



EUROPEAN CENTRAL BANK

BANKING SUPERVISION

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## **Session III: International and European Experience on Regulation, Supervision, and Resolution of Cross-Border Banks**

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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....**

**2015**



63%  
of insurance  
premiums

14.4%

13.4%

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.