

What is Basel II?

The International Convergence of Capital Measurement and Capital Standards: a Revised Framework (*Basel II*) offers a new set of standards for establishing minimum capital requirements for banking organizations – the amount of capital reserves financial institutions are required to hold to meet their credit, operational and market risks.

Basel II was prepared by the Basel Committee on Banking Supervision, a group of central banks and bank supervisory authorities in the G10 countries and enhances standards introduced in 1988.

Who is affected?

Basel II is an international framework for banks and some investment firms such as those who engage in commodity and derivatives trading. The Accord is not mandatory and national regulators may choose how to apply the agreement. For example, in the EU, it will be implemented via the Risk Based Capital Directive, also known as The Capital Requirements Directive (CAD 3). The US Federal Reserve has indicated that only the top 10 to 12 US banks need to comply. Other countries including India and China have stated that they do not intend to implement the Accord.

What does Basel II have to do with information management?

Basel II Accord seeks to ensure that banks evaluate and measure operational risk setting out rules for assessing risk. These rules are contained throughout the framework and often include time frames. For example, section 478 states that “estimates of EAD (exposure at default) must be based on a time period that must ideally cover a complete economic cycle but must in any case be no shorter than a period of seven years.”

These rules have an impact on information management because they will govern how long data and documents must be retained.

What do companies have to do to comply with Basel II rules?

Since the Accord will be implemented differently in different countries, companies should consult the appropriate regulator in their region to determine what they need to do and to ensure they understand the penalties for non-compliance.

How can we help?

Records management processes should include guidelines for document retention and procedures for the timely, secure destruction of documents once the required retention period ends. Companies who are required to comply with the *Basel II* framework and related directives are encouraged to contact us as they review their document management needs.

For more information:

Information and Privacy Commissioner of Alberta –
<http://www.oipc.ab.ca/>

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