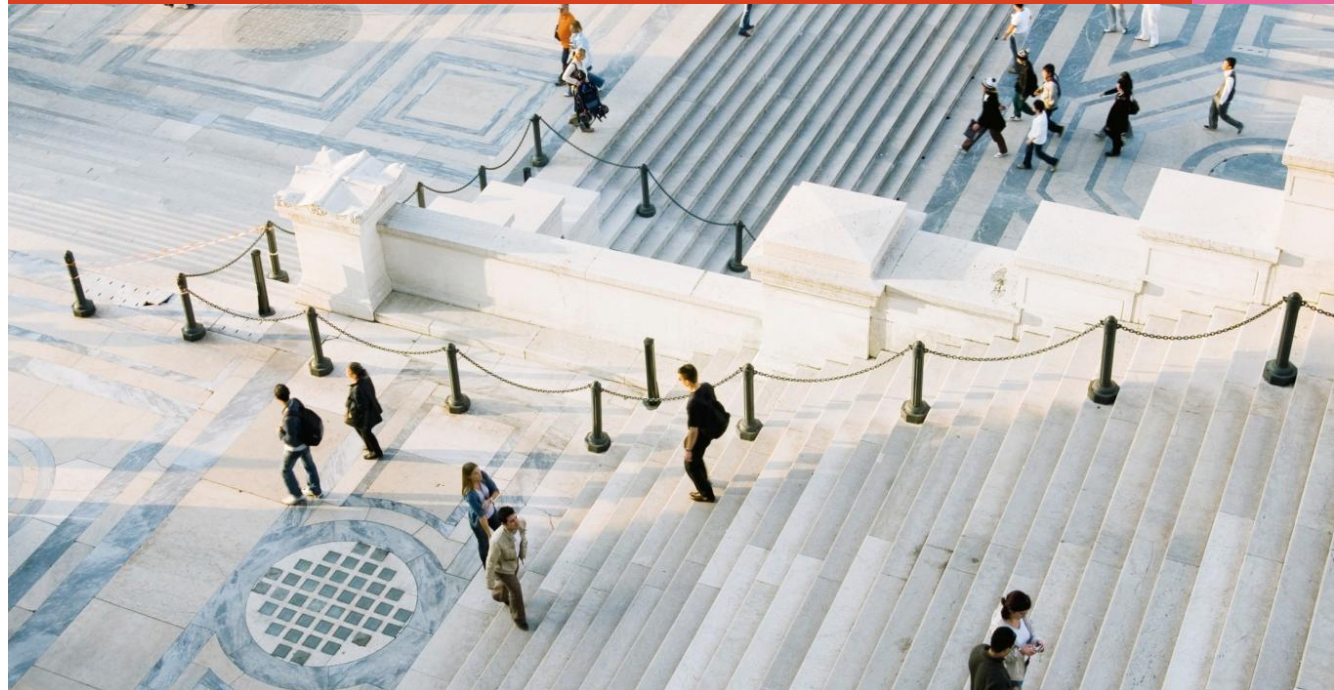


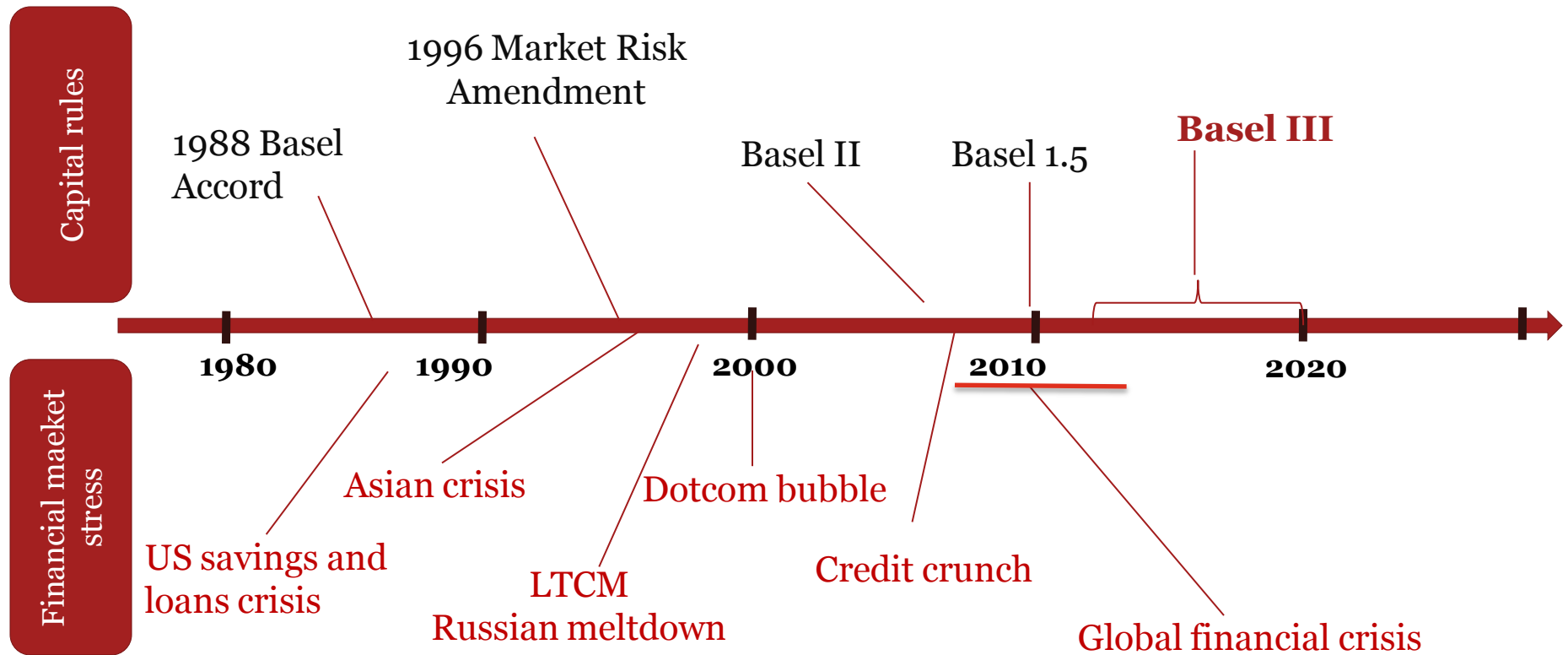
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# *Basel III - Opportunities for Islamic Finance*

AAOIFI-World Bank Conference  
24 October 2011



# Background and rationale



## ***Basel III - Changes in Quantitative requirements***

Key changes	As of January 2019	Impact on IFI
• Common equity	4.5 %	?
• Tier 1 capital	6.0%	
• Capital conservation buffer	2.5%	
• Counter cyclical buffer	Event driven	
• Minimum total capital	10.5%	
• Leverage ratio	3%	
• Net Stable Funds Ratio	Minimum standard	
• Liquidity Coverage Ratio	Minimum standard	
• Risk Weighted Asset Requirements	CVA, Resecuritisation, Trading book adjustments, RWA for CCP etc.	

## ***Basel III - Changes in Qualitative requirements***

### Key changes

### Impact on IFI

- Firm wide risk oversight
- Reputational risk and implicit support
- Valuation practices
- Management and supervision of liquidity risk
- Concentration risks
- Off-balance sheet exposures
- Sound stress testing practices
- Sound compensation practices
  - Compensation outcomes symmetric to risk outcomes
  - Payout schedules sensitive to time horizon of risks
  - Mix of cash and equity/other aligned with risk

?

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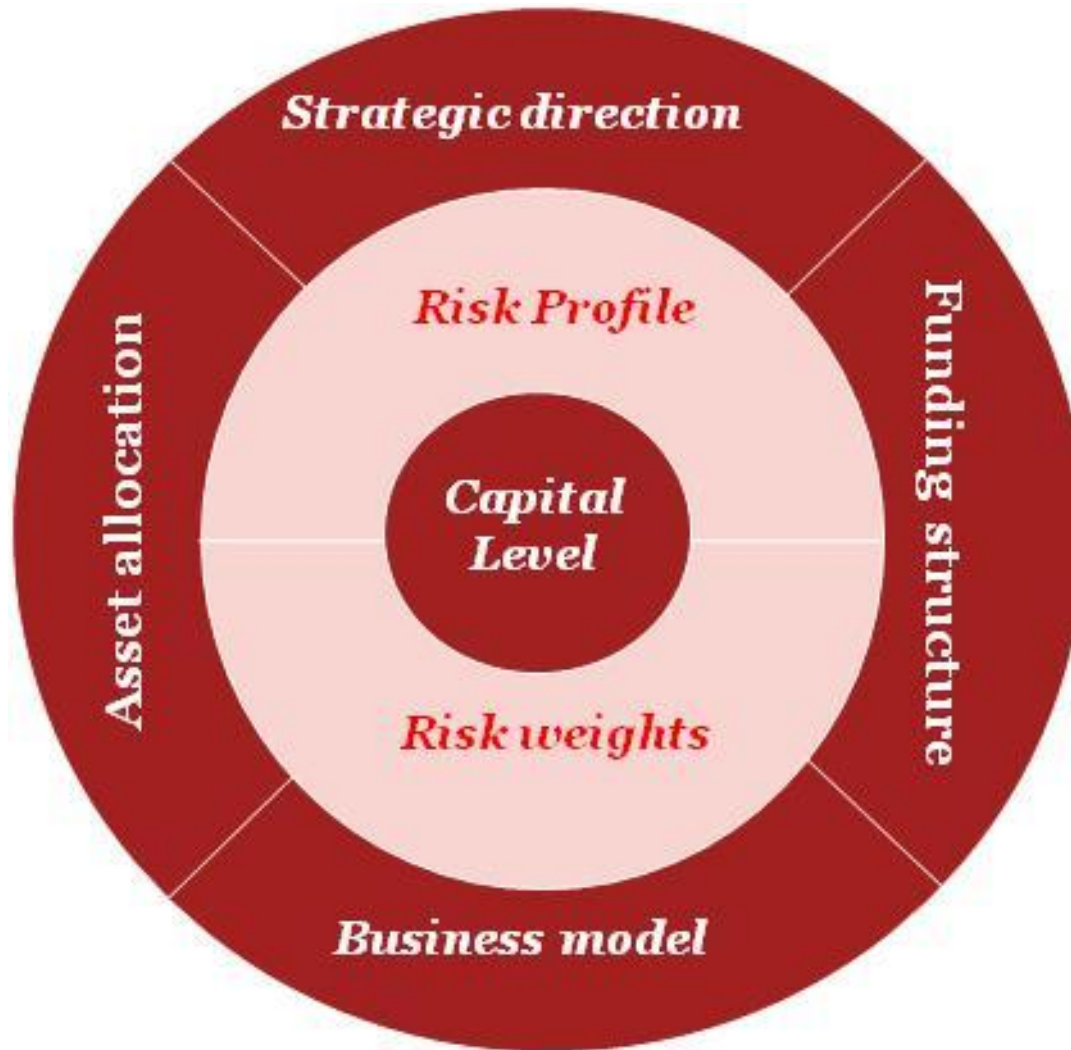
## ***Basel III - Changes to Pillar 3***

### Key changes

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- Alignment with changes to Pillar 1 and 2
  - Disclosure practices did not help assess the depth of the problems
    - Securitisation exposures
    - Re securitisation facilities
    - Liquidity
    - Pipeline and warehousing risks
-

## *Basel III – Impact*



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## Way forward

- Regulators
  - Approach to implementing Basel III
  - IFSB interpretations of Basel III
- Banks
  - Work on strategic implications
  - Dealing with business model impact
  - Supporting infrastructure and systems
  - Dialogue with regulators and peer group

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# *Thank you...*

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