ASSESSMENT OF GLOBAL ECONOMIC AND FINANCIAL REFORMS IN DEVELOPING COUNTRIES: EVIDENCES FROM SUB-SAHARAN AFRICA (SSA)

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Abstract

The global economic and financial crisis that emanated from the fact that industrialized economies has greatly shackled the growth and development of the developing countries, including the SSA countries. In order to set free the global village from this menace, different institutions (global, regional and national) proposed and implemented several programs to guide against distortions that are likely to befall the world at large. This study assessed the effects of different global economic and financial reforms by these institutions on the economic activities of developing countries, with a focus on SSA region. Findings revealed that developed countries enjoyed more voting rights at the expense of developing countries at major summits, which have undermined the voice of poor nations. Adequate justice was not proffered in the aspect of the international reforms since they failed to consider the three factors (reach, range, and reason) identified by Amartya Sen that are critical to the success of any reform in relation to many developing countries. Consequently, African needs to deliberate the issue beyond the narrow financial agenda brought forward by the ruling international institutions.

Keywords: Economic crisis, financial crisis, reforms, growth, development, SSA countries.

JEL Classification: G01, O43, O10, P41.

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I Introduction

Historically, the global integration of the world economy, most especially through trade has been an important mainspring of growth in countries at different developmental stages. Countries integrating were able to provide the needs of their fellow trading partners. For instance, countries that were industrializing had access to food and raw materials in primary commodity-producing countries, while developing countries were assisted in their development by the demand for raw materials and improve international investment. This has resulted in trade specialization, increased income level, and cultural, political and social gains. Although, many developing countries find it difficult to compete and demand for industrial goods in the recent time but still benefit from the integration. Aside the shortcomings peculiar to different developing countries, the global world economic crises have also contributed to the downturn of these economies.

Amidst these global crises, a bubble burst of the United State housing market that resulted in a severe global recession in 2008 ever since the last great depression in 1930s. At some point in the global financial and economic crisis, credit flows froze, lender confidence dropped, and economies around the world dipped toward recession (Arieff, Weiss & Jones, 2010). Some of the causes identified are huge imbalances between the United State (deficit) and some emerging economies surplus (China), weak financial institution, exchange rate problem, inadequate regulatory control and credit default swaps. This much announced crisis has caused a lot of downturn in government revenue, fall in the exchange rate, unfavourable balance of payment, stock market crash, and rising unemployment level and inflation rate in developing countries as well as Sub-Saharan Africa.

The region has been strongly affected by the global recession, despite initial optimum that the global financial system would have spill-over effects on the continent. Scholars have seen the crisis as being driven by the reversal of the three positive shocks that developing countries experienced during the recent boom i.e. rapid growth of remittances, capital flows and trade through high commodity prices (Griffith-Jones & Ocampo, 2009). However, Africa as a continent has been affected through a contraction in global trade and a related collapse in primary commodity exports in which many countries are dependent. Correspondingly, foreign investment and migrant worker remittances also decrease significantly. If the crisis persists,

some analysts predicted low in trade, domestic and foreign investment and cut in foreign aids (see Figure I & II) in the medium term (Arieff et al, 2010). Some of the Africa's countries affected by the downturn are Nigeria and Angola in a revenue drop owing to the fall in global oil prices. Nearly over two decades, South Africa economy has experienced a recession for the first time, and Botswana noticed as having solid macroeconomic governance sought for international financial assistance to cope with the crisis downturns.

[*Insert Figure I & II*]

Different reforms and programmes have been formulated to tackle the crisis at global, regional and national level. International institutional organizations like the G-20, International Monetary Fund (IMF), International Labour Organization (ILO) etc. also responded to the issues relating to the crisis. The G-20[1] tried to monopolize the topic by organizing summits towards resolving the crisis where others came as observers, but many criticized that the institution is not a legitimate body to resolve this issue and that it is the United Nations that should be given the mandate to deal with the issues since the crisis surfaced as a result of uneven distribution of wealth and power (SOLIDAR, 2009). Others queried that the UN is not equipped to deal with such issues and that the G-20 represents 90 per cent of the world's population including income (SOLIDAR, 2009). Whereas, developing countries including Africa opted for support to deal with the crisis they did not create and a move towards a more inclusive international financial system. Noting the support for free trade and commitment to the Doha round by developed and emerging economies, Africa needs to find a way to voice its views and position which were not being considered.

On the basis of the foregoing, this study examines the effects of global economic and financial reforms in developing countries streamlined to the Africa economy. Some salient questions are raised in the course of this study, i.e. what were the reactions in terms of the policies of the global, regional and national institutions towards tackling this global crisis? Are these reactions favourable to the economies of the SSA countries? What are the lessons for Sub-Saharan African countries in case of future insurgent? These questions have awakened a broad reassessment of

[1] A self-selected club of rich and emerging economies, in which the voice of the poor and most vulnerable is not likely to be heard or open to civil society in a formal sense. It includes Argentina, Australia, Brazil, Britain, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, United States and the European Union.

integration between different economies (developed and developing), which remain as a key dynamic of all development strategies.

Invariably, the study found that the global reforms have lesser concerns for developing countries including Africa in terms of funding, participation and recognition. Therefore, African countries need to form supporting alliances that would make her region stand out as some Eastern Asian countries are still doing to make the economy viable for foreign partnership. Conversely, this study concluded that most of these international reforms failed to consider the three factors (reach, range, and reason) identified by Amartya Sen (Fanelli & Squire, 2008) that are critical to the success of any reform in the case of many developing countries. The remainder of this paper is divided into three sections. Section II provides a brief report of institutional efforts towards tackling the global financial crisis. Section III highlights lessons for Sub-Saharan African economies and Section IV concludes the study.

II Institutional Efforts towards Tackling the Global Financial Crisis[2]

In the academic world, many scholars have shown interest with the international initiatives on the global financial and economic crises. Amidst these institutions are the Basel Committee on Banking Supervision (BCBS), the G-20, United Nation, international financing institutions, regional efforts such as the European Union, African Union Commission etc.

2.1 Basel Committee on Banking Supervision (BCBS)

The first effort to tackle the global financial crisis, including measurement of risks inherent in its architecture was initiated by the G20 that established the Financial Stability Board FSB) in the mid of 2009. After its creation, the BCBS and the FSB came together to draft the Third Basel Accord. This new body was designed to provide a formal setting where governments can compare policy experiences, identify best practices and coordinate domestic and international policies (Bernabe and Jaffar, 2013). Their collaborations resulted in the draft of three consultation documents (strengthening the resilience of the banking system, an international framework for liquidity risk management and standard, monitoring and principles for enhancing corporate governance), which were circulated and requested for comments throughout 2010.

[2] Tella, A. (2014). Appraising the effect of global economic and financial reforms on African economies (unpublished).

The first requirement made by the new Basel III rules was the capital adequacy, which aimed towards strengthening both the quantity and quality of banks' capital to improve the banks' ability to survive a crisis (see Table I for the summarized quantity requirements). Furthermore, the main innovations mandated increases in the minimum common equity capital ratio from 2% to 4.5% and the minimum Tier 1 capital ratio from 4% to 6% by January 2015, and the introduction of a "capital conservation buffer" in 2016 that will rise to 2.5% by 2019 to increase the ability to withheld periods of high stress (Bernabe and Jaffar, 2013). However, the quality aspect includes mainly gradually phasing out some less liquid assets from the definition of Tier 1 capital, including deferred tax assets (DTAs), mortgage servicing rights (MRS), and shares of financial institutions. Capital instruments that no longer qualify as non-common equity Tier 1 capital or Tier 2 capital will be phased out over a 10 year horizon beginning 1 January 2013, and Tier 3 capital is eliminated altogether.

[*Insert Table I*]

Another area that the rule also puts a floor under the build up of leverage in the banking sector by requiring that the ratio of capital to (un-weighted) assets be at least 3%. Consequently, other measures relating to capital requirements of the rule includes: strengthening capital requirements for counterparty credit exposures arising from banks' derivatives, repo, and securities financing transactions; raising the capital buffers backing these exposures; providing additional incentives to move OTC derivative contracts to central counterparties (mainly clearing houses); and, providing incentives to strengthen the risk management of counterparty credit exposures.

2.2 The G-20

As earlier stated that the G-20 represents 95% of the world GDP and 90% of the world's population, but excludes 2.6 billion people and 172 countries where most parts are impoverished. Sachs (2009) said the group put itself on the throne, rendering the legitimacy of decisions with global impact questionable. SOLIDAR (2009) summarizes the outcome of the last summit in which campaigners were able to force the question of development on the agenda at the summit. Some of the key commitments are:

a) It was agreed that $1.1 trillion extra money to be set for the International Financial Institutions (IFIs), which comprises of $250 billion in IMF Special Drawing Rights; $500 billion new contributions by governments to the IMF; $250 billion in trade finance; $100

billion extra via multilateral development banks and around $6 billion or so for low-income countries to be funded by IMF gold sales. Of this money, only $50 billion is clearly earmarked for low income countries. The UN is asked to “establish an effective mechanism to monitor the impact of the crisis on the poorest and most vulnerable. Some of the low-income country money will be channelled through the World Bank’s Vulnerability Fund;

b) There is language on tax evasion and tax havens, but most of the major tax havens, including European ones, will escape censure as will companies which practice other forms of tax evasion;

c) The secretive Financial Stability Forum will be strengthened and renamed the Financial Stability Board, with new members including all G20 members, Spain and the European Commission – there are no or few developing country representatives on this forum or they have little say, and there is only ‘dialogue’ with business, not any with civil society organisations;

d) The communication states that IFI “mandates and governance must be reformed to reflect changes in the world economy”, but there is no detail on this. The IMF quota reform already agreed last year was re-announced and a further one pledged “by 2011”. The World Bank should propose further ways to change its governance “by 2010”;

e) Importantly for SOLIDAR, the G20 agreed “to support those affected by the crisis, by creating employment opportunities and through income support measures. They also promised to build a fair and family-friendly labour market for both women and men; support employment by stimulating growth, investing in education and training, and through active labour market policies, focusing on the most vulnerable”; and

f) After all, they agreed at the summit that 5% of IMF voting rights should be transferred from the over-represented to the under-represented countries. Moreover, 3% of the World Bank voting rights are to be shifted. At the same time, the summit emphasized that reforms of the IMF and World Bank mandate, mission and governance should be continued (G-20, 2009). External institutions were significantly more differentiated and critical in their opinions. Woods (2009) acknowledged IMF efforts for increased inflows

of funds, but criticized that up till now, less than 2% of the new IMF credits went to African countries.

2.3 International Financial Institution Actions

The World Bank through the International Monetary Fund (IMF) opined four essential reforms to tackle the crisis. On the first hand, the long-term reform is the creation of a meaningful and truly global reserve currency, which could be based on the IMF Special Drawing Rights (SDRs). This currency would therefore overcome both the inequities and the instability that is inherent in a global reserve system based on a national, or a few national currencies (Ocampo, 2007-8). The SDRs can also be used to provide counter-cyclical official liquidity to developing countries. The second issue identified is the need to place the IMF at the center of global macroeconomic policy coordination, which will give developing countries a voice on the issue. An urgent issue is needed for the financial institutions to lend during balance of payments crises at sufficient scale, and without overburdening borrowers with the conditionalities of the past, since the sources of the crisis are exogenous, such as a rapid reversal of capital flows and/or a sharp deterioration in the terms of trade. Some of the policies and measures taken by IMF are:

a) **Massive Stimulation Programmes:** The IMF advocated massive stimulation programmes to the industrialized countries crashed by the crisis with lower emphasis on developing countries. As a result, the developing countries accused the organization of double standards in view of their previous experience with its stringent conditions. Thus, the developing countries urged the IMF to at least set up the reforms on voting rights and other government queries.

b) **Expansion of Instruments for Credit Grant and its other Financial Resources:** The instrument expansion allows for credit flexibility which stands as a precautionary measure for countries. However, these policies are considered to be good and also reverberated macroeconomic data. This, however stimulates the simplicity of credit condition and also enhances credit line (Press Release, 2009a). The instruments of the poorest countries were also not left out unreformed (Press Release, 2009b).

c) **Design and Develop its Own Resources:** The IMF created US$ 283 billion new special drawing rights, and US$ 110 billion for developing countries where US$ 20 billion from this sum was dedicated to the poorest countries (Press Release, 2009c) in 2009. In the

same year, the Executive Council permitted the IMF to sell 400 tonnes of gold (Press Release, 2009d).

d) **Aids and Grants:** For instance, fifteen (15) countries that applied for credit at the end of 2009 were granted aids (IMF 2009a). In the case of the poorest countries, the IMF commitment had helped to make way for effective programs since the conditionalities have been simplified and limited (IMF, 2009b).

Since the IMF was not more active at the beginning of the crisis, it has been emphatically accused of not having the foresight neither to the scale of the financial crisis nor when the crisis would break (Gurtner, 2010). However, they exercise more strength or became more active as the crisis spreads. Following the policy measures of the IMF, the developing countries and non-governmental organizations are dissatisfied with the extent and pace of the institutional reforms. They advocated for implementation of quota reform and revision of voting rights in which the developing countries called for at least 7% to become the majority (Gurtner, 2010).

2.4 United Nations

The United Nation set out a plan for dealing with the short-term effects of crisis and some systemic issues mitigating development. Some social groups like the SOLIDAR etc. successfully advocated for language on decent work, tax havens and some pertinent issues to be part of the outcome document. One of the key issues raised in the conference was the resistance by some countries, remarkably the outgoing US administration to allow the UN system to take the lead in the discussions around the creation of a new global financial and economic system. They reached an agreement to set up a commission of experts on "Reforms of the International Monetary and Financial System" which was chaired by Professor J. Stiglitz, in order to provide recommendations and inputs into the conference. The committee produced a draft copy of their outcomes, some of their principal relevant recommendation are:

a) They urged the industrialised countries to dedicate 1% of their stimulus packages to offset the impact of the financial crisis to developing countries, besides the traditional official development assistance commitments;

b) They proposed for an urgent creation of new credit facility as a mean of disbursing the necessary funding. It was suggested that the governance of the new facility should be

more reflective of democratic principles with strong representation of the developing countries as well as the countries contributing to the facility, which could provide lessons for reforming existing institutions;

c) They insist on the avoidance of conditionalities in regards to their recommendations that induce "procyclical" policies which many countries are still required to pursue by the IMF even as these policies contribute to the crisis. They further explore a variety of mechanisms of innovative financing for development, including international taxes (i.e. carbon tax and financial services tax); and

d) On the issue of trade, they noted that many bilateral and multilateral trade agreements contain commitments that circumscribe the ability of countries to respond to the current crisis with appropriate regulatory, structural and macroeconomic reforms and reform packages. Therefore, developing countries need policy frameworks that can help protect them from regulatory and macroeconomic failures in systemically significant countries etc.

The SOLIDAR (2009) gave credit to the recommendations provided by the commission, which was well received by the UN General Assembly and the G-77 (s grouping of developing countries) for providing a basis for the fundamental reforms of the global economic system. The report also encourages joint advocacy among governments, NGOs, social movement and trade unions. Unfortunately, the report receives a less warm welcome from European Union and the government of other developed countries. They ignore the role the United Nations is taking towards reforming global governance beyond issues affecting developing countries. It indeed leads to their resistant to many of the recommendations, especially on trade and other non-financial issues (SOLIDAR, 2009). In order to weaken the stronger recommendations, they threatened to pull political support for the entire conference process. Eventually, the more important role fell to the G-20 and the Bretton Woods Institutions despite the analyses, staged conferences/seminars and proposed measures put forward by the UN as a "G-192" and its sub-organizations.

2.5 Regional Efforts

European Union

The union issues its annual review a few days after the G-20 summit, which shows the strategies intended towards combating its Monterrey Consensus Commitments. The document also includes an overarching means of helping developing countries face the crisis. This formed the basis for the discussion with Member States at the General External Affairs and Relations Council (SOLIDAR, 2009). In the words of SOLIDAR (2009), the summary of the EU measures is as thus:

"The Commission will anticipate its aid payments in the total amount of €4.3 billion in 2009, i.e. 21% of the European Development Fund 2008-2013 for the African, Caribbean and Pacific (ACP) states. This sum includes €3 billion as budget support and €800 million (of €1 billion) under the food facility adopted in December to help farmers from poor countries. The remaining €500 million will finance social safety spending in the most vulnerable countries. In addition, to support economic activity, the EC will double its contribution to the Infrastructure Trust Fund for Africa, adding €200 million more in 2009 and 2010. This money should provide leverage for the implementation of €2.5 billion in low-interest loans for infrastructure development (transport, water, energy and telecommunication)."

Some of the flaws in the formulated policy measures by the union are as follows:

a) No comments were made in regards to new aids, and also on members that have made cut on their ODA. However, there was the reiteration of only the collective target which can easily be neglected. This is because countries that are willing to meet their commitment prefer not to be pulled out;

b) The bulk of funds were channelled through the European Investment Bank (also EU-Africa, World Bank and regional development banks, etc.) to infrastructure investment despite recognizing the importance of investing in social safety nets, boosting employment and agriculture investment. Therefore, investment in agriculture still went through €1 billion food facility where only a small part is dedicated to small scale agriculture and also in the form of export credit guarantees;

c) More power was given to the European Investment Bank, whose purpose is not on poverty reduction, but on the infrastructure towards pushing economic growth for its members;

d) They however advocated heavily on the need for developing countries to reform their taxation systems without recognizing the role of the union's own tax havens and unfair tax practices on development;

e) The most recent threat "global warming" facing the world in general was hardly mentioned, nor suggest additional funding for climate change adaptation; and

f) They proposed the need to reform the quota formula to calculate the voting weight of the shareholders of the IFIs, but there is no mention of the need for EU governments to consolidate their representation within these institutions to free-up space for developing countries (SOLIDAR, 2009).

African Union Commission

The African Union Commission (AUC) jointly held meeting in Tunisia, on 2008 with the Economic Commission for Africa (ECA) and the African Development Bank (ADB) to discuss the implications of the financial crisis and also proffer appropriate policy to suppress its effects in Africa. Their supports were more of policy, regulatory and research support compared to other institutions like the European Union which provided liquidity supports for its region. In the area of liquidity, the African Development Bank took an impressive measure to improve access to long-term credit financing mostly on improving the state of economic infrastructure. The financial institution established a $1.5 billion emergency liquidity facility to provide fast and exceptional support to eligible countries (). In addition, it organized a $1 billion trade finance facility to improve trade finance, portfolios restructuring, co-financing for funds seekers, trust fund reviews as well as enhancing the trust fund to supplement African Development Fund countries' existing resources.

In the area of their major supports, the Economic Commission for Africa (ECA) provides technical support to Africa countries ever since the beginning of the crisis. High-level meetings were also organized to African countries and supports were given to the Committee of 10 Ministers and Governors of Central Banks. Technical support and advisory services were

adequately presented to the international community, most especially the G-20 to ensure that Africa voice and views are heard.

During the meeting, they came out with policy options that bail out the Africa countries from the inherited crisis (AUC, 2009):

a) African countries were urged to identify areas that need improvements by reviewing their regulatory and supervisory regimes;
b) Needs for expanding the economic reform of African countries in order to lay the foundation for sustainable growth and to minimize the effects of crisis on development;
c) They advise the government to minimize the potential negative social impact of the crisis by advocating for social protection and pro-poor expenditure;
d) The region is known for its shrinking domestic resource base from export decline, unfavourable remittances and tourist receipts, aids as being suggested by the Monterrey and G-8 summit must also increase; and
e) The voice and representation of the developing countries in reforming the governance of the international financial institutions were also supported.

III Lessons for Sub-Saharan Africa Economies

At the beginning of the global financial crisis, many African leaders insisted that the continent would not be hit by the rampage. Their stand was that developing countries like Africa are not responsible for the crisis; therefore, we may not be seriously affected, if at all the crisis is going to hit us. After sometimes, the force of the crisis became apparent on Africa economies and also on other transitory economies. For instance, many Africans working abroad in some of the affected countries started losing their jobs in thousands, which later affected their remittances to their home countries (Akanni, 2013). Balogun (2009) identified countries like South Africa, Nigeria, Ghana, Kenya, Botswana etc. that were first hit through a sharp drop in stock exchange, market capitalization, reduced budgetary revenues, falling external reserves and general market depreciation.

The crisis also hit the income growth of the Sub-Saharan African economies (see Figure III). IMF (2009c) noted that the level of growth in the economies of the Sub-Saharan African countries slides from about 4.91 percent in 2008 to about 2.04 percent in 2009 because there was projection of more pronounced global downturn, weaker commodity prices and higher pressure

on capital flows. Many of these countries rely on both direct donations and aids which are cut by the developed countries whereas some failed to make their pledge. These funds are used to augment government spending employed in transforming and rebuilding their economies. The threat from the crisis affects the sub-regional growth rate to be threatened since the atmosphere of the global village became uncertain. Unfortunately, this revealed that no Sub-Saharan countries (even the South-Africa who is a member of the G-20) are safe from the retarded growth rate inherited in the global economic and financial crisis.

[*Insert Figure III*]

This hard-hit crisis that slows the growth of the global economy has, however reduced the demand for African exports, pushed prices of commodity downwards and cut back the flow of remittances from abroad. With many of the Sub-Saharan African having a growing population rate, its per capita growth continues to sink. Also, many organizations restructured by dismissing some of its staff so as to cope with the current situation at hand. Corporations' action eventually led to stockholders disposing their stake form organizations because of future failure. The World Bank (2009a) also noted that the tightening of global credit had reduced capital inflows and pegged down the availability of trade finance. Akanni (2013) further opined that this downturn may affect the quality of the credit portfolio of financial institutions, and indeed impose losses on other financial assets. According to the IMF (2009), developing countries including Sub-Saharan Africa countries are harder hit by the global financial and economic crisis compared to the developed countries that actually caused it.

Aside the effect of the recent global crisis on the growth rate of financial, other institutions as well as the whole economy, it has also trickled down on the living conditions of the Sub-Saharan African population. With reference to the statement of the United Nations Educational, Scientific and Cultural Organization (2009), it was estimated that the fall in growth cost an average of 390 million poor people (surviving on an equivalent of US$1/day) in Africa majorly from the Sub-Saharan region to survive for a day. Equivalents of one-fifth fall in average per capita income (Gurtner, 2010). Perhaps, the level of unemployment in SSA countries jumped to 7.66% at the end of 2009 (WDI, 2013: see Figure IV). Prior to the end of 2009, the World Bank (2009b) predicted that as many as one third of low-income countries would be affected in which three-

quarter would be from south of the Sahara. The crisis subjectively affected many developing countries, which has made the Millennium Development Goals (MDGs) faded in distance.

[*Insert Figure IV*]

IV Conclusion and Policy Outlooks

This research paper assesses the effects of different global economic and financial reforms by these various institutions on the economic activities of the developing countries, with a focus on Sub-Saharan African region. The study found that the global reforms have lesser concerns for developing countries including Africa in terms of funding, participation and recognition. Therefore, African countries need to form supporting alliances that would make her region stand out as some Eastern Asian countries are still doing to make the economy viable for foreign partnership. Adequate justice was not proffered in the aspect of the international reforms since they failed to consider the three factors (reach, range, and reason) identified by Amartya Sen that are critical to the success of any reform in the case of many developing countries. Notwithstanding, African as a whole should deliberate on the issue beyond the narrow financial agenda (such as policy imposition and conditionalities, voice and participation, trade protectionism and the use of debt sustainability framework in aid delivery) brought forward by the ruling international institutions.

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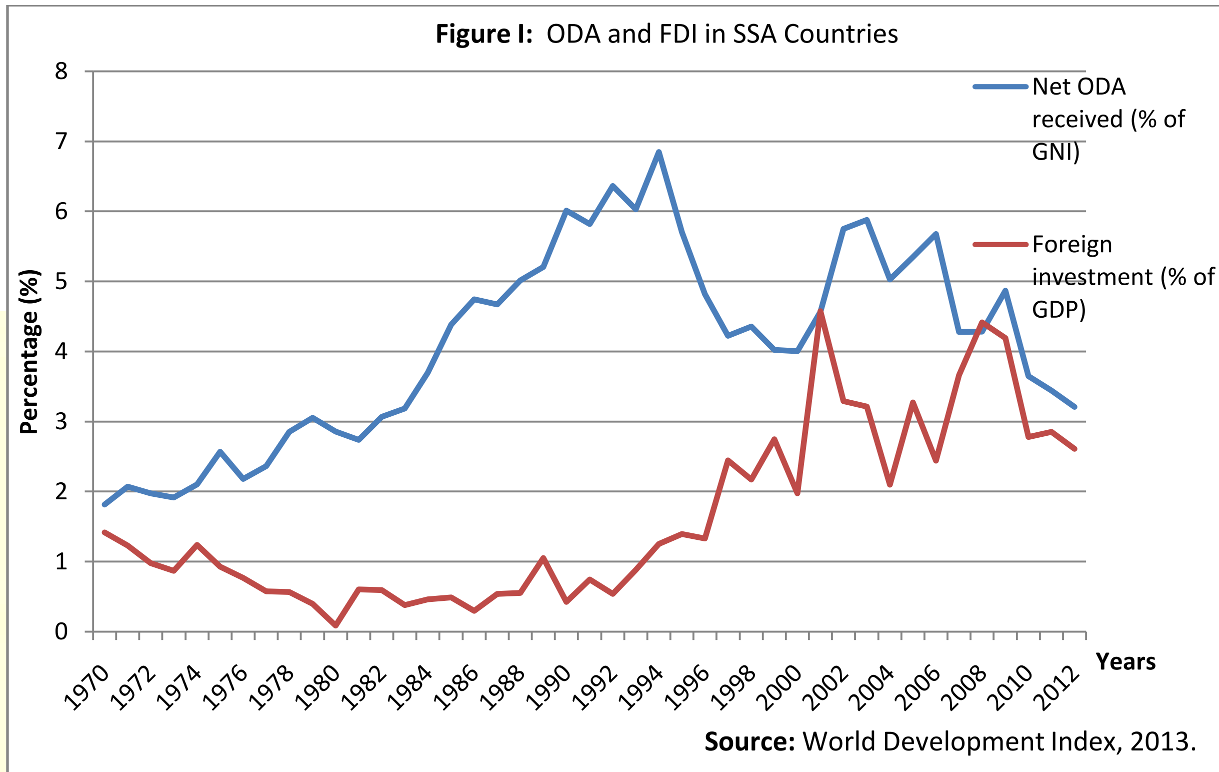
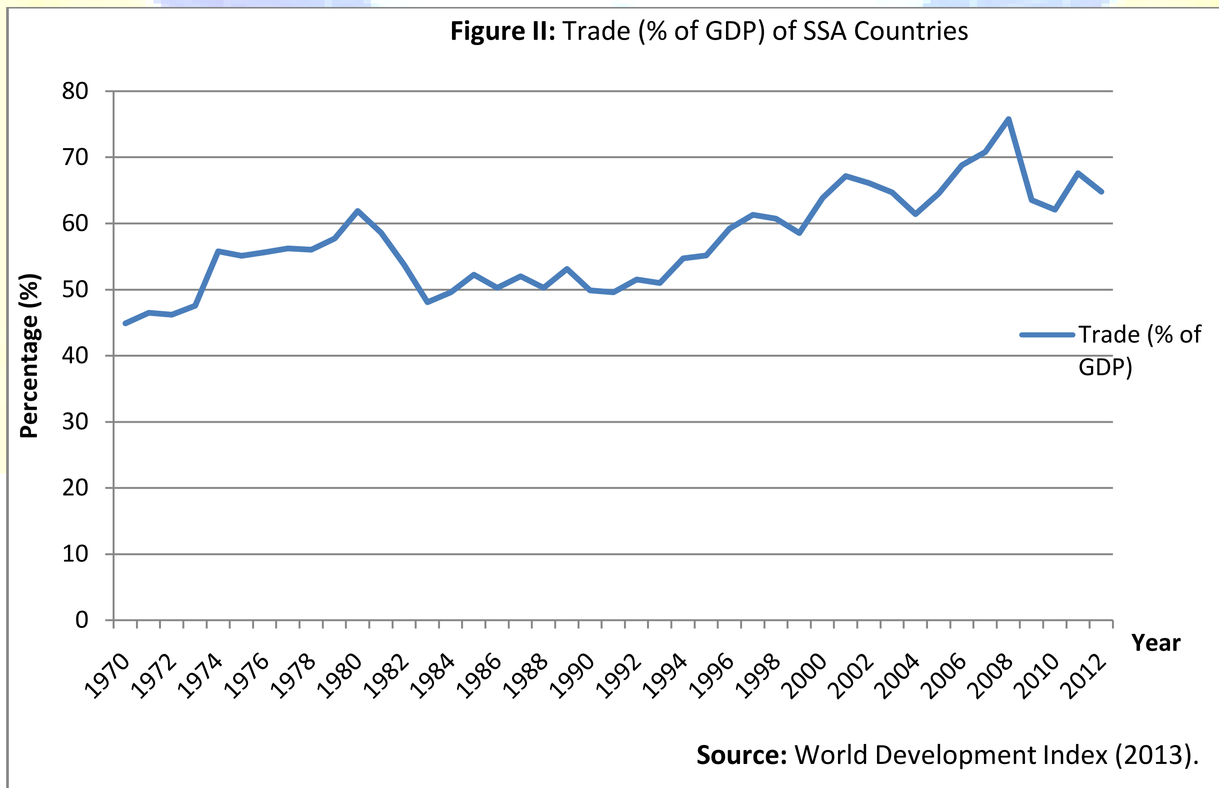
Appendix





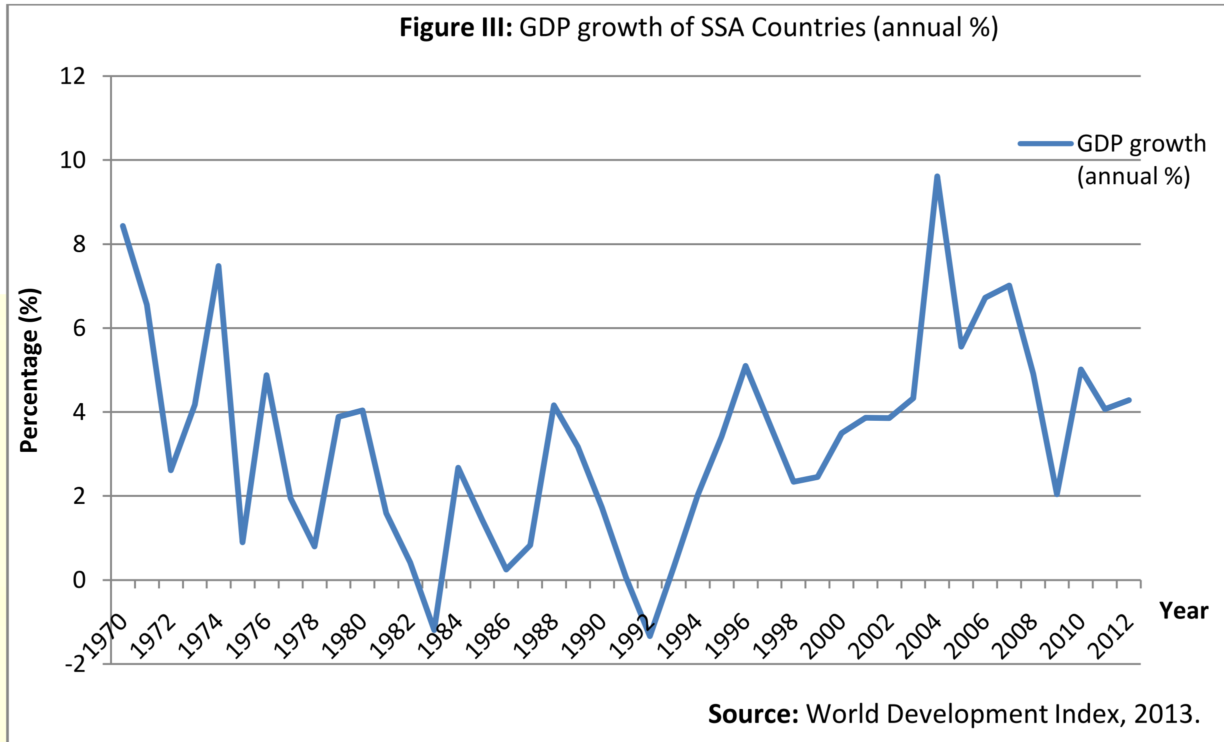


Figure III: GDP growth of SSA Countries (annual %)
Percentage (%)
Year
GDP growth (annual %)
12
10
8
6
4
2
0
-2
1970 1972 1974 1976 1978 1980 1982 1984 1986 1988 1990 1992 1994 1996 1998 2000 2002 2004 2006 2008 2010 2012
Source: World Development Index, 2013.

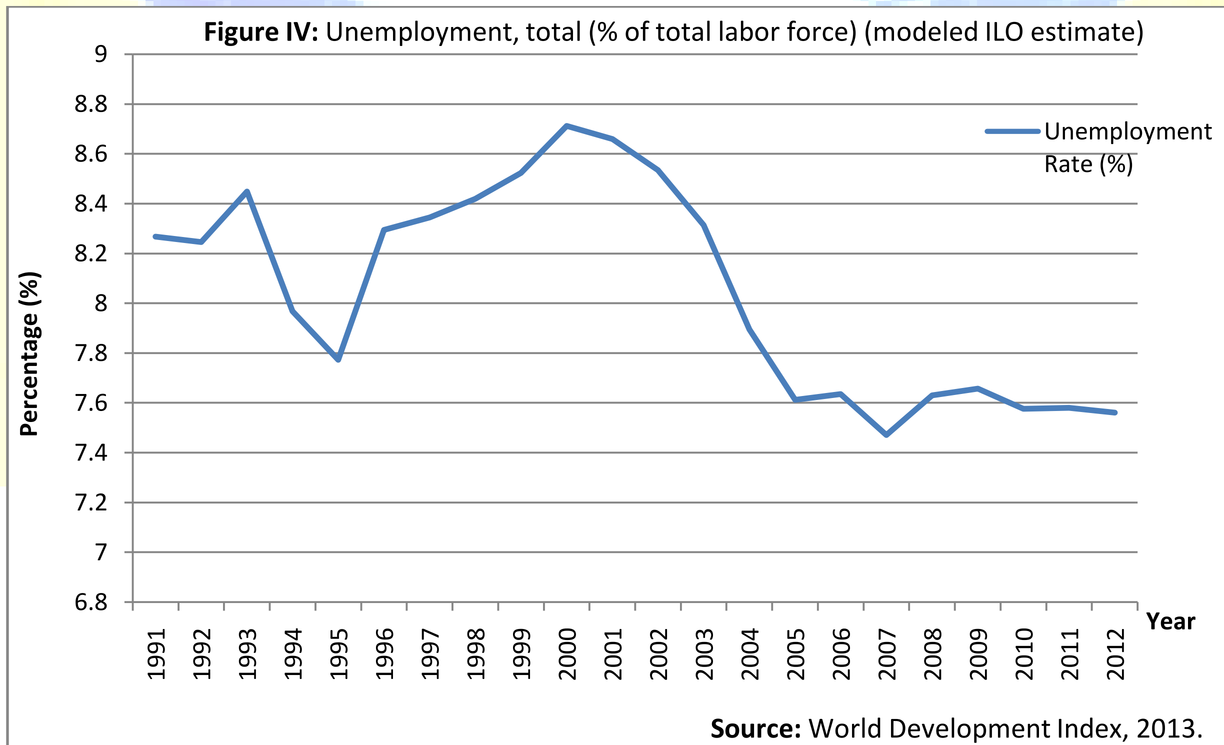


Figure IV: Unemployment, total (% of total labor force) (modeled ILO estimate)
Percentage (%)
Year
Unemployment Rate (%)
9
8.8
8.6
8.4
8.2
8
7.8
7.6
7.4
7.2
7
6.8
1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012
Source: World Development Index, 2013.

Table I

	2013	2014	2015	2016	2017	2018	2019
Leverage ratio	Parallel run 1 Jan. 2013 – Jan. 2017					Migration to Pillar 1	
Minimum common Equity Capital Ratio	3.5%	4.0%	4.5%	4.5%	4.5%	4.5%	4.5%
Capital Conservation Buffer				0.625%	1.25%	1.875%	2.50%
Minimum Common Equity Plus Capital Conservation Buffer	3.5%	4.0%	4.5%	5.125%	5.750%	6.375%	7.0%
Phase-in of deductions from CET1 (including amounts exceeding the limit for DTAs, MSRs and Financials)		20%	40%	60%%	80%	100%	100%
Minimum Tier 1 Capital	4.5%	5.5%	6.0%	6.0%	6.0%	6.0%	6.0%
Minimum Total Capital	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Minimum Total Capital Plus Conservation Buffer	8.0%	8.0%	8.0%	8.625%	9.125%	9.875%	10.5%
Capital Instruments that no longer qualify as non-core Tier 1 capital or Tier 2 capital	Phased out over a 10 year horizon beginning 2013						

Source: BCBS (2010a).