Cross-Border Banking and Regulatory Reforms: Implications for Africa from International Experience
Home and Host Issues

1. Child very different from the parent
2. Reliance on Home supervisor
3. Bank more important to country, than country is to bank
4. Child very dependent on the parent
Home and Host Solutions: Equivalence

Cost:Benefit Decision whether gaps can be filled

<table>
<thead>
<tr>
<th>Host Regime</th>
<th>Home Regime</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Governance</td>
</tr>
<tr>
<td></td>
<td>Credit Risk</td>
</tr>
<tr>
<td></td>
<td>Market Risk</td>
</tr>
<tr>
<td></td>
<td>Operational Risk</td>
</tr>
<tr>
<td></td>
<td>Treasury</td>
</tr>
<tr>
<td></td>
<td>Ownership</td>
</tr>
<tr>
<td></td>
<td>Resolution</td>
</tr>
<tr>
<td></td>
<td>Conduct</td>
</tr>
<tr>
<td></td>
<td>Large Exposures</td>
</tr>
<tr>
<td></td>
<td>Accounting</td>
</tr>
<tr>
<td></td>
<td>Openness</td>
</tr>
<tr>
<td></td>
<td>Risk Management</td>
</tr>
<tr>
<td></td>
<td>Consolidated Supervision</td>
</tr>
</tbody>
</table>

- Governance: 70% Host, 60% Home
- Credit Risk: 74% Host, 74% Home
- Market Risk: 74% Host, 74% Home
- Operational Risk: 64% Host, 50% Home
- Treasury: 67% Host, 72% Home
- Ownership: 65% Host, 61% Home
- Resolution: 74% Host, 82% Home
- Conduct: 65% Host, 61% Home
- Large Exposures: 74% Host, 65% Home
- Accounting: 74% Host, 65% Home
- Openness: 82% Host, 65% Home
- Risk Management: 74% Host, 65% Home
- Consolidated Supervision: 74% Host, 65% Home

Home and Host Solutions: Equivalence

Cost:Benefit Decision whether gaps can be filled

Host Regime

- Governance: 70% Host, 60% Home
- Credit Risk: 74% Host, 74% Home
- Market Risk: 74% Host, 74% Home
- Operational Risk: 64% Host, 50% Home
- Treasury: 67% Host, 72% Home
- Ownership: 65% Host, 61% Home
- Resolution: 74% Host, 82% Home
- Conduct: 65% Host, 61% Home
- Large Exposures: 74% Host, 65% Home
- Accounting: 74% Host, 65% Home
- Openness: 82% Host, 65% Home
- Risk Management: 74% Host, 65% Home
- Consolidated Supervision: 74% Host, 65% Home
Home and Host Solutions: Co-operation

Ensure that there are no underlaps

Aim for this
Not this
Home and Host Solutions: Systemic Risk

1. Have clear thresholds for the identification of Systemic Risks
   a. Focus on Critical Economic Functions

2. Have a toolkit for dealing with the Systemic Presences
   a. Require greater cooperation with Home
   b. Impose greater prudential standards
   c. Prescribe what legal form the presence can take - eg Subsidiarisation
Home and Host Solutions: Legal Form

- **Branches**
  - Shared Responsibility
  - More capital efficient for bank

- **Subsidiaries**
  - Sole Responsibility
  - Less capital efficient for bank
  - Need to be very clear on what business is booked in the Subsidiary
Home and Host Solutions: Resolution

1. Have a clear plan

2. Determine ambition for removing barriers to resolution and execute according to that ambition

3. Be clear whether Global Strategy is Single Point of Entry or Multiple Point of Entry
   a. Be clear whether this Global Strategy is going to work for you
      (i) Understand the business model pre and post resolution
      (ii) Be clear if you have to be an undertaker or a resurrectionist