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## Concentration, Property and Global Character of Banking Institutions

### Proposed Contents

#### 1. Expansion and Concentration of Banking Institutions at the International Level

- Reasons due to which host financial authorities may consider the arrival of foreign banks positive.
  - Do they contribute to the reduction of intermediation spreads and in general to achieve efficiency gains in the domestic banking system?
  - Do they contribute with innovative products both for credit granting and deposit taking activities?
  - Do they contribute to increase the soundness of the system?
- Interest by financial authorities of the home country for this bank to expand at an international level. For example:
  - Diversification of markets for its activities?
  - Diversification of risks?
- Systemic risk problems: a few large banks facing a great variety of banks and risks versus a greater number of smaller banking institutions with more traditional and local operations.

#### 2. Administration of an International Bank

- Centralized versus decentralized management: credit, liquidity, market risk, control of operations, business strategy, expansion plans, etc.
- Decentralized management: officers from the head office in charge of local operations.

#### 3. Responsibilities of the Parent Bank Towards Affiliates, Branches, etc.

- Do the problems of an overseas venture affect the global bank so as to justify a capitalization or any other kind of rescue strategies by the parent bank?
- Structures available to host financial authorities to limit contagion in a global bank or to promote actions by the parent bank to save the local bank.
  - A subsidiary with an independent charter.
  - Branches.
  - *Joint venture.*
- Other considerations by home country/host country financial authorities.

#### 4. Foreseeable Future for International Banks

- An avalanche of international regulatory standards, best banking practices, codes of conduct, etc.
- Internet Banking.
  - Use of e-banking services by nationals, both at the domestic and foreign levels. The impact on payment systems.
  - Growth: use of the Internet versus the traditional growth model of based on branch network expansion, mergers and/or acquisitions.
  - Security: confidential information, frauds, using the banking system for criminal purposes, etc.
  - The current regulatory framework may be applied to these activities or is a new focus required?