

A committee without a treaty

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Few institutions have shaped the daily work of banks across the world as deeply as the Basel Committee on Banking Supervision, although it possesses neither a founding treaty nor legal personality nor any power to bind the jurisdictions whose supervisors sit at its table. Its standards determine how much capital a bank in Frankfurt, São Paulo or Singapore must hold against a mortgage loan, how much liquid assets it must keep for a month of stress and how it must disclose its risks to the market. The name of a Swiss city has thereby become a technical term in banking law. Practitioners speak of "Basel I", "Basel II" and "Basel III" as if they were statutes. Many of them never think of the meetings in the tower of the Bank for International Settlements in which these texts were negotiated.¹

This chapter traces the history of the Committee from its founding in the aftermath of the bank failures of 1974 to the finalisation of Basel III in December 2017 and the uneven implementation of that package in the years that followed. It examines the main accords and the critique each attracted, the expansion of membership after 2009, the legal nature of the standards and the debate about their legitimacy. It also considers the newer fields into which the Committee has moved, notably crypto-assets and digital assets and climate-related financial risks. The Bank for International Settlements itself, its founding in 1930 and its governance were the subject of the preceding chapter, which is why the present one refers to the Bank only where it acts as host and secretariat of the Committee.²

The story told here also matters for the city itself. The presence of the Committee's secretariat in Basel brings supervisors from every major financial centre to the Rhine several times a year, and the name "Basel" travels with every capital ratio a bank publishes. The Swiss implementation of the final Basel III package, which took effect on 1 January 2025, is treated in the next chapter and in Part E. The present chapter supplies the

international background against which that implementation must be read.³

1 Notes

1. On the Committee's self-description, see Basel Committee on Banking Supervision, Basel Committee Charter (January 2013, as updated in 2018), section 1 (mandate) and section 3 (nature of standards). To be verified. ↩
2. See Part D, chapter V, and Part F, chapter I, of this book on the founding, status and governance of the Bank for International Settlements. ↩
3. Swiss implementation through the revised Capital Adequacy Ordinance (CAO, SR 952.03) with effect from 1 January 2025; see Part E, chapter II, and Part F, chapter III. To be verified. ↩

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