

Basel III: Revision of the circulars on interest rate and credit risks, equity capital and associated buffers, and disclosure

Key points

31 October 2017

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1. The financial crisis which occurred ten years ago led to an extensive reworking of banking regulation. In this context, the G20 countries tasked the Basel Committee on Banking Supervision with drafting a comprehensive package of reforms, referred to collectively as “Basel III”. It includes a number of standards covering equity capital, liquidity, interest rate risks and disclosure.
2. Under the agreed international implementation schedule, several of these standards will come into force in 2018 and will be adopted into national regulations. Changes to the IFRS and US GAAP international financial reporting standards will also enter into force in 2018 and 2020, prompting further updates to national regulations.
3. FINMA is therefore publishing its revised drafts of the following circulars affecting banks and securities dealers:
 - Interest rate risks in the banking book: updated risk management standards and interest rate risk measurement using six instead of two interest rate shock scenarios.
 - Disclosure: implementation of Phase II of the Basel revision of the disclosure requirements, specifically in relation to regulatory key indicators, interest rate risks and remuneration.
 - Equity capital: calculation of eligible regulatory capital in line with the modified IFRS and US GAAP international financial reporting standards.
 - Capital buffer: elimination of redundancies resulting from the definition of capital buffers (Capital Adequacy Ordinance) for individual bank categories (Banking Ordinance) and in the provisions on the extended countercyclical capital buffer, as defined in the Capital Adequacy Ordinance.
 - Credit risks: simplified approach for fund investments; modified capital adequacy requirements for short-term securitisations.
4. The revised drafts contain relaxations and simplifications for smaller banks (in Categories 4 and 5), particularly in relation to disclosure and interest rate risks. The international standards will continue to apply unchanged to the approximately 35 banks in Categories 1 to 3, including the systemically important institutions.
5. The consultation will run until 31 January 2018.