



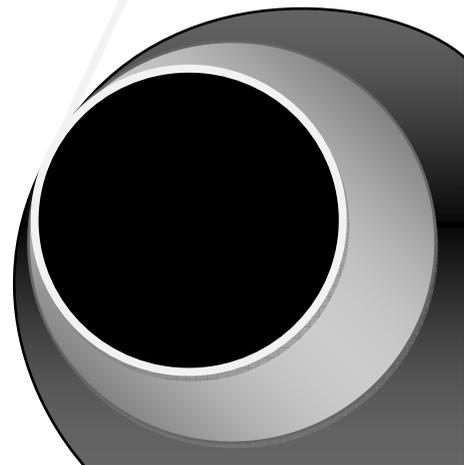
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**The HELLENIC OPEN BUSINESS
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AIMS AND SCOPE

The *HELLENIC OPEN BUSINESS ADMINISTRATION Journal* is published two times a year and focuses on applied and theoretical research in business Administration and economics.

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ADMINISTRATION JOURNAL***

EDITOR'S NOTE

The *HELLENIC OPEN BUSINESS ADMINISTRATION Journal* is concerned with theory, research, and practice in business administration and economics (in its wider sense encompassing both private and public sector activities of profit-seeking ventures, as well as of governmental, private non-profit, and cooperative organisations) and provides a forum for academic debate on a variety of topics which are relevant to the journal's central concerns, such as:

- Administration of Businesses and Organizations
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The *HELLENIC OPEN BUSINESS ADMINISTRATION Journal* also publishes special issues. A special issue focuses on a specific topic of wider interest and significance, which is announced through relevant call for papers.

The journal was established in 2014 following the completion of the HELLENIC OPEN BUSINESS ADMINISTRATION International Conference.

The *HELLENIC OPEN BUSINESS ADMINISTRATION Journal* (The HOBA Journal) is published two times a year, in January and July. These two issues constitute one volume. One or more issues may focus on a specific topic of wider interest and significance, which is announced through relevant call for papers.

The editorial process at The HOBA Journal is a cooperative enterprise. Articles received are distributed to the Editor for a decision with respect to publication. All articles are first reviewed to be judged suitable for this journal. The Editor arranges for refereeing and accepts and rejects papers or, alternatively, forwards the papers to a member of the Board of Editors. The member of the Board of Editors, then, arranges for refereeing and accepts or rejects papers in an entirely decentralized process. In any case, each submission is sent to two referees for blind peer review and the final decision is based on the recommendations of the referees. The referees are academic specialists in the article's field of coverage; members of the Board of Editors and/or members of the Editorial Advisory Board may act as referees in this process. Only when a paper is accepted for publication it is sent again to the Editor. Subsequently, the Editor sends the finally accepted paper to The HOBA Journal office for final editing and typesetting.

The Editor or the member of the Board of Editors who coordinates the decision with respect to publication of an article may send an article for refereeing to member(s) of the Editorial Advisory Board or cooperate with one or more of them to jointly assign referees who have some substantive knowledge of the topic and research in the relevant field and, finally, to jointly decide whether to accept or reject a paper.

The Editor, the members of the Editorial Board, and the members of the Editorial Advisory Board come from a breadth of fields designed to cover the largest

substantive areas in economics and business administration from which we expect to receive submissions.

The above outlined co-editing process has major advantages. First, it is helpful in the assignment of referees and in the decision whether to publish a submission. Second, it avoids the apparent conflict of interest that results when an Editor handles a colleague's article. As a general rule the Editor and the members of the Board of Editors never assign papers written by authors at the same institution.

Finally, it provides an efficient way to handle about 200 submissions annually.

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As a forum, the Journal invites responses to articles that are published and is also willing to publish controversial articles to stimulate debate. To facilitate this, in addition to standard articles, the Journal also publishes "viewpoints" and "notes". These are short papers (up to 2,000 words), that explore, or comment on, an issue in a way which is useful, interesting, worthwhile, relevant and, ideally, provocative.

It will contain book reviews, and review essays designed to bring relevant literatures to the attention of a wider readership.

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Dimitrios A. Giannias, Editor
School of Social Sciences
Hellenic Open University

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FINANCIAL BANKING SUPERVISION: A VIEW OF AN UPDATED SECONDARY RESEARCH - THE GREEK REALITY

ANASTASIA KOPANELI

University of Patras

ABSTRACT

Financial Banking Supervision is widely recognized as an extremely necessary process throughout the years in the last decades. To begin with, it refers to a Preventive Control and to Supervision as well, with a central aim of «preventing» the Financial Banking Sector – in fact and more specifically, Financial Banking Supervision is related to a chain of rules set, mainly by, the Bank of International Settlements (BCBS-BASEL, BIS) in collaboration with the Central Bank in each country-member so that a Monetary and Financial Stability is achieved nationally and globally too (BCBS October 2013, Jorion 2002, Singleton 2011).

This article presents the fundamentals of Financial Banking Supervision together with the updated statistical data taken from valid and reliable sources and organizations.

In line with the above, the objectives are specific:

- To make the reader concentrate on the fundamentals of Financial Banking Supervision.
- To make the reader see the relation between the classic literature of Finance and Banking Supervision and the Updated Statistical Data.
- To make the reader see the Greek reality.

So, it is clear, that the results are based upon comparisons between theory and practice in a continuous way.

Thus, the Methodological Conceptual Framework is based upon classic literature of Finance and Banking while updated statistical data is used as well (as Financial Banking Supervision is in a continuous advancement taking into serious consideration all the issues of the National and the Global Economy, especially in nowadays). The used data concerns the Global and the Greek Reality (<http://www.bankofgreece.gr>) as shown in Figures 1,2,3,4 and in Table 1.

Key- Words: Basel I, Basel II, Basel III, Bank of International Settlements, Central Bank, Financial Banking Supervision, Secondary Research, Greek Reality.

Jel Classification Codes: G21, G28, H7.

INTRODUCTION

Specific issues had as a result the establishment of Committee on Banking Regulations and Supervisory Practices. Specifically, the breakdown of the Bretton Woods system of managed exchange rates in 1973 soon led to casualties. Afterwards, on the 26th of June 1974, West Germany's Federal Banking Supervisory Office withdrew Baukhaus Herstatt's banking license after finding that the bank's foreign exchange exposures amounted to three times in capital. In October of the same year, the Franklin National Bank of New York also closed its doors after racking up huge foreign exchange losses.

Thus, the central bank Governors of the Group of 10 countries established a Committee on Banking Regulations and Supervisory Practices.

Later renamed as the Basel Committee on Banking Supervision (hereafter BCBS), it was designed as a forum for regular cooperation between its member countries in an attempt on banking supervisory matters. More accurately, to enhance financial stability by improving the measures of a quality banking supervision worldwide.

Basel I

Basel I, put emphasis on capital adequacy while there was a broad consensus on a weighted approach to the measurement of risk.

Since the early 1980's, there was a strong recognition within the Committee for a multinational accord so as to strengthen the stability of the international banking system and to remove a source of competitive inequality arising from differences in national capital requirements.

It was in July 1988 that the Group of 10 Governors approved a capital measurement system commonly referred to as the “Basel Capital Accord (the 1988 Accord)”-the accord called for a minimum capital ratio of capital to risk weighted assets of 8% to be implemented by the end of 1992 (in fact, this framework was introduced in member countries and in all other countries with active international banks while the 1988 accord framework was always intended to evolve over time).

In November 1991, it was amended that a greater precision had to be given to the definition of general provisions or general loan –loss reserves that could be included in the capital adequacy calculation. In April 1995, the Committee issued an amendment to the Capital Accord (to take effect at the end of 1995), to recognize the effects of bilateral netting of banks’ credit exposures in derivative products and to expand the matrix of add-on factors.

In January 1996, following two consultative processes, the Committee issued the so called “Market Risk Amendment to the Capital Accord” which was to take effect at the end of 1997 at least.

More accurately, the capital distribution to different ranks (Tiers) depends on:

- The priority of the full payment of the capital owners if there is a chance of bankruptcy or a corporate’s liquidation.
- The aptitude of damage absorption in case of bankruptcy or a corporate’s liquidation.
- The rate of capital permanency (of permanent or non permanent duration).
- The aptitude of passing through on next fiscal periods or of abolishing the cost of capital by dividend payments (coupons).

(Heffernan 1996)

Four (4) are the Pillars in Basel I.

According to the first pillar so called the “Constituents of Capital”, the kinds of capital which are included to the stock as well as the percentage of each kind that banks are obliged to maintain, are clearly defined [Tier 1 encompasses the liquid assets and the readily convertibles to cash while Tier 2 includes the liquids which come from liquidization of minimum charge (for

example, from the selling of real estates) as well as the loans of diminishing security/both types of net worths, have to be of the same currency)].

It is clear that the second (2nd) pillar, so called “Risk Weighting” consists of an evaluation system of risk in the assets of banks. The first category, so called “0% gravity” includes assets’ elements without risk, for example “cash”. The second category, so called “20% gravity” includes elements of minimum risk like granting loans to banks of member countries of OECD (Organisation for Economic Cooperation and Development). The third category, so called “50% gravity” includes only housing loans (there is a prenotation of mortgage). The fourth category, so called “100% gravity” involves assets’ elements of extremely high risk like granting loans to banks of non member countries of OECD. The fifth category refers to any of the above four categories according to each bank’s needs and within its capabilities.

The third pillar of Basel III is called “A Target Standard Ratio” and is, actually, the unification of the two previous pillars.

The fourth pillar of Basel I is called “Transitional and Implementing Arrangements” whereas the Basel Committee requires from the central banks of its country-members the creation of strong supervisory system leading to the implementation of its instructions and so its perfect guidance- while all the banks calculate by the same way the solvency factor at 8%. In fact, the Basel Treaty harmonized, for the first time, the international supervisory system having arranged the Capital Adequacy Ratio, as follows:

Figure 1: Capital Adequacy Ratio²

- Capital Adequacy Ratio = Supervisory Net Worth / Weighted Against Risks Assets $\geq 8\%$.
- Capital Adequacy Ratio = Contractual Supervisory Net Worth/ Weighted Risk Assets $\geq 4\%$.

Figure 2: The Institutional Framework of Capital Adequacy (according to Basel I)³

There are 2 stages of minimum Capital Demands (how they are calculated / analyzed)

1st stage: Calculations

- Definition of Supervisory Net Worth

² See Global and the Greek Reality (<http://www.bankofgreece.gr>)

³ See Global and the Greek Reality (<http://www.bankofgreece.gr>)

- Minimum of Capital Adequacy Ratio
- Calculation of Weighted Assets
- 2nd stage:**
 - 2i.
 - Weighted against Market Risks Assets
 - √ Post Risk
 - Internal models (VaR)
 - Method of Capital Adequacy Ratio
 - Standardized Approach
 - √ Counter Party Risk
 - √ Financing Exposures
 - 2ii.
 - Weighted against Credit Risk
 - Standardized Approach

Basel II

A Revised Framework on International Convergence of Capital Measurement and Capital Standards is in continuance of the first one and it is actually called “Basel II”. BCBS established it in 1999. The European Central Bank accepted the Revised Proposals and the revised supervisory framework of Capital Adequacy (Basel II), was established on June the 26th of 2004.

It was by the rule 2006/48EK that it became possible the transition from Basel I to Basel II. The objectives of the Institutional Framework concerning the Capital Adequacy are as follow:

- To secure and support the market discipline so that the operation of the International Financial System is the best.
- To smooth inequities between credit institutions in the circumstances of international competition by implementing uniform procedures of Capital Adequacy by the supervisory organizations in charge.
- To impose the minimum capital demands from the credit institutions and in such a way to prevent from a risk of bankruptcy.

Pillar I: The demands in capital are precisely defined so as to cover a chain of risks like: credit risk, counter-party risk, market risk, operational risk.

Pillar II: It becomes possible that the methodology followed so as to achieve the main goal of the planned procedure is a real fact – actually, the main goal is definitely associated with Banking Capital Adequacy. Additionally, apart from the Supervisory Capital, the Capital Demands are calculated as well.

Pillar III: Market Discipline is supported through publicly announcing qualitative and quantitative elements not only of capital Adequacy but also of the undertaken risks together with how to manage them.

According to Jorion (2002), four (4) are the factors for the weighting calculation:

- Firstly, the estimation of possible default by the counter-part (hereafter, PD: Probability of Default).
- Secondly, the estimation of Loss Given Default (hereafter, LGD: Loss Given Default).
- Thirdly, the estimation of the counter-part's exposure in case of default (hereafter, EAD: Exposure at Default).
- Fourthly, the estimation by the Demands' Expiry Date (hereafter, M-Maturity).

Figure 3: The Expected Loss Estimation⁴

$$EL=PD \times LGD \times EAD$$

(EL: Expected Loss, LGD: Loss Given Default, EAD: Exposure at Default, PD: Profitability of Default).

According to Basel II, a framework is embodied (which was absent from the first Accord), associated with the Demands' Securitization. Furthermore, the banks under the condition can use the securities, the guarantees, the credit derivatives as well as the offsetings in the balance sheet. Finally, Capital Demands are introduced, for the first time, against the operational risk (Basel II refers to three (3) types of operational risk: i. The basic indicator approach, ii. The standardized approach, iii. The advanced measurement approach).

The new Basel approaches for the credit risk refer to the following:

⁴ See Global and the Greek Reality (<http://www.bankofgreece.gr>)

1. The Standardized approach which is connected to an additional sensitivity against credit risk, actually, through weighting against risk.
2. The Basic approach of Internal Systems which includes elements classification of Investment Portfolio and consists of spread categories.
3. The Advanced Method in addition to the Basic Approach where the financial institutions will be in the position to evaluate the Loss (LGD), the Exposure of Default (EAD) and the Maturity (M) (Jorion 2002).

Meanwhile, it is essential to mention the fact of Banking Supervision is approached by the Monetary Theory. So,

Figure 4: The Monetary Base (MO)⁵

$$\text{MO} = \text{PEX} + \text{PGOV} + \text{PPRIV} + \text{POTHER}$$

where Pi = the Central Bank's Positions concerning Sectors of Economy

The Central Bank's Competences are based upon two main things:

- a. The Monetary and Exchange Policy.
- b. The Banking Supervision.

According to an international view,

- The Central Bank has the issuing privilege.
- The Central Bank is the organization through which central monetary and credit policy is exercised with a view to the control of money supply and market liquidity.
- Through the Central Bank, consolidated accounts are kept in order that the cash flows are on observation and thus deficits or surpluses of financial/fiscal process to be determined.
- The Central Bank exercises the Exchange Policy and in such a way it interferes into the exchange market and it maintains the country's exchange stock.

⁵ See Global and the Greek Reality (<http://www.bankofgreece.gr>)

- The Central Bank is the organization that secures the banks' regular operation of while it supervises the country's banking system as a whole. In addition it grants operational licenses so that new banks enter the market.
- The Central Bank has the role of a lender of last resort and by this way it determines financial cost of banks' lending (in extraordinary cases).

Three are the main means of Monetary Policy:

- The refinancing of banks within the operational framework of the lender of last resort.
- By selling Public Bonds and Treasury Bills that the Central Bank owns (in its portfolio), or by buying such titles through the "open market".
- The reserve requirements of the least percentage of amounts of deposits of the rest of the banks to the Central Bank.

There is a strong emphasis on how Central Banks are supposed to exercise a Bank Supervision: Firstly by Risk Management (actually, by finding ways to avoid excessive risks which would undermine banks' reliability and their creditworthiness as well. Secondly, by banks' capital adequacy.

It is more than apparent that all the above restrictions and preconditions are all based upon the Basel Bis – BCBS Guiding Framework. In fact, we are talking about the "Basel II process" (BIS is considered to be the Central Bank of the Central Banks.

Basel III

According to a BCBS web analysis for Basel III (<http://www.bis.org/bcbs/implementation.htm>), and BCBS (December 2013), Capital and Liquidity seem to be the main categories of Banking Supervision.

As for **Capital** we have three (3) Pillars,

Pillar 1

- **Capital** (Quality and level of capital, Capital loss absorption at the point of non-viability, Capital conservation buffer, Countercyclical buffer).

- **Risk coverage** (Securitisations, Trading book, Counterparty credit risk, Bank exposures to central counterparties- CCRs).
- **Containing Leverage** (Leverage ratio).

Pillar 2

- **Risk management and supervision** (Supplemental Pillar 2 requirements).

Pillar 3

- **Market discipline** (Revised Pillar 3 disclosure requirements).

As for **Liquidity**,

- **Global standard and supervisory monitoring** (Liquidity coverage ratio, Net stable funding ratio, Principles for Sound Liquidity Risk Management and Supervision, Supervisory Monitoring).

The Basel Committee on Banking Supervision (BCBS), presented the revisionary consultation texts, the recommendation tests, the rules and standards on December 2009. It becomes perfectly clear that their interest was the 2008 financial crisis. Thus, Basel III comprises of a supplementary version of Basel II (Basel III is to be implemented up until 2019).

The new agreement consists of the three times of capital stock, so that the banking sector to effectively absorb the financial disturbances and in that way to avoid the spill over of these disturbances to the real economy.

According to a BCBS study (27 August 2013), the new Basel III agreement aims to:

- The banking system improvement by absorbing the negative implications of financial crises.
- The empowerment of risk management by banks.
- The Banking System Disclosure.

According to another study-manuscript of BCBS (08 July 2013), the ratios that could be used for the estimation of risk sensitivity, are:

- The proposed calculations for the different kinds of risk.
- The diversified calculations for the different kinds of risk.

According to the same manuscript/study, not only the risk of capital but also the regulatory equalizing arbitrage should be within low limits.

In the BCBS manuscript-study of the 09th of January 2013, there is an approach based upon the standpoint of information. Specifically, it is clear that in order to develop the basis/structure of information and moreover in order to successfully manage risks and thus to improve and advance the process of decision-making, a chain of measures should be followed such as:

Measure 1-Administration: team rules of the bank as well as practices for the tactics as to cope with risks have to be in accord with the bank's leaders.

Measure 2-Information Architecture and Network/ the bank owes to design as well as maintain an information network which will support the procedures needed to face with the risks.

Measure 3- Integrity (when it comes to information).

Measure 4- Completeness.

Measure 5- Updating/ each bank should develop an up – to- date-information system with the aim of managing risks in the best way; More specifically, it has to develop rules in correlation with “up-to-dating”, “integrity”, “completeness” and “adjustment”.

Measure 6- Adjustment.

Measure 7- Accurateness in order that the reports are valid and reliable (since as we said, information systems and risk are interrelated).

Measure 8- Comprehensiveness – Amplification / reports of risk management should cover all the areas within the organisation limits and moreover it is recommended that there is a compliance with the peculiarity and the profile complexity of risk of each organization.

Measure 9- Clarity and usefulness.

Measure 10- Frequency/ actually, it is about the frequency of reports publication during times of financial crises.

Measure 11- Distribution (of risk reports within secrecy and trust).

Measure 12- Re-definition of risk reports.

Measure 13- Adjusting and Supervisory metres.

Measure 14 – Internal co-operation.

According to a manuscript- study of the Basel Committee (BCBS, December 2010), there is a table of comparative analysis between 2011 and 2019.

Table 1: Basel III settlements

	2011	2012	2013	2014	2015	2016	2017	2018	1 st January 2019
Leverage Ratio	Supervisory Monitoring	Supervisory Monitoring	Parallel Run 1 January 2013-1 January 2017/Disclosure starts 1 January 2015	Parallel Run 1 January 2013-1 January 2017/Disclosure starts 1 January 2015	Parallel Run 1 January 2013-1 January 2017/Disclosure starts 1 January 2015	Parallel Run 1 January 2013-1 January 2017/Disclosure starts 1 January 2015	Parallel Run 1 January 2013-1 January 2017/Disclosure starts 1 January 2015	Migration to Pillar 1	
Minimum Common Equity Capital Ratio			3,5%	4,0%	4,5%	4,5%	4,5%	4,5%	4,5%
Capital Conservation Buffer						0,625%	1,25%	1,875%	2,50%

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Minimum Common Equity plus Capital Conservation Buffer			3,5%	4,0%	4,5%	5,125%	5,75%	6,375%	7,0%
Minimum Tier 1 Capital			4,5%	5,5%	6,0%	6,0%	6,0%	6,0%	6,0%
Minimum Total Capital			8,0%	8,0%	8,0%	8,0%	8,0%	8,0%	8,0%
Minimum Total Capital plus Conservation Buffer			8,0%	8,0%	8,0%	8,625%	9,25%	9,875%	10,50%
Liquidity Coverage Ratio	Observation Period Begins				Introduce Minimum Standard				

Source: BIS, BCBS (December 2010)

A Comparative Analysis according to the data of secondary research for the settlement implementation of BASEL-BIS'S adjustment rules.

The 09th of October 2013 report of Basel-BIS refers to data-figures for the advancement of Basel II, Basel 2, 5 and Basel III; In fact, it is called “A Progress Report on Implementation of the Basel Regulatory Framework”. More specifically, it is reviewed members’ regulatory adoption of Basel II, Basel 2, 5 and Basel III.

- Basel II was released in 2004 and was due to be implemented from year – end 2006. Actually, Basel III, improved the measurement of credit risk and included capture of operational risk.
- Basel 2, 5 was agreed in July 2009 (<http://www.bis.org/publ/bcbs157.htm>) and it enhanced the measurements of risks related to securitization and trading book exposures. Basel 2,5 was supposed to be implemented up until the end of 2011.
- Basel III was released in December 2010 and actually, set higher levels for capital requirements (“Basel III: Global Regulatory Framework or more resilient banks and banking systems while committee members agreed to implement the regulations and restrictions of Basel III from January 2013, according to phase-in arrangements.
- In November 2011 there was a Committee publication about the rules text that sets out the framework on the assessment methodology for global systematic importance and the magnitude of additional loss absorbency that Global Systematically Important Banks (G-SIBs) should have.
- The full text of the revised Liquidity Coverage Ratio (LCR), was issued by the Basel Committee in January 2013. The implementation is agreed to start by January 2014 and become fully effective on 1 January 2019.
- A Consultative paper on the revised leverage ratio framework was published by BCBS in June 2013 together with public disclosure requirements starting on January 2015.

Specifically, according to a progress report (BCBS, October 2013),

Argentina seems to be in an advancement process. According to Basel II, the Number Codes are “3” and “4”. For Basel 2,5 the Code Numbers

are “1” and “4” while the Code Numbers for Risk-based capital of Basel III are “3” and “4” too. G-SIB/D-SIB requirements and Liquidity (LCR) have a “1” each. There is not a draft regulation published for neither the G-SIB / D-SIB requirements nor the Liquidity (LCR). There is no comment nor a classification about the “Leverage Ratio”, since the Basel Committee is currently in the process of finalizing the details of Basel III leverage ratio standard. As for **Australia**, there is a Code Number “4” concerning Basel 2, Basel 2, 5 and the Risk-based capital of Basel III. As for G-SIB/D-SIB the Code Number is “1” while for LCR the Code Number is “2”. **Belgium** has a “4” not only for Basel II but for Basel 2,5 too. A “3” for Risk-based Capital. A “3” for G-SIB/D-SIB. Another “3” for Liquidity (LCR). No other comment except for “Follow EU process” for Leverage Ratio. **Canada** has a “4” for Basel II, for Basel 2,5 and for Risk-based Capital. It has a “3” and a “4” for G-SIB/ D-SIB requirements. A “1” for Liquidity (LCR). Under the Leverage Ratio, there is the comment that “Domestic process begun to consider alignment of current Assets-to-Capital Multiple to Basel III leverage requirements”. **China** has a “4” (final rule in force) not only for Basel II but for Basel 2, 5 and for Risk-based Capital. There is a “1” for G-SIB/D-SIB requirements and the comment “The CBRC is reviewing the specific D-SIB supervisory framework. D-SIB surcharge of 1% has been applied to the five largest Chinese banks since 2010”. A “1” for Liquidity (LCR). Under the Leverage Ratio, there is the comment “A domestic leverage ratio requirement of 4% has been in effect since 2012. **France** has a “4” for both Basel II and for Basel 2, 5. It has a “3” for each of the three: for Risk-based Capital, for G-SIB/D-SIB requirements and for Liquidity (LCR). **Germany** appears to have a “4” for both Basel II and for Basel 2, 5. It has a “3” for each of the three: for Risk-based Capital, for G-SIB/D-SIB requirements and for Liquidity (LCR). **Hong Kong SAR** has a “4” for each of the three: for Basel II, for Basel 2, 5 and for Risk-based Capital (Rules on Capital buffers are expected to be issued in 2014). A “1” for G-SIB/D-SIB and with the comment: “Rules on G-SIB/D-SIB requirements expected to be issued in 2014”. Liquidity (LCR) has a “2” while it is commented that “Rules on Disclosure of Leverage Ratio is expected to be issued in 2014”. **India** has a “4” for each of the three: Basel III, Basel 2, 5, Risk-based Capital. G-SIB/D-SIB has a “1” and a “2” for Liquidity (LCR). As for Leverage Ratio, it has the comment “Guidelines issued in May 2012”. **Indonesia** has a “4” for Basel II, a “1” for Basel 2,5. A “1” for G-SIB/D-SIB, a “1” for Liquidity (LCR). For **Italy** there is a “4” for Basel II and “4” for Basel 2, 5. It has a “3” for each of the following: Risk-based capital, G-SIB/D-SIB requirements, Liquidity (LCR) while there is the comment, for each of the three, that “EU process is followed”. **Japan** has a “4” for each of the following three (3): Basel II, Basel 2,5, Risk-based Capital while under Risk-

based Capital there is the comment that “Draft regulations are expected in 2014/15”. The G-SIB/D-SIB requirements have a “1” and a “1” too for Liquidity (LCR). **Korea** seems to be in progress too. Actually, there is a “4” for both Basel II and Basel III. There is a “3” for Risk-based Capital (“Final regulation was published on 3 July 2013 while into force on 1 December 2013”). There is a “1” for both G-SIB/D-SIB and for Liquidity (LCR). **Luxemburg** has a “4” for both: Basel II and Basel 2,5 while there is a Code Number “3” for each of the following three (3): for Risk-based Capital (of Basel III), for G-SIB/D-SIB (of Basel III), for Liquidity (LCR). **Mexico** has a “4” concerning Basel II. When it comes to Basel 2, 5 there is a “1” and a “4”; In fact “1” concerns provisions other than the Pillar 2 and “4” goes to Pillar 2 provisions. There is a “4” for Risk-based Capital while the Code Number for both G-SIB and Liquidity (LCR) is “1”. The **Netherlands** have a “4” for both: Basel II and for Basel 2, 5. There is a “3” for each of the 3 following: for Risk-based capital, for G-SIB/D-SIB requirements and for Liquidity (LCR). For all of the 3 there is the comment “Follow EU process”, while the same comment is when it comes to Leverage ratio. For **Russia**, there is a “1” and “4” for Basel II. The Code Numbers “1” and “4” for Basel 2,5 . “3” for Risk-based capital. The Code Number “1” for each of G-SIB/ D-SIB requirements and for Liquidity (LCR). **Saudi Arabia** has a “4” for the following three: for Basel II, for Basel 2,5, for Risk-based capital. A “1” for G-SIB/D-SIB requirements. A “4” for Liquidity (LCR). **Singapore** has a “4” for Basel II, for Basel 2, 5 and for Risk-based capital. A “1” for G-SIB/D-SIB requirements and for Liquidity (LCR). **South Africa** has a “4” for the first three. A “3” for the next two. The banking programmes of **Spain, Sweden, Switzerland, Turkey** (even in progress) are in accordance with the BCBS’s regulations (in cooperation with the Central Banks of each member-country of the above). The **United Kingdom** has a “4” for each of the two: not only for Basel II but for Basel 2,5 as well. There is a “3” for the Risk-based capital and “1” for each of G-SIB/D-SIB requirements as for Liquidity (LCR) too. The **United States** have a “4” for Basel II and a “3” and a “4” concerning Basel 2, 5. There is a “3” for the Risk-based capital and “1” not only for G-SIB/D-SIB requirements but for Liquidity (LCR) too. The **European Union** (lots of countries together), have a “4” for both Basel II and Basel 2, 5 and a “3” for: Risk-based capital, G-SIB/D-SIB requirements, Liquidity (LCR).

The Greek Reality of Banking Supervision – Bank of Greece

The Tasks of Bank of Greece

The role of Bank of Greece seems to be rather complicated as it is interrelated with many and basic aspects of Financial and Economic Life. The tasks of it are divided into Eurosystem-related tasks and other tasks (<http://www.bankofgreece.gr/Pages/en/Bankresponsibilities.aspx>):

Eurosystem-Related Tasks (Monetary Policy, Foreign Exchange and Reserve Assets, Payment and Settlement Systems, Financial Systems, Financial Stability, Statistics, Banknotes and coins).

Other Tasks of Bank of Greece (Supervision, Payment and Securities Settlement System, Reserve Assets, Treasurer and Fiscal Agent of the Government, Statistics, Research and Publication).

Banking Supervision in Greece

As for Supervision, it becomes more than apparent that The Bank of Greece is responsible for supervising credit institutions and certain categories of enterprises in the financial sector.

The Greek Banking Supervision is undertaken by The Bank of Greece in cooperation with BCBS. Supervision is conducted in accordance with the Basel II framework based upon the Greek Law.

The rules established by the Bank of Greece include authorization and control of solvency, liquidity, capital adequacy and concentration risk of supervised institutions, adequacy and efficiency of corporate governance and internal control systems, involving Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) procedures (according to a BCBS analysis of 15 January 2014, Sound ML/FT risk management has particular relevance to the overall safety and soundness of banks and of the banking system as well). The Bank of Greece is also responsible for transaction transparency and the clarity of transaction terms. Its Supervisory tasks also include monitoring and implementation of the relevant institutional framework.

The supervised institutions by The Bank of Greece are: credit institutions authorized in Greece, subsidiaries/branches of Greek credit institutions abroad, exchange bureaus, leasing companies, factoring companies, credit companies, money brokers, institutions that have notified of their intention to provide services on a cross-boarder basis, money transfer companies and representation offices in Greece.

(<http://www.bankofgreece.gr/Pages/en/Supervision/SupervisedInstitutions/default.aspx>).

The Greek Supervisory Framework, as previously stressed, is in consistent with the Basel principles. To begin with Law 3601/2007 (as modified by Laws 3693/2008, 3746/2009, 3862/2010 and 4002/2011) and besides Bank of Greece Governor's Acts 2577/2006, 2595/2007 and 2597/2007, relate to the internal Control Systems (ICS), including the auditing, the compliance and the risk management functions, to the Pillar 2 (ICAAP and SRP). There are the regulations 285/6/09.07.2009 and 290/12/11.11.2009, constituting the institutional framework for the prevention of the use of the financial system for money laundering and the financing of terrorism.

CONCLUSION

This paper is an overview of the implementation of the rules of Financial Banking. Actually, it is about the regulations of Basel BIS and how they are set through the latest years. The Greek reality is presented too and moreover in relation to the Banking Finance.

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