

Monitoring consistency: the RCAP

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As its standards became more detailed, the Committee recognised that their value depended on consistent implementation. In 2012, it launched the Regulatory Consistency Assessment Programme, known by its abbreviation RCAP. The programme has two components. The first monitors whether member jurisdictions adopt the standards on time, while the second assesses whether the national rules are consistent with the Basel standards and whether their outcomes, particularly the calculation of risk-weighted assets, are comparable across banks and jurisdictions.¹

The jurisdictional assessments are carried out by teams of supervisors from other member jurisdictions, supported by the secretariat. They grade each component of the framework on a four-point scale, ranging from compliant through largely compliant and materially non-compliant to non-compliant, before giving an overall grade. Their reports are published. Switzerland was among the first jurisdictions to be assessed and was found compliant in 2013 with respect to the risk-based capital framework.² The European Union was found materially non-compliant in its assessment of 2014, mainly because of its treatment of exposures to small and medium-sized enterprises and of certain insurance holdings. The United States was rated largely compliant in the same year.³

The RCAP is the closest the Committee comes to an enforcement mechanism. Because its findings carry reputational weight with markets and peers, national authorities have amended their rules in several cases to correct deviations. Since the programme rests on peer review, however, its effectiveness depends on the willingness of the assessed jurisdictions to accept criticism. The programme itself has no power to impose consequences on a member that refuses to act.⁴

1 Notes

1. Basel Committee, Basel III Regulatory Consistency Assessment Programme (RCAP) (April 2012) and the subsequent RCAP handbooks. To be verified. ↩
2. Basel Committee, RCAP: Assessment of Basel III Regulations – Switzerland (June 2013). To be verified. ↩
3. Basel Committee, RCAP: Assessment of Basel III Regulations – European Union (December 2014) and – United States of America (December 2014). Grades to be verified. ↩
4. On peer review as a mechanism of soft law compliance, see Brummer, *Soft Law and the Global Financial System: Rule Making in the 21st Century* (2nd ed., Cambridge University Press, 2015), chapter 4. To be verified. ↩

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