Julie Dickson
Member of the Supervisory Board

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Cross-border banks can have benefits

• SSM is Europe's single supervisor, created in 2014
  – single supervisor for the 19 countries that use the euro
  – fully resourced, implementing tough but fair supervision
  – important development for financial stability in Europe

• A single supervisor (and a single resolution authority) can facilitate cross border mergers in Europe
European cross-border banking under Banking Union

• To date no major pan-EU mergers. Some reasons might be
  – many banks need to address their own issues first
  – consolidation at the national level might be more appropriate initially
  – significant differences in business practices, language and culture
  – current EU rules affect movement of a bank’s capital and liquidity among EU countries
  – banking union not complete (e.g. Deposit insurance)
  – Single rule book, but some regulatory uncertainty

• We are seeing more joint ventures and cross participations - this can be a sensible way to start
Cross-border banking – supervisory perspectives

• Any pan European takeovers or mergers would receive considerable attention by the SSM

• The crisis showed how important it is for supervisors to focus on plans for integration, affordability and impact on capital as a result of a merger/takeover

• Merging 2 weak banks can create a bigger, weaker bank!
Current issues in Europe regarding cross border oversight:

- Home-host supervision:
  - Systemic branch in SSM country overseen by non-SSM EU supervisor
  - SSM response: full intensity model of branch supervision agreed in an MOU

- EC proposal to require a third country with operations in the EU to establish an EU holding company, overseen by the SSM
Consolidated Supervision of Complex Groups

• Globally, aspirational guidance/ papers/ principles (BCBS, IAIS, Joint Forum) exist, about the need to effectively supervise groups

• Often significant issues in meeting such guidance, for supervisors globally

• Sometimes requires supervisory cooperation, without a single supervisor responsible for the entire group

• Some argue lack of powers over groups means supervision is more reactive than proactive
Example of a group with operations globally, in insurance (with some banking), and real sector investments....
Canadian Holding Company
“Insurance, reinsurance, and investment management”

2015

- US: 63% of insurance premiums
- Canada: 14.4%
- International: 13.4%
- Asia: 9.2%
Conclusions

• If African authorities can learn…
  – the lessons of others (such as lessons learned in the EU)
  – the challenges associated with complex structures…

• Then they will be better positioned.