



## **BANK OF THAILAND NEWS**

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### **Bank of Thailand Welcomes Basel Committee on Banking Supervision's Consultative Document on The New Basel Capital Accord**

On 16 January 2001 the Basel Committee on Banking Supervision issued a proposal for a New Capital Accord. This proposal is an update of the version issued in June 1999, with a final version expected by the end of this year. Implementation will occur in 2004.

The Basel Committee on Banking Supervision first issued capital guidelines applicable to banking organizations in its Capital Accord of 1988. The guidelines, which originally only captured credit risk, have been adopted by over 100 countries worldwide, including Thailand. The New Capital Accord which consists of three pillars – Minimum Capital Requirements, Supervisory Review, and Market Discipline – is both more risk sensitive and more flexible. In the first instance, the New Capital Accord will capture operational risk and interest rate risk, in addition to credit and market risk covered under the Capital Accord of 1988 and the 1996 Market Risk Amendment. Secondly, the New Capital Accord offers a spectrum of approaches to measure certain risks. Banking organizations may adopt the methodology that best suits their level of sophistication and risk profile but are provided with incentives to migrate towards more comprehensive and accurate approaches.

The New Capital Accord documents are presented in three parts:

- *Overview of the New Basel Capital Accord* – outlines and provides the basic structure and philosophy of the New Capital Accord.
- *New Basel Capital Accord* – sets forth the detailed proposal and is the core document of the package.
- Seven technical supporting documents – providing detailed guidance and background information on many of the concepts and procedures contained in the New Capital Accord.

All of the documents comprising the New Capital Accord are available on the Bank for International Settlements' website ([www.bis.org](http://www.bis.org)).

The Bank of Thailand has formed a working group, consisting of representatives from the Thai Bankers' Association, the Foreign Banks' Association, the Association of Finance Companies, and the Bank of Thailand, to study the New Capital Accord to see whether it is suitable for Thai Banking Sector. The Bank of Thailand has asked for comments from financial institutions covered by the New Capital Accord and has scheduled several meetings with industry trade groups to discuss the details of the documents, implementation issues, and any effect resulting from the new

Methodologies. The comments and recommendations will be forwarded to the Basel Committee on Banking Supervision no later than 31 May 2001. These comments as well as those from other interested parties around the world will be considered when preparing the final version of the New Capital Accord.

Bank of Thailand

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