

Market Discipline
Disclosures on Risk Based Capital (Pillar 3 of Basel-III)
For the year ended 31 December 2019

Background

The disclosure of prudential information is a most important component of Basel Committee on Banking Supervision (BCBS)'s framework of capital measurement and capital adequacy, known as Basel-III. Bangladesh Bank has specified the standard of disclosures through Guidelines on Risk Based Capital Adequacy (Revised Regulatory Capital Framework for Banks in line with Basel-III) on December 2014 with effect from January 01, 2015. The capital and liquidity standards have been focused in the RBCA Guidelines to greater business implications for Banks.

Purpose

- To complement the Minimum Capital Requirement (MCR) under Pillar 1 and the Supervisory Review Process (SRP) under Pillar 2 of Basel-III;
- To establish more transparent and more disciplined financial market so that stakeholders can assess the position of a Bank regarding holding of assets and
- To identify the risks relating to the assets and capital adequacy to meet probable loss of assets.

Disclosure Policy

- Bank should have a formal disclosure framework approved by the Board of Directors/Chief Executive Officer.
- The disclosure framework does not conflict with requirements under accounting standards as set by Bangladesh Bank from time to time.
- Under MCR, Bank will use specified approaches/methodologies to measure the various risks its face and the resulting capital requirements.
- The disclosures should be subject to adequate validation. Since information in the annual financial statements would generally be audited, the additionally published with such statements must be consistent with the audited statements.
- Bank should decide which disclosures are relevant for it based on the materiality concept.
- Bank has to submit a copy of all required disclosures in both qualitative and quantitative form to Department of Off-site Supervision of Bangladesh Bank and upload on the Bank's website page as titled "Disclosure on Risk Based Capital (Basel-III) within end March of each year.

Components of Disclosure Framework

Bangladesh Bank set out the following componenets in the disclosures under Pillar 3 of Basel framework.

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| 1. Scope of Application | 2. Capital Structure |
| 3. Capital Adequacy | 4. Investment (Credit) Risk |
| 5. Equities: Disclosures for Banking Book Positions | 6. Profit (Interest) Rate Risk in the Banking Book (PRRBB) |
| 7. Market Risk | 8. Operational Risk |
| 9. Liquidity Ratio | 10. Leverage Ratio |
| 11. Remuneration. | |

