BASLE COMMITTEE ON BANKING SUPERVISION

BANK FOR INTERNATIONAL SETTLEMENTS, CH-4002 BASLE

PRESS STATEMENT

The Basle Committee on *Banking* Supervision, with the endorsement of the central bank Governors of the Group of Ten countries, is today releasing for consultation the Basle Core Principles for effective *banking* supervision. This document establishes a set of twenty-five basic Principles which the Basle Committee believes must be in place for a supervisory system to be effective. Comments are invited by 16th June 1997.

The Basle Core Principles have been drawn up by the Basle Committee in close collaboration with the supervisory authorities in fifteen emerging market countries and have benefited from broad consultation with many other supervisory authorities throughout the world. The Principles represent the basic elements of an effective supervisory system. They are comprehensive in their coverage, addressing the preconditions for effective *banking* supervision, licensing and structure, prudential regulations and requirements, methods of ongoing *banking* supervision, information requirements, formal powers of supervisors and cross-border *banking*.

The Basle Core Principles are intended to serve as a basic reference for supervisory and other public authorities worldwide to apply in the supervision of all the banks within their jurisdictions. Following due consultation, supervisory authorities throughout the world will be invited to make a formal endorsement of the Core Principles, not later than October 1998. Endorsement will include an undertaking to review current supervisory arrangements against the Principles and to set a time-table for addressing any material deficiencies. The speed with which changes can be introduced will vary, depending on whether the supervisory authorities already possess the necessary statutory powers. Where legislative changes are required, national legislators will be requested to give urgent consideration to the changes necessary to ensure that the Principles can be applied in all material respects.

In parallel with the Basle Core Principles, the Basle Committee will also shortly release for information a three-volume Compendium of its existing recommendations, guidelines and standards. This has been prepared in order to supplement the Principles, which contain crossreferences to the Compendium documents where appropriate.

The text of the Principles can be obtained from the BIS Web Site on the Internet at http://www.bis.org with effect from 9th April, from national supervisory authorities or from the Basle Committee Secretariat at the Bank for International Settlements. The Compendium will be available later in April. -

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9th April 1997

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| Month  Area | January | February | March | 1st Season |
| USA | 40,982 | 35,978 | 32,147 | 93,847 |
| European | 45,200 | 65,410 | 95,847 | 75,485 |
| Asia | 29,252 | 38,485 | 65,745 | 67,840 |
| Australia | 16,254 | 22,147 | 35,147 | 23,146 |

# Notes for editors

1. The Basle Committee on *Banking* Supervision is a Committee of *banking* supervisory authorities which was established by the central bank Governors of the Group of Ten countries in 1975. It consists of senior representatives of bank supervisory authorities and central banks from Belgium, Canada, France, Germany, Italy, Japan, Luxembourg, Netherlands, Sweden, Switzerland, United Kingdom and the United States. It usually meets at the Bank for International Settlements in Basle, where its permanent Secretariat is located.
2. The Basle Committee has been working in this field for many years, both directly and through its many contacts with *banking* supervisors in every part of the world. In the last year it has been examining how best to expand its efforts aimed at strengthening prudential supervision in all countries by building on its relationships with countries outside the G-10 as well as on its earlier work to enhance prudential supervision in its member countries. The Committee has prepared two documents for release: a comprehensive set of Core Principles for effective *banking* supervision (The Basle Core Principles) applicable in both G-10 and non-G-10 countries; and, a Compendium of the existing Basle Committee recommendations, guidelines and standards. Both documents have been endorsed by the G-10 central bank Governors. They are being submitted to the G-7 and G-10 Finance Ministers in preparation for the Denver Summit in the hope that they will provide a useful mechanism for strengthening financial stability in all countries.
3. In developing the Principles, the Basle Committee has worked closely with non-G-10 supervisory authorities. The document has been prepared in a group containing representatives from the Basle Committee and from Chile, China, the Czech Republic, Hong Kong, Mexico, Russia and Thailand. Eight other countries (Brazil, Hungary, India, Indonesia, Korea, Malaysia, Poland and Singapore) were also closely associated with the work. The drafting of the Principles benefited moreover from broad consultation with a larger group of individual supervisors, both directly and through the regional supervisory groups. The IMF and the World Bank have seen and commented on the work at various intermediate stages.
4. The Basle Core Principles are being released for consultation. Comments are invited by 16th June 1997. At the end of the comment period, the document will be finalised, hopefully in advance of the IMF and World Bank annual meetings in Hong Kong in late September 1997.
5. National agencies should apply the Principles in the supervision of all banks within their jurisdictions. The Principles are minimum requirements and in many cases may need to be supplemented by other measures designed to address particular conditions and risks in the financial systems of individual countries.
6. The Basle Core Principles are intended to serve as a basic reference for supervisory and other public authorities in all countries and internationally. It will be for national supervisory authorities, many of which are actively seeking to strengthen their current supervisory regime, to use the attached document to initiate a programme designed to address any deficiencies as quickly as is practical within their legal authority. It is suggested that the IMF, the World Bank and other interested organisations use the Principles in assisting individual countries to strengthen their supervisory arrangements in connection with their work aimed at promoting overall macroeconomic and financial stability.
7. Supervisory authorities throughout the world will be encouraged to make a formal endorsement of the final version of the Basle Core Principles. The members of the Basle Committee and the *banking* supervisory authorities of the fifteen countries that have participated in their drafting all agree with the content of the document.
8. The chairpersons of eleven regional supervisory groups are supportive of the Basle Committe's efforts. Most of these groups plan to discuss the Core Principles at meetings to be held over the next few months. They will all actively promote the consultation process among their membership and it is hoped that these groups will be in a position to confirm their general support by the time the comment process has been concluded.
9. Implementation of the Principles will involve carrying out a review of existing supervisory arrangements and, where these are inconsistent in any material respect with the Principles, establishing a time frame for addressing the deficiencies. The Principles have been designed to be verifiable by supervisors, their regional groups, and the market at large. Implementation of the Principles will be surveyed by the Basle Committee and reviewed at the International Conference of *Banking* Supervisors in October 1998 and bi-annually thereafter.
10. The Basle Committee believes that achieving consistency with the Core Principles by every country will be a significant step in the process of improving financial stability domestically and internationally. The speed with which this objective will be achieved will vary. In many countries, substantive changes in the legislative framework and in the powers of supervisors will be necessary because many supervisory authorities do not at present have the statutory authority to implement all of the Principles. In such cases, the Basle Committee believes it is essential that national legislators give urgent consideration to the changes necessary to ensure that the Principles can be applied in all material respects. The need for new legislation will be taken into account by the Basle Committee in monitoring progress towards implementation.
11. The Basle Committee will continue to pursue its standard-setting activities in key risk areas and in key elements of *banking* supervision as it has done in documents such as those reproduced in the Compendium. The Basle Core Principles will serve as a reference point for future work to be done by the Committee and, where appropriate, in cooperation with other organisations. The Committee stands ready to encourage work at the national level to implement the Principles in conjunction with other supervisory bodies and interested parties. Finally, the Committee is committed to strengthening its interaction with supervisors from non-G-10 countries and maintaining its considerable investment in technical assistance and training.

12. The twenty-five Core Principles are set out below.