

Basel Committee
on Banking Supervision



Update on the work of the Basel Committee

Muscat International Forum for Risk Management in Banks & Financial Institutions

Muscat

6 October 2025

The views expressed are those of the speaker and not necessarily those of the Basel Committee or Bank for International Settlements

Three questions

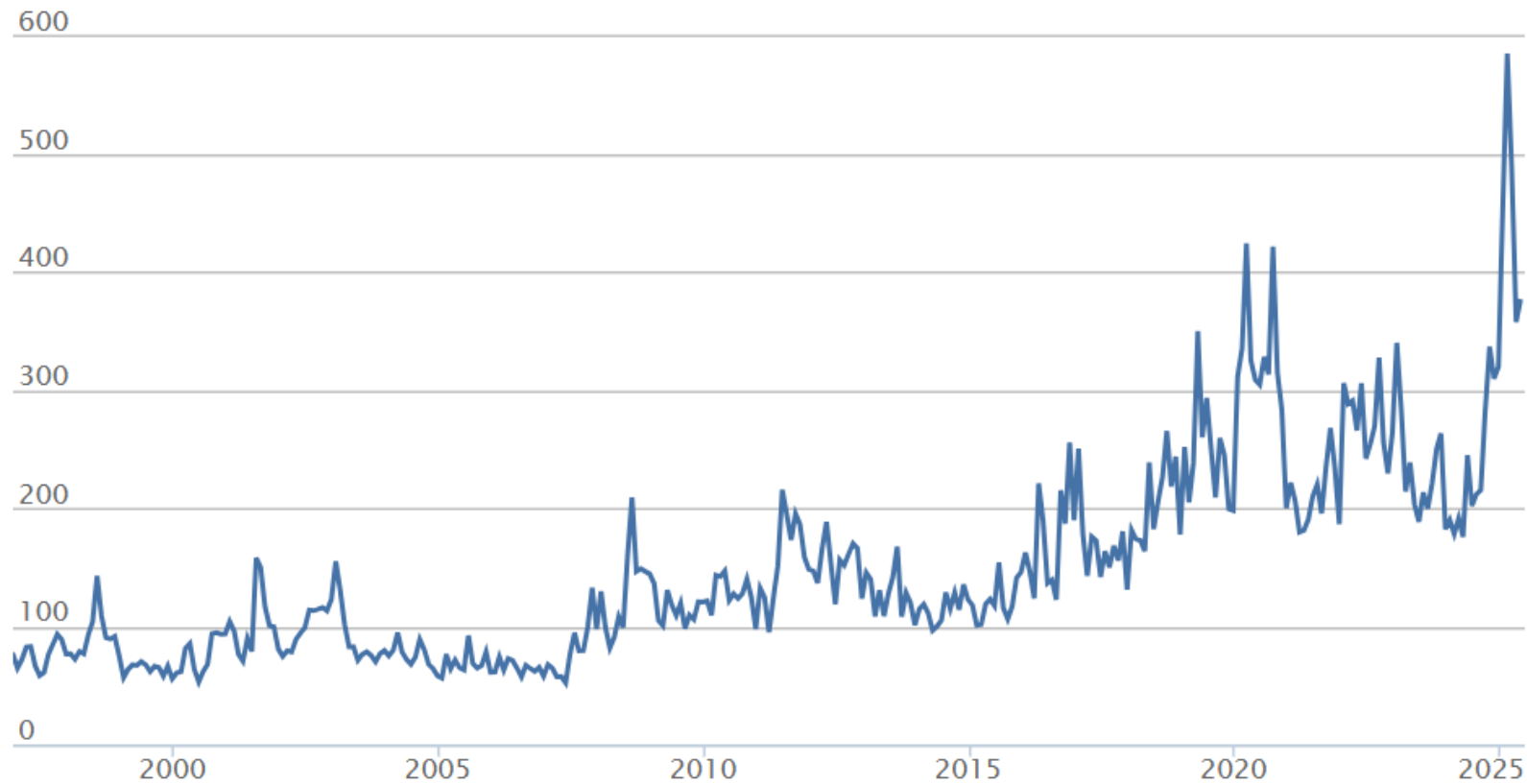
- 1) Is this the calm before the storm?
- 2) Is the global banking system resilient?
- 3) What lies ahead for the future of banking?

Three questions

- 1) Is this the calm before the storm?
- 2) Is the global banking system resilient?
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An increasingly uncertain outlook...

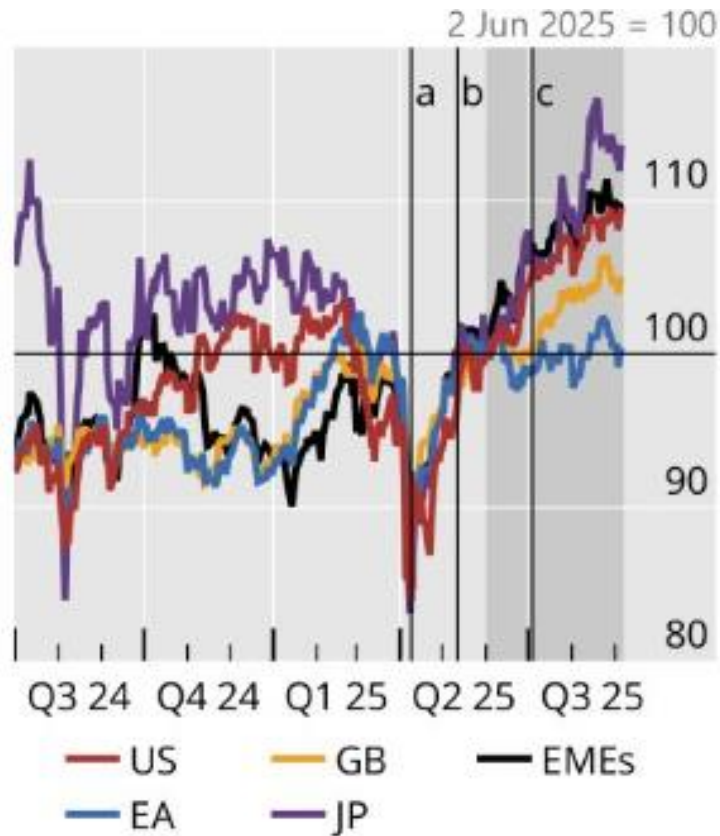
Figure 1: Economic policy uncertainty index



Source: Baker et al (2025). Index reflects the the relative frequency of own-country newspaper articles that contain a trio of terms pertaining to the economy (E), policy (P) and uncertainty (U).

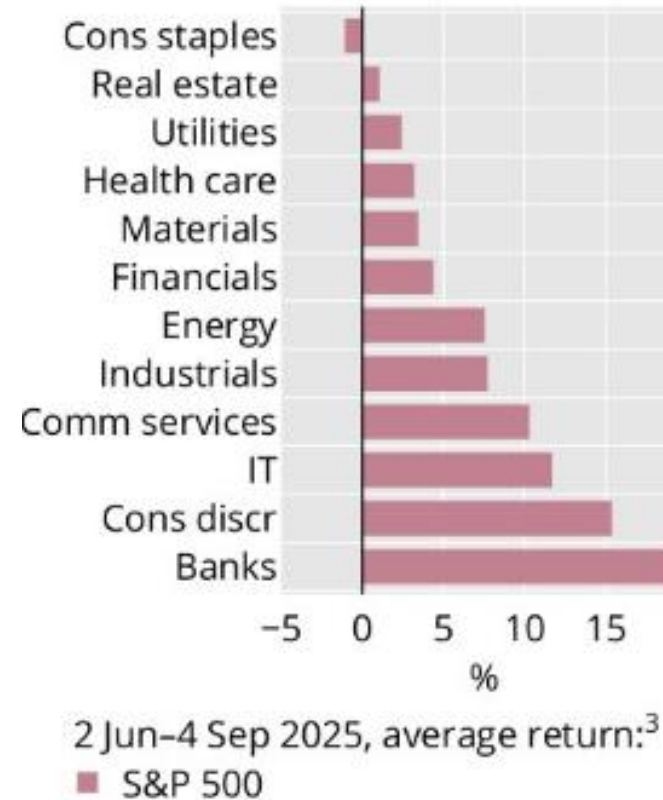
...with markets shrugging off concerns...

Figure 2: Equity prices



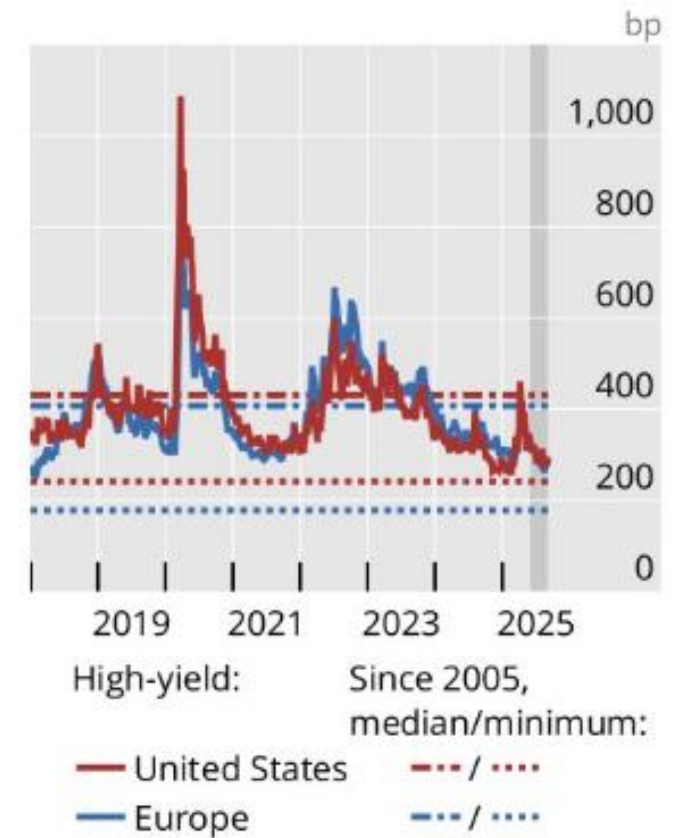
Source: Bloomberg, LSEG Datastream 100 = 1 July 2024. For US, S&P 500; for CN, Shanghai Shenzhen CSI 300; for EA, STOXX Europe 50; for the regions, nominal GDP-weighted averages of nine other AEs and 17 other EMEs. A) 90-day tariff pause announced (9 April 2025).^b The United States and China agree to 90-day tariff reductions (14 May 2025).^c Signing of the Big Beautiful Bill (4 July 2025).

Figure 3: US sector equity performance



Source: Bloomberg, LSEG Datastream. Comm = communication; Cons = consumer; IT = information technology.

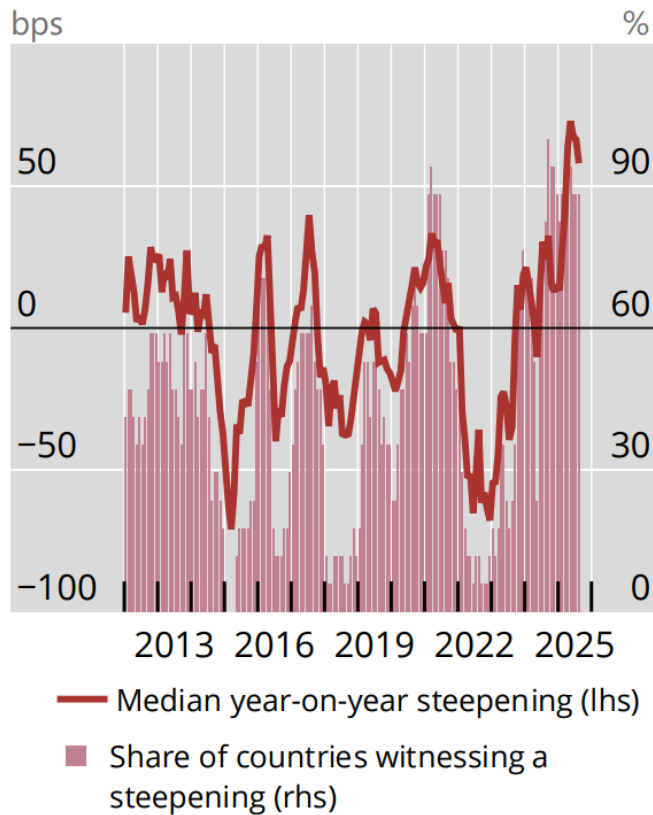
Figure 4: Credit spreads



Source: ICE Data Indices, LSEG Lipper. The shaded area indicates 1 June – 4 September 2025. The horizontal dashed lines indicate 2005-current medians.

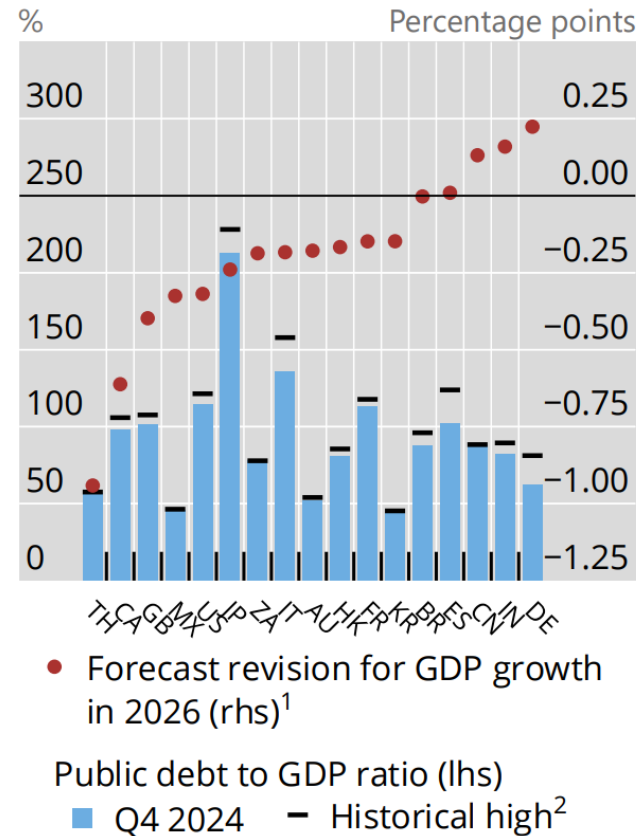
...but growing concerns about sovereign risk...

Figure 5: 30 year – 5 year sovereign debt spread



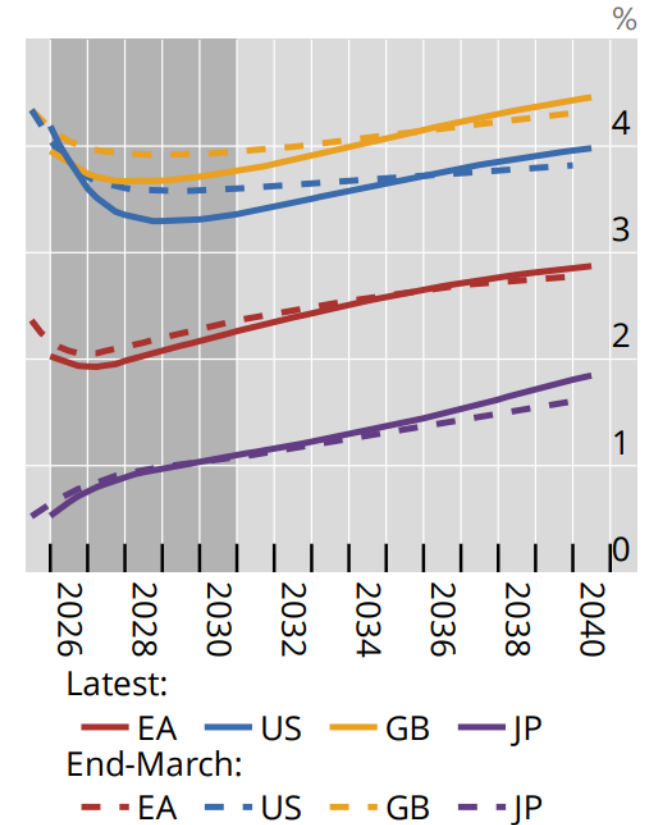
Source: Bloomberg, BIS. For AU, BE, CA, CN, DE, ES, FR, GB, IN, IT, JP, KR, MX, NL, SG, TH and US

Figure 6: Growth outlook revisions and public debt-to-GDP



Source: Bloomberg, Consensus Economics, BIS. 1) Between January and July 2025. 2) Maximum since 1990 or the earliest available observation.

Figure 7: Expected policy rate paths

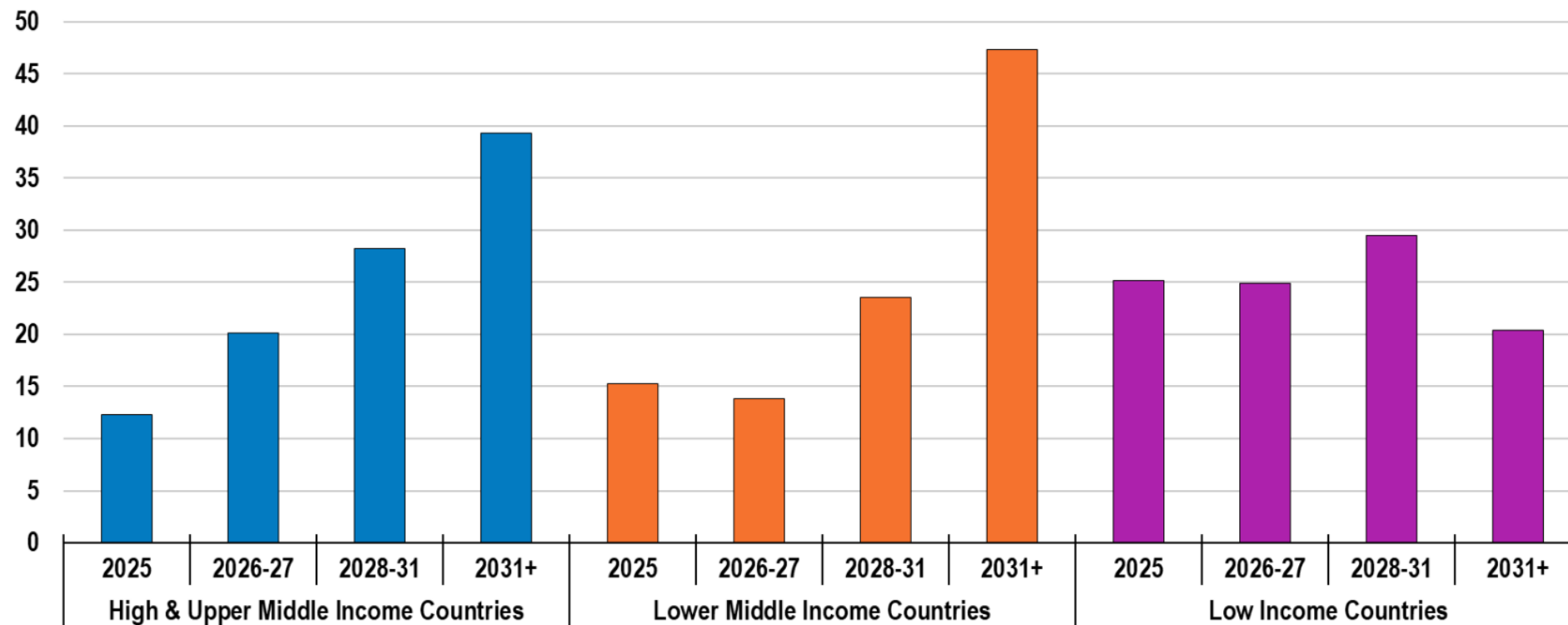


Source: Bloomberg, Consensus Economics. Rate paths proxied by implied OIS nominal forward rates, three-month tenor. Shaded area ends at the five-year horizon as of 2025.

...with a large amount of public debt expected to mature in the coming years...

Maturing debt

% of outstanding debt



Source: OECD (2025). This figure covers a sample of nearly 8 700 bonds from 95 countries. Both the maturity composition and the yields are weighted averages calculated based on the outstanding amounts of the corresponding debt. Due to the unavailability of primary and secondary market yields for all maturing bonds, the values presented are a weighted average of those bonds with the available secondary market as of 2024 or the closest year up to 2022. For the purpose of this chart, figures for High and Upper Middle Income are averaged by a simple average between the two aggregate country groups. Data as of the 20 March 2025

...and reminders about financial vulnerabilities

Figure 8: World equity market index

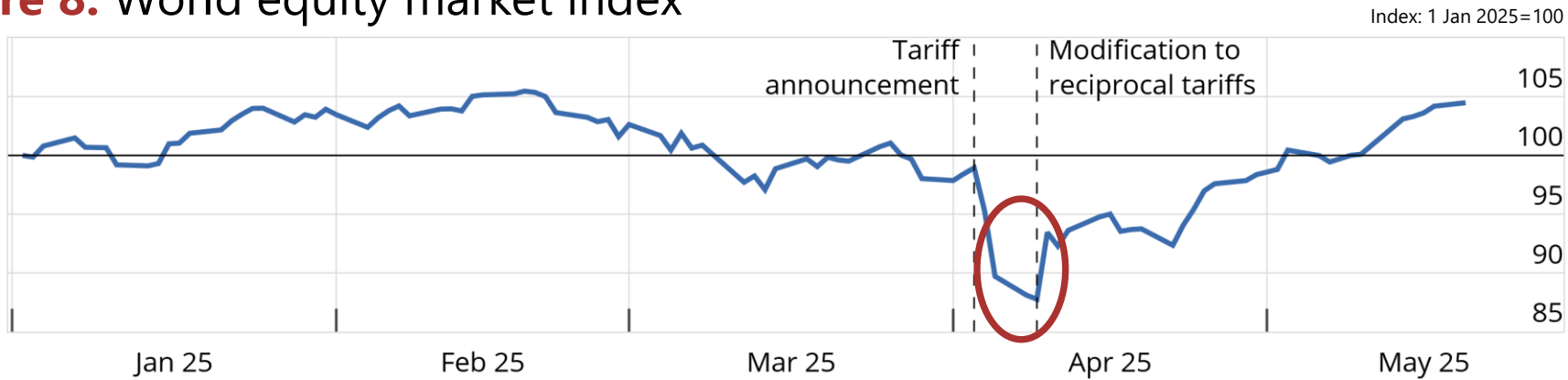
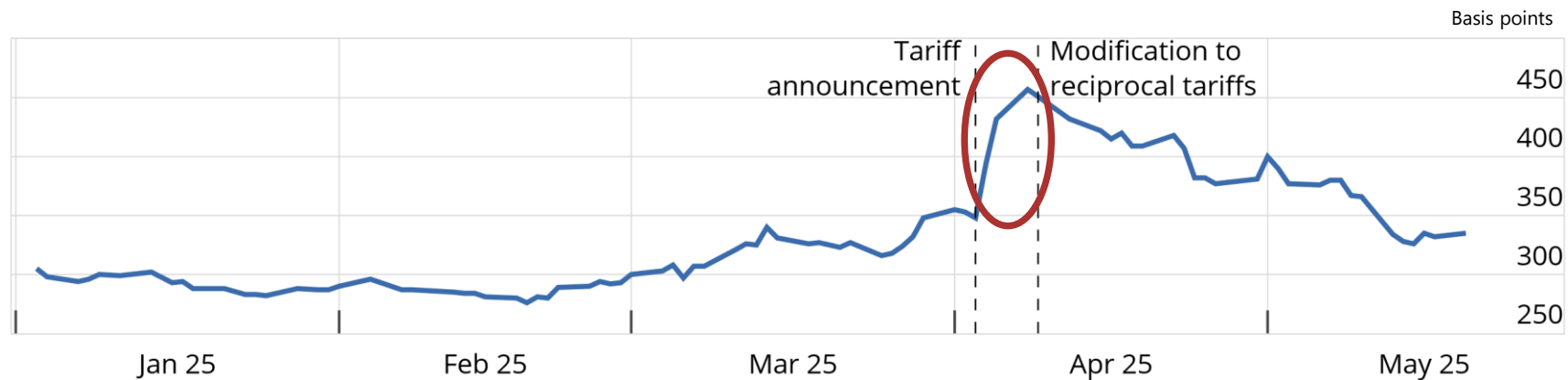
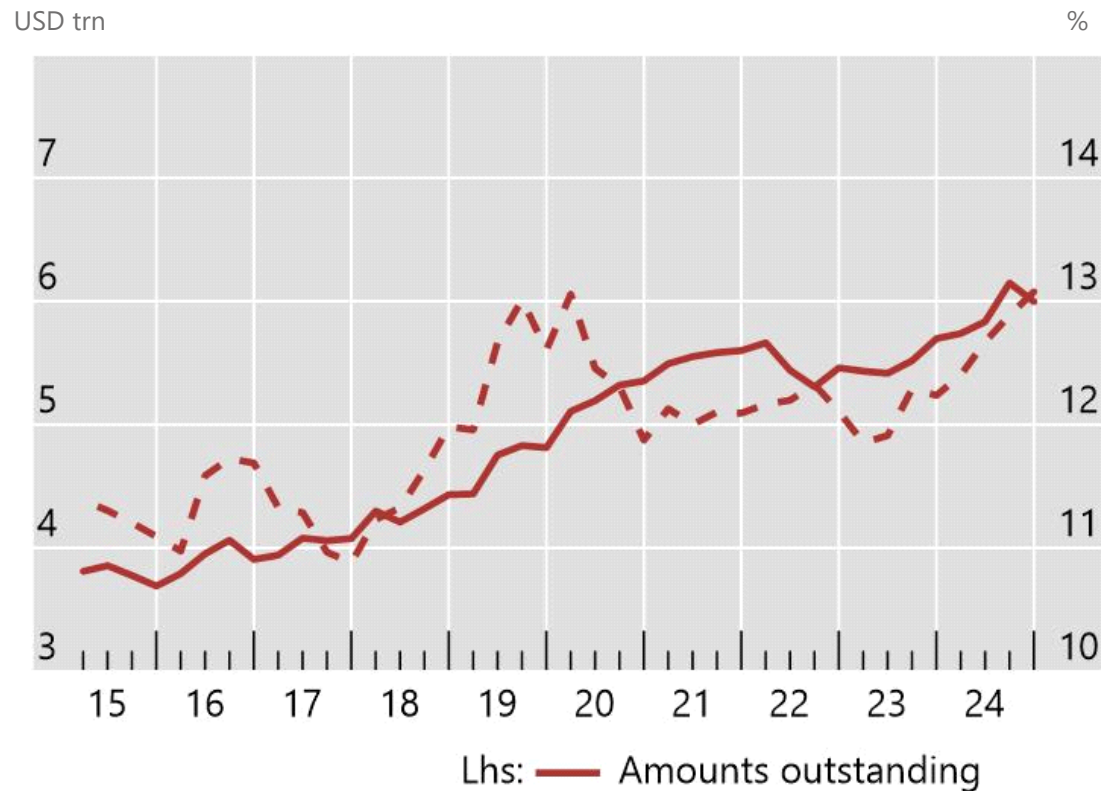


Figure 9: Global high-yield corporate bond spreads



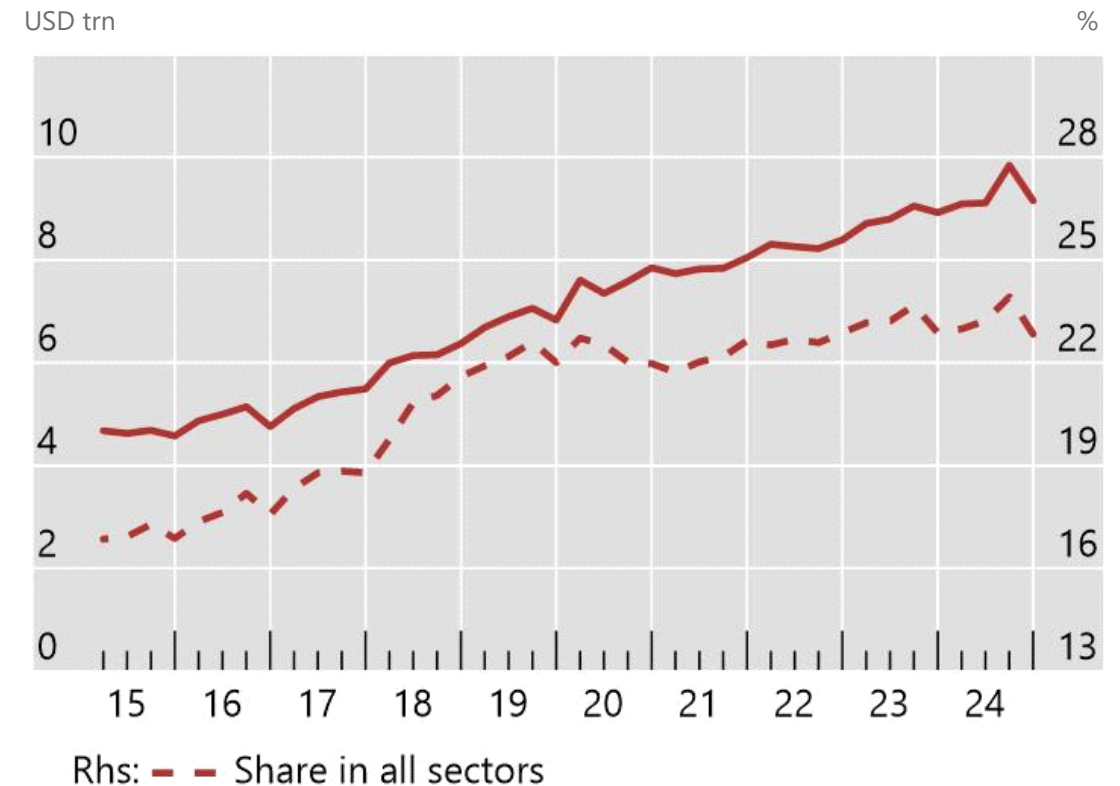
...and greater linkages with non-bank financial intermediation

Figure 10: Banks' domestic claims on NBFIs



Source: BIS (2025)

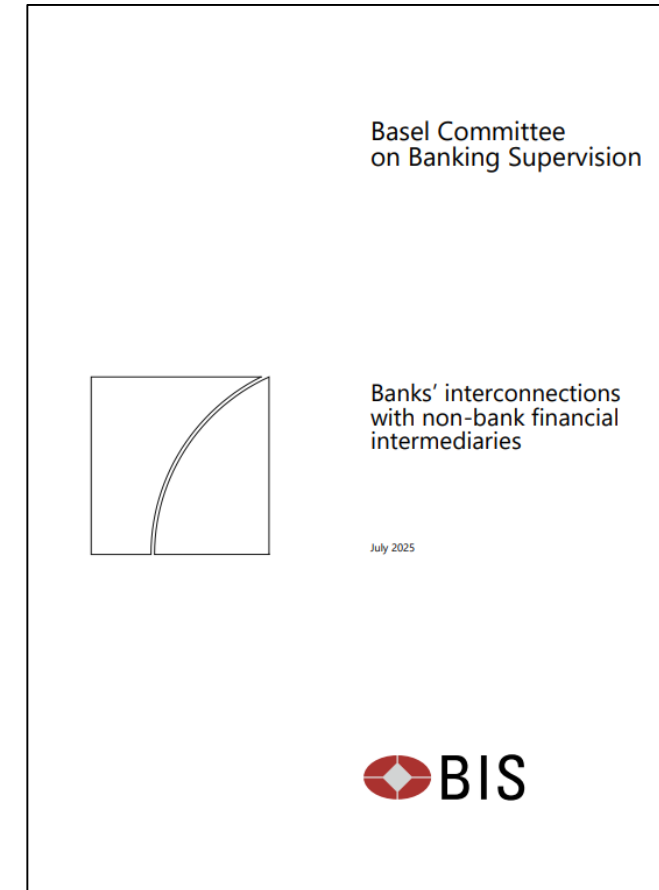
Figure 11: Banks' cross-border claims on NBFIs

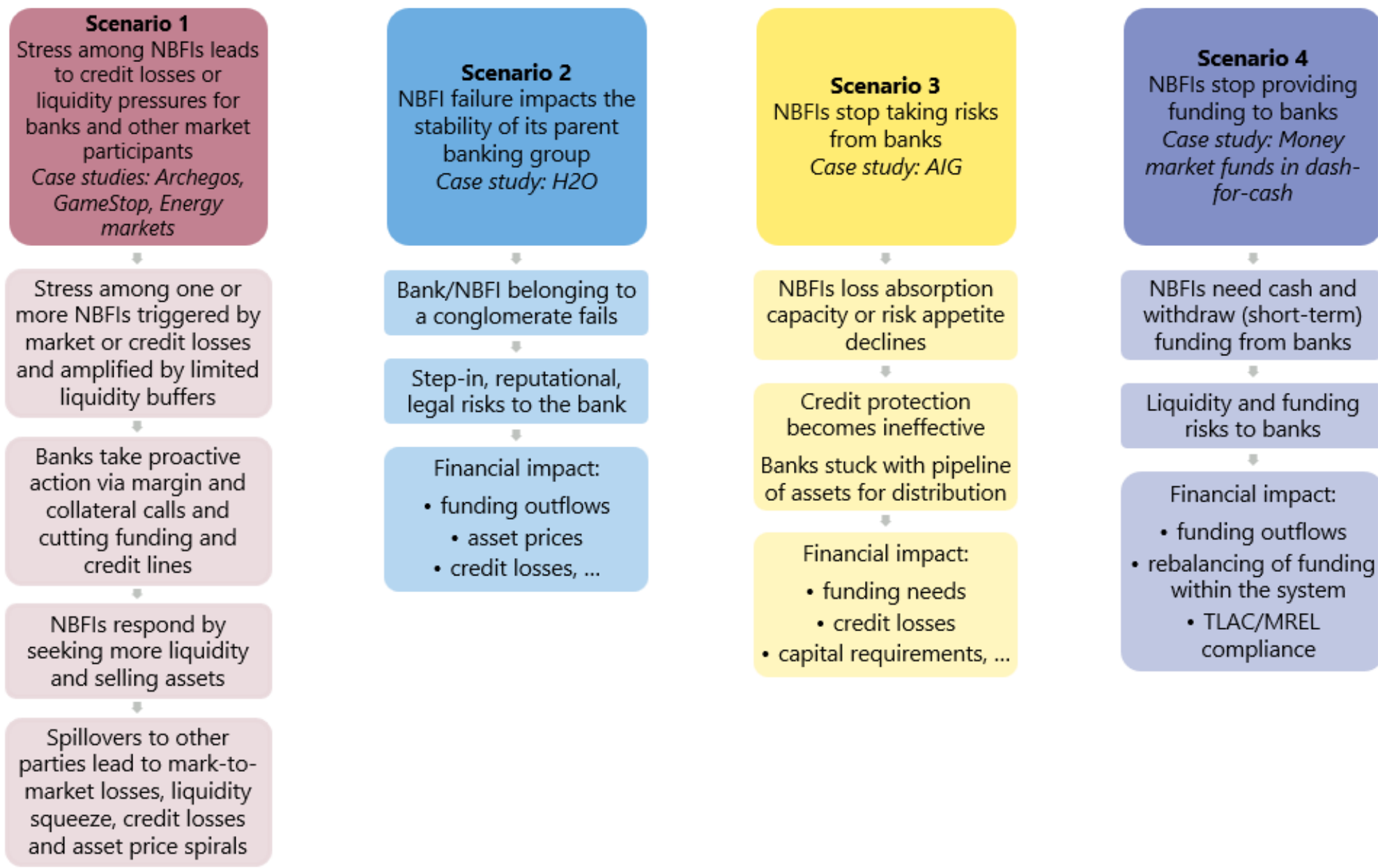


Source: BIS (2025)

Banks' interconnections with NBFIs

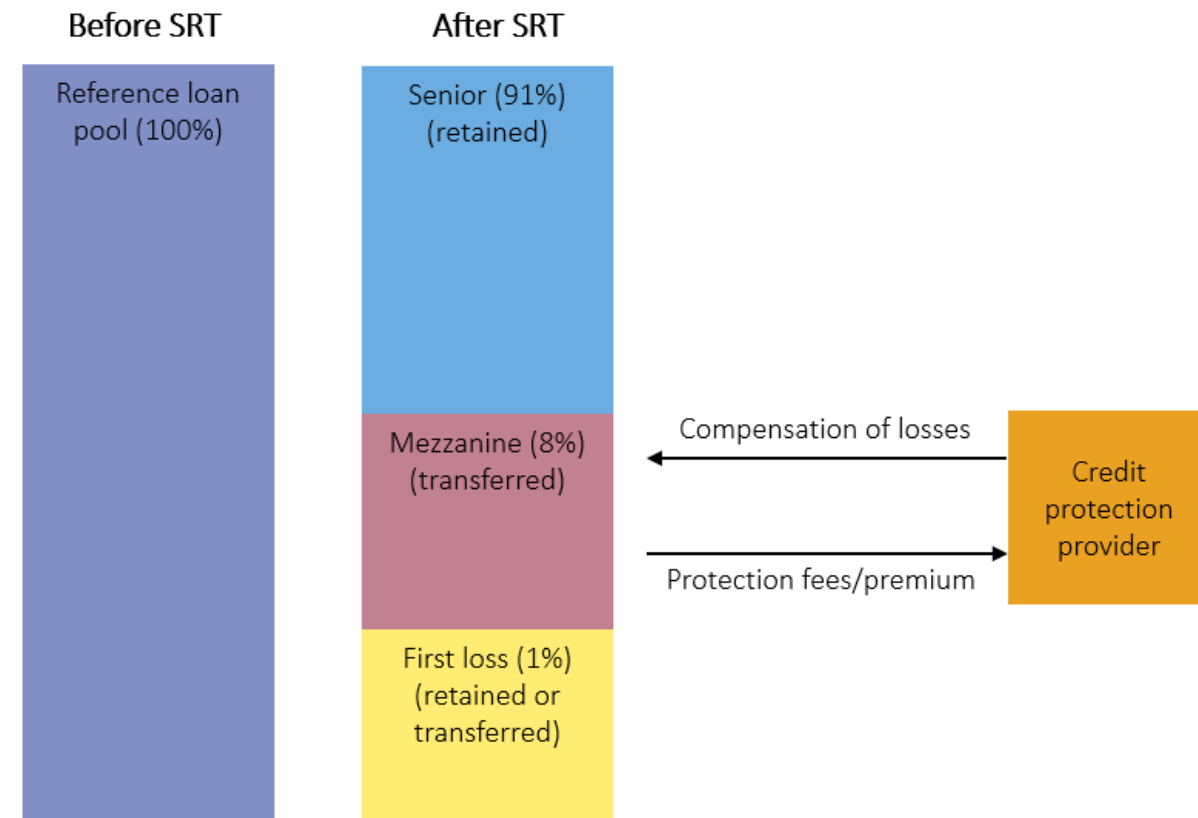
- Report published July 2025
- Illustrates banks' interconnections with NBFIs
- Plausible stress scenarios that could impact safety and soundness of banks
- Current deep dive on synthetic risk transfers



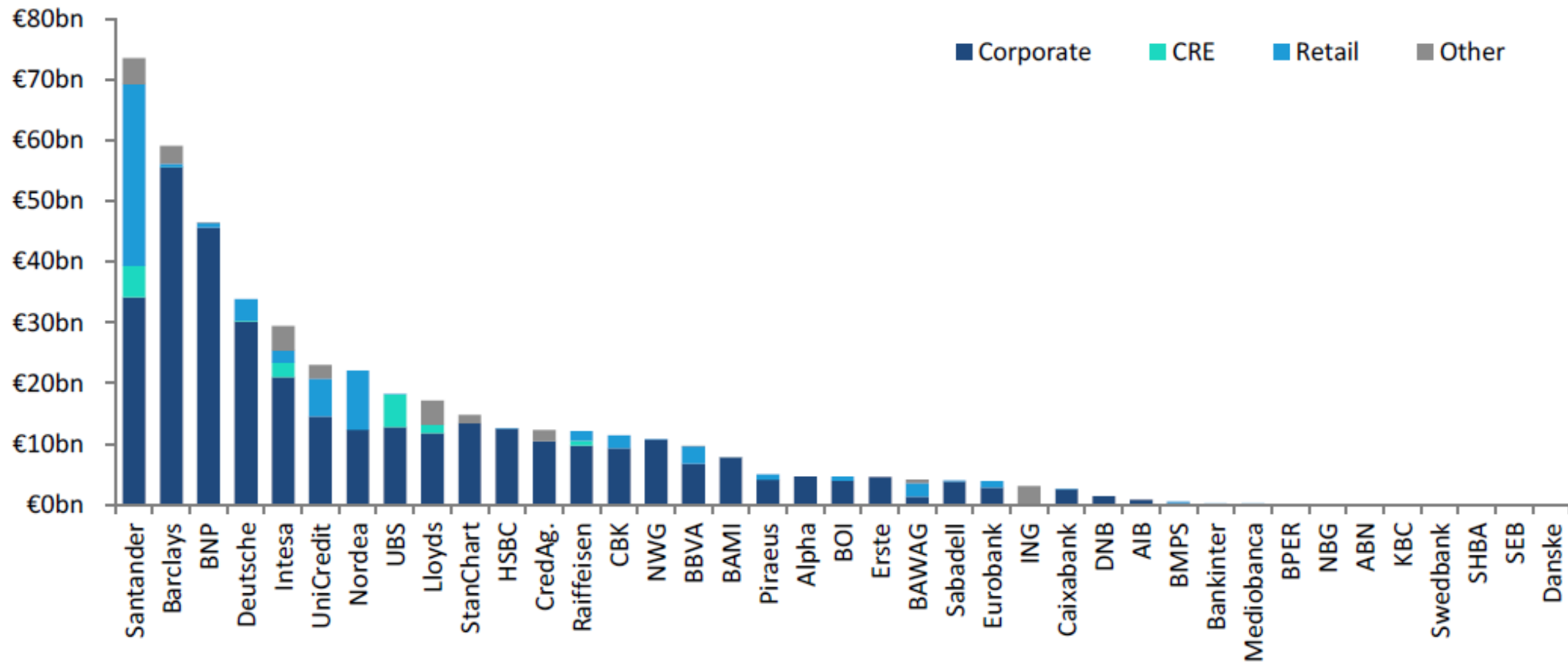


Synthetic risk transfers: unlocking new lending or creating new risks?

- SRTs allow banks to transfer credit risk and free up regulatory capital
- Important source of capital relief for some banks
- Diverging supervisory and regulatory treatment
- Echoes of 2007 securitisations?
- BCBS deep dive assessment



Total SRT exposures at end-2024 (European banks)



Follow-up work to 2023 banking turmoil

- Strengthening supervisory practices
 - Business model analysis
 - Liquidity supervision
 - Interest rate risk in the banking book
 - Supervisory judgment and effectiveness

- Medium-term assessment whether Basel Framework performed as intended
 - Liquidity regulation
 - Interest rate risk in the banking book

Liquidity outflows: March 2023, historical experience and regulation

Deposit outflow of distressed banks

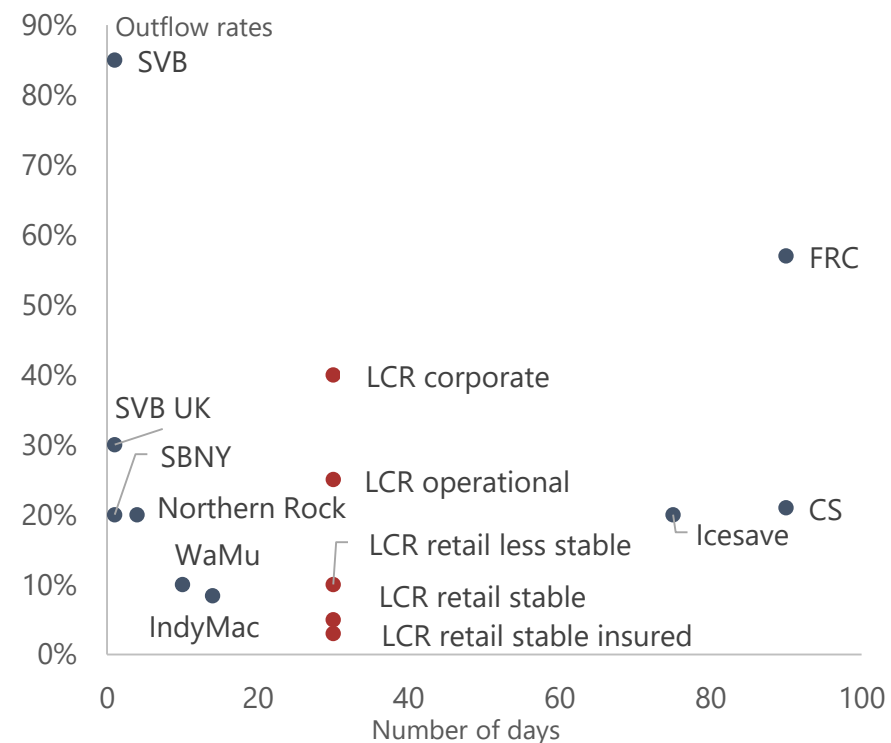
Bank	Deposit outflow	Number of days
SVB (2023) ^(a)	85%	2
FRC (2023) ^(a)	57%	90
SVB UK (2023)	30%	1
CS (2023)	21%	90
SBNY (2023)	20%	1
Icesave (2008)	20%	75
Northern Rock (2007)	20%	4
WaMu (2008)	10%	10
IndyMac (2008)	8%	14
LCR ^(b)	3% - 40%	30

Sources: FRB (2023), NAO (2009), Rose (2015), Zeissler et al (2019), published accounts and Secretariat calculations.

(a) FRC deposit outflows excludes \$30bn of deposits placed by banks during Q1 23. SVB outflows include expected outflows by management for 10 March.

(b) LCR outflow rates are the range for retail, SME, operational and corporate deposits.

Distressed banks and LCR outflows^(a)



Sources: FRB (2023), NAO (2009), Rose (2015), Zeissler et al (2019) published accounts and Secretariat calculations.

(a) FRC deposit outflows excludes \$30bn of deposits placed by banks during Q1 23. SVB outflows include expected outflows by management for 10 March.

Liquidity risk – key takeaways from March 2023

- Outflows of certain deposits were significantly larger and faster than assumed in the LCR and NSFR
- Additional liquidity needs resulting from drivers not covered by the LCR (eg prepositioning and local requirements, intraday liquidity needs) can be material
- Banks holding securities at amortised cost with substantial unrealised losses may refrain from selling them or have difficulties repo-ing them in private markets during stress
- Lack of operational capacity and market impact of disclosure can impede the use of liquidity buffers.

Strengthening supervision

- Business model analysis
 - eg red flags, structural changes, trends
- Interest rate risk in the banking book
 - Drivers of observed variation in capital / supervisory outcomes
- Liquidity risk
 - Monitoring tools (eg funding concentration, asset encumbrance, contractual maturity mismatch, LCR by currency, market-related monitoring tools)
 - Stress testing

Supervisory judgement and effectiveness

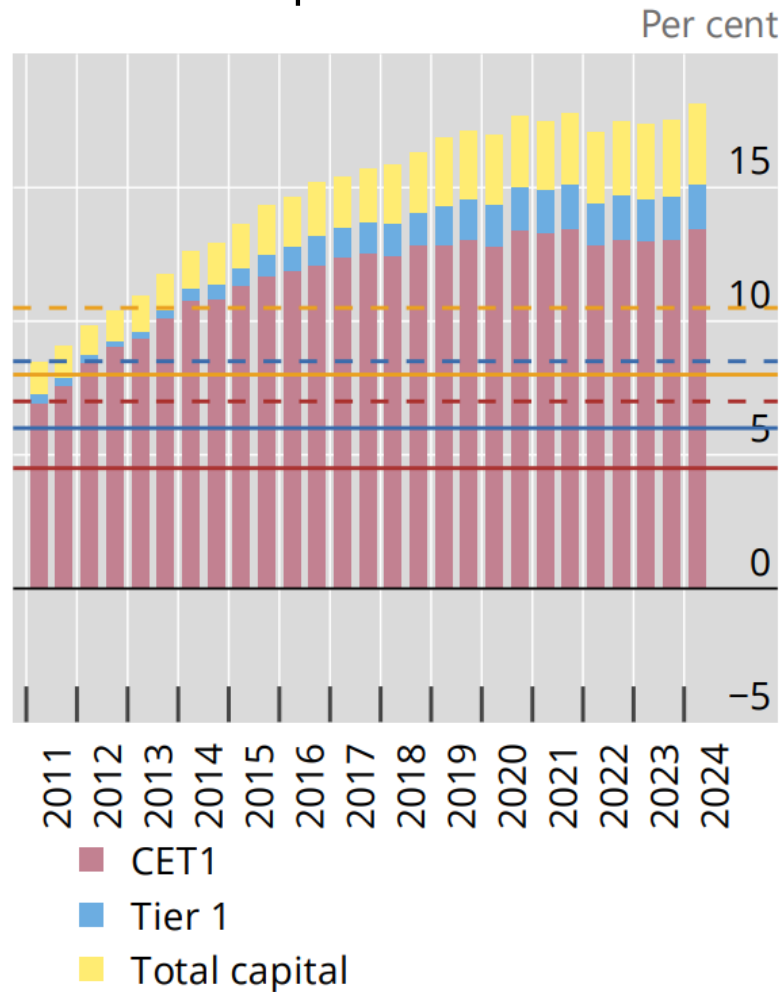
- Failure to identify or measure the problem
 - Complacency
 - Data
 - Analytics / metrics / processes
- Failure to act
 - Regulatory cycle
 - Legal powers
 - Willingness to intervene / culture / risk tolerance

Three questions

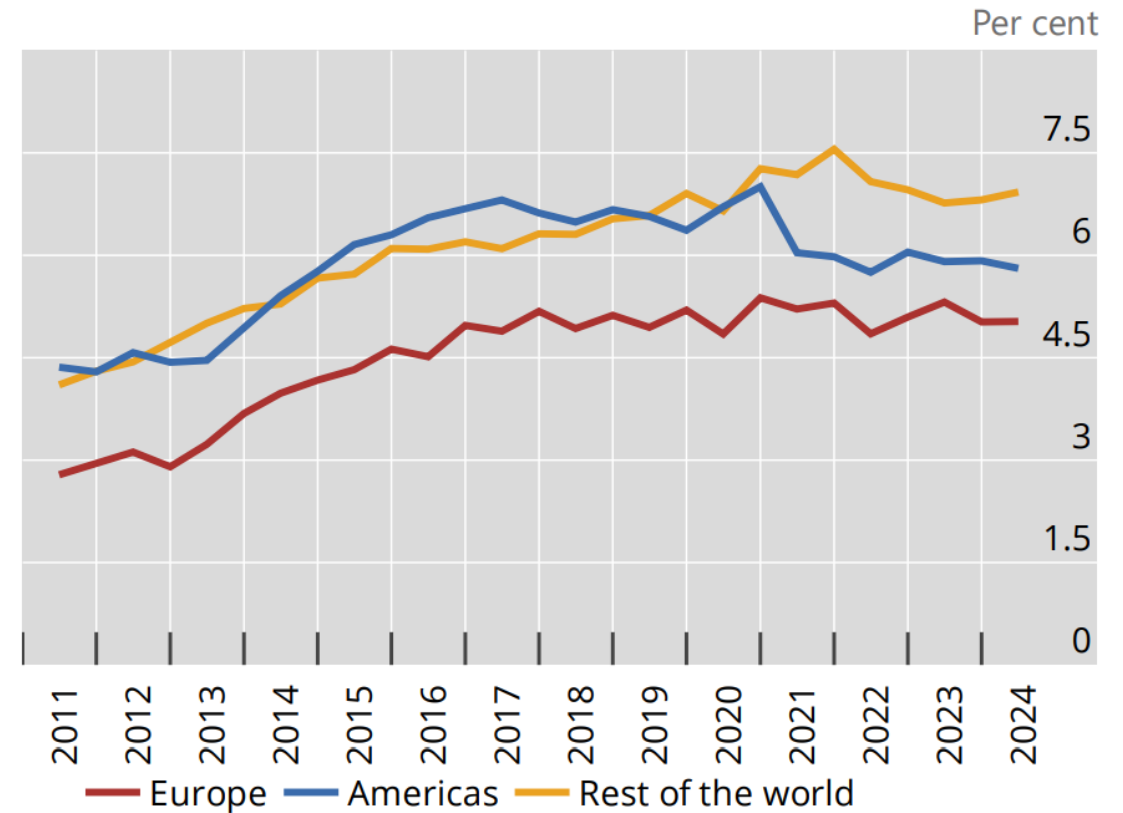
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Bank resilience has improved over time...

Risk-based capital ratios

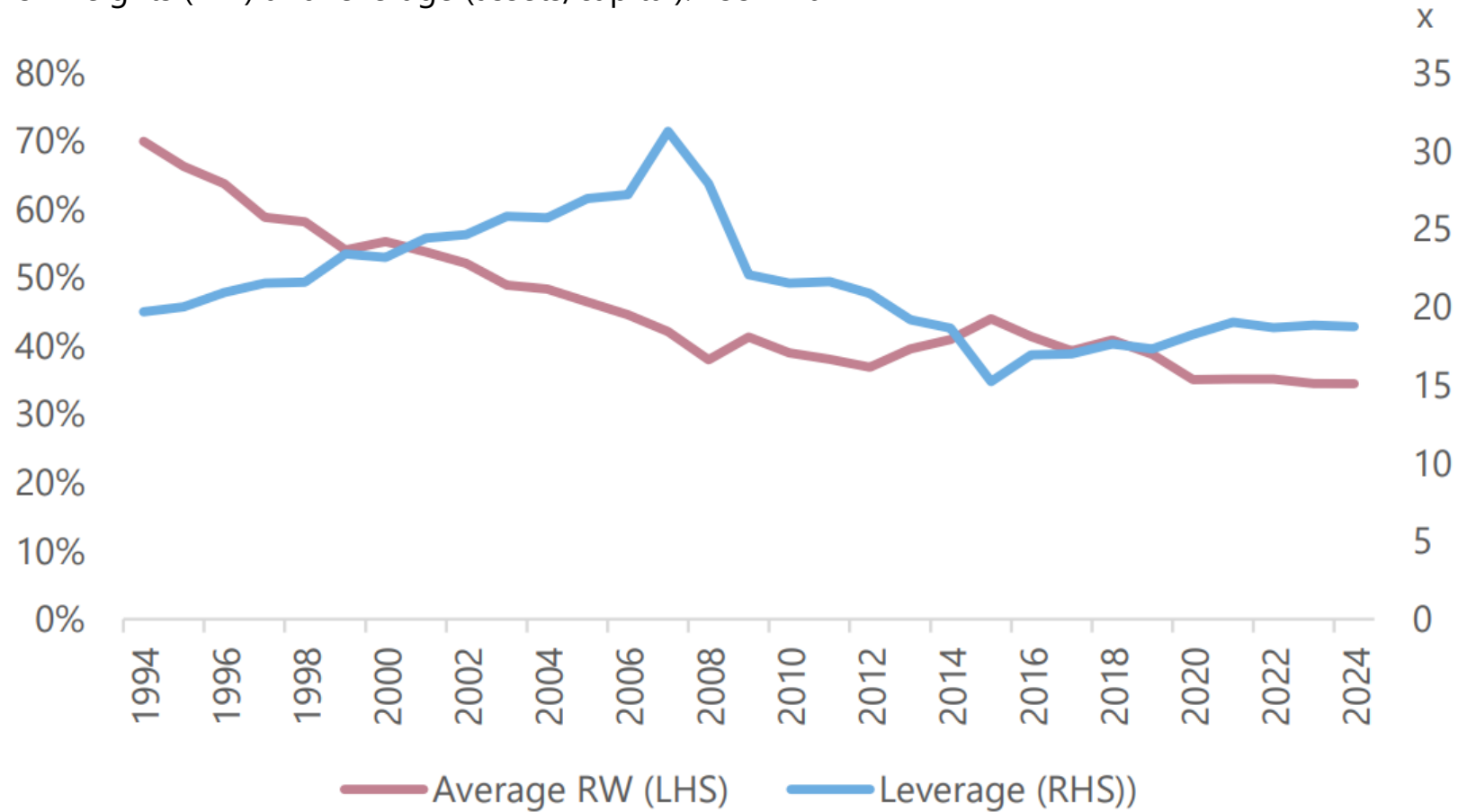


Tier 1 leverage ratios



...but risk weights have continued to glide downwards

G-SIBs' average risk weights (RW) and leverage (assets/capital): 1994-2024



Finish the job: implementation of Basel III

- Safeguarding financial stability is a global collective responsibility
- “Financial trilemma”
 - Global financial stability
 - Cross-border financial markets
 - National (fragmented) financial policies
- Basel Framework is a minimum baseline for internationally-active banks

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Digitalisation of finance

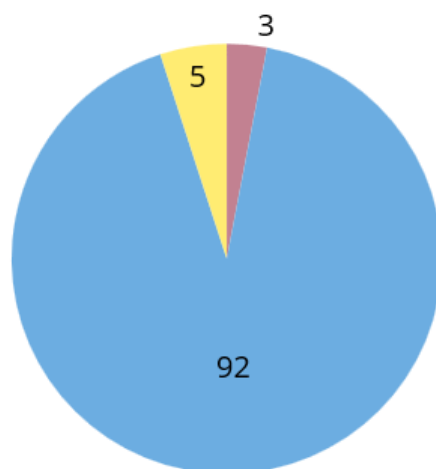
- Technological developments disrupting financial system through three broad channels
 - (1) Expansion in set of financial services and products and distribution channels
 - (2) Arrival of new technological suppliers
 - (3) Increasing use of digital innovations for managing, mitigating and overseeing risks

Digitalisation of finance

- Horizon scanning on digitalisation developments
 - Agentic artificial intelligence (AI)
 - AI for financial surveillance
 - Use of AI for fraud detection and prevention
- Third-party risks
 - Expansion of reliance on third-party service providers
 - Recent episodes of operational disruptions (eg Swift and CrowdStrike)
 - Risk management principles consultation (July 2024)
- Information and communication technology risk management
 - Range of practices

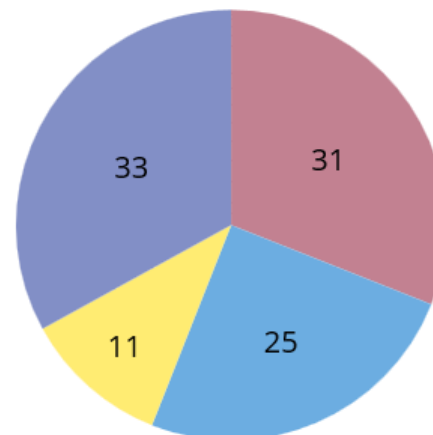
Market structure of AI supply chain

A. GPU revenues from data centres¹



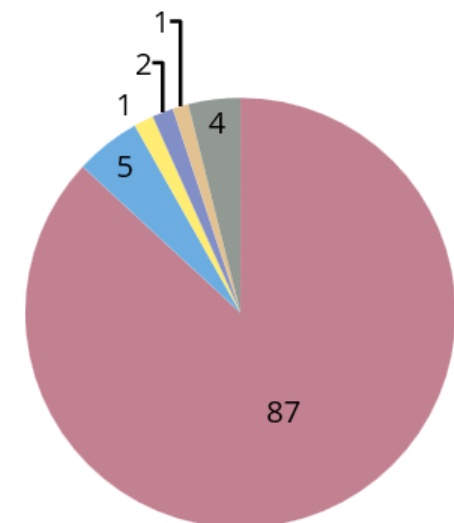
■ AMD
■ NVIDIA
■ Others

B. Cloud computing²



■ AWS ■ Google cloud
■ Azure ■ Others

C. AI applications³



■ ChatGPT ■ Poe
■ Gemini ■ Claude
■ Perplexity ■ Others

AMD = Advanced Micro Devices; AWS = Amazon Web Services; GPU = graphics processing unit.

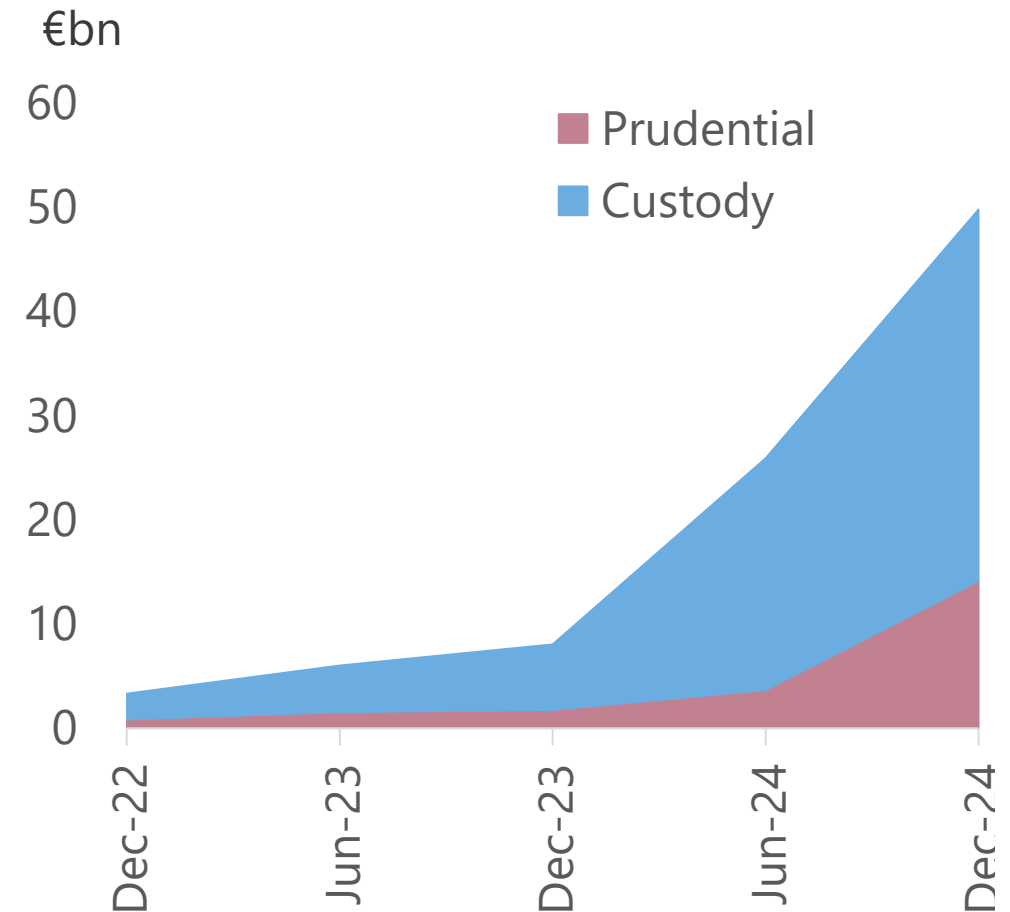
Source: BIS (2025). ¹ Based on global revenues of GPU producers for GPUs used in data centres in 2023. ² Based on global cloud computing revenues for Q1 2024. ³ Based on monthly visits data. For further details see Liu and Wang (2024).

Supervisory challenges to responsible innovation

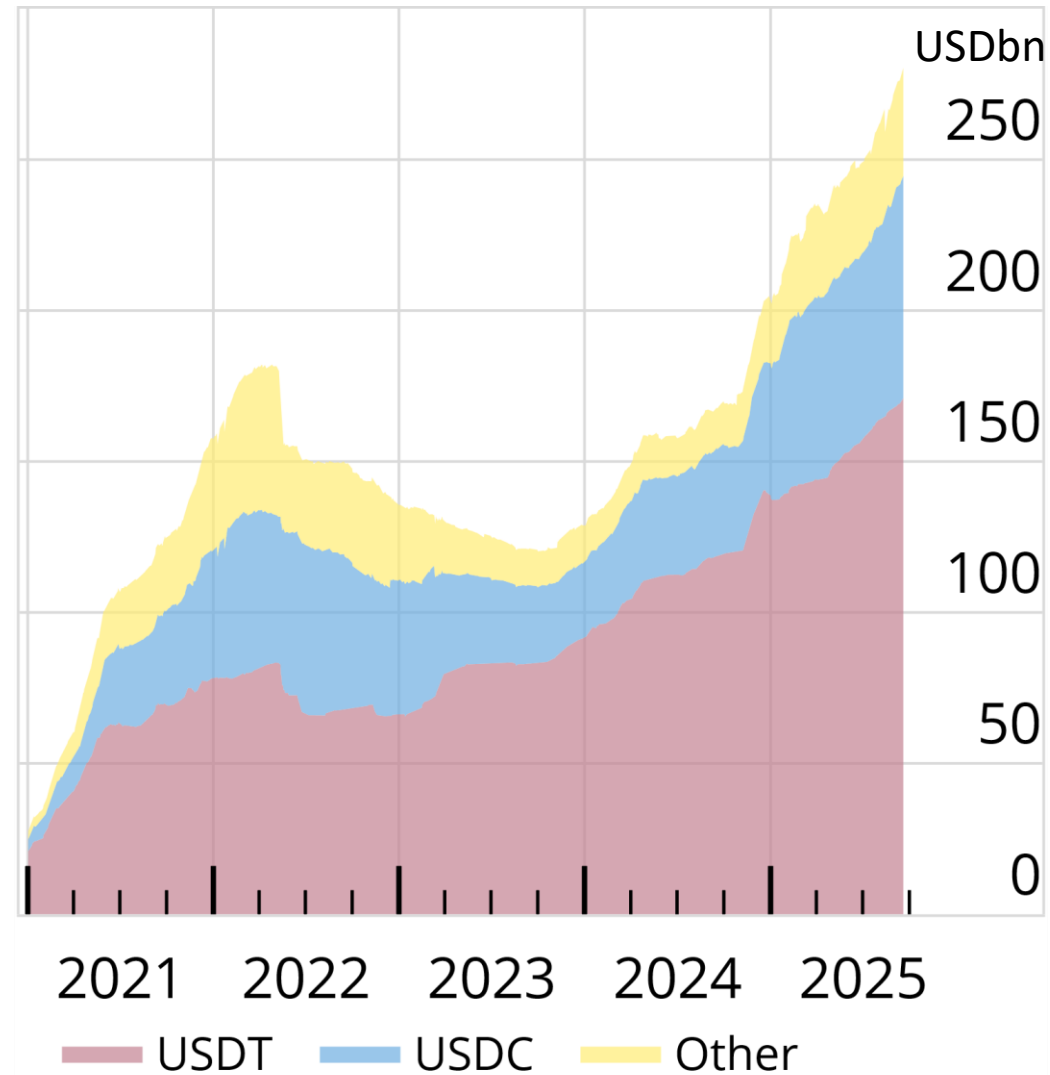
- Innovation often occurs at the boundary of regulatory perimeter
- Approaches to facilitate responsible innovation
 - Adjust regulatory oversight to capture unregulated entities
 - Innovation facilitators (eg hubs, sandboxes, etc)
 - Supervisory guidance
 - Enhancements to supervisory capabilities and tools
- Consolidated / holistic oversight
 - Formal consolidated regulatory and supervisory framework
 - MoUs, supervisory colleges, etc

Cryptoassets

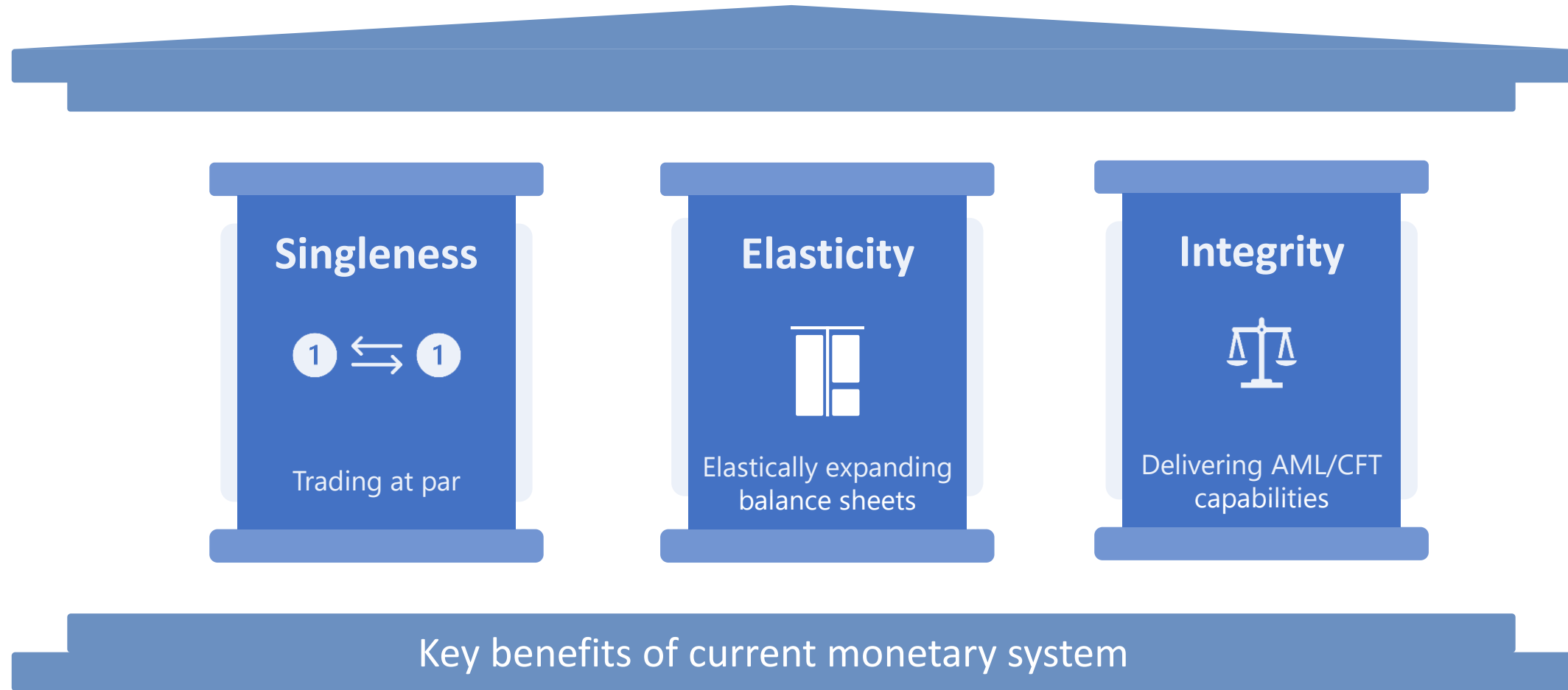
- Bank crypto exposures increasing rapidly
- But still limited on a relative basis (c. 0.20% of total assets)
- BCBS standards:
 - Prudential treatment of banks' cryptoasset exposures
 - Disclosure framework
 - 1 January 2026 implementation



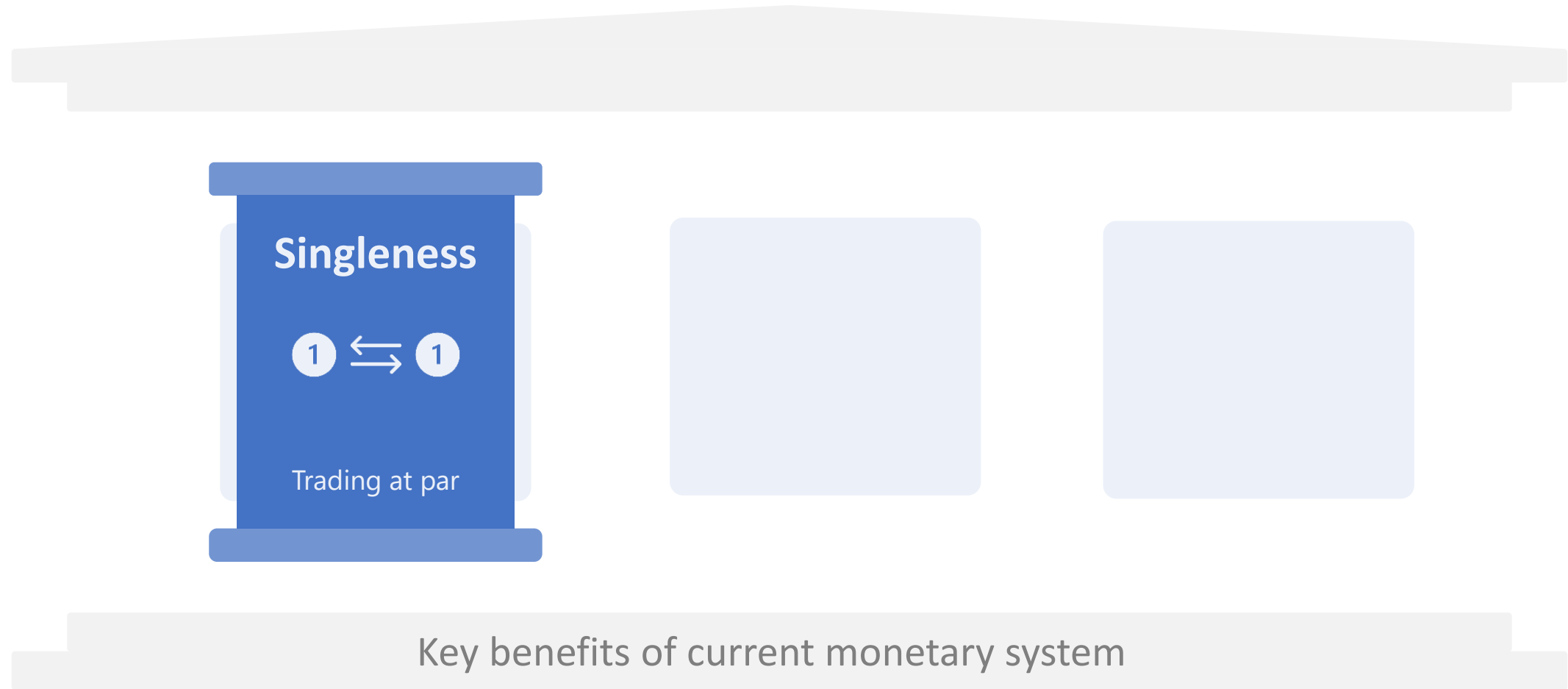
Cross-border stablecoin flows have surged, posing new policy challenges



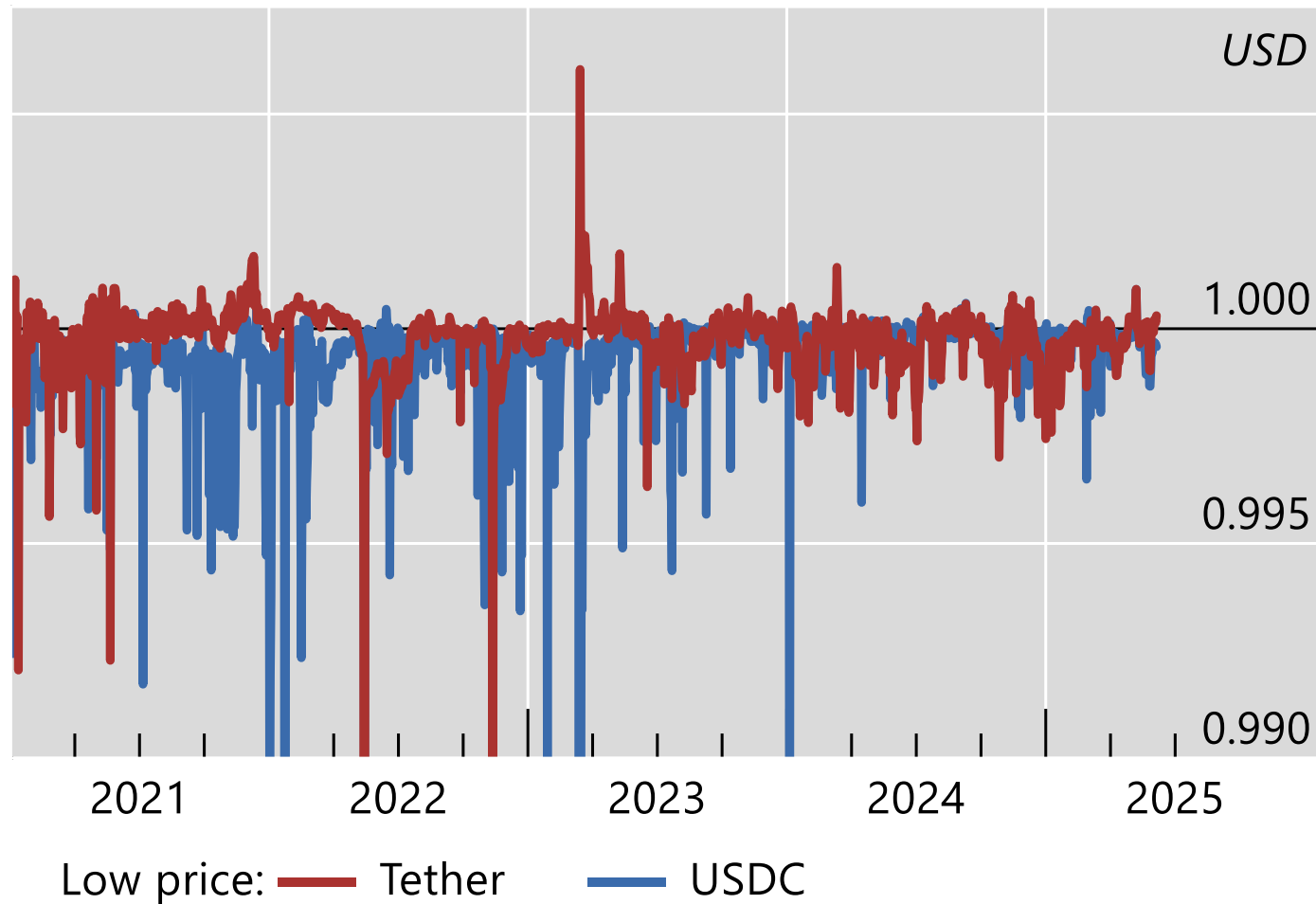
Trust in money is a fundamental society convention



Singleness of money ensures acceptance at par, whatever form money takes

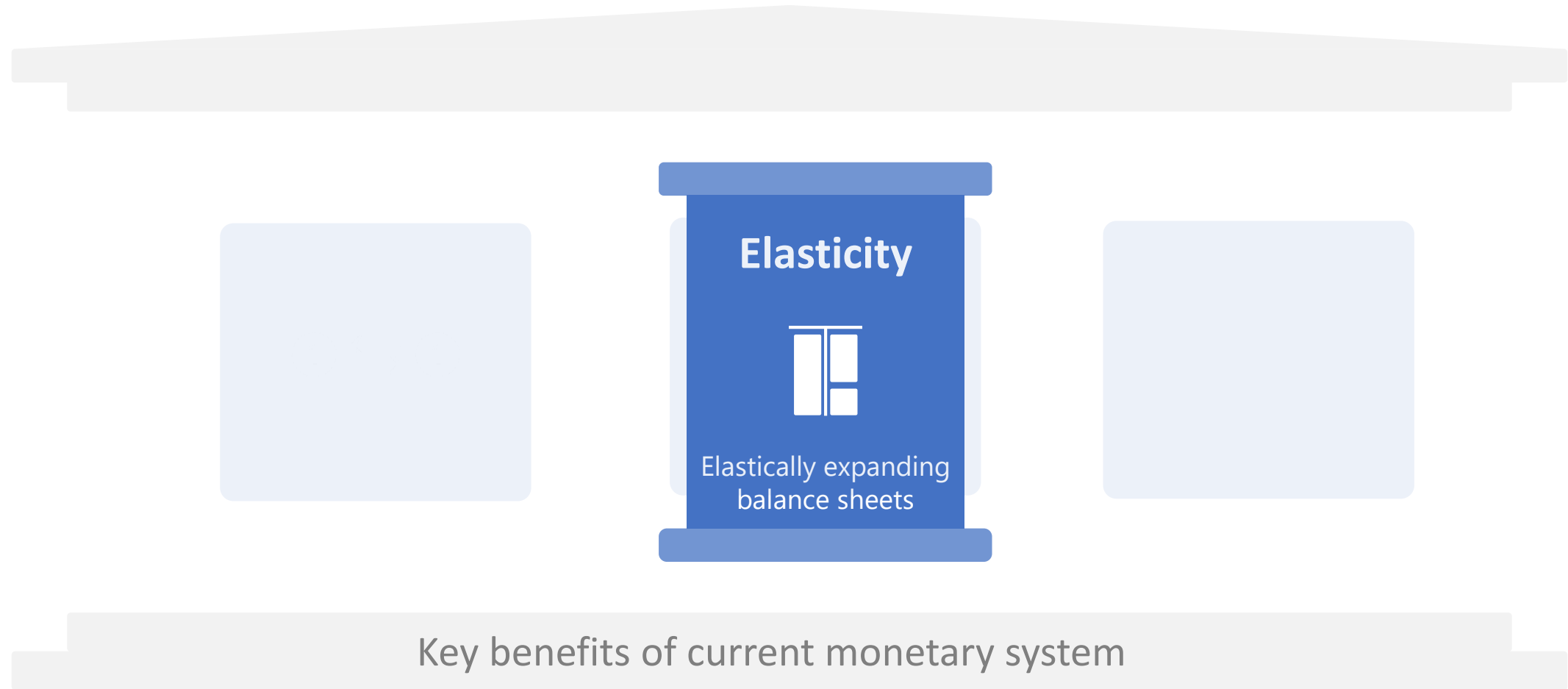


Stablecoins fare poorly on the singleness test

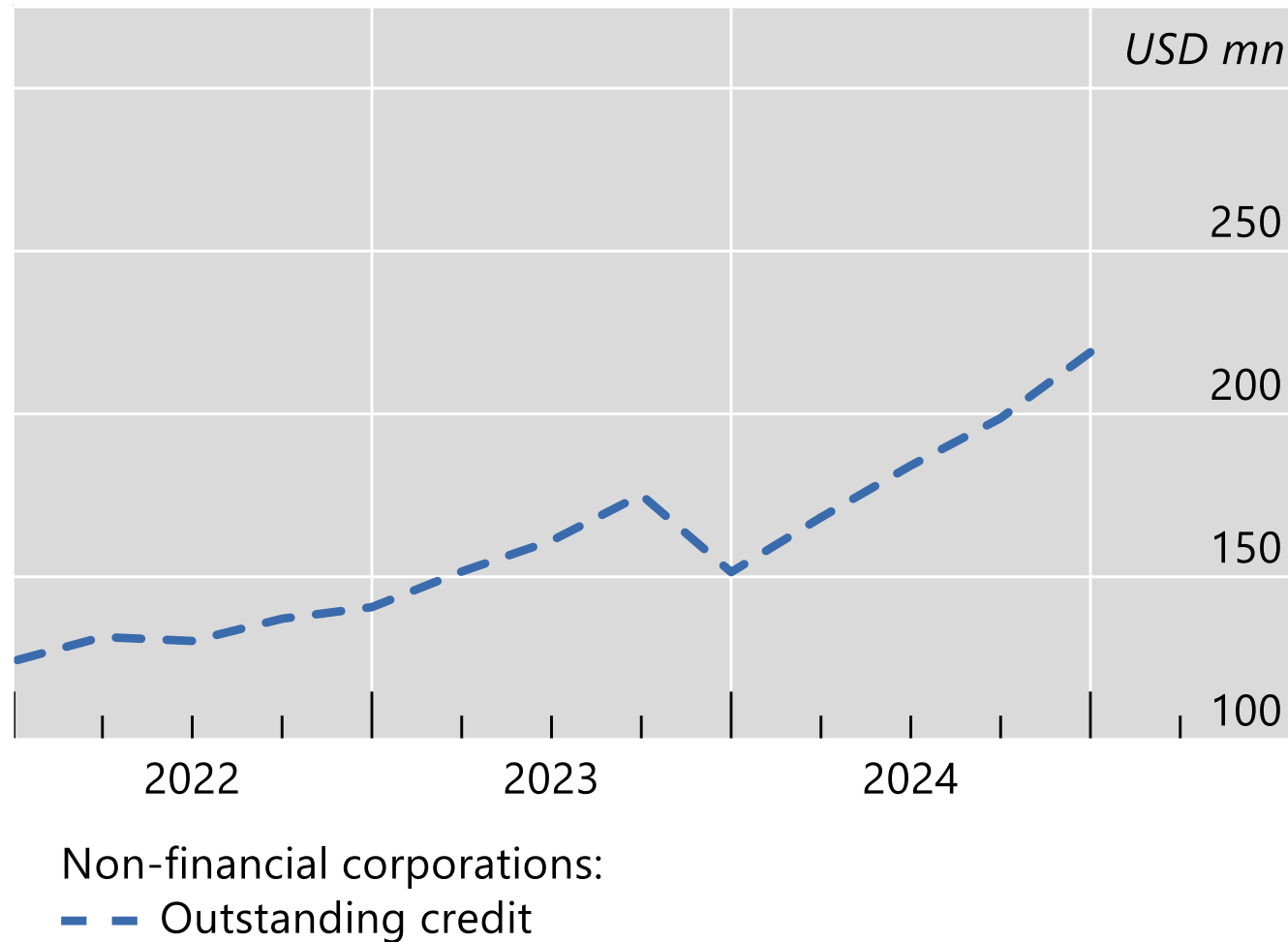


singleness

Elasticity allows money creation at the discretion of the payer through overdrafts to meet payment obligations without waiting for incoming payments



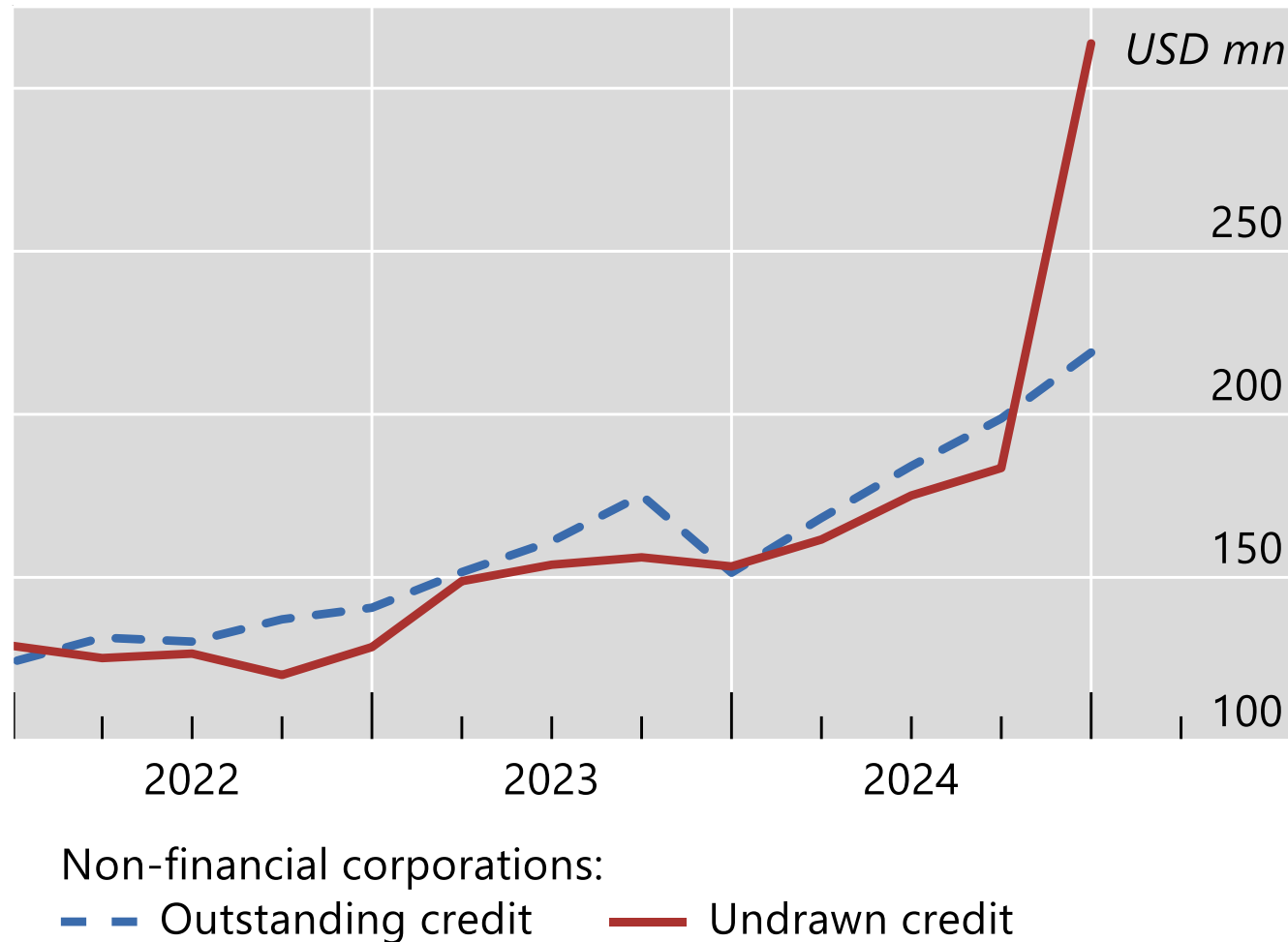
Recent months illustrate this well. Even as outstanding credit has increased...



Seasonally adjusted medians. Outstanding credit includes commercial paper, revolving credit and term loans.



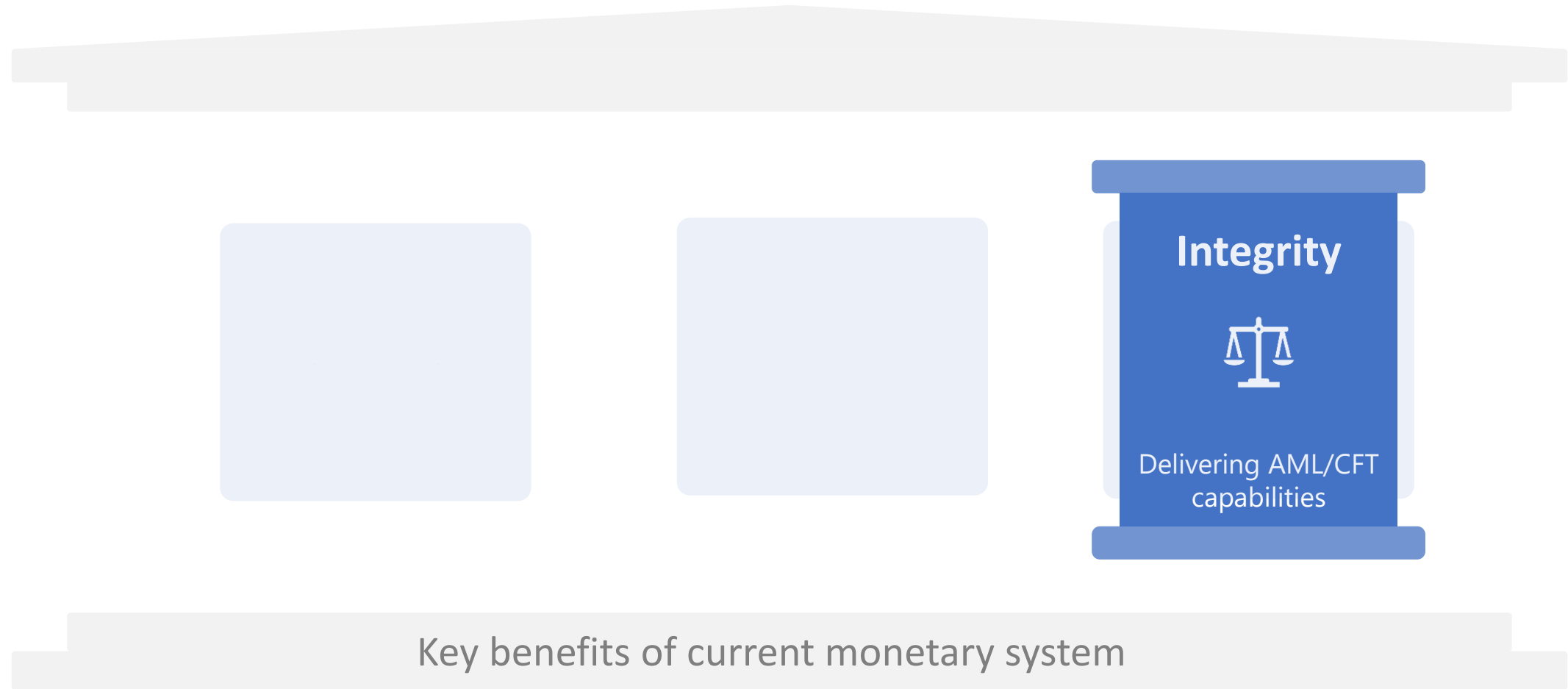
...undrawn credit lines surged much more, as firms sought resilience of working capital; stablecoins are subject to a "cash-in-advance" constraint and lack elasticity



Seasonally adjusted medians. Outstanding credit includes commercial paper, revolving credit and term loans.

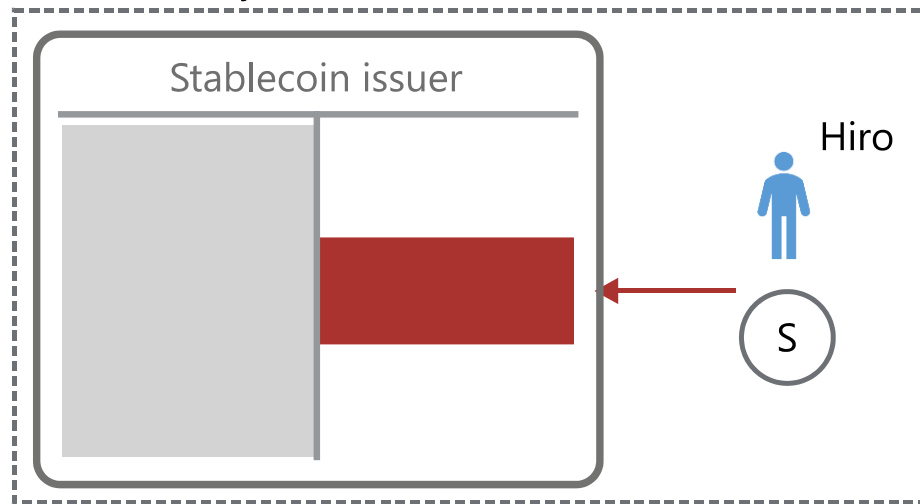


Integrity against financial crime and other illicit activity is critical for trust to be maintained in the monetary system

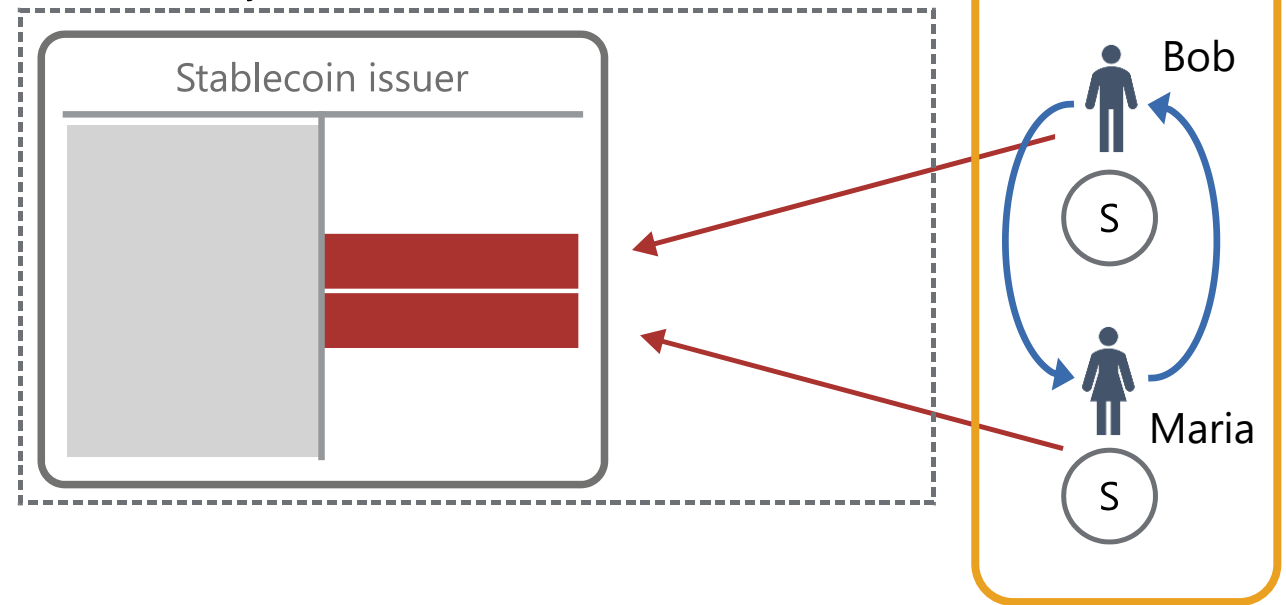


Stablecoins as bearer instruments fare poorly on integrity compared with the system that relies on account updates by trusted intermediaries

KYC boundary



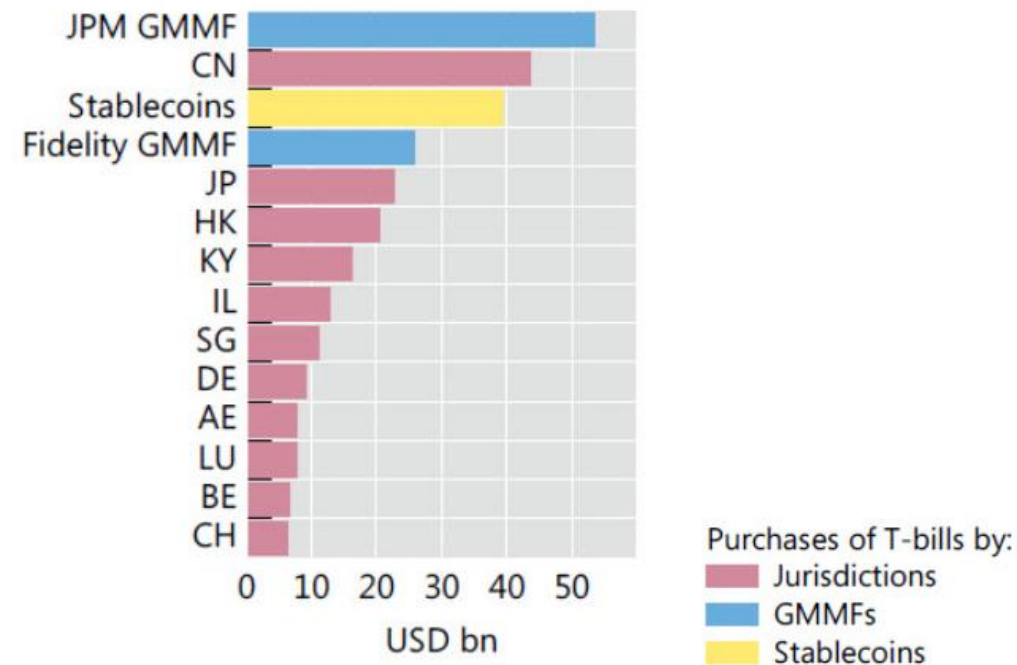
KYC boundary



Additional financial stability concerns

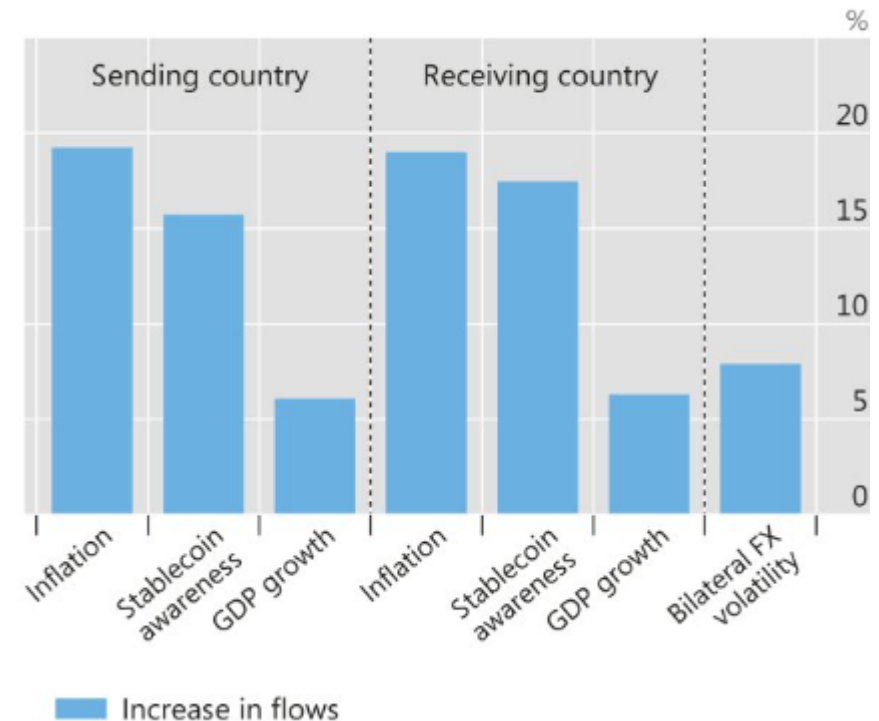
- Spillovers in financial markets
- Challenges to monetary sovereignty

A. Stablecoins among top buyers of T-bills in 2024, on par with MMFs



GMMF = government money market fund.

B. Country-level drivers of cross-border stablecoin flows¹



Conclusion

- BCBS work programme and strategic priorities in 2025/26
 - Basel III implementation
 - Risks and vulnerabilities / safeguarding resilience
 - Digitalisation of finance
- Continued outreach with wide range of external stakeholders

- Questions?