

Revisions to the standardised approach for credit risk

1. In December 2014, the Basel Committee on Banking Supervision (BCBS) issued an initial set of proposals titled 'Revisions to the standardised approach for credit risk'.¹ A second consultative document was published in December 2015 detailing additional revisions to the standard.² The final standard was incorporated within the 'Basel III: Finalising post-crisis reforms' standard in December 2017.^{3,4}
2. The internationally agreed implementation date for the revised standardised approach for credit risk (revised standardised approach) was initially set for 1 January 2022. However, in March 2020 the BCBS announced that its oversight body, the Group of Central Bank Governors and Heads of Supervision (GHOS), had endorsed a set of measures to provide additional operational capacity for banks and supervisors to respond to the immediate financial stability priorities resulting from the impact of COVID-19 on the global banking system.⁵
3. The measures announced include a deferral of the implementation timeline of the outstanding Basel III standards (which included the revised standardised approach for credit risk) by one year. As per Guidance Note 4 of 2021, the Prudential Authority (PA) intends to implement the revised standardised approach for credit risk in South Africa on 1 January 2023.
4. Consequently, the PA is in the process of drafting proposed revisions to the Regulations relating to Banks (Regulations) to take into account the revised standardised approach for credit risk.
5. The credit risk team within the PA has issued a survey to assess the impact that the revised standardised approach will have on banks that apply the standardised approach (including IRB banks that will be impacted by the output floor). This information will assist the PA to determine how the revised standardised approach for credit risk should be incorporated into South Africa's domestic legislation. The survey was sent to the banks on the 19th of July 2021, with responses received on the 20th of August 2021.

¹ <https://www.bis.org/bcbs/publ/d307.pdf>

² <https://www.bis.org/bcbs/publ/d347.pdf>

³ <https://www.bis.org/bcbs/publ/d424.pdf>

⁴ https://www.bis.org/basel_framework/standard/CRE.htm

⁵ <https://www.bis.org/press/p200327.htm>