Implementation of Basel III in Canada

20 Nov 2014
By: Eric Belli-Bivar

This paper builds on an earlier paper by Eric Belli-Bivar and Brandon Barnes, "Basel III and Global Liquidity Standards – Are Canadian Banks up to the Challenge?" (November 2013). The author wishes to thank Sean Tyler, Student-at-Law at the firm, for his assistance with the research and preparation of this paper.

In 2010, the world's financial regulators launched an intensely ambitious, global financial regulatory reform: Basel III. On October 31, 2014, the Basel Committee on Banking Stability (the "BCBS") [1] released the final version of the last outstanding piece of Basel III, bringing this agenda to a close.

The purpose of this paper is to provide an overview of the combined product of these past four years of regulatory reform, from the perspective of a Canadian financial institution. I begin the paper with an overview of the Basel III framework, then discuss each of the components in detail. I present the liquidity coverage ratio and net stable funding ratio, two liquidity risk management measures introduced in Basel III, then the risk-weighted capital adequacy requirements and leverage ratio, before turning to the non-viable contingent capital and bail-in regimes. I then discuss some of the operational and business challenges the Basel III reforms have and will continue to pose for Canadian financial institutions.

The new regulatory burden is perhaps somewhat less onerous for Canadian banks, having avoided the worst of the financial crisis, than it is for their European and American counterparts. Nonetheless, Canadian regulators have fully embraced the regulatory goals of Basel III and are, in many cases, moving to implement the new initiatives ahead of schedule. Each bank will experience the effects of this shift in focus differently, depending on its market position, management, and growth plan.

View the full paper here.

---

1. The BCBS is a group of central bankers and bank supervisors from 27 countries. It works to enhance financial stability by strengthening the regulation, supervision and practices of banks. Though it has no powers of enforcement, guidelines are implemented by national regulators.

AUTHORS

Eric Belli-Bivar
Partner
Toronto | T: +1 416 365 3500
eric.belli-bivar@dlapiper.com