


Pan-African Banks: Opportunities and Challenges for Cross-Border Oversight



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

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High Level Conference

IMF Africa Training Institute, Mauritius

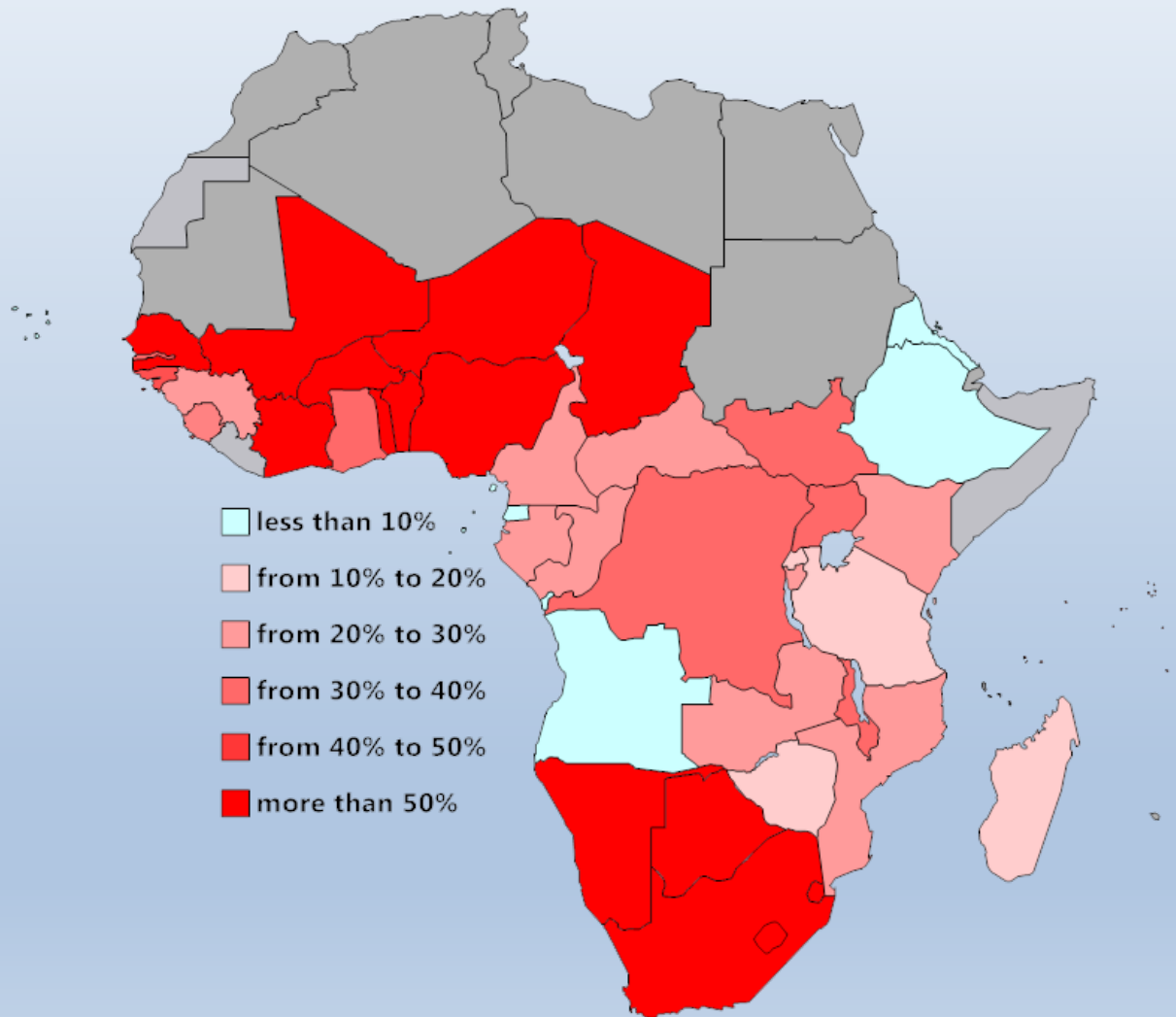
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1. Pan-African Banks: Key Facts

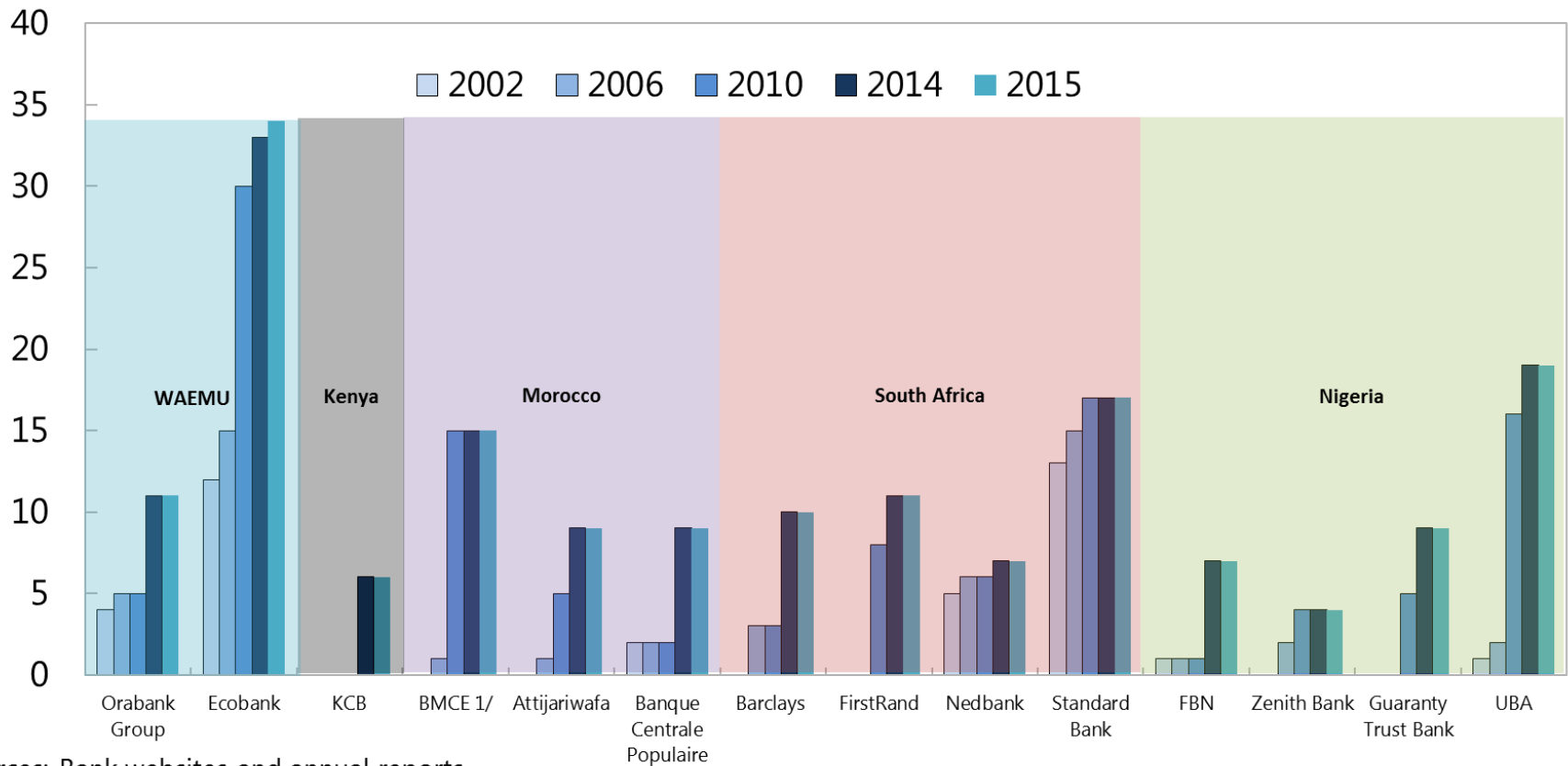
Systemic Presence in a Number of Countries

Selected Sub-Saharan African Cross-Border Banking Groups, 2015



Rapid Expansion Following the Global Financial Crisis

Selected Pan-African Banks: Number of Subsidiaries, 2002-2015

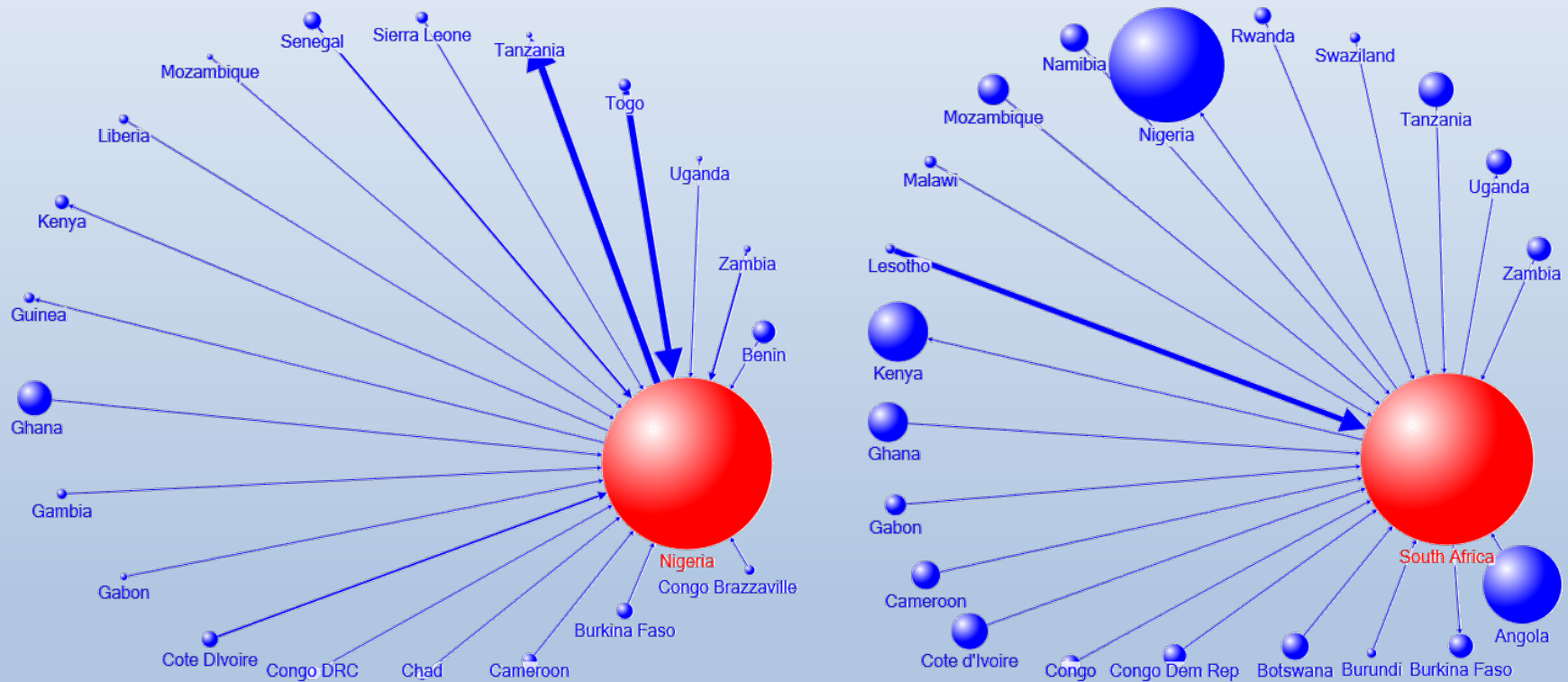


Sources: Bank websites and annual reports.

1/ BMCE is a majority owner of Bank of Africa Group since 2010.

Expansion Based on Independently Managed Subsidiaries

Net Interbank Exposures, 2015

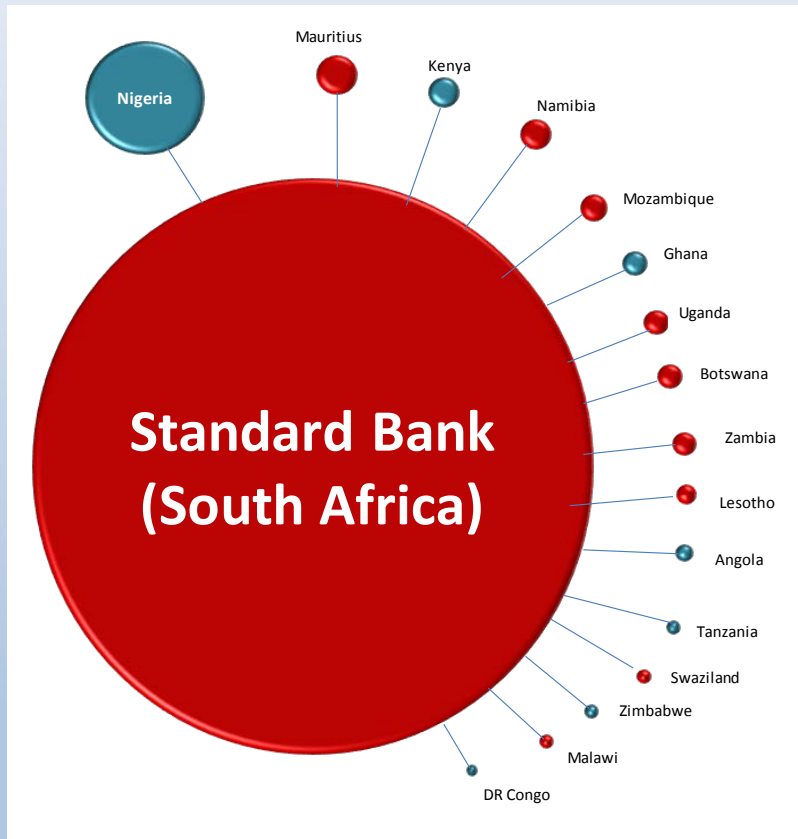


Source: Commercial Banks' Data and BIS Locational Statistics Database.

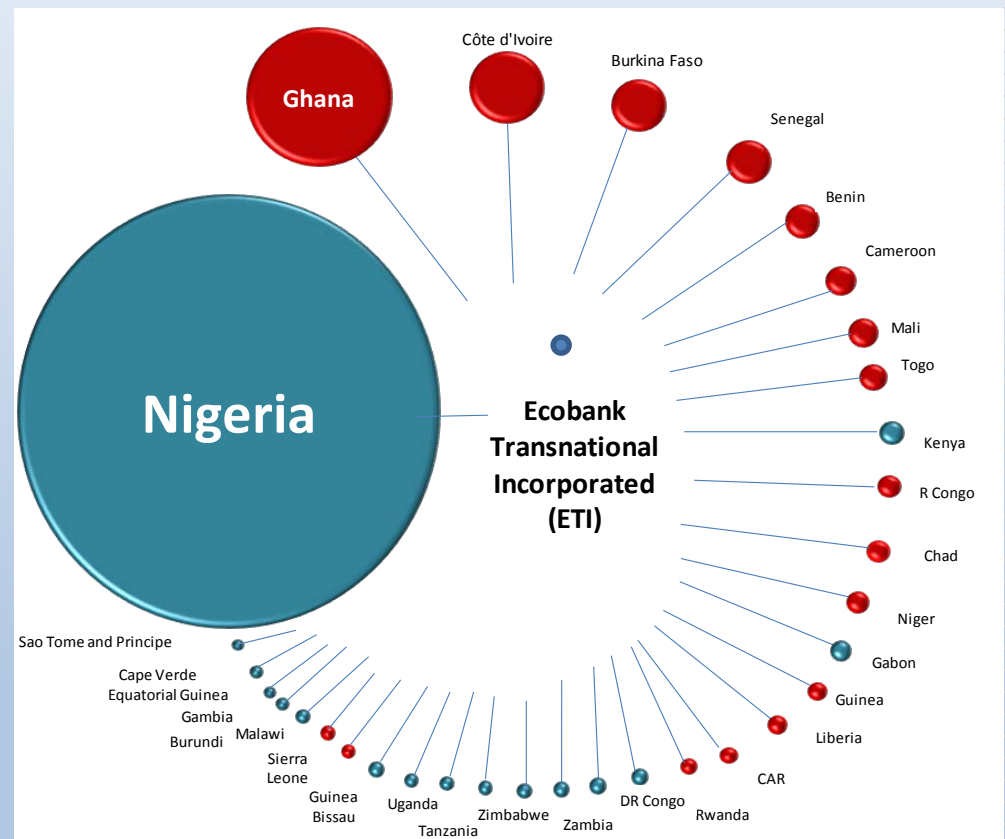
Note: Sphere size, arrows width and arrow direction correspond to the country's bank asset value (Nigeria and South Africa =100), net interbank exposure as share of the country's bank assets, and funding direction, respectively.

Contrasting Network Structures : Dominant Home versus Dominant Network

STANBIC BANK

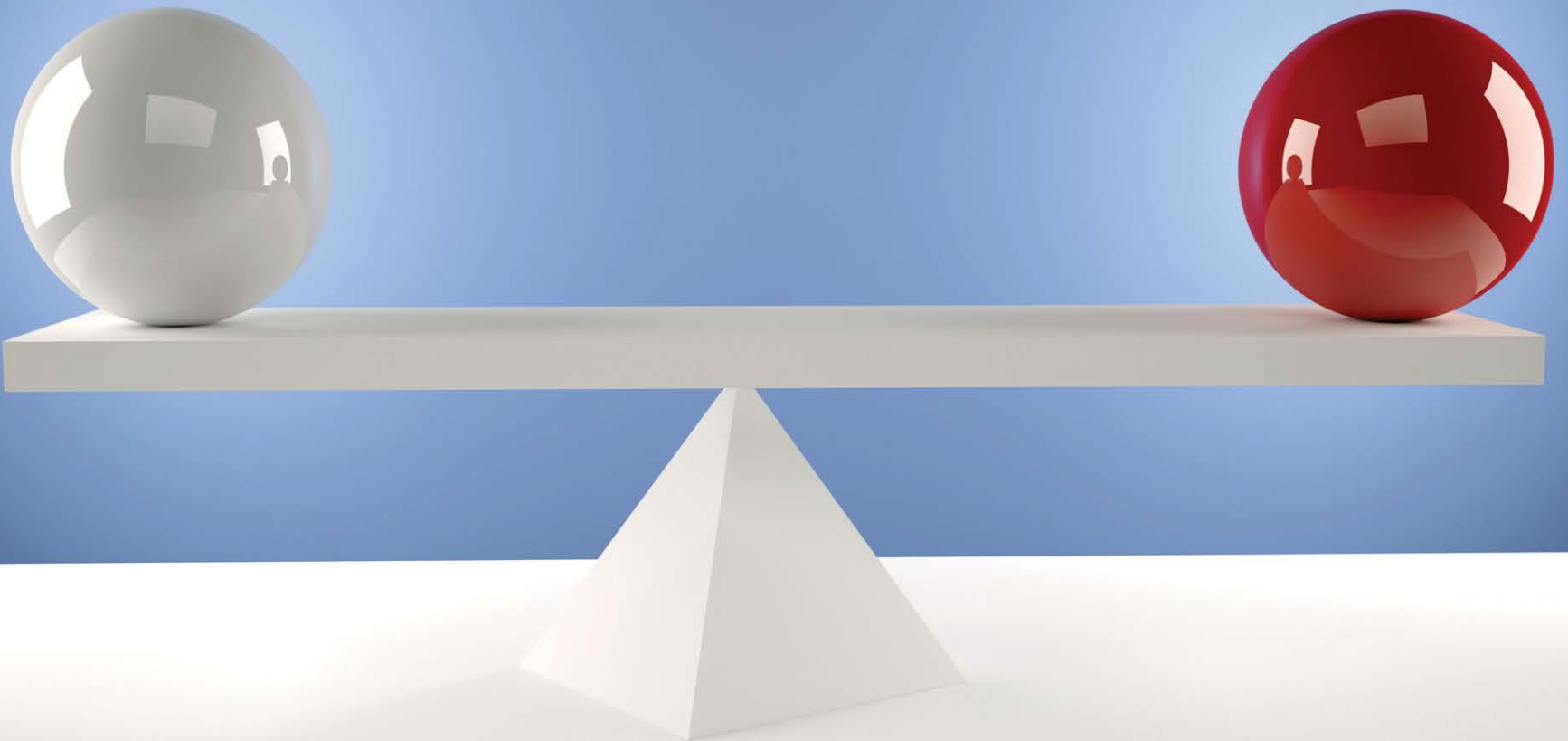


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Sources: Annual reports, Bankscope and IMF staff calculations.

Note: The size of the ball indicates the asset share in consolidated assets of that subsidiary. A red ball represents a systemically important presence with a deposit share exceeding ten percent of banking system deposits



2. Benefits and Risks

Potential Benefits from PABs

1. Facilitate economic and financial integration

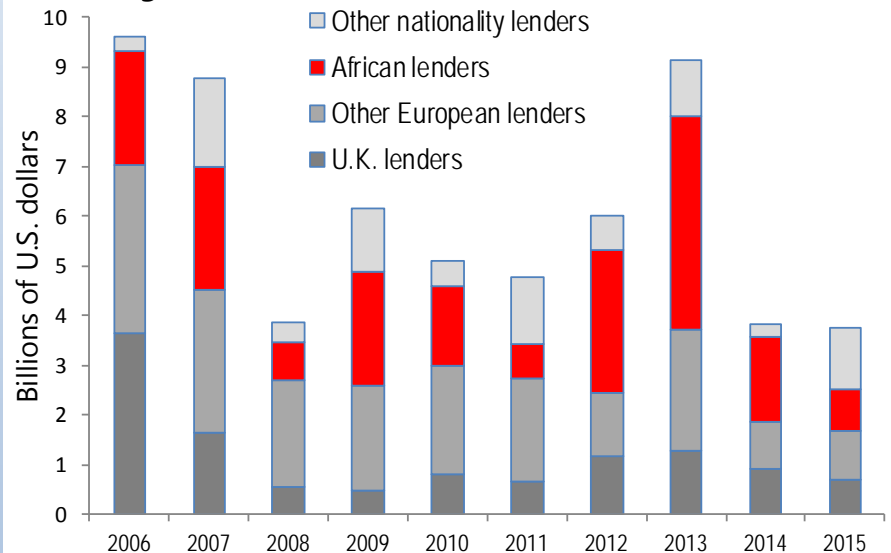
2. Transfer know-how, new technology and non-traditional business models

3. Foster competition, contribute to new financial products and services

4. Enhance financial inclusion

5. Provide financing for infrastructure projects

Syndicated and Large Bilateral Loans for Infrastructure Financing



Source: Dealogic Loan Analytics

Potential Risks from PABs

**Risks from
systemic
presence**

**Risks from
cross-border
operations**

**Cross-border and
cross-sector
interlinkages**



**Spillover
Risks**

**Risks from
financial
conglomerates**



3. Regulatory and Supervisory Challenges

Progress in Reforms Has Been Uneven

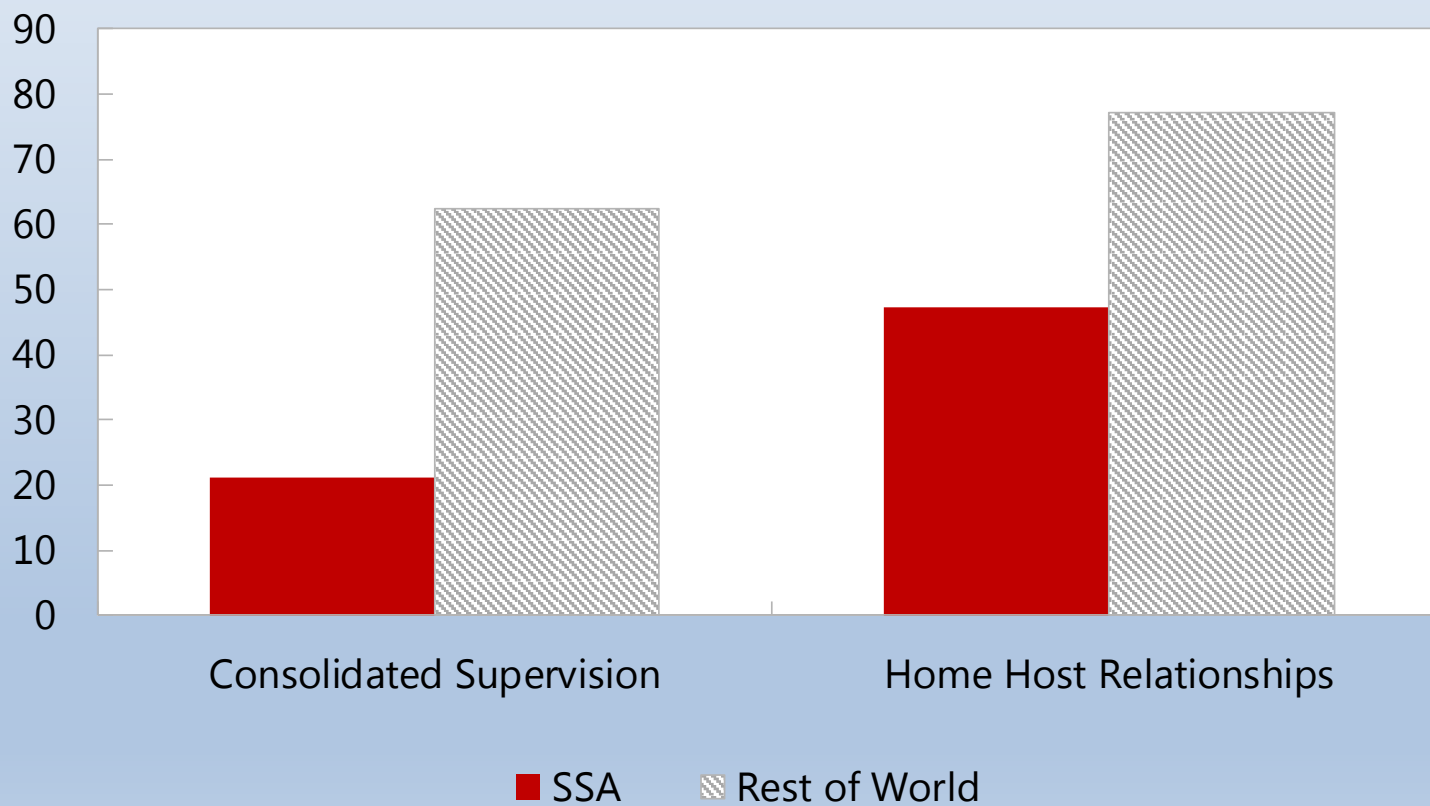
AREAS OF PROGRESS	AREAS OF CHALLENGE
Efforts towards harmonization of capital standards and other prudential norms with international standards (EAC).	Data availability on banks' cross-border and cross-sector exposures pose constraints. Unified accounting standards are not fully implemented.
Upgrading banking laws to extend regulatory and supervisory powers.	Effective regulation and supervision of bank holding companies remain limited.
Establishing supervisory colleges for selected banks with cross-border exposures.	Cross-border crisis management and resolution remain an unfinished agenda.
Creating financial stability units, and considering or implementing macro-prudential policies to mitigate systemic risks.	Limited early intervention powers, potentially increasing costs of intervention and reducing effectiveness and resolution options.

Sources: IMF Technical Assistance (TA) Reports; IMF Financial Sector Assessment (FSAP) Reports; C. Enoch, P. Mathieu, M. Mecagni "Pan-African Banks – Opportunities and Challenges for Cross-Border Oversight", African Departmental Paper, 2015.

More Progress Needed in Consolidated and Cross-Border Supervision

Compliance with Basel Core Principles

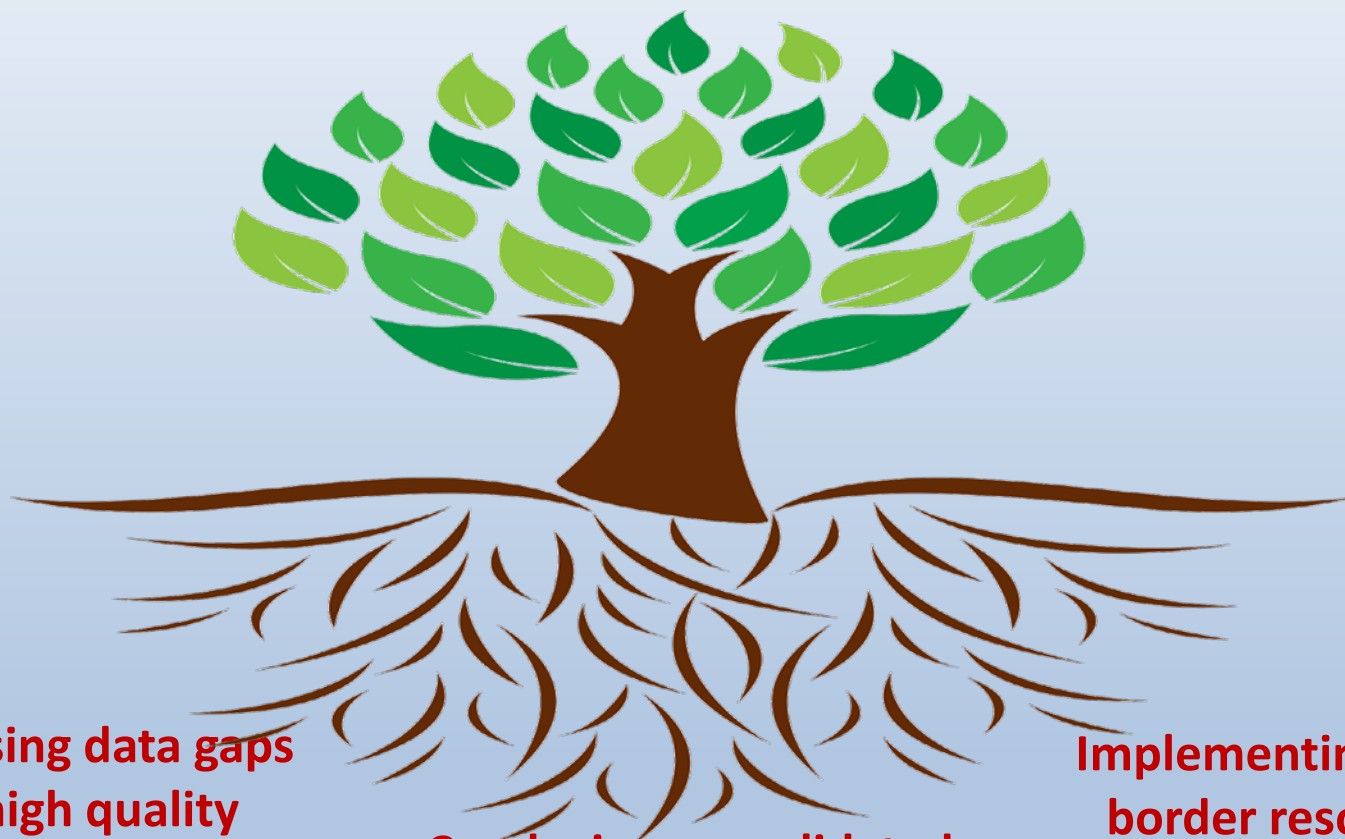
(In percent of Compliance)



Source: IMF Standards and Codes Database.

Note: The figures are based on assessments against the 2006 as well as 2012 Basel Core Principles methodology undertaken as part of FSAP during 2007-16. It includes 132 countries, of which 32 from Africa.

Need to Build Solid Roots to Reap Benefits from PABs and Minimize Risks



**Addressing data gaps
and high quality
supervision
(BCBS and G20 initiative)**

**Conducing consolidated
supervision across
borders and sectors**

**Implementing cross-
border resolution
and crisis
management
frameworks (FSB)**

Thank You