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Press Release

August 1, 2013

BASEL III CAPITAL REGULATIONS TO BE IMPLEMENTED TO BANK HOLDING COMPANIES FROM DECEMBER, 2013

Basel III capital regulations will be implemented to bank holding companies from December 1, 2013 to meet the global capital standards.

BASEL III CAPITAL REGULATIONS

A. Minimum Capital Ratio

With the implementation of Basel III, minimum capital requirements for bank holding companies will be subdivided according to each category of capital: common equity capital ratio (4.5%), Tier 1 capital ratio (6%), and total capital ratio (8%).

Minimum Capital Ratio under Basel III

	Common Equity Ratio					Tier 1 Capital Ratio					Total Capital Ratio				
	'15	'16	'17	'18	'19	'15	'16	'17	'18	'19	'15	'16	'17	'18	'19
Min. Capital Ratio (A)	4.5	4.5	4.5	4.5	4.5	6.0	6.0	6.0	6.0	6.0	8.0	8.0	8.0	8.0	8.0
Min. Capital Buffer (B)	-	0.625	1.25	1.875	2.5	-	0.625	1.25	1.875	2.5	-	0.625	1.25	1.875	2.5
(A)+(B)	4.5	5.125	5.75	6.375	7.0	6.0	6.625	7.25	7.875	8.5	8.0	8.625	9.25	9.875	10.5

B. Capital Conservation Buffer¹

Capital conservation buffer will be introduced to bank holding companies from 2016 in accordance with implementation schedule proposed by the Basel Committee on Banking Supervision (BCBS).

Basel III Minimum Capital Ratio

(Year 2019)	Basel I, II	Basel III		
	BIS Capital Adequacy Ratio	Common Equity Ratio	Tier1 Capital Ratio	Total Capital Ratio
Minimum Capital Ratio	8.0%	4.5%	6.0%	8.0%
Minimum Capital Conservation Buffer	0.0%	2.5%(common equity)		
Total	8.0%	7.0%	8.5%	10.5%

It is not mandatory for bank holding companies to maintain minimum capital conservation buffer ratios. If their holdings of capital conservation buffer fall short of minimum requirements, however, bank holding companies will be limited in distributing dividends or repurchasing of their shares.

¹ The amount of capital needed to maintain capital ratios above the minimum requirement, while absorbing losses or continue to provide credit in the event of a crisis.

Limitations in Income Outflow

Year 2019

Common Equity Ratio	>5.125%	>5.75%	>6.375%	>7.00%	≤7.00%
Tier 1 Capital Ratio	>6.625%	>7.25%	>7.875%	>8.50%	≤8.50%
Total Capital Ratio	>8.625%	>9.25%	>9.875%	>10.5%	≤10.5%
Max. Income Outflow	0%	20%	40%	60%	100%

C. Prompt Corrective Action

The financial authorities will take prompt corrective action against bank holding companies which fail to meet minimum requirements of total capital ratio, Tier 1 capital ratio, and common equity capital ratio. (To be in force from January 1, 2015)

- Currently: A bank holding company is instructed to improve its business operation when its consolidated BIS capital ratio is below 8%.
- Under Basel III: A bank holding company will be instructed to improve its business operation when it fails to meet the following minimum requirements: 4.5% of common equity ratio, 6% of Tier 1 capital ratio, and 8% of total capital ratio.

EXPECTED OUTCOME

An average BIS capital ratio of 10 bank holding companies is expected to rise by 0.44%p upon implementation of the Basel III capital regulations. (12.91% → 13.35%, as of end-June, 2012).

Bank holding companies are expected to see a KRW 7.9 trillion decrease in equity capital and a KRW 100.3 trillion decrease in risk-weighted assets.

FUTURE SCHEDULE

Preliminary notice on changes to capital requirements for bank holding companies will be announced on August 1 and open to the public for any comment. The FSC will finally approve the amendments at its regular meeting in August or September.

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For any inquiry, please contact Foreign Press & Relations Team at aykim@korea.kr