20 True or False

Decide, then check the answer and reason below each statement.

Question 1

Common Equity Tier 1 (CET1) minimum under Basel III is 4.5% of Risk Weighted Assets globally.

TRUE

Basel III sets the global CET1 floor at 4.5% of RWA, the base of the capital ladder.

Question 2

The global minimum Total Capital (CRAR) under Basel III is 9% of Risk Weighted Assets.

FALSE

The global Basel III minimum for Total Capital is 8% of RWA; India alone raises it to 9%.

Question 3

The Reserve Bank of India requires Indian banks to maintain Total CRAR of at least 9% of RWA.

TRUE

RBI sets a stricter 9% total capital requirement than the global 8% Basel III floor.

Question 4

The Leverage Ratio under Basel III is a risk-weighted measure like CRAR.

FALSE

The Leverage Ratio is a non-risk-based backstop that ignores risk weights entirely.

Question 5

The minimum Leverage Ratio requirement under Basel III is 3% of Total Exposure.

TRUE

Basel III sets Tier 1 Capital divided by Total Exposure at a 3% minimum floor.

Question 6

The Liquidity Coverage Ratio (LCR) is designed to ensure funding stability over a one-year horizon.

FALSE

LCR covers a 30-day stress scenario; the one-year horizon is measured by the NSFR.

Question 7

Both the LCR and NSFR carry a minimum requirement of 100% under Basel III.

TRUE

Basel III sets both the 30-day LCR and the one-year NSFR at a 100% minimum.

Question 8

The Countercyclical Capital Buffer (CCyB) is fixed permanently at 2.5% of RWA.

FALSE

The CCyB ranges from 0% to 2.5% and is switched on by regulators during credit booms.

Question 9

The Capital Conservation Buffer (CCB) under Basel III is 2.5% of RWA, held as CET1.

TRUE

The CCB requires banks to hold an extra 2.5% of RWA in CET1 as a loss cushion.

Question 10

Tier 2 capital is considered the highest-quality, purest form of bank capital under Basel III.

FALSE

CET1, not Tier 2, is the highest-quality and most loss-absorbing form of capital.

Question 11

Additional Tier 1 (AT1) capital instruments are perpetual and have no fixed maturity date.

TRUE

AT1 instruments are perpetual hybrid instruments with discretionary coupon payments.

Question 12

Basel II already introduced the LCR and NSFR liquidity ratios before Basel III.

FALSE

Basel II had no formal liquidity ratios; Basel III introduced both the LCR and NSFR.

Question 13

Basel III was introduced by global regulators largely in response to the 2008 Global Financial Crisis.

TRUE

The 2008 crisis exposed weak capital and liquidity, prompting the Basel III reforms.

Question 14

Indian banks are permitted to hold Total Capital as low as 8% of RWA, matching the global minimum.

FALSE

Indian banks must hold Total Capital (CRAR) of 9% of RWA, above the 8% global floor.

Question 15

The Basel III output floor requires internal-model RWA to be at least 72.5% of standardised-approach RWA.

TRUE

The output floor prevents banks from pushing modelled RWA too far below the standardised value.

Question 16

The Basel III output floor permits internal-model RWA to fall to as low as 50% of standardised RWA.

FALSE

The Basel III final-reforms output floor is set at 72.5% of standardised RWA, not 50%.

Question 17

Common Equity Tier 1 (CET1) mainly consists of subordinated debt instruments.

FALSE

CET1 mainly comprises equity share capital, share premium and retained earnings, not debt.

Question 18

Systemically important banks (G-SIBs and D-SIBs) carry an additional CET1 surcharge of 1% to 3.5%.

TRUE

Larger, more interconnected banks hold an extra CET1 buffer of 1% to 3.5% under Basel III.

Question 19

The Net Stable Funding Ratio (NSFR) minimum requirement under Basel III is 50%.

FALSE

The NSFR minimum requirement under Basel III is 100%, matching the LCR minimum.

Question 20

CET1 and Additional Tier 1 (AT1) together make up a bank's Tier 1 capital.

TRUE

Tier 1 capital, the going-concern capital, equals CET1 plus AT1 under Basel III.