Basel III Implementation in Indian banking sector: Benefits far outweigh costs and challenges

Key Highlights of ASSOCHAM NIBM conference on Basel III implementation

- The implementation of Basel III norms in Indian banking sector entails some key challenges viz. Capital Raising, Liquidity, Technology Upgradation & Skill Development.
- As Indian banks get more integrated with the rest of the world, we can ill afford any deviation from global standards of regulation.
- Basel III norms aim to establish a risk management framework to protect the sector from shocks and generally serve to make banks more resilient & risk aware.
- Indian banks must move towards full-fledged adoption of Basel III norms as the benefits of a safer banking ecosystem more than outweigh the costs in terms of challenges.
- The key lies in charting out an optimal implementation plan that, while adequately fortifying the banking sector, does not impair its efficiency and delivery.
- Timely implementation of Basel III norms is a reality for the Indian banking sector, as it is critical to insulate this sector from external shocks, given its strategic importance as a driver of growth and employment.

This conference is being hosted at an opportune time, when Indian banks have begun to adopt Basel III norms in a phased manner and are taking steady steps towards fulfilling the Basel standards. I fully agree with your view that while the implementation path is not without its fair share of challenges, the long-term benefits of a safe and risk-proof banking sector far outweigh the costs.

In addition to Basel III norms, we also need a strong credit culture, contract enforcement mechanism, bankruptcy code for a vibrant and healthy banking sector in India.

Basel III is important because it provides more ammunition and resilience to the banking system, to tackle any crises which might affect its functioning. The Risk Culture in banks needs to change and become more cross-functional to ensure effective implementation of these norms. Corporate Governance has now become the most important pillar to ensure the success of the Basel III framework.

The Associated Chambers of Commerce & Industry of India

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BASEL III STANDARDS
CONCEPTS, ISSUES AND CHALLENGES

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