

2004-07-05

TO ALL CHIEF EXECUTIVE OFFICERS OF BANKS, BRANCHES OF FOREIGN BANKS AND MUTUAL BANKS

BANKS ACT CIRCULAR 12/2004

BASEL II: INTERNATIONAL CONVERGENCE OF CAPITAL MEASUREMENT AND CAPITAL STANDARDS – A REVISED FRAMEWORK

Banks Act Circular 6/2004 refers.

On 26 June 2004, the Basel Committee on Banking Supervision (“BCBS”) issued the publication titled [International Convergence of Capital Measurement and Capital Standards: a Revised Framework](#), commonly referred to as Basel II. It represents the culmination of more than 5 years’ work by the BCBS.

The report sets a new higher benchmark for banks by prescribing more risk-sensitive capital requirements in respect also of operational risk and aiming at greater international convergence through capital requirements, better disclosure, thus enhancing the role of market discipline, and improved supervisory processes and procedures.

Accordingly, banks are now in a position to finalise their planning for implementation of Basel II. This Office envisages in due course communicating with banks regarding their respective states of readiness and implementation plans.

Attached hereto for your information is a copy of the press release that accompanied the issuing of the report.

Acknowledgement of receipt

Two additional copies of this circular are enclosed for the use of your institution's independent auditors. The attached acknowledgement of receipt, duly completed and signed by both the chief executive officer of the institution and the said auditors, should be returned to this Office at the earliest convenience of the aforementioned signatories.

E M Kruger
Registrar of Banks

ENCL. 1

The previous circular issued was Banks Act Circular 11/2004 dated 29 June 2004.