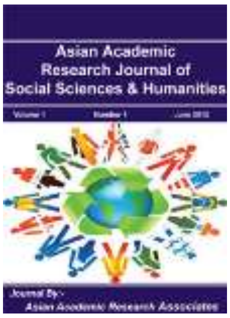
AARJSH VOLUME 1 ISSUE 7 (JANUARY 2013) ISSN : 2278 – 859X

AARA

A Peer Reviewed International Journal of Asian Academic Research Associates

AARJSH

ASIAN ACADEMIC RESEARCH JOURNAL OF SOCIAL SCIENCE & HUMANITIES



NEW LIQUIDITY AND CAPITAL STANDARDS: ISSUES AND CHALLENGES

DR. RAMESH GOLAIT*; C. VANLALRAMSANGA**

*Officer on Special Duty,
G20 India Secretariat, Department of Economic Affairs,
Ministry of Finance, Govt of India, New Delhi

** Deputy Secretary,
G20 India Secretariat, Department of Economic Affairs,
Ministry of Finance, Govt of India, New Delhi

ABSTRACT

The recent financial turbulence has exposed serious weaknesses in conventional micro-prudential supervision and regulation of the financial sector. This global financial stability is still not assured and significant policy challenges remain to be addressed. It also brought into focus the question of the effective role of regulators in financial regulation, both in normal market conditions and at the times of serious financial stress. In a positive term, this global financial crisis has given an opportunity to the financial regulators for a fundamental change in the existing structure and approach of probable risks and regulation in the financial sector. The G20 as a premier forum endorsed the BCBS's new minimum capital and liquidity framework, which require more and higher quality capital to improve the ability of banks to withstand shocks globally. There are concerns that despite the Basel III framework being agreed by the G20 members in principle, actual implementation may have to face many challenges, which deviate across various regions. The success of Basel III will largely depend on robust planning, strategic and effective and smooth implementation of these new sets of proposals, especially when the new framework is being implemented at a critical time when several factors are influencing shape of the financial system in the aftermath of the crisis.

KEY WORDS: *Financial regulation, Banking, financial crisis*