THE INTERPLAY BETWEEN THE BASEL NORMS AND THE GLOBAL FINANCIAL CRSIS- DOES BASEL III CREATE RESILIENT BANKS TO AVOID A FUTURE CRISIS?

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I. INTRODUCTION

The banks and the banking system around the globe have always played a vital role in an economy. However, the regulations that govern them, i.e. International Banking Regulations have not contributed in avoiding a financial crisis. The last Global Financial crisis 2008-09 was another unfortunate testament to that, considering that Basel II regulation was already in action and yet could not foresee the signs of the upcoming crisis. The domino effect started with the United States of America wherein for years, the stock prices and the real estate values had soared and then the housing bubble burst. The Wall Street firms and the financial institutions that had made billions of dollars on complex investments backed by mortgages, their value had now plunged. The stock market tanked, devastating not only big investors in the United States, but its ripple effect was felt in the entire globe initiating the most catastrophic of global financial crisis since the Great Depression.

The right and wrong of economic arrangement, aptly brings forth Aristotle's question of what people morally deserve, and why. In the United States, when in October 2008, the Congress had to bail out the nation's big banks and financial firms costing $700 billion of taxpayers money,[1] it didn't seem fair that banks and financial firms that had enjoyed huge profits during the good times and was now asking taxpayers to pay the price of their failure. But there seemed no alternative as the banks and financial firms had grown so vast and so entwined with every aspect of the economy that their collapse would have brought down the entire financial system. They were "too big to fail", a term which has become a part of our vocabulary since. There was public uproar for this ask, no one claimed that the banks and investments houses deserved the money, considering their reckless bets enabled by inadequate government regulations had created the crisis. But here was a case where the welfare of the economy as a whole seemed to outweigh consideration of fairness. And the Congress reluctantly appropriated the bailed funds.[2]

Michael J. Sandel in his book[3] said that "*Prosperity is key and it makes us better off than we would otherwise be as an individual and as a society*". As prosperity contributes to welfare, and turning to the Utilitarianism, the most influential account of how and why we should maximize welfare is to seek the greatest happiness for the greatest number.

The International Banking regulations formulated over time to regulate Banks and financial firms worldwide, play a vital role in avoiding any crisis, thereby also escaping a possible question of where lies the justice in the acts of the Government in bailing out the ones who failed at the cost of the ordinary tax payers at the behest to avoid a complete economic failure. It is important that such predicaments in a society do not fill up the books

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[1] The Congressional Record: Bound Volumes, Part 24, Volume 155 of Congressional Record, 32007, Congress, (INIAP Archivo Historico, 2015).

[2] *Ibid*.

[3] Michael J. Sandel, *Justice: What is the right thing to do*? 19-30 (Penguin Group, London, 2009).

history of mankind, and law and regulation contribute to such necessity. Therefore, it becomes important to examine the International Banking Regulations as it exists today to avoid an uncertain tomorrow.

II. Tracing the Origin of International Banking Regulation

The origin of International banking regulations can be traced to the breakdown of the Bretton Woods system of managed exchange rates in the year 1973.[4] The Bretton Woods collapse transcended national boundaries and witnessed large foreign currency losses that were incurred by banks globally. As a reaction to these disruptions in the international financial markets, the central bank governors of the G-10[5] nations collaborated to establish a Committee on Banking Regulations and Supervisory Practices in 1974 which was later renamed as Basel Committee on Banking Supervision (BCBS).[6]

The BCBS was an acknowledgement by the G10 nations for the need of cooperation in regulating the banking sector. Designed as a forum for cooperation between its member countries on banking supervisory matters, an important aim of the BCBS was to close gaps in international supervision of banks, so that no foreign bank escapes supervision and that, the supervision would be adequate and consistent across member countries. BCBS sought to achieve its aims by setting minimum standards for the regulation and supervision of banks.

Basel I: The onset of the Latin American debt crisis, in the early 1980s, validated the urgent need for a multinational accord to strengthen the stability of the international banking system, which resulted in the Basel Capital Accord (1988 Accord)- Basel I. The fundamental objectives of Basel I were to devise a framework that would strengthen the soundness and stability of the international banking system; and that would be fair and consistent in its application to banks in different countries.[7] Basel I Accord set a minimum ratio of capital to risk-weighted assets of 8 percent. These norms were adopted by not only member countries but also almost 100 other countries[8] including India for its capital adequacy norms.[9] Such worldwide adoption of Basel I together with its relatively simple structure led to substantial increase in capital adequacy ratios of banks around the globe. However, the Asian financial crisis in 1997 showed that Basel I had failed as banks engaged in regulatory arbitrage wherein the banks were capitalizing on the loopholes in the regulatory system to circumvent unfavorable regulation.

Basel II: After the failure of Basel I norms, BCBS released the Revised Capital framework in 2004 with the aim of promoting safety and soundness in the financial system, maintaining the current overall level of capital and to provide a more comprehensive approach to address risks.

Basel II rested on three ‘pillars’: (i) the minimum capital requirements (Pillar 1), (ii) guidelines on supervision for national regulators (Pillar 2) and, (iii) the new information

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[4] Bank for International Settlement, “History of the Basel Committee”, October 2015, *available at*: http://www.bis.org/bcbs/history.pdf (last visited on November 15, 2018).

[5] Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, Switzerland, the United Kingdom and the United States of America.

[6] *Supra* note 4.

[7] Basel Committee on Banking Supervision, “International Convergence of Capital Measurement and Capital Standards” (Bank for International Settlement, 2006).

[8] Mandira Sarma, “Understanding Basel Norms” 42 *Economic and Political Weekly* 3364-3367 (2007).

[9] *Ibid*.

disclosure standards for banks in order to enhance market discipline (Pillar 3).[10] This new framework was designed to improve the way regulatory capital requirements reflect underlying risks. In addition to the BCBS member countries, 82 other countries[11] intended to adopt Basel II norms in some form or the other by 2015. India too had committed to implement Basel II norms from March 2008 for foreign banks in India and from March 2009 for Indian banks. However, the implementation of Basel II norms in different countries was found inconsistent by BCBS and with the advent of Global Financial Crisis 2008[12] Basel II also failed, before it could be fully implemented.

Basel III: The last global financial crisis (starting 2007-08) critically impacted the global economy. The regulators, economist and politicians as always, came together hoping to find a way to mend the gaps in the policy and implementation to reassure the public at large that risk that exists in the environment can be curtailed. In that attempt, Basel III regulations were endorsed and adopted by the G20[13] nations in Seoul Summit in 2010, accepting the fact that that previous Basel norms had failed. The new capital and liquidity standards were proposed and endorsed with the aim to strengthen the banking and financial sector with respects its regulation, supervision and risk management, wherein the member nations would weave the Basel III recommendations in the fabric of their national legislations starting January 2013 and finishing by January 01, 2019 (March 31, 2019 in India).[14]

III. EVENTS THAT LED TO THE GLOBAL FINANCIAL CRISIS

With the advent of globalization and the consequent increase in the interplay between national economies, the banks today are no longer confined to their national domain and now shape how the 'world economy' functions. This increased stature led the last global financial crisis 2007-08 to be of distinctive nature as it featured cross-border losses, cross-border funding gaps and cross-border contagion thereby severely impacting the global economy.

The origin of the crisis was soon traced to the mortgaged backed securities and collateralized debt obligations. The traders in the 1980s traded in bonds to take advantage of the steadily rising house prices in the US after the World War II. The financial institutions and traders started to expand the bond market by restructuring bonds from the steady stream of payments from US mortgages and then sold them off to investors.[15]Following this in early 2000s, there was an explosion in the issuance of bonds backed by mortgages, also known as mortgage-backed securities. Investment banks were buying mortgages from mortgage issuers, repackaging them and then selling off specific tranches of the debt to investors. With time the number of new mortgages to securitize substantially decreased, the investment bankers

[10] *Supra* note 4.
[11] *Supra* note 8.
[12] Richard Barfield and Ors., "Basel III - Implications for Risk Management and Supervision" 89 *Compliance Officer Bulletin* 1 (2011).
[13] Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Republic of Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, The United Kingdom, the United States and the European Union.
[14] Reserve Bank of India, "Master Circular- Basel III Capital Regulations" 7 *available at*: https://rbidocs .rbi.org.in/rdocs/content/pdfs/58BS300685FL.pdf (last visited on November 9, 2018) read with the Constitution of India, 1950, art. 253.
[15] Wall Street Oasis, "Financial Banking Crisis 2008- Detailed Overview", *available at*: http://www.wallstreetoasis.com /financial-crisis-overview (last visited on October 5, 2018).

started taking the unsellable tranches of mortgage-backed securities repackaging them and selling them as the new product called collateralized debt obligations.[16]

The pooling of different mortgages theoretically reduced risk giving the illusions that these assets were safe, but in reality, the majority of the mortgages being securitized were of poor or sub-prime quality.[17] And the ratings agencies who rated the mortgage-backed securities and collateralized debt obligations without fully appreciating the low-quality mortgages backing these assets, overestimated the benefits of diversification in the housing market gave them top ratings. The top senior tranche of these products was rated high and were paid a low rate of interest whilst the bottom tranches were often rated low but paid a very high rate of interest. Many investors did not prefer the expensive high rated tranches which gave a low return and in order to keep the securitization machine rolling, many investment banks kept these tranches on their own balance sheet and went on a massive spending spree and borrowed vast amounts of money at low rates in the short term to fund these investments. The list included the top Investments banks such as- Morgan Stanley, Lehman Brothers, Merrill Lynch and Bear Stearns.[18]

By the mid-2000s there were hundreds of billions of dollars' worth of mortgages given to individuals with poor credit ratings on adjustable rates. For example, mortgages that required low interest payments, i.e. 8% for the first 2 years, where then increased to 15% per year for the next 28 years, making it impossible for the sub-prime borrowers to be able to afford the higher repayment rates.[19]Simultaneously the house prices instead of rising as was the trend started to fall and homeowners could no longer refinance and remortgage their houses and started to default.

By 2007-2008 the default rates on the subprime mortgages sharply increased, meaning thereby that some of the bottom tranches on these products were being wiped out. Suddenly, the investors started to lose confidence in the top-rated tranches and in the banks which held large amounts of them or had exposure to such assets. Such series of event resulted in Bear Stearns with exposure to subprime assets to shut down at a $3 billion dollar loss.[20]

After the events at Bear Stearns, the credit markets started to wither and problems with short-term debt funding and mortgages started to have a global contagion effect and many banks and mortgage institutions announced losses on their subprime exposure. In September 2007, the UK mortgage lender and bank Northern Rock was declared insolvent and had to be bought by the UK government. Thereafter, Lehman Brothers was under intense pressure and the share prices of Lehman Brothers drastically fluctuated and eventually without finding any rescue from the government had to file for Chapter 11 bankruptcy in September 2008.[21]

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[16]*Ibid*.

[17] The Black's Law dictionary defines subprime as "*the term that is used to describe loan or mortgage that is below prime*", thereby inferring that to whom such loans and mortgages have weakened credit histories and there is a greater risk that they default on the loans when compared to prime borrowers.

[18]*Supra* note 15.

[19]*Ibid*.

[20]*Ibid*.

[21]*Ibid.*

The next domino to fall was the insurance giant American International Group (AIG). AIG Financial Products had been issuing billions of dollars' worth derivatives called Credit Default Swaps on mortgage-backed securities and collateralized debt obligations. Therefore, the financial market turmoil started to directly affect AIG and AIG needed over $40 billion in cash within a matter of days.[22] The bankruptcy of Lehman Brothers, further adversely affected AIG's credit rating, which meant it had to post extra collateral to its creditors. Responding to this situation the US government and Federal Reserve reasoned that AIG had too much counterparty exposure and was too entwined in the global financing system in other words it was 'too big to fail' and in less than 48 hours after letting Lehman Brothers fail, they bought equity stakes in AIG for over $80 billion,[23]effectively bailing them out.

The European Union faced three interlocking crises that together challenged the viability of the currency union. There was the banking crisis- wherein the banks were under-capitalized and interbank liquidity was restrained and future losses were uncertain.[24]There was sovereign debt crisis- several countries had faced rising bond yields and challenges in funding themselves.[25]Lastly, there was growth crisis-wherein the economic growth was slow in the euro area overall and was unequally distributed across countries.[26]These crises connect with one another in several ways as the problems of weak banks and high sovereign debt are mutually reinforcing, and both are aggravated by weak growth but also in turn constrain growth in the economy.

The ripple effect subprime mortgage crisis which started in the USwas realized around the globe in the form of banking crisis, sovereign debt crisis, growth crisis resulting in double dip recession in EU. For instance, in Iceland, where the liabilities of the overall banking system reached around nine times its Gross Domestic Product (GDP) at the end of 2007 before a collapse of the banking system in 2008.[27]By the end of 2008 the liabilities of exchange of the listed banks in Switzerland and the United Kingdom had reached around five and six times their GDP[28] respectively.

This situation worldwide, escalated the unemployment rates around the world, for instance in the OECD (Organisation for Economic Co-operation and Development) countries, unemployment went up to 47 million in 2010[29] from 30.6 million in 2007[30] and the long-term unemployment rose to 14.9 million in 2010[31] from 8.5 million in 2007[32]. Unemployment is a very unjust and unfair punishment. It hits all segments of the society, wherein once employed have to live a life having lost their self-respect and dignity.

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22 *Ibid.*

23*Ibid.*

24 Jay Shambaugh, "The Euro's Three Crisis"158 *Brookings Papers on Economic Activity* (Spring 2012), *available at*: https://www.brookings.edu/wp-content/uploads/2012/03/2012a_Shambaugh.pdf (last visited on November 9, 2018).

25*Id.* at188.

26*Id.* at 158.

27 Asli Demirguc- Kunt and Harry Huizinga, "Are banks too big to fail or too big to save? International evidence from equity prices and CDS spreads" *Policy Research Working Paper* (2010), *available at*: http://documents.worldbank.org/curated/en/516581468333021676/pdf/WPS5360.pdf (last visited on November 15, 2018).

28*Ibid*.

29 Pramod N. Junankar, "The Global Economic Crisis: Long Term Unemployment in the OECD", *IZA Discussion Papers 6057*, Institute of Labor Economics (IZA), Germany, 3-4 (2011).

30*Ibid.*

31*Ibid.*

32*Ibid*.

IV. BASEL III: OBJECTIVES AND FEATURES

The domino effect the collapse of Lehman Brothers had created from September 2008, there was a need recognised by the BCBS to fundamentally strengthen the Basel II framework. But, the weakness revealed by the banking sector that had too much leverage and inadequate liquidity safeguards along with poor governance and risk management contributing to the contagion effect of the crisis, there was a need felt for a significant change in the design of these regulations, giving birth to Basel III. In November 2010, Basel III was endorsed at the G20 summit in Seoul and subsequently agreed in December 2010 in the Basel Committee meeting. Basel III was introduced with the aim to strengthen the banking and financial sector with respects its regulation, supervision and risk management[33] and to promote a more resilient banking sector.[34]Basel III norms are a set of comprehensive reformatory measures formulated by the BCBS that aim to prevent a crisis in future and shield the economy from any trickle down affect in the event such crisis does occur.[35]

The proposed standards were issued by BCBS are set out in *Basel III: International framework for liquidity risk measurement, standards and monitoring* and *Basel III: A global regulatory framework for more resilient banks and banking systems.*[36]The enhanced Basel framework revised and strengthen the three pillars established by Basel II. It also extended the framework with several innovations such as- an additional layer of common equity, i.e. the *capital conservation buffer*[37],which when breached restricts pay-outs to help meet the minimum common equity requirement, a *countercyclical capital buffer* that places restrictions on participation by banks in system-wide credit booms with the aim of reducing their losses in credit busts, a *leverage ratio*[38],i.e., a minimum amount of loss-absorbing capital relative to all of a bank's assets and off-balance sheet exposures regardless of risk weighting, *liquidity requirements*[39], i.e. a minimum liquidity ratio, the Liquidity Coverage Ratio (LCR)[40], intended to provide enough cash to cover funding needs over a 30-day period of stress; and a longer-term ratio, the Net Stable Funding Ratio (NSFR)[41], intended to address maturity mismatches over the entire balance sheet and additional proposals for systemically important banks, including requirements for supplementary capital, augmented contingent capital and strengthened arrangements for cross-border supervision and resolution.

V. INDIA AND BASEL III

India being the member nation that endorsed Basel III in the Seoul Summit in 2010 and keeping with Reserve Bank of India's goal to have consistency and harmony with the International Standards, RBI issued Master circular dated May 02, 2012- "Basel III Capital

[33] Bank for International Settlement, "Basel III: A Global regulatory framework for more resilient banks and banking systems", 2, December 2010 (rev. June 2011), *available at*: http://www.bis.org/publ/bcbs189.pdf (last visited on November 7, 2018).
[34]*Ibid.*
[35]*Ibid.*
[36] Bank for International Settlement, "Basel III: International Framework for liquidity risk measurement, standards and monitoring", December 2010, *available at*: https://www.bis.org/publ/bcbs188.pdf (last visited on November 16, 2018).
[37]*Id.* at 54-59.
[38]*Id.* at 61-63.
[39]*Id.* at 8-9.
[40]*Id.* at 9.
[41]*Ibid.*

Regulation" reforms and prudential guidelines that are applicable to banks operating in India[42]. The Basel III capital regulation has been implemented in phases from April 2013 in India in phases and will be fully implemented by March 31, 2019.[43]

There have been several reforms and policy initiatives in the Indian Banking Sector since 2010, to best adopt Basel III regulations. Which include, amendments in the Banking Regulation Act, 1949, the Payments and Settlements Act, 2007, the Negotiable Instruments Act, 1881 and the introduction of the Insolvency and Bankruptcy Code, 2016, the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015, Foreign Exchange Management (Remittance of Assets) Regulation, 2016 etc. Also, the Financial Regulation and the Deposit Insurance Bill, 2017, is pending report by the Joint Parliamentary Committee, which has raised serious debate in the public regarding the 'Bail in' Provision.

The Banking Laws (Amendment) Act, 2012 has amended some provisions of the Banking Regulation Act, 1949 and has given greater regulatory power to RBI to issue new banking licenses[44] to various private players. Also, Banks can now issue preference shares[45] in accordance with guidelines issued by the RBI.[46] There is an increase in the ceiling on voting rights- the RBI can now in a phased manner increase the voting rights of shareholders of private sector banks from the current limit of 10% to 26% and 1% to 10% in case of public sector banks.[47]There is also an increase in the authorized capital of nationalized banks.[48]

The amendments, changes and initiatives are in fact laudable as they intend to increase investor confidence in the banking sector in India. But there are serious concerns and challenges that exist in the implementation of the Basel III norms;Firstly, the fact that Basel III recommendations are to be weaved in the fabric of the member nations national legislations encourages discrepant implementation of Basel III framework among different countries which in its nature fundamentally in contradiction of the objective of providing the same level playing field and making banking in some countries more profitable as was the scenario before the crisis. In India, where the RBI is known to be more conservative in comparison to other economies has specified minimum Tier 1 leverage ratio of 4.5 percent[49] as against the BCBS minimum Tier 1 leverage ratio of 3 percent.[50]Also, the RBI prescribes a

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[42]*Supra* note 14.
[43] *Id.* at 7.
[44] The Banking Regulation Act, 1949 (Act 10 of 1949), s. 22.
[45] *Id.*, s. 12(1).
[46]Internationally, preference shares have been used by banks to raise Tier 1 Capital (Basel III). Banks in India are also treating this as an additional avenue to raise capital and attract investments without ceding any voting control to the holder of those instruments.
[47] The increase in voting rights aims to bridge the gap between the legal and economic ownership of banks and would enable the investors to exercise more control over the working of the banks. This could make banks more attractive to investors thereby facilitating raising of additional capital by the banks
[48]*Supra* note 44, s. 12. The authorized share capital of nationalized bank has been increased to INR thirty billion from INR fifteen billion. Nationalized banks have also been permitted to increase or decrease their authorized capital with the permission of the RBI and the Central Government, and raise capital through rights issues and the issue of bonus shares. The ability to issue bonus share is likely to be appreciated by investors since earlier, even nationalized banks with significant amounts of free reserves could not issue any bonus shares in the absence of an enabling legislation.
[49] Reserve Bank of India, "Master Circular- Basel III Capital Regulations (4-Capital Funds)", *available at*:https://rbidocs.rbi.org.in/rdocs/content/pdfs/58BS300685FL.pdf (last visited on November 1, 2018).
[50] Bank for International Settlement, "Basel III Leverage Ratio framework and disclosure requirements", January 2014, *available at*: http://www.bis.org/publ/bcbs270.pdf (last visited on November 1, 2018).

minimum Capital to Risk Weighted Asset Ratio (CRAR) at 9 percent,[51]higher than 8 percent[52] prescription of Basel III recommendation. The capital adequacy regulation was not meant to be a significant source of competitive inequality among internationally active banks, but unfortunately through this proposition has become that source and would disturb equilibrium Basel Norms aims to attain. This situation may lead us back to the past, wherein the global economy suffered disruption of global financial stability.

Secondly, as banks go on increasing the growing economy's credit requirements, they would need additional capital funds under Basel III. In India, different estimates of additional capital infusion have been announced by various agencies. The RBI estimates project an additional capital requirement of Rs. 5 trillion.[53] These estimates were made on two assumptions – (1) risk weighted assets of individual banks will increase by 20% per annum and (2) banks can fund 1% capital requirements through retained profits.[54]This is an exceptionally high cost to the Central Banks and the citizens which raises serious concerns, such as: (a) the changes the banks will make to create this capital and the cost of these changes, (b) the impact of these changes on banks in general and in particular, the weaker banks if such banks are unable to comply with the requirements set forth by the RBI and, (c) vulnerability of the banks to the organisational and the legal structure as a result of these changes.

Thirdly, the profitability of banks and rate of exchange is still a concern which may be affected due to implementation of Basel norms, the increased capital requirements, increased cost of funding and the need to reorganize and deal with regulatory reform will put the pressure on margins and operating capacity. Investor returns will likely decrease at a time when firms need to encourage enhances investment to rebuild and restore buffers. Increased capital requirement would also result in the increase in the cost of banks as well as the borrowers.Among others this as consequence would affect SME's, requiring them to look for alternate sources for financing.[55]

VI.CONCLUDING REMARKS

[51] Reserve Bank of India, "Master Circular- Basel III Capital Regulations (4.2-Elements of Tier Capital)", *available at*:https://rbidocs.rbi.org.in/rdocs/content/pdfs/58BS300685FL.pdf (last visited on November 1, 2018).

[52] Basel Committee on Banking Supervision, "Basel III: A Global Regulatory Framework for more Resilient banks and banking system", December 2010, *available at*:http://www.bis.org/publ/bcbs189.pdf(last visited on February 1, 2019).

[53] Reserve Bank of India, "Report on Trend and Progress Banking-Basel III in International and Indian Context", Inaugural Address by Dr. Duvvuri Subbarao, Governor RBI at Annual FICCI IBA Banking Conference (September 4, 2012). The government is to deposit Rs. 88,000 crore into 20 state run banks, in the current fiscal, i.e. 2017-2018, wherein an insurance is given by the Finance Minister, that they will not let any Public Bank to fail. These Banks have high non-performing assets, and this is an attempt to get them floating again. ET Bureau, "Government to Deposit Rs. 88,000 Crore into 20 PSBs this fiscal", *The Economic Times*, January 25, 2018, *available at*: https://economictimes.indiatimes.com/industry/banking/finance/banking/your-money-is-safe-with-us-says-govt-as-it-spells-out-new-banking-roadmap/Articleshow/62635054.cms (last visited on January 25, 2019).

[54]*Ibid.*

[55] Alternate source of financing may include 'peer to peer' lending that is currently unregulated and for which so far only a discussion paper has released by the RBI in April 2016 looking at possible options if it should be regulated Reserve Bank of India, "Consultation Paper on Peer to Peer Lending", April 2016, *available at*: https://rbidocs.rbi.org.in/rdocs/content/pdfs/CPERR280416.pdf (last visited on November 3, 2018).

The global financial crisis occurred when Basel II was already in place which led to a hasty Basel III, wherein the BCBS is persistently making changes to its original form.[56]It is positive step forward towards banking regulation as it strives to avoid the domino effect of a crisis if not the crisis itself, but unfortunately it is an afterthought and covers only the lacunas of Basel I and II and lacks vision as it has not considered foreseeable factors that may cause disturbance in the financial equilibrium of the world economy.

Basel III with its 'one size fits all approach' ignores the diversity of the world economies, way of governance and approach towards banking sector of the member nations. There exists a need to re-evaluate the impact of Basel III norms before they are fully implemented as in its present form is not adequate to avoid a future crisis. There are costs and disadvantages of implementing Basel III, which need to be fully appreciated to enable harmonious financial development globally to create maximum welfare in the global economy and for that it is important to understand and appreciate the diversity that exists and that the developed economies don't intimidate other nations to follow suit in the garb of international standards.

[56] Informally the changes made to Basel III are now referred as Basel IV.