

## **THE NEW BASEL CAPITAL ACCORD (BASEL II)**

The Basel Committee on Supervision on January 16, 2001 proposed a new Capital Adequacy Framework aimed at aligning regulatory capital requirement with underlying risks the banks carry. The proposal has been under going changes and it is expected to be finalized and adopted by the G10 countries in January 2008. The proposal is based on **three** mutually reinforcing **pillars** that allow banks and their supervisors to properly evaluate the various risks the banks face in the course of operation. The New Capital Accord therefore focuses on Minimum Capital Requirements (Pillar 1), Supervisory Review Process (Pillar 2) and Market Discipline (Pillar 3). The success of the new capital regime is hinged on good Corporate Governance and Transparency within the System.

The Basel 2 Capital Accord therefore aims at building a strong base for prudent capital regulation, effective supervision, market discipline, which necessitate enhanced risk management systems in banks and strong financial stability of the industry. It is important to note that the Basel Committee has not put any pressures on non-G10 countries to adopt the New Capital Accord at the take-off date. However, such supervisors are encouraged to consider the benefits of the new proposal and evolve its own timetable for possible implementation.

In line with the above, CBN/NDIC has since been studying the provisions of the New Capital Accord and considering the benefits and challenges. Consequently, the Corporation in conjunction with the CBN conducted a series of interactive seminars for operators and staff of the CBN/NDIC. In addition, the Bankers Committee, CBN and NDIC set up Working Groups to deliberate on specific issues on the Implementation of the New Capital Accord. The CBN/NDIC is working to create an environment for its possible adoption in Nigeria, at an appropriate date. Please visit [www.bis.org](http://www.bis.org) for the New Capital Accord documents.