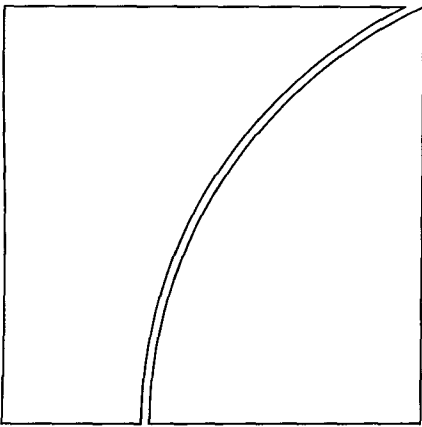


Basel Committee on Banking Supervision



Regulatory Consistency Assessment Programme (RCAP)

Assessment of Basel III risk-based capital regulations – Mexico

March 2015



BANK FOR INTERNATIONAL SETTLEMENTS

Contents

Preface 3

Executive summary 5

Response from the Mexican authorities 7

1 Assessment context and main findings 8

 1.1 Context..... 8

 1.2 Structure of the banking sector10

 1.3 Scope of the assessment10

 1.4 Main findings.....12

2 Detailed assessment findings.....22

 2.1 Scope of application.....22

 2.2 Transitional arrangements.....23

 2.3 Pillar 1: Minimum capital requirements23

 2.3.1 Definition of capital23

 2.3.2 Capital buffers (conservation and countercyclical)23

 2.3.3 Credit risk: Standardised Approach.....25

 2.3.4 Credit risk: Internal Ratings-Based Approach25

 2.3.5 Securitisation framework.....26

 2.3.6 Counterparty credit risk framework27

 2.3.7 Market risk: The Standardised Measurement Method27

 2.3.8 Market risk: Internal Models Approach29

 2.3.9 Operational risk: Basic Indicator Approach and the Standardised Approach29

 2.3.10 Operational risk: Advanced Measurement Approaches.....29

 2.4 Pillar 2: Supervisory review process.....30

 2.5 Pillar 3: Market discipline.....30

 2.6 List of observations and other findings31

 2.6.1 Operational risk: Advanced Measurement Approaches.....31

 2.6.2 Pillar 2: Supervisory review process31

 2.6.3 Pillar 3: Market discipline.....31

Annexes32

 Annex 1: RCAP Assessment Team and Review Team32

 Annex 2: Implementation of the Basel framework as of cut-off date33

 Annex 3: List of capital standards under the Basel framework used for the assessment.....34

Annex 4: Local regulations issued by the Mexican authorities for implementing Basel capital standards35

Annex 5: Details of the RCAP assessment process36

Annex 6: List of rectifications by the Mexican authorities.....37

Annex 7: Assessment of the binding nature of regulatory documents44

Annex 8: Key financial indicators of Mexican banking system.....46

Annex 9: Materiality assessment48

Annex 10: Areas where Mexican regulations are stricter than the Basel minimum standards.....49

Annex 11: List of approaches not permitted under the Mexican regulatory framework52

Annex 12: List of issues for post assessment follow-up.....53

Annex 13: Areas for further guidance from the Basel Committee.....55

Annex 14: The Mexican authorities’ summary of their implementation of the Pillar 2 supervisory review process.....56