

THE FINANCIAL SERVICES ROUNDTABLE



Financing America's Economy

To: Representatives of the Financial Services Roundtable, GAC, Public Affairs Council, All Staff

Fast Facts: BASEL REFORMS

The following information is taken from the Basel Committee on Banking Supervision; Macroeconomic Assessment Group; Institute of International Finance

FACT: In 2009, the Basel Committee on Banking Supervision (BCBS) proposed new capital and liquidity requirements (commonly known as Basel III), including:

- Raising the quality of Tier 1 capital
- Strengthening counterparty capital requirements
- Introducing a leverage ratio, harmonized internationally
- Building-up capital buffers for times of stress
- Instituting a global minimum liquidity standard

FACT: Over the next four and a half years, GDP will decrease by 0.19% to 0.22% for every 1% increase in overall capital standards, according to the Macroeconomic Assessment Group.

FACT: By 2015, the U.S. will have lost 4.58 million jobs if regulatory reforms are implemented, according to the Institute of International Finance.

FACT: Basel reforms have the potential to: increase interest rates, reduce lending, increase non-performing loans, and make it difficult for small and medium firms to obtain financing, according to the Macroeconomic Assessment Group.

FACT: BCBS will discuss Basel III at the upcoming G-20 Summit in Seoul on November 11-12. A fully calibrated set of standards will be announced by the end of 2010.

This report is also attached as a PDF. If you have questions or comments, please do not hesitate to contact Abby McCloskey, Director of Research at the Financial Services Roundtable, at abbyresearch@fsround.org.

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Explanations

Tier 1 Capital consists of equity capital and disclosed reserves.

Counterparty capital requirements will protect each party from risks arising from derivatives, repos, and securities financing activities.

Leverage Ratio will build on Basel II to contain excess leverage in the banking system.

Countercyclical Capital Buffer is capital built up in good times that can be drawn upon in periods of stress.

Liquidity Standard will include a 30-day liquidity coverage requirement and a long-term liquidity requirement.

For more information, please visit <http://www.bis.org>