



Basel Capital Standards

Contact: Jeff Sigmund, ABA Public Relations (202) 663-5439 or jsigmund@aba.com

Capital is the financial cushion that protects banks and their customers from potential losses.

- Currently, U.S. banks hold nearly \$2 trillion in capital and reserves to support all banking activities, making the U.S. banking system the most financially sound in the world.
- Most regulatory capital standards have been developed in coordination with the Basel Committee on Banking Supervision.
- Over the last 20 years, the banking agencies, in coordination with the committee, have developed increasingly complex and redundant regulatory capital standards.

The Basel Committee is designed to established consistent standards for internationally active banks.

- The Committee is an opaque, informal international body whose standards and determinations do not have the force of law or treaty. However, the Committee has released a flood of capital standards that have come into force domestically through the domestic rulemaking process.
- Although Basel standards are designed for internationally active banks, many domestically adopted standards are applied to all U.S. banks regardless of size.
- The committee has developed Basel I, Basel II and Basel III, all of which have been implemented by the U.S. banking agencies.
- As of November 2016, the committee is poised to finalize a group of standards informally referred to as Basel IV, even though Basel III has yet to be fully implemented.

Given the body of materials, the U.S. banking agencies need to review existing rules and issue a moratorium for adopting new Basel standards.

- Capital standards directly impact the ability of banks to provide financial services to customers. The U.S. agencies should stop adopting Basel standards until they have conducted a comprehensive and transparent assessment of their impact on banks, bank customers and the economy as a whole.
- To bring greater transparency to the Basel process and ensure consistency with the Administrative Procedure Act, the U.S. banking agencies should issue Advanced Notices of Proposed Rulemakings before engaging in discussions with the Basel Committee on a particular topic. The ANPR process would allow for broad public input on the clearly outlined goals of discussion and ensure that U.S. representatives to the committee are fully informed.
- The U.S. banking agencies should review existing standards to reduce redundancies and improve tailoring to an institutions size and business model.