

## **Implementation of Basel III**

1. The Basel III issued by the Basel Committee on Banking Supervision (BCBS) on December 16, 2010 aims to promote financial market stability and ensure that banks are better able to withstand economic and financial stress, therefore to support economic growth.
2. Capital Adequacy : In order to assist domestic banks to comply with the Basel III accord, the FSC promulgated the amendments to "Regulations Governing the Capital Adequacy and Capital Category of Banks" and "Methods for Calculating Bank's Regulatory Capital and Risk-Weighted Assets" on November 26, 2012. The regulatory capital requirement was gradually raised annually starting from 2013. Since 2019, the minimum common equity ratio, Tier 1 ratio and total capital ratio will be up to 7%, 8.5% and 10.5%, respectively.
3. Leverage ratio : A simple, transparent, and non-risk based leverage ratio is adopted to supplement the risk based capital requirements, and will be effective on January 1, 2018. (BCBS amended the calculation of leverage ratio in 2014. The FSC amended "Illustrations and forms of computing capital and risk-weighted assets" on December 16, 2014)
4. Third Pillar : For domestic banks to meet the Basel III Pillar 3 requirements, the FSC promulgated the amendments to "Regulations Governing the Disclosure of the Relevant Information Concerning the Capital Adequacy" on May 21, 2013, which was effective on June 30, 2013. The amendments mandate the disclosure of capital composition. A template was established to provide for banks to disclose the regulatory capital components. For disclosing the information of leverage ratio and liquidity coverage ratio, the regulations were amended on April 10, 2015 and were effective on June 30, 2015. Besides, to follow the new document published by the BCBS for Pillar 3 requirements that was effective on December 31, 2016, the FSC amended the regulation on December 15, 2016 to strengthen banks' disclosure of the

risk-weighted assets, and adds the new forms and replaces the disclosure forms of credit risk, market risk and securitization.

5. Liquidity Standards : The BCBS issued the full text of the Liquidity Coverage Ratio in January 2013. Following the global regulatory standards on bank short-term liquidity, the FSC promulgated "Standards Implementing the Liquidity Coverage Ratio of Banks" and "Methods for Calculating the Liquidity Coverage Ratio" on December 29, 2014, which was effective on January 1, 2015. Furthermore, to be in line with the Net Stable Funding ratio published by the BCBS to measures the bank's long-term liquidity, in October 2014, the FSC promulgated "Standards Implementing the Net Stable Funding Ratio of Banks" and "Methods for Calculating the Net Stable Funding Ratio" on December 26, 2016, and will take effect on January 1, 2018. The Net Stable Funding Ratio is aim to promote and improve the sound liquidity risk management of the bank to strengthen the stability of financial market under the complementation with Liquidity Coverage Ratio.