



Office of the Superintendent
of Financial Institutions

Bureau du surintendant
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Basel II Implementation Issues

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at

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Overview

- Purpose and Nature of AIG
- AIG Overview
- AIG Mandate
- AIG Workplan
- Implications for Banking Supervision



Accord Implementation Group

➤ AIG Membership

- ✓ 13 Basel-country members (Belgium, Canada, France, Germany, Italy, Japan, Luxembourg, the Netherlands, Spain, Sweden, Switzerland, United Kingdom, United States)
- ✓ 3 Organisations (The European Central Bank, The European Commission, The Group de Contact)
- ✓ Chair: Nicholas Le Pan

➤ Non-Basel country supervisors benefit from AIG process

- ✓ The AIG also interacts with supervisors from non-G10 countries via the Core Principles Liaison Group (CPLG)

➤ Industry involvement is significant

- ✓ Contacts with IIF, ISDA, and other groups
- ✓ Individual members contact trade organisations at a national level



Mandate of the AIG

➤ Purpose of AIG

- ✓ At the end of 2001, the Basel Committee created the AIG to support the implementation efforts of supervisors
- ✓ Exchange of views on approaches to implement the New Accord...
- ✓ Members are expected to table their main concerns, plans and achievements – and thereby to promote consistency in its application

➤ Nature of AIG

- ✓ To serve as a discussion group, shedding light on issues that require guidance
- ✓ The AIG is not a policy or rules setting group; issues will be referred back to the Basel Committee or technical groups, as needed
- ✓ The AIG reports to the Basel Committee on Banking Supervision



Workplan Priorities for the AIG

- Short-term priorities for the AIG:
 - ✓ Cross-border issues arising from the New Accord , e.g. Case Studies ('home'/'host' responsibilities, rollout, etc.)
 - ✓ Pillar 2 (general supervisory approaches, plus specific items, e.g. interest rate risk, concentration risk, etc.)
 - ✓ IRB Validation
 - ✓ Data (discussions with industry on 'data' challenges)
 - ✓ Operational Risk (cross-border issues and capital allocation)
- Workplan supported by regular meetings, conference calls and workshops



Summary of Supervisory Issues Raised To Date

1. Material update of skill sets of staff to meet the challenges posed by the New Accord.
2. Development of new supervisory processes to assess compliance with both the minimum requirements of the Accord and Pillar 2.
3. Preparation of both internal and external guidance for implementation of the Accord.



Summary of Supervisory Issues Raised To Date

4. Home/Host Case Study work now starting is likely to surface more need for Supervisor interaction.
5. Validation Sub-Group of the AIG now dealing with methodology questions.
6. How should OpRisk capital be allocated in practice?