Jersey Financial Services Commission

Feedback on Basel III Prudential Roadmap: advanced approaches, systemic importance, the NSFR and the leverage ratio

Issued: January 2026

Consultation feedback

This paper summarises the responses we received to consultation paper No. 5 2025.

In this feedback paper, we address industry responses to our proposals concerning:

- advanced approaches to credit risk and the output floor
- systemic importance and the systemic buffer
- the Net Stable Funding Ratio
- the leverage ratio

Further enquiries concerning the consultation may be directed to:

The Policy team

Jersey Financial Services Commission

PO Box 267

14-18 Castle Street

St Helier

Jersey

JE4 8TP

Telephone: +44 (0) 1534 822000

Email: policy@jerseyfsc.org

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1 Executive summary

Introduction

In March 2024, we published our consultation on the Basel III prudential roadmap. This included a timeline for detailed consultations, including capital requirements, operational and credit risk, liquidity and leverage requirements and prudential reporting. These will take place ahead of implementation in H2 2027, with flexibility for banks to transition from H2 2026. Our approach would:

- be based on the UK's implementation
- be proportionate, flexible and simple
- address competitive disadvantages

As part of that work, in August 2025, we published a consultation paper on:

- advanced approaches to credit risk and the output floor
- systemic importance and the systemic buffer
- the Net Stable Funding Ratio (**NSFR**)
- the leverage ratio

This paper summarises responses received and our feedback.

The consultation also included a revised roadmap timeline, reflecting the UK's announcement of a delay to its implementation of Basel III until 1 January 2027, recent PRA consultations and feedback received from banks. As a result, the transition window will begin on 1 January 2027, and an additional consultation will be issued in Q4 2025 to address areas linked to the PRA's changes.

What did we do?

We held a workshop, open to all banks and met with all Jersey incorporated banks **(JIBs**).

All JIBs responded to the consultation and no other feedback was received.

What was proposed, what feedback did we receive, and how will we proceed?

For the advanced approaches and the output floor, we intend to follow the PRA's near-final rulebook, published in September 2024 as part of the PRA's policy statement PS9/24 Implementation of the Basel 3.1 standards near-final part 2 (**PRA PS9/24**).

For the systemic importance and the systemic buffer, we intend to designate banks that provide banking services to more than 9,000 Jersey retail clients as highly systemic. A 1.5% systemic buffer will apply to JIBs that are highly systemic and such banks will be subject to the NSFR and the leverage ratio, along with banks that have material overseas banking operations (i.e. not smaller banks that only operate domestically).

The NSFR and leverage ratio requirements will be derived from existing PRA requirements.

Respondents:

- had no concerns regarding any of the proposals
- had some requests for clarifications, which are addressed in Section 2, including:
  - that systemic importance should be based on the number of Jersey retail customers provided with banking services (and not account numbers)
  - that disclosures about highly systemic banks should be limited to the total number of such banks, with banks free to self-disclose if they choose

- that for the leverage ratio, the deduction for highly liquid assets should refer to our liquidity rules
- that the NSFR rules should be fully aligned with the PRA's rules

We therefore intend to proceed, subject to the clarifications set out in Section 2. All clarifications have been discussed with respondents to confirm they address the points raised.

Who would be affected?

The proposals would only directly impact JIBs, although branches could be designated as highly systemic. The paper was circulated to the Jersey Bankers Association (JBA) and its prudential sub-committee.

We also engaged with the Jersey Resolution Authority to ensure a joined-up approach to appropriate prudential regulation.

Implementing the Basel framework will indirectly impact the customers of banks in Jersey, whether it be our own adoption or implementation by home countries regarding branches.

Next steps

We will provide JIBs with near-final draft documentation by the end of Q1 2026.

Timeline:

- January 2026: consult on the remaining Codes changes required to implement the Basel III rules, including large exposures, trading book and securitisations and own funds
- H1 2026: publish the final prudential Codes, effective 1 July 2027, with optional early transition from 1 January 2027
- H1 2026: consult on changes to Pillar 2 (including Interest Rate Risk in the Banking Book) and prudential reporting
- H2 2026: implement changes to Pillar 2 and prudential reporting so that JIBs can transition in H1 2027

All aspects for JIBS will be live in H2 2027.

2 Consultation feedback

2.1 Advanced approaches and the output floor

2.1.1 We proposed following the UK approach, including PRA PS 9/24. This includes applying the output floor, except where a bank is a part of a foreign group that applies the output floor on consolidation.

2.1.2 Respondents had no concerns but asked for clarification on transitional measures.

Our response

We will proceed, initially by providing near-final drafts by the end of Q1 2026, including addressing the output floor within our requirements for capital.

We will discuss transitional matters with relevant banks. Wider Pillar 2 matters will be covered in our H1 2026 consultation, including where the changes lead to a significant change to Pillar 1 capital requirements.

2.2 Systemic banks and the systemic buffer

2.2.1 We proposed designating banks that provide transactional banking services to more than 9,000 Jersey retail customers as being highly systemic. Banks would be required to notify us following each year-end. A buffer of 1.5% would apply from H2 2027.

2.2.2 Respondents had no concerns, but asked for clarity on the exact definition, which referred to accounts.

2.2.3 We said we would notify home and host supervisory authorities if a bank was categorised as highly systemic and only publish information on the number of such banks.

2.2.4 Respondents had no concerns, but expressed some reservations about further disclosures.

Our response

We will clarify that systemic importance is based on the number of Jersey individuals or SMEs to whom the bank provides one or more transactional accounts.

We do not intend to publish anything beyond the total number of highly systemic banks. Banks may disclose their own status voluntarily when communicating with shareholders, auditors or depositors.

2.3 Leverage ratio

2.3.1 We proposed following the UK approach set out in the Leverage Ratio (CRR) section of the PRA rulebook, applying it only to highly systemic banks and those with material overseas operations.

2.3.2 However, unlike the PRA, we proposed not applying a systemic buffer.

2.3.3 Respondents requested clarification regarding:

› how material operations would be defined
› how the PRA’s central bank reserve carve-out would apply given differences in our liquid asset rules

- whether we would apply any requirements beyond the PRA's 3.25% Tier 1 capital ratio

Our response

Our intention is to exclude operations that have not started, are winding down or are not material to the JIB, in terms of prudential ratios and profitability.

We will link the carve out to our liquidity requirement for liquid assets, consistently with the intent of the PRA rules.

We will only implement the requirement for a ratio of 3.25% of Tier 1 capital, and do not consider that the systemic buffer or sub-limit for CET1 capital are necessary for Jersey.

2.4 NSFR

2.4.1 We proposed following the UK approach in the Liquidity (CRR) section of its rulebook (Appendix A-7), specifically in Title IV The Net Stable Funding Ratio, but only for highly systemic banks and those with material overseas operations.

2.4.2 Respondents asked for clarification on the treatment of material branches (as noted in the leverage ratio section) and how the PRA's liquid asset rules link to the NSFR requirements.

Our response

We will implement the PRA's rules, including its approach to liquid assets. Although our liquidity rules differ from the PRA's for short time horizons, we have no concerns with the PRA approach over the NSFR's one-year timeframe.

Glossary

Defined terms used throughout this consultation and herein are as follows:

AIRB	advanced internal ratings based
Banking Code	Code of Practice for Deposit-taking Business, as set out in the Banking Code: Main Body and several other documents addressing specific matters
Basel framework	international standard for the prudential supervision of internationally active banks, issued by the Basel Committee on Banking Supervision
roadmap	our plan for the implementation of Basel III in Jersey, set out in the roadmap consultation
BoE MREL SoP	the Bank of England's document titled "The Bank of England's approach to setting a minimum requirement for own funds and eligible liabilities"
consultation paper	our CP No. 5 2025 Basel III Prudential Roadmap: Advanced approaches, systemic importance, the Net Stable Funding Ratio and the leverage ratio
CRM	credit risk mitigation
Commission Law	Financial Services Commission (Jersey) Law 1998
December 2024 consultation	our CP No. 6 2024 Basel III Prudential Roadmap: 2024 H2 — Jersey Financial Services Commission
EAD	exposure at default
FIRB	foundation Internal Ratings Based
JBA	Jersey Bankers Association
JIB	Jersey incorporated bank
JFSC, we, us	Jersey Financial Services Commission
LGD	loss given default
PD	probability of default
PRA	UK Prudential Regulation Authority, part of the Bank of England
PRA PS9/24	PRA's policy statement PS9/24 Implementation of the Basel 3.1 standards near-final part 2
roadmap consultation	our CP No. 1 2024 Basel III Prudential Roadmap — Jersey Financial Services Commission (jerseyfsc.org)
RWAs	risk weighted assets
SACR	standardised approach to credit risk

SMEs	small and medium-sized enterprises