculation process and is largely about modeling. Pillar Three is largely about the institution disclosing the process. However Pillar Two contains much which is additional to regulatory capital issues and is qualitative in nature – the creation of risk frameworks, the principles or risk governance and the need for “risk cultures.” There is also the given right to regulators to increase regulatory capital if they believe that the Pillar Two principles are not being adhered to. The regulators place high importance on these non-quantitative standards, hence their response to this question.

Are you concerned about Home-Host discrepancies?

There might only be one Basel accord, but there are multiple country-specific interpretations and different regulators have implemented this in different ways ranging from fairly BIS-

conformant European Union interpretation to an US interpretation which threatens to introduce many US-specific interpretations.

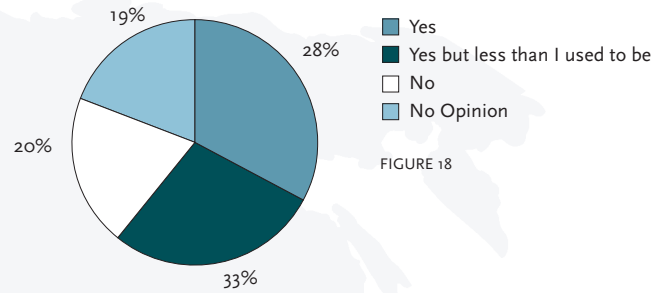


FIGURE 18

The majority of respondents agree that Home-Host is a problem, but of those stating this view a majority believe that it is less of a problem than was previously perceived. This recognizes increasing use of mutual recognition between many regulators. However, the fact that most Banks believe it to be a problem shows that there is still work to be done in completion of mutual recognition.

What about other possible unintended consequences?

Will the advent of Basel II create differential treatment across the banking and trading books that distorts business decisions of regulated banks?

Of those bankers who expressed an opinion, 66% said “Yes.” Among commenting regulators, only 48% held that view. Almost one third of bankers and one fourth of regulators responded with “No opinion.” The number of undecided respondents and the lack of a significant consensus among those who expressed an opinion shows the continuing uncertainty surrounding this question. Nevertheless, there is noticeably greater support for a Yes response among bankers than among regulators. A clear majority of bankers who took a view appear to be worried about the need to compromise between conflicting economic and regulatory incentives.

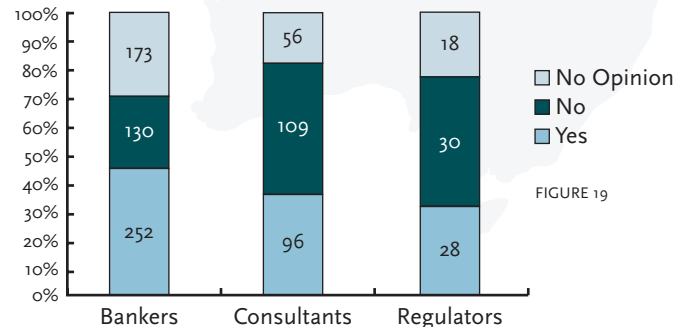


FIGURE 19

PILLAR THREE

Do you understand the elements to be included in the additional disclosure which banks in your country must provide to regulators and/or the public?

Sharing information is not common among the financial community, although most risk professionals are aware that sharing experiences and having access to a wider range of risk specific data can help increase the reliability of risk capital allocation models

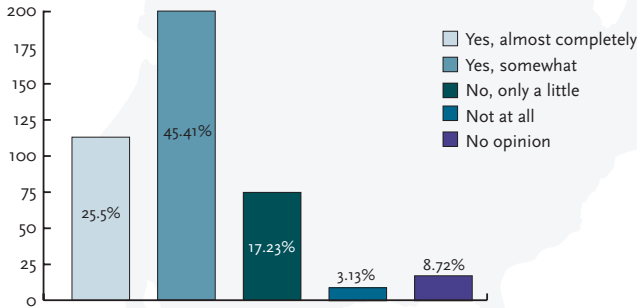


FIGURE 20

Pillar Three is perhaps the least defined in the Basel II documentation. There are still questions regarding the legal aspects of some of the disclosure requirement. But Basel II, perhaps deliberately, keeps the definitions of disclosure simple and much will depend on national interpretations. The survey results show that this is not a major concern to banks or other market participants.

Is your firm ready to share information about risk exposures with other Banks?

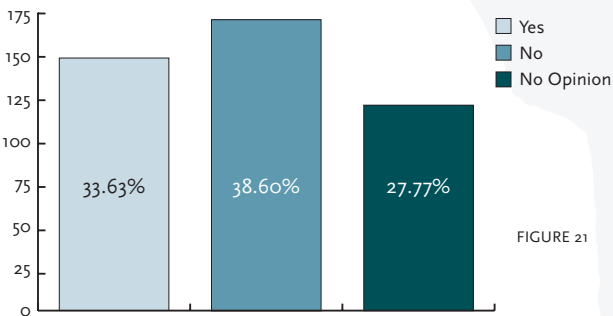


FIGURE 21

The fact that 53.5% of those with an opinion were not prepared to share information about risk exposures is a concern. It must be hoped that the standardization and sharing of information becomes a more important concern if there is to be the ability to compare the performance of banks. Perhaps there is scope in the trade associations for initiatives in this area.

Does “the market” understand risk management sufficiently to differentiate between publicly disclosed models and data when they use different methodologies?

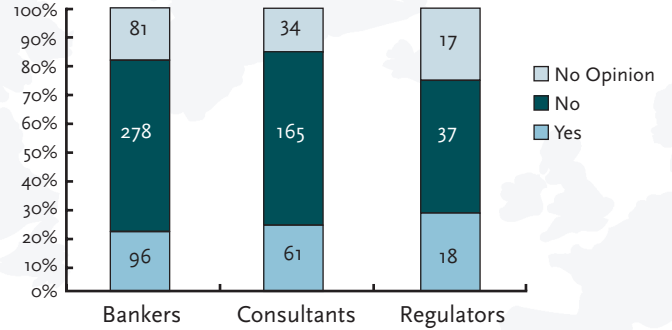


FIGURE 22

Will analysts and investors be able to interpret all the disclosed information? The responses to this question on disclosure strongly indicate that the regulated banks are questioning the value of releasing information on their risk modeling practices to the general market. Only 22.2% of all responses indicated that they believed the external market would be able to compare models between different banks. The percentages were markedly similar whether testing all responses or only those of banker/participants.

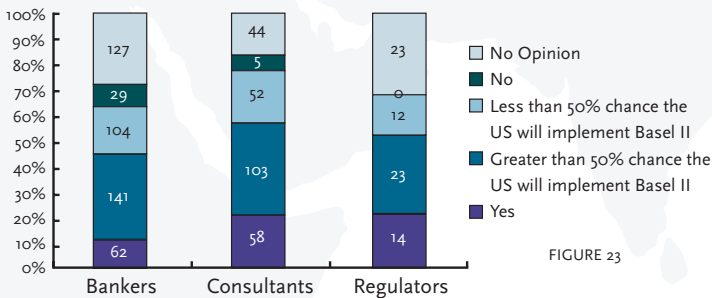
SURVEY DETAILS

GENERAL QUESTIONS

One of the biggest drawbacks to the Basel II process in the US could be the lack of coordinated leadership by US regulatory authorities. Whereas Basel II efforts in the EU and Asia have included close interaction and cooperation between regulators and financial institutions, in the US the authorities have seemingly taken an opposite approach, preferring each institution to develop compliant risk methods in isolation and without engaging in a public discussion with other institutions. When asked the question:

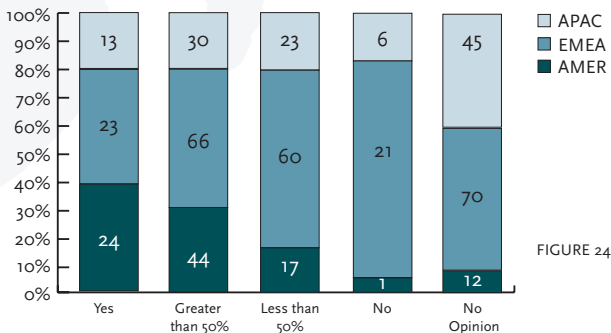
Will the US adopt Basel II?

There has been a lot of debate in the US regarding the need for Basel II. On one hand, US banks are better capitalized than most with 12% being considered normal (as opposed to the Basel II recommended minimum of 8%), on the other hand, US folk memory goes back to the 1929 crisis and the failure of banks with little or no reserve capital.



50% of all respondents who had an opinion thought either the US would go ahead with Basel II or that there was a greater than 50% chance that they would. Consultants were the most optimistic that the US would go ahead with Basel with bankers and regulators having similar slightly less positive views.

Will the US adopt BASEL II per Region



When these figures were broken down by region there was a marked difference. The American region, mainly US respon-

dents, though that Basel II would go ahead, whilst the EMEA region, again with a large percentage of EU respondents, that that Basel II would not go ahead. Is this old-world pessimism or is the European market telling us something?

Hindsight has proven that the EMEA respondents were over-pessimistic as the US is now going ahead – although those of a cautious nature may point out that all is still not accepted by the US judiciary and government.

Does the policy of banning the ratings of foreign external credit rating agencies for the Basel implementation adversely affect the quality of risk management?

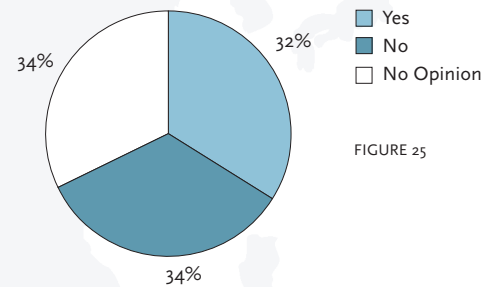


FIGURE 25

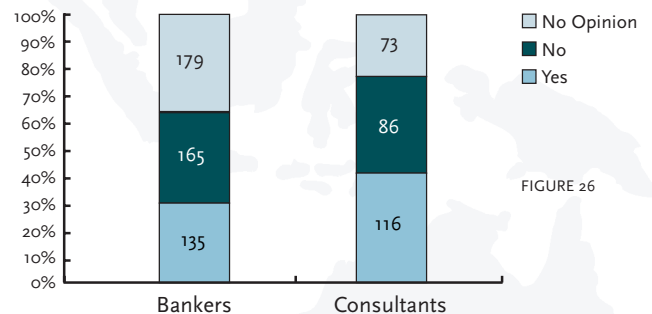


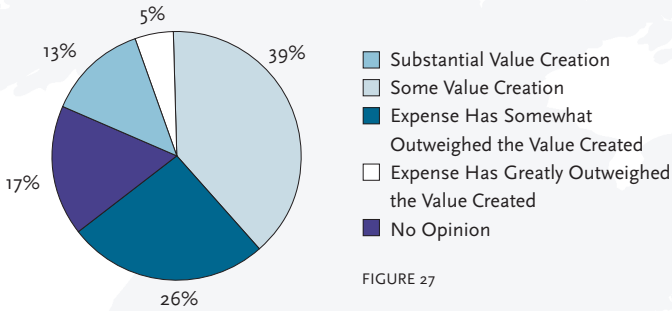
FIGURE 26

This question is of more relevance to US respondents as this policy is not a Basel recommendation and is being implemented in different ways by different regulators. There was no obvious conclusion to be drawn from this question – the largest group of respondents simply had no opinion.

SURVEY DETAILS

To what extent has the Basel II implementation been generating additional economic value for banks?

Many in the risk community have criticized the shortcomings of Basel II and proposed that Basel III is required to correct these.



The majority of those who had an opinion believed that Basel II had generated positive additional economic value for banks, with only 31% believing that it had cost more than the benefit it had provided.

Again there is a difference by region with EMEA being in stronger support than the Americas – but this could be because most of EMEA is ahead of the Americas in implementation and there has been more time to get over the implementation disruption and identify the benefits.

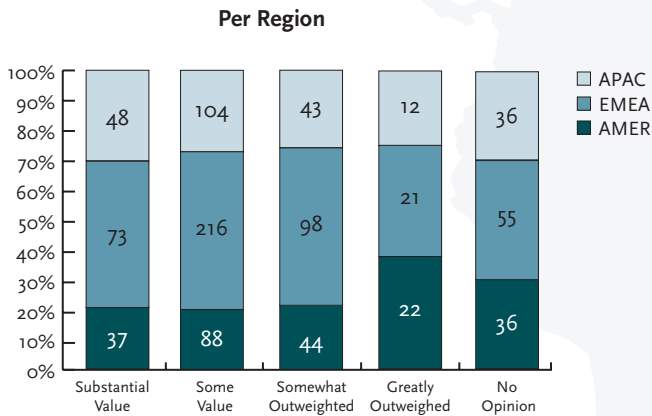


FIGURE 28

Will Basel II make the international Banking system more sound (stable), less sound (less stable) or no different?

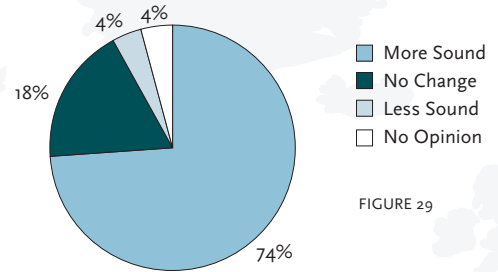


FIGURE 29

No question here as to where the belief lies. 74% of all respondents believe that Basel II will benefit the international banking system whilst only 4% thought that a less sound, less stable system would result.

This view was fairly standard across all regions, although more from APAC did not have any opinion, presumably due to their implementation processes generally being at an earlier stage.

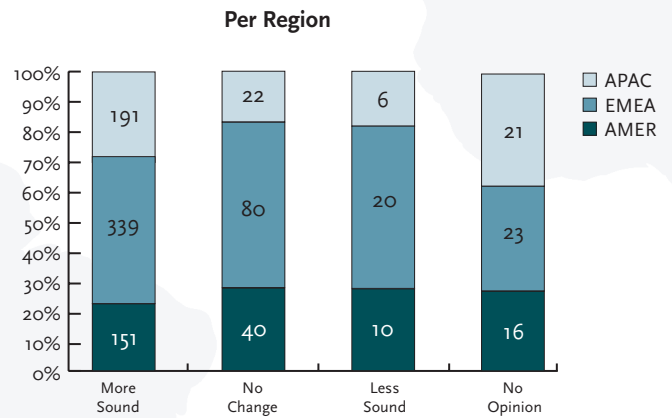


FIGURE 30

SURVEY DETAILS

Does the application of the Basel II norms for all players in the market by the national supervisors promote better risk management?

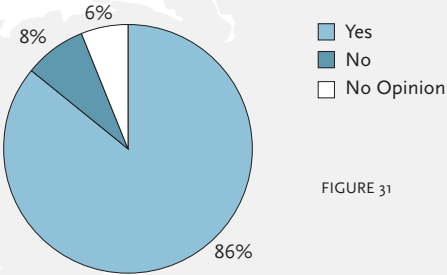


FIGURE 31

There was an overwhelming view that, despite misgivings about Basel II and its implementation, the introduction of it will have a significant beneficial impact on the development of risk management skills in the community. There was no significant variance in these ratios whatever the constituency or region.

These results vindicate the decision of the Basel Committee and prove that the global majority of the risk management profession supports the advent of risk-based assets as a basis for calculating regulatory capital requirements.

Do we need Basel III?

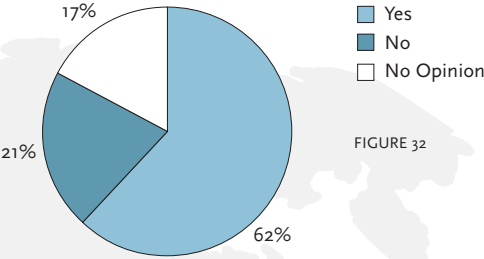


FIGURE 32

This is also endorsed by the survey: of those who expressed an opinion, 63% agreed that there is a need for an update to the regulations. Reasons for this however differ: the view of many is “Give me Basel III, but not yet!” Some wish to see the current changes bed down, and allow time for inconsistencies (e.g. Home-Host) to be ironed out. Others would like to see regulators grant Banks greater flexibility in their modeling approaches, to unify credit and market risk approaches, and to make use of factors such as correlation, liquidity and concentration.

There is also interest in emerging nations and in second tier banks to see some standardization in risk modeling and in risk categorization.

