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

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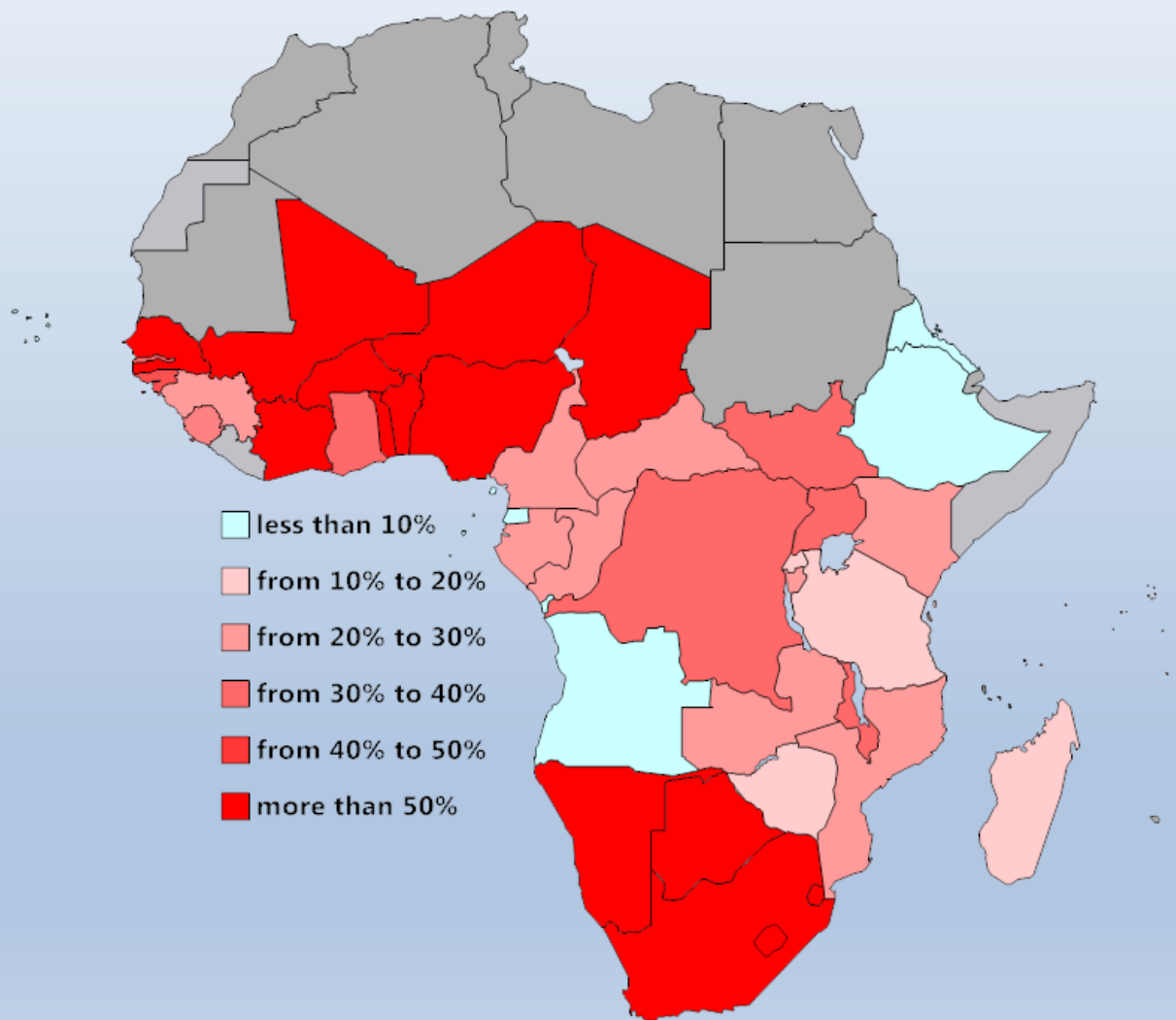Implications for Africa from International Experience**

**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

less than 10%
from 10% to 20%
from 20% to 30%
from 30% to 40%
from 40% to 50%
more than 50%

Source: Fitch Connect, Bank websites and annual reports, IMF Staff Calculations

Rapid Expansion Following the Global Financial Crisis

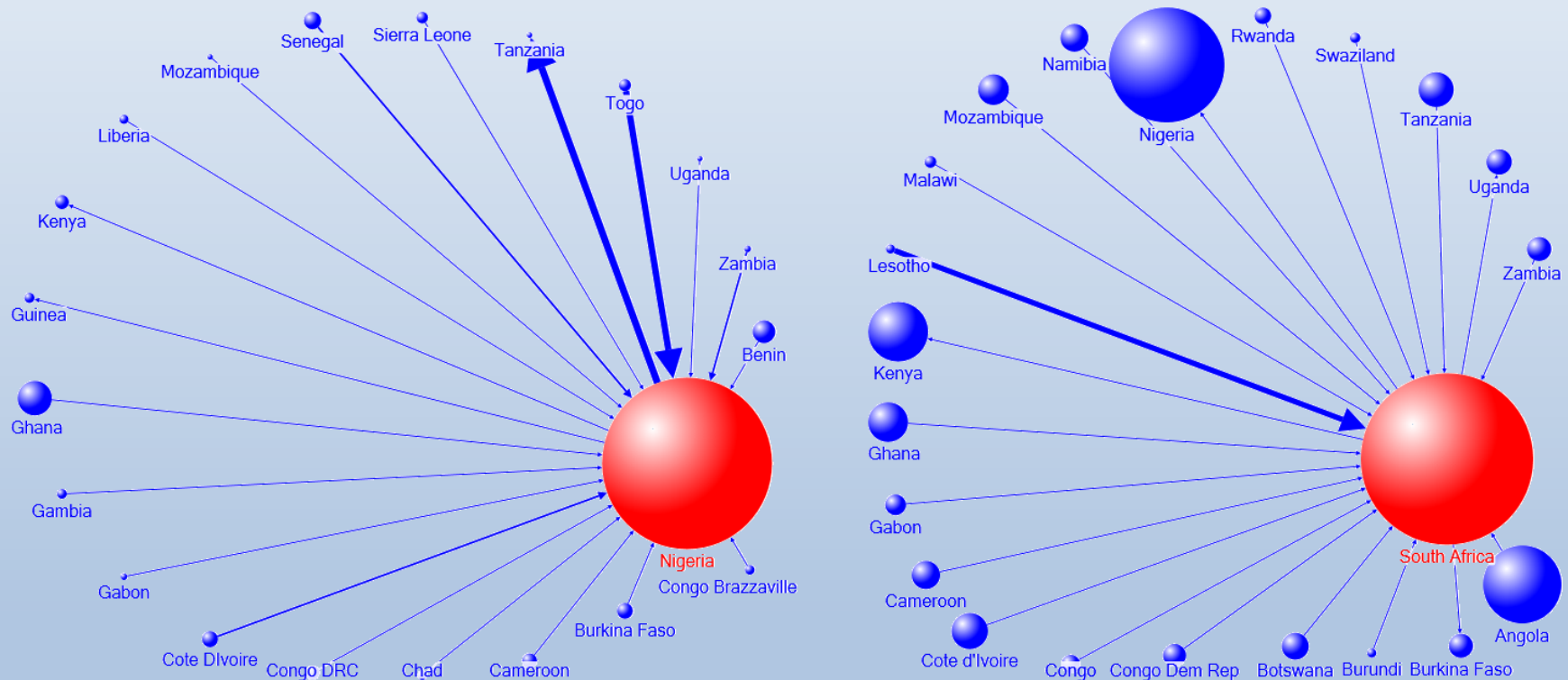## Selected Pan-African Banks: Number of Subsidiaries, 2002-2015
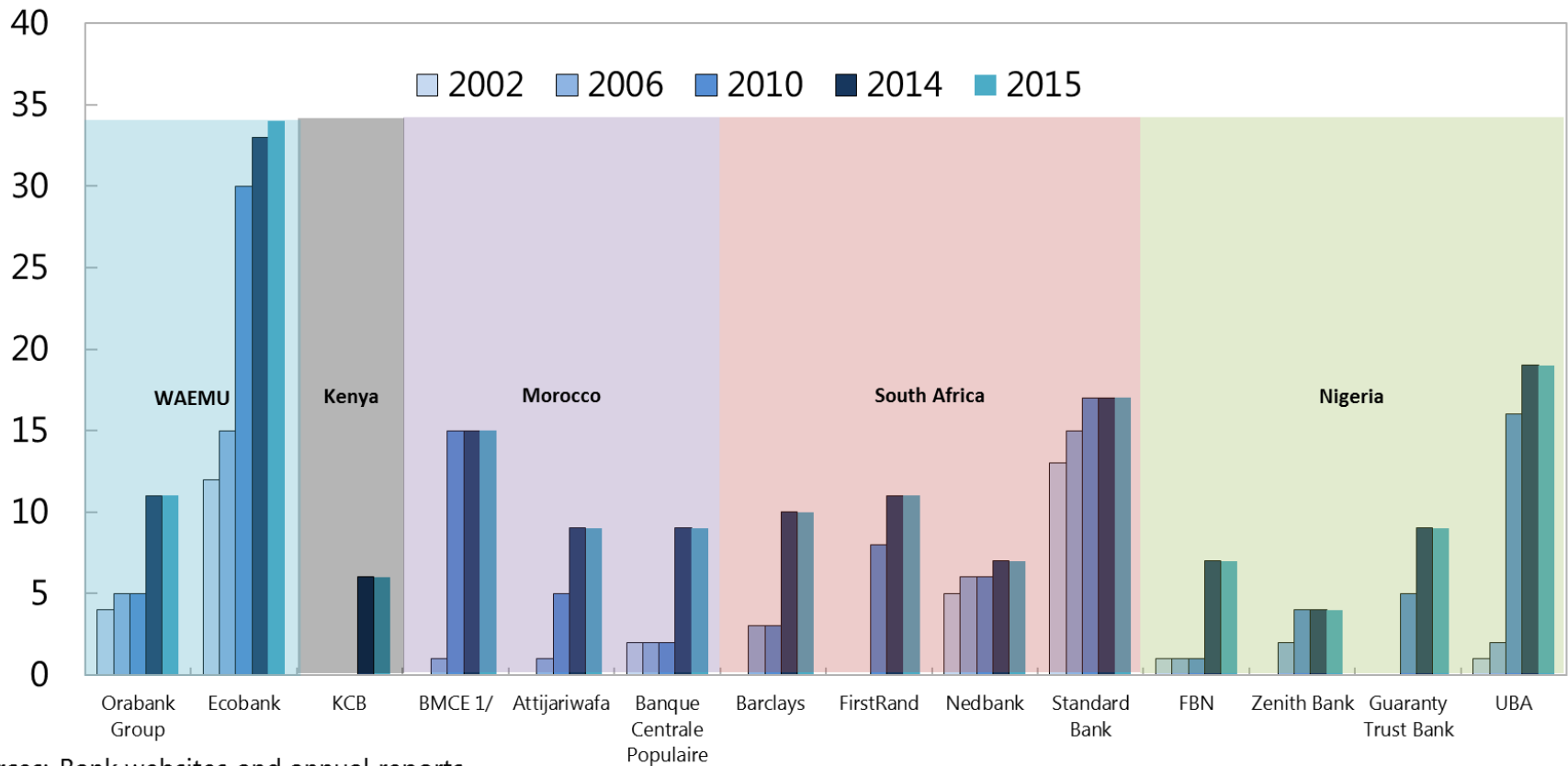
Sources: Bank websites and annual reports.
1/ BMCE is a majority owner of Bank of Africa Group since 2010.

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 :
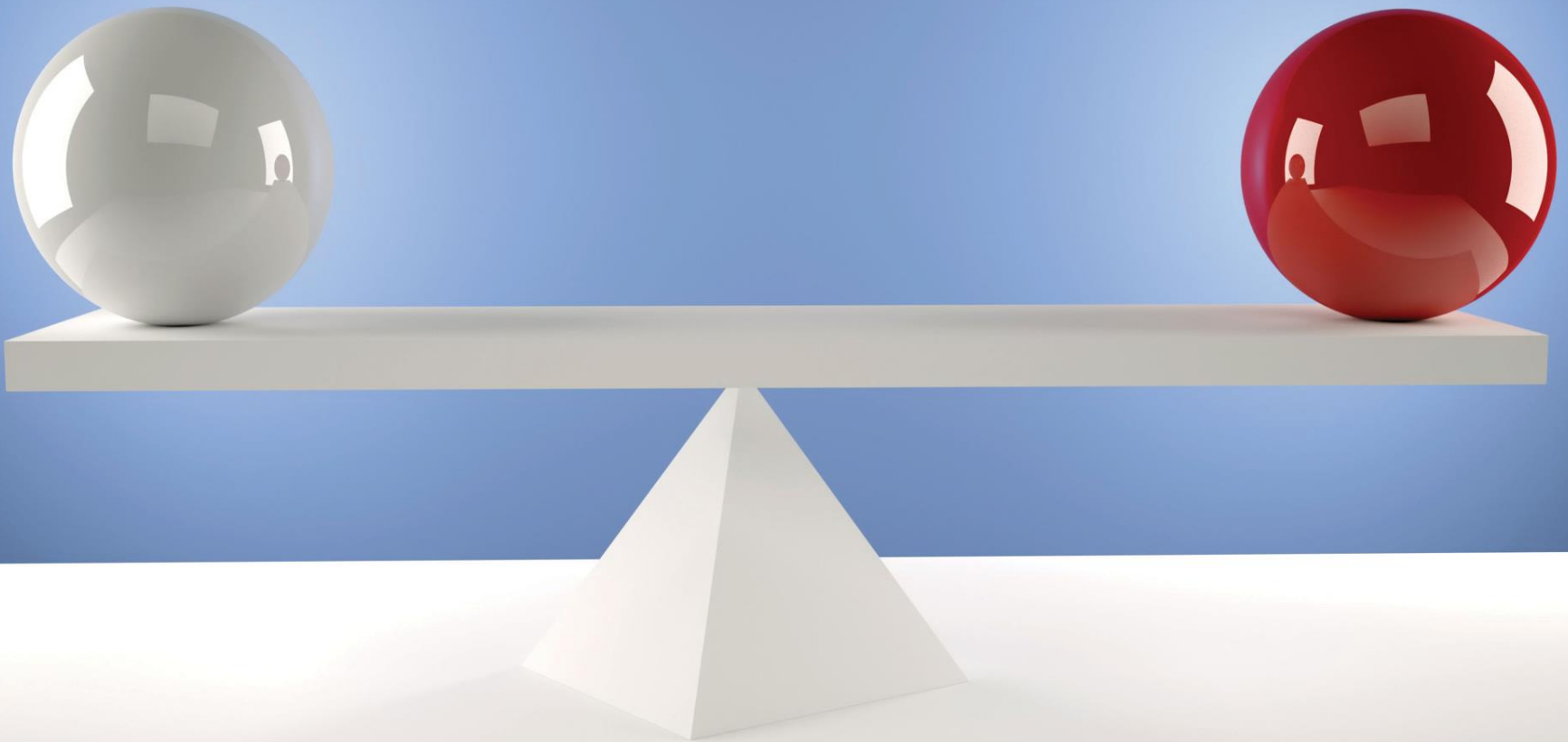## Dominant Home versus Dominant Network

STANBIC BANK
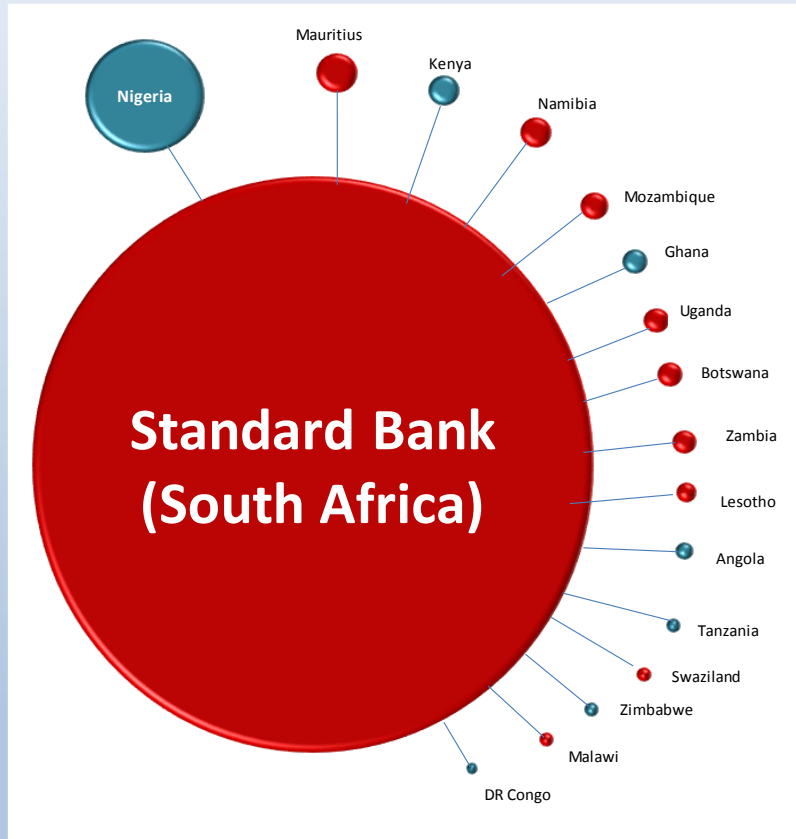
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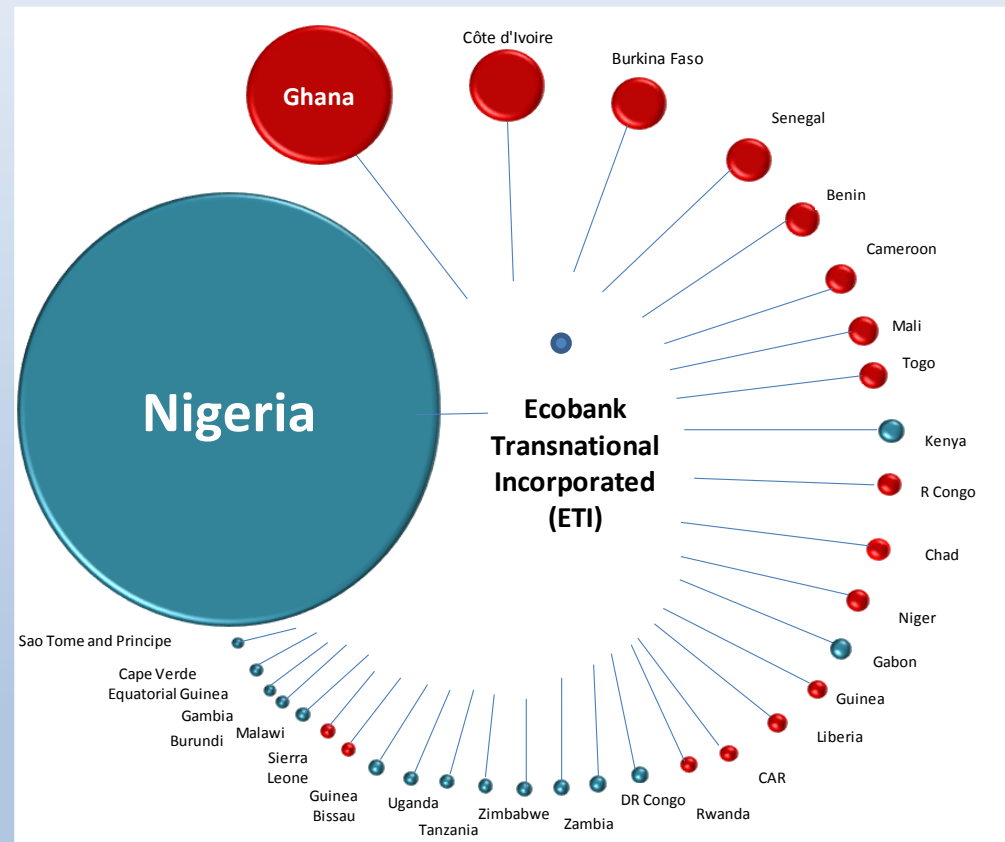
Sources: Annual reports, Bankscope and IMF staff calculations.
Note: The size of the ball indicates the asset share in consolidated assets of that subsidiary. A red ball represents a systemically important presence with a deposit share exceeding ten percent of banking system deposits

2. Benefits and Risks

Potential Benefits from PABs

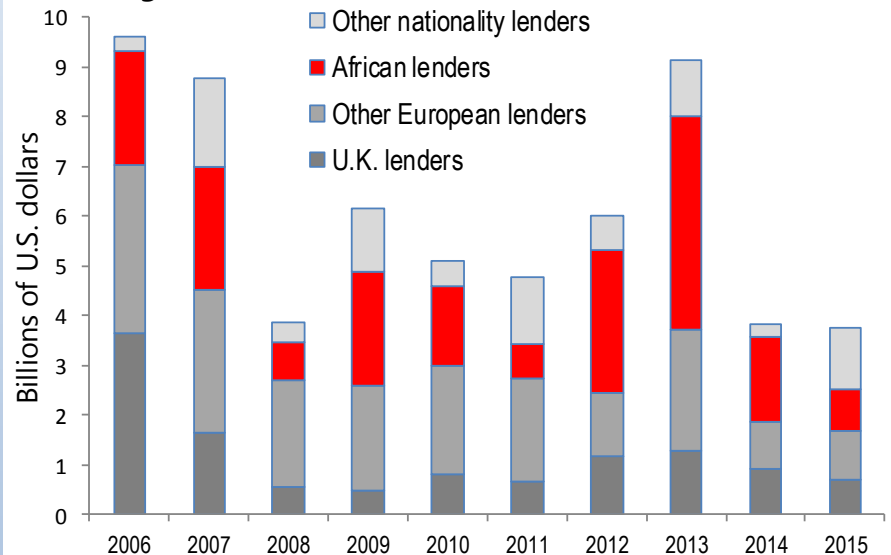1. Facilitate economic and financial integration

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

Legend:
- Other nationality lenders
- African lenders
- Other European lenders
- U.K. lenders

y-axis: Billions of U.S. dollars (0 to 10)

x-axis: 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015

Source: Dealogic Loan Analytics

Potential Risks from PABs

Risks from systemic presence

Risks from cross-border operations

Risks from financial conglomerates

Cross-border and cross-sector interlinkages

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Spillover Risks
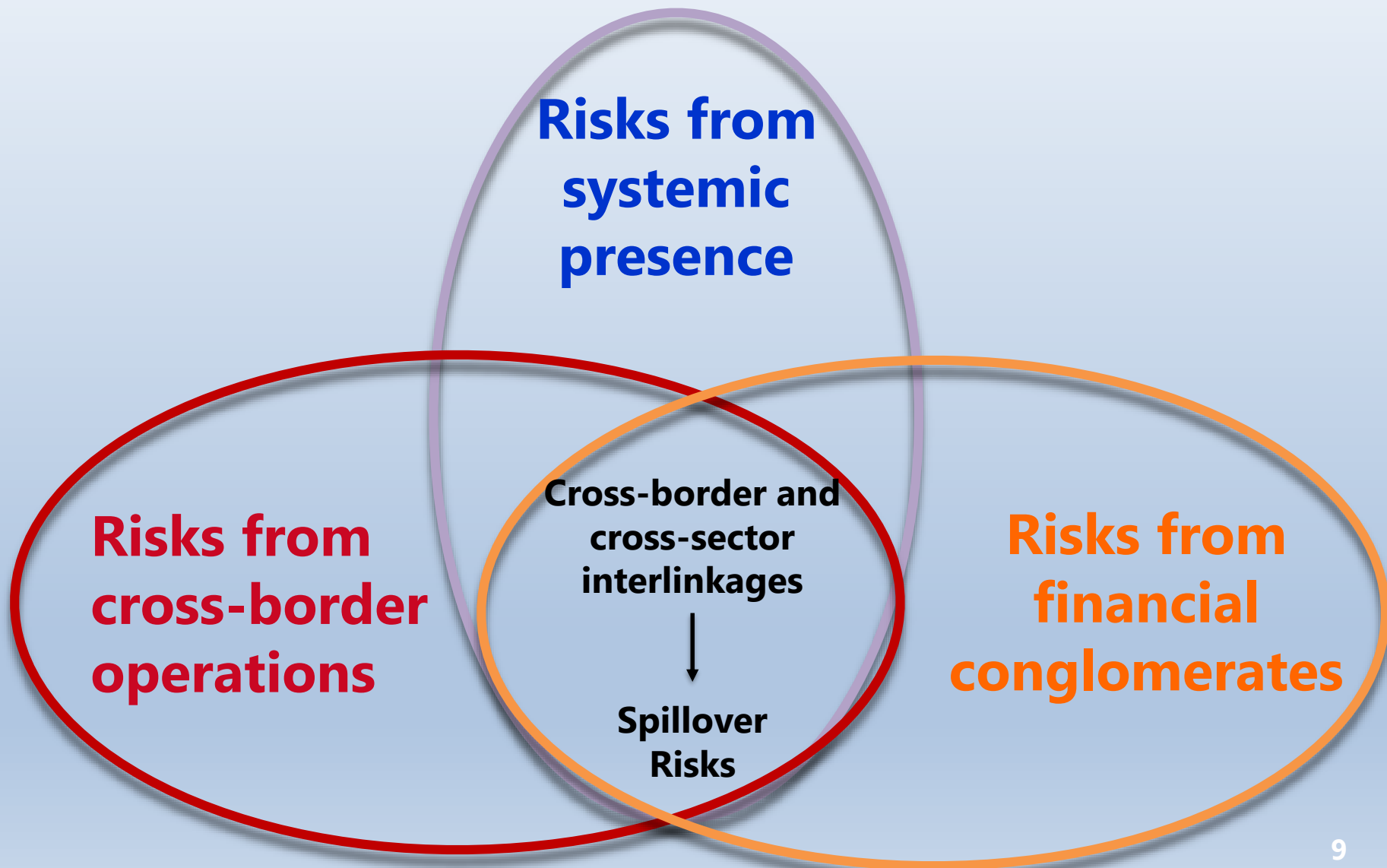
3. Regulatory and Supervisory Challenges

Progress in Reforms Has Been Uneven
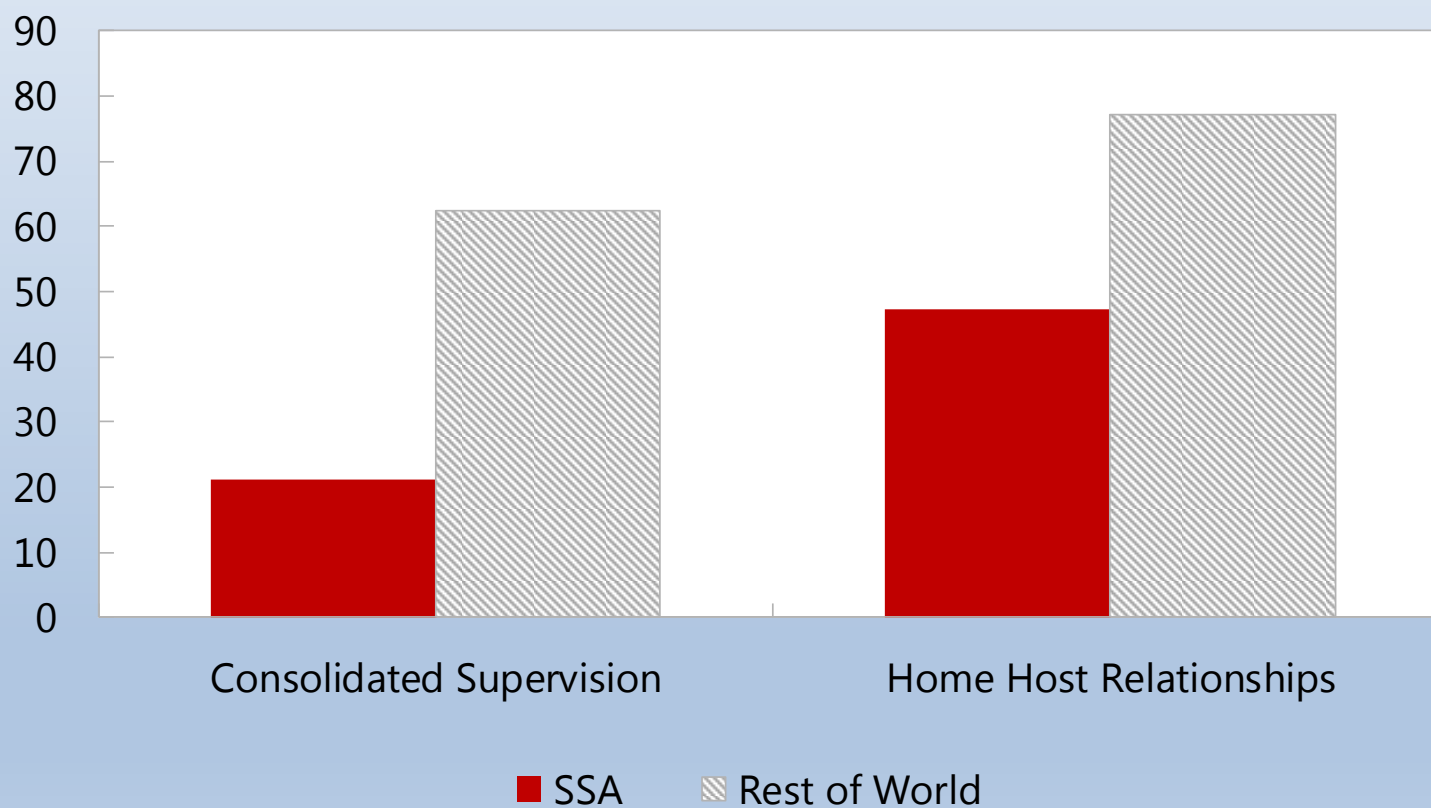
AREAS OF PROGRESS	AREAS OF CHALLENGE
Efforts towards harmonization of capital standards and other prudential norms with international standards (EAC).	Data availability on banks' cross-border and cross-sector exposures pose constraints. Unified accounting standards are not fully implemented.
Upgrading 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
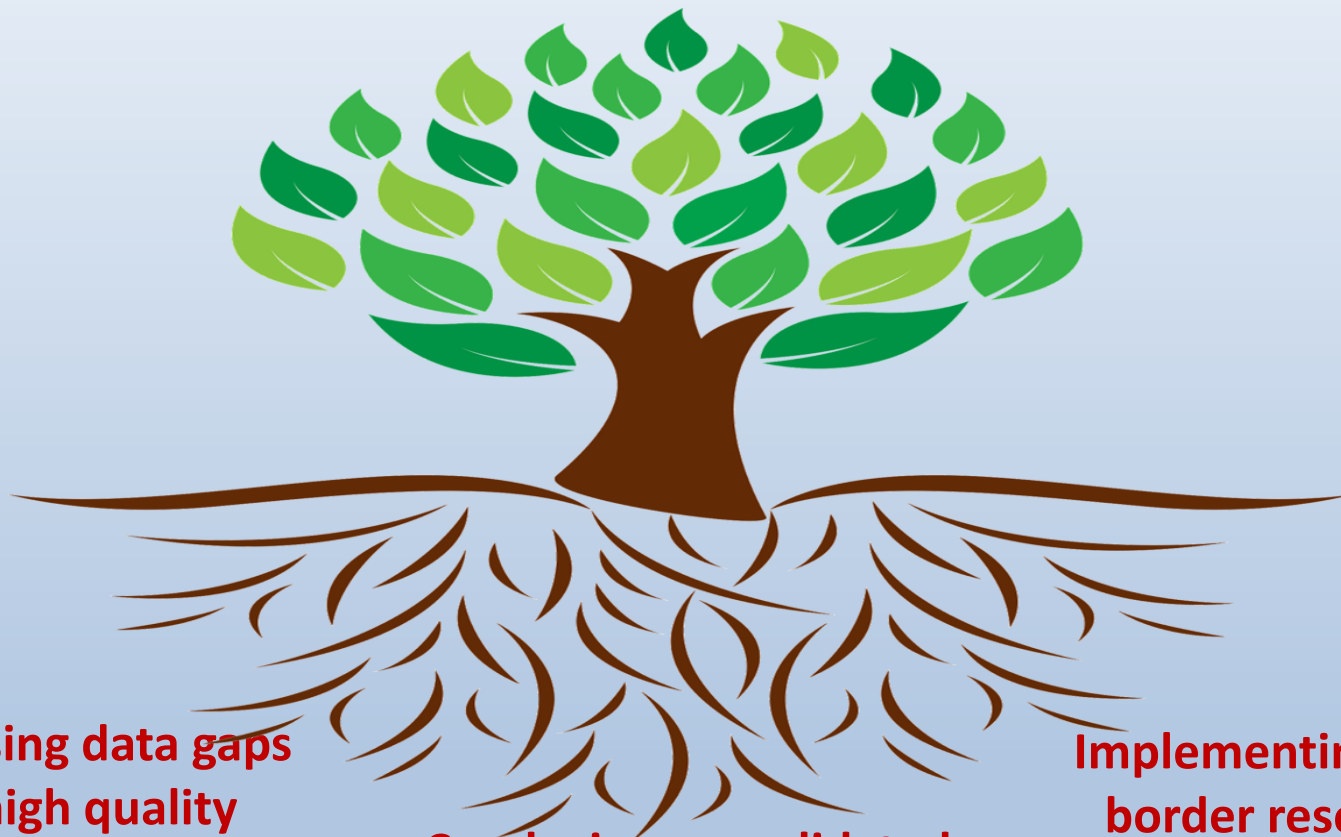
Compliance with Basel Core Principles
(In percent of Compliance)

Legend: ■ SSA   ▨ Rest of World

X-axis categories: Consolidated Supervision, Home Host Relationships

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