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" (hereinafter referred to as the Methods) on January 9, 2014. The regulatory capital requirement was gradually raised annually starting from 2013. Since 2019, the minimum common equity tier 1 ratio, tier 1 capital ratio and total capital adequacy ratio will be up to 7%, 8.5% and 10.5%, respectively. Also, the Methods have been amended according to "Basel III: Finalising Post-Crisis Reforms" published by the BCBS. The rules concerning the standardized approach for credit risk, the internal ratings-based approach for credit risk, operational risk, and the leverage ratio have been implemented starting January 1, 2025. Meanwhile, the rules for market risk, counterparty credit valuation adjustment, and securitization exposures come into effect on July 1, 2025.
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.
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 and Risk Management" on May 21, 2013. The most recent amendment was made on August 8, 2025. The required disclosures include capital and TLAC composition, overview of risk management, key prudential metrics,

qualitative and quantitative information on various risk exposures, leverage ratio, liquidity coverage ratio, net stable funding ratio, and remuneration, along with the corresponding disclosure templates.

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.