



BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY

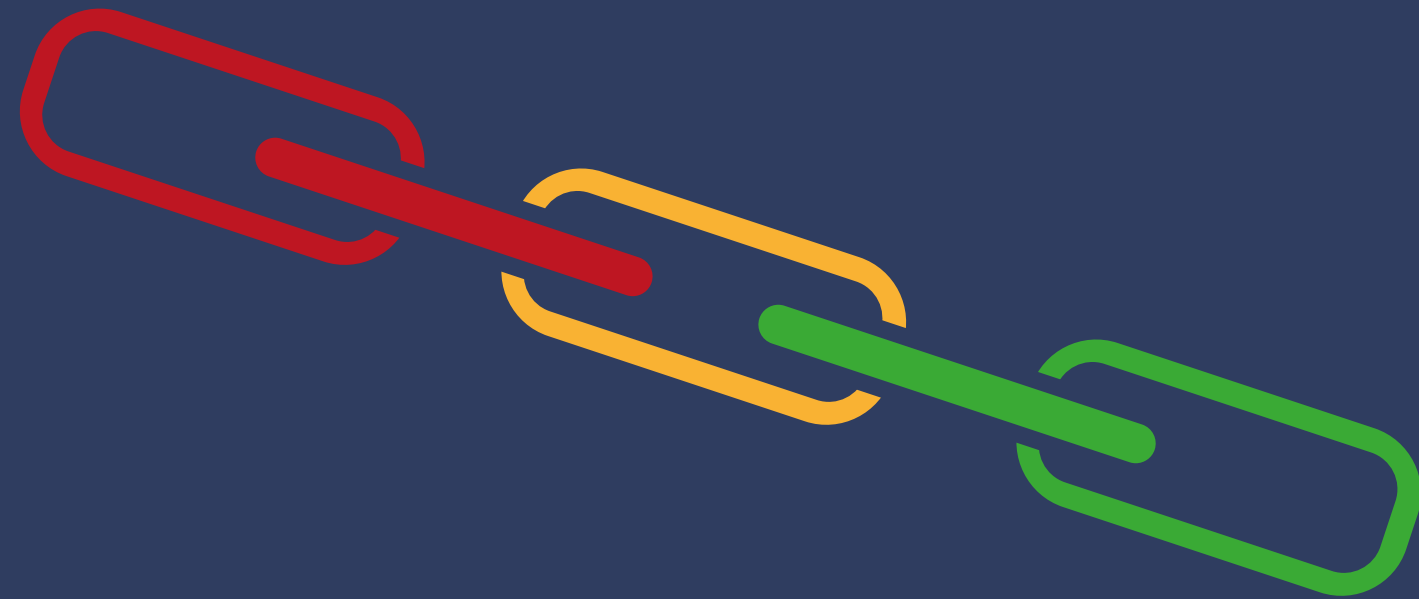
Cross-Border Banking and Regulatory Reforms: Implications for Africa from International Experience

Lyndon Nelson
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Home and Host Issues



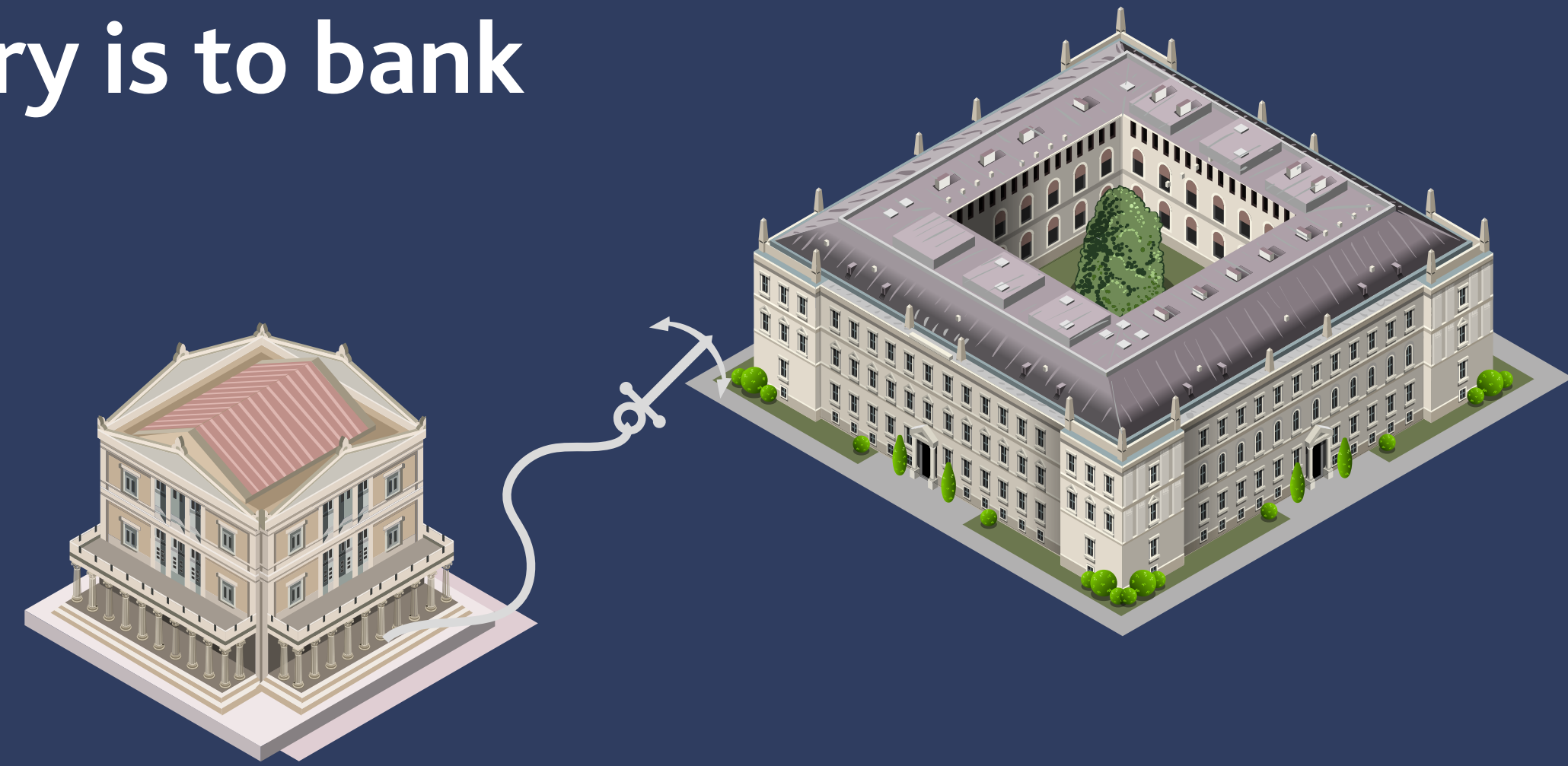
1 Child very different from the parent



2 Reliance on Home supervisor



3 Bank more important to country, than country is to bank



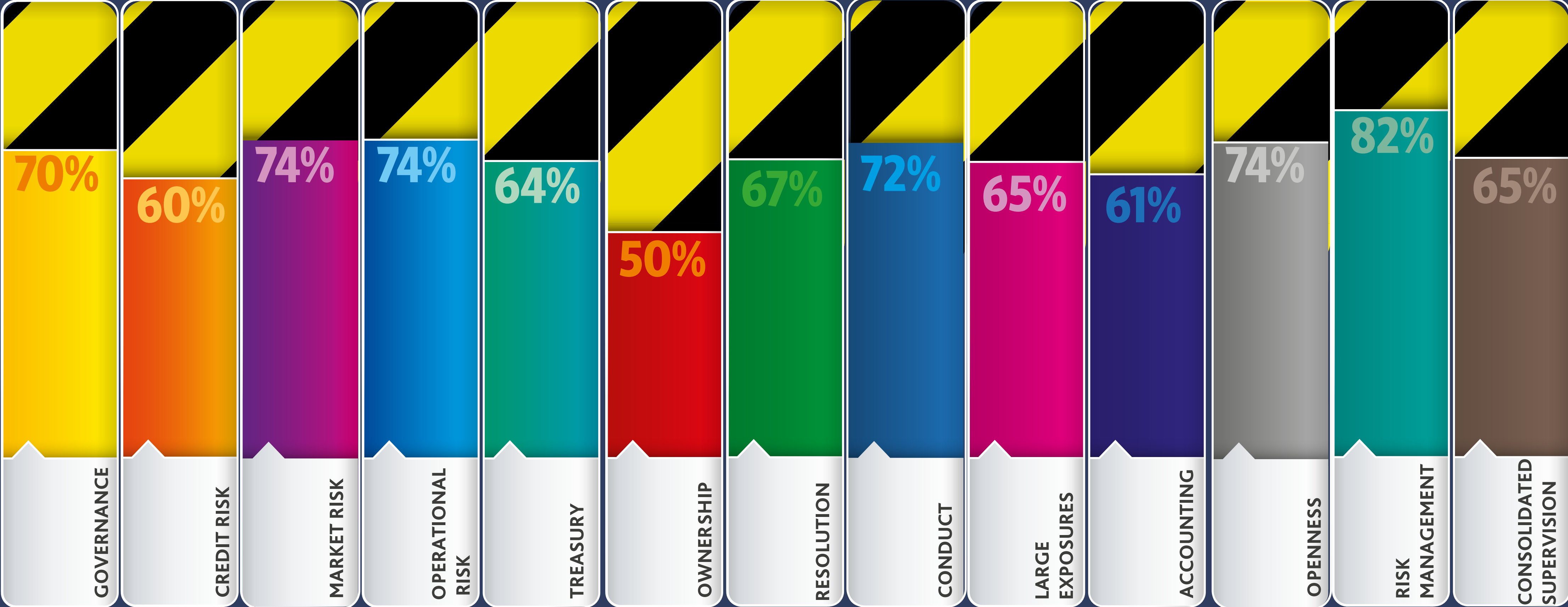
4 Child very dependent on the parent

Home and Host Solutions: Equivalence

Cost:Benefit Decision whether gaps can be filled

Host
Regime

Home
Regime



Home and Host Solutions: Co-operation

Ensure that there are no underlaps

Aim for this

Not this



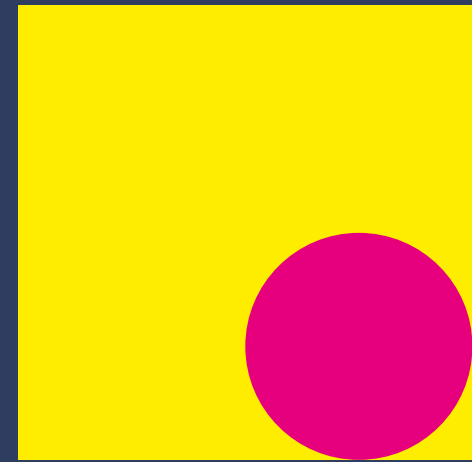
Home and Host Solutions: Systemic Risk



- 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



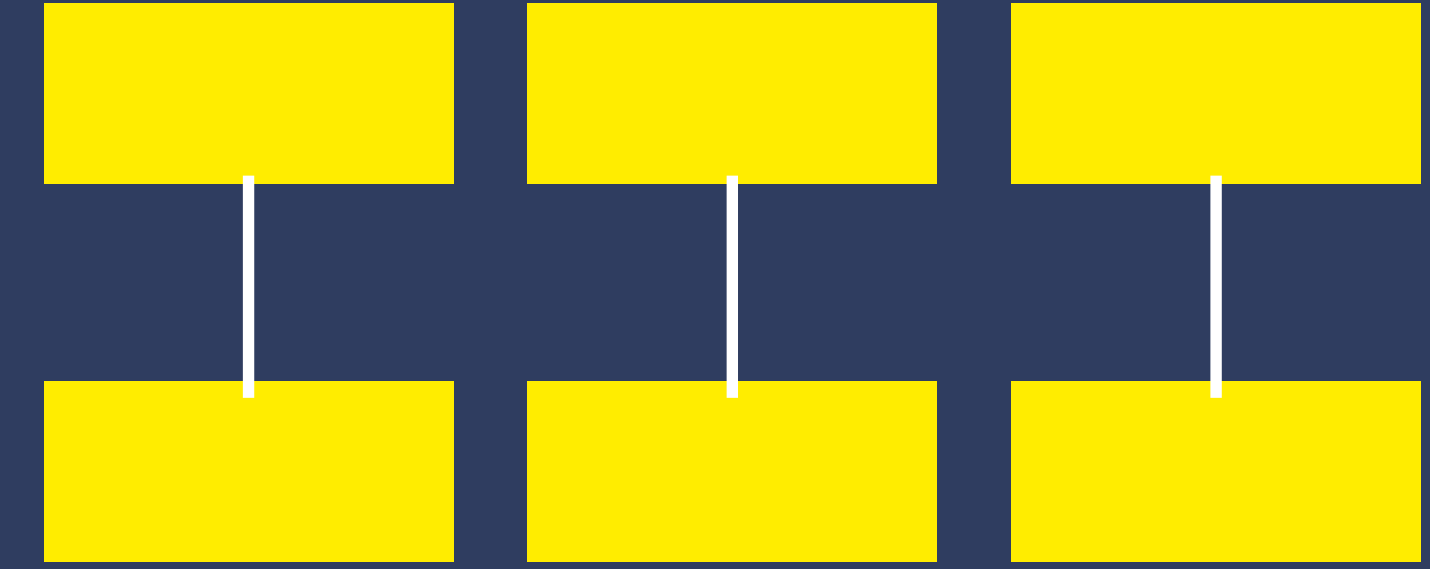
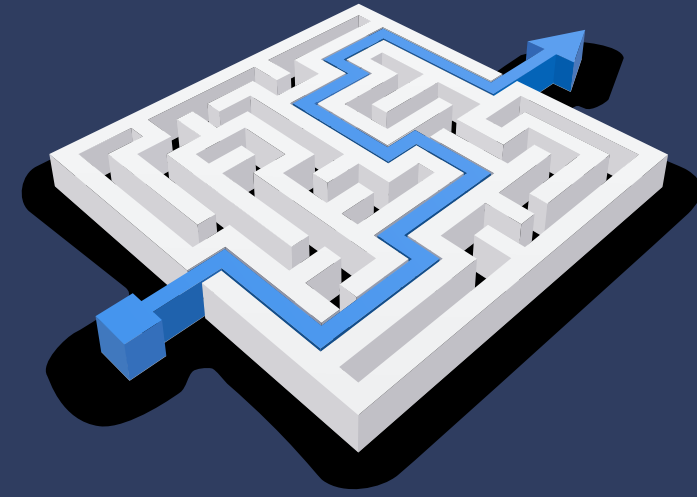
Subsidiaries

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