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## Press Release

May 30, 2013

### BASEL III CAPITAL REGULATIONS TO BE IMPLEMENTED FROM DECEMBER, 2013

#### **BACKGROUND**

Korea has already finalized preparation of relevant rules for the implementation of Basel III. However, authorities postponed the initially scheduled date for implementation (Jan.1, 2013) considering the uncertainty of adoption status of other member countries and decided to adjust Basel III implementation schedule after closely monitoring the progress of other member countries.

#### **CURRENT TREND**

As of April, 23 among 27 Basel Committee on Banking Supervision member countries finalized the implementation schedule<sup>1</sup>.

< Basel III implementation Schedule (as of April 30, 2013)>

Region	Implementation Schedule	Member Countries
Asia	Not finalized(2)	Korea, Indonesia
	Finalized(7)	Japan, Singapore, Hong Kong, China, India, Saudi Arabia, Australia
Europe	Not finalized(1)	Turkey
	Finalized(11)	Switzerland, Russia, EU(UK, France, Germany, Italy, Belgium, Netherlands, Luxemburg, Spain, Sweden)
Americas, Africa	Not finalized(1)	USA
	Finalized(5)	Canada, Mexico, South Africa, Brazil, Argentina

#### **IMPLEMENTATION OF BASEL III**

The FSC, in close coordination with the MOSF, FSS, BOK, and other relevant authorities, came to a decision to implement Basel III on December 1, 2013. The decision was made as major Asian economies have already implemented Basel III capital regulations in 2013 and the banking industry requires time to prepare for the adoption.

#### **EXPECTED EFFECTS**

The Basel III regulation to take effect this year will be limited to bank capital requirements<sup>2</sup>. Since the capital of most domestic banks consists of common equity, the impact of Basel III capital regulations will not be significant unlike banks in the US and Europe<sup>3</sup>.

<sup>1</sup> 10 countries including Singapore have already implemented Basel III in January 1, 2013

<sup>2</sup> Leverage and liquidity standards will be adopted from 2015

<sup>3</sup> Korean Banks' BIS ratio at the end of 2012: Basel II 14.30% → Basel III 14.52%

## FUTURE PLAN

The authorities will gather additional opinions on the revisions to the 'Regulation on Supervision of Banking Institutions' and 'Enforcement Rules for Banking Supervision' from May 31 to June 19, 2013. Final decision will be made by the FSC in June.

### <Basel I, II, III Comparison>

		Basel I	Basel II	Basel III
Capital	Capital	- Minimum Tier 1 Capital Ratio $\geq 4.0\%$ - Minimum Equity Capital Ratio $\geq 8.0\%$	Same as Basel I	- Minimum Common Equity capital ratio $\geq 4.5\%$ - Minimum Tier 1 Capital Ratio $\geq 6.0\%$ - Minimum Total Capital Ratio $\geq 8.0\%$
		-		- Introduce Capital Buffer
	Asset	- Risk weigh for business loans (100%)	- Different risk weights based on credit ratings (0~1,250%)	Same as Basel II
Liquidity and leverage ratio				- Introduce minimum standard

### <Basel III Implementation Schedule>

	'11	'12	'13	'14	'15	'16	'17	'18	'19
▪ Minimum Common Equity Capital Ratio (A)			3.5	4.0	4.5	4.5	4.5	4.5	4.5
▪ Capital Conservation Buffer (B)						0.625	1.25	1.875	2.50
- Minimum Common Equity Plus Capital Conservation Buffer(A+B)			3.5	4.0	4.5	5.125	5.75	6.375	7.0
▪ Minimum Tier 1 Capital			4.5	5.5	6.0	6.0	6.0	6.0	6.0
▪ Minimum Total Capital (C)			8.0	8.0	8.0	8.0	8.0	8.0	8.0
- Minimum Total Capital Plus Conservation Buffer (B+C)			8.0	8.0	8.0	8.625	9.25	9.875	10.5

Leverage Ratio (Tier 1 – 3%)	Supervisory monitoring	Parallel run Discloser starts 1 Jan, 2015	Revision	Introduce minimum standard
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LCR ( $\geq 100\%$ )	Observation period		60	70	80	90	100
NSFR ( $\geq 100\%$ )		Observation period				Introduce minimum standard	