

Financial Stability Board
Regional Consultative Group for Sub-Saharan Africa

**Working Group on Home-Host Cooperation
and Information Sharing: Initial findings**

Notice

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The RCG for Sub-Saharan Africa comprises FSB-Member authorities as well as non-FSB member authorities.¹ The RCGs have been established as a mechanism for the FSB to consult with non-member jurisdictions and for the RCG members to share amongst themselves and the FSB views on vulnerabilities affecting the financial system, FSB policy initiatives and on other measures to promote financial stability.

¹ *A list of members of the RCG for Sub-Saharan Africa can be found at:*

<http://www.fsb.org/list-of-members-of-the-fsb-regional-consultative-group-for-sub-saharan-africa/>

26 January 2018

Working Group on Home-Host Cooperation and Information Sharing

Report

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Foreword

In November 2010, the Financial Stability Board (FSB) announced arrangements to expand outreach beyond its membership. To this end, six Regional Consultative Groups (RCGs) were established to bring together financial authorities from FSB member and non-member countries.¹ Membership in such groups includes representatives of ministries of finance, central banks, and supervisory authorities. The FSB currently has six RCGs. The RCGs provide a mechanism within each region for a wider group of institutions than those in the FSB membership to exchange views on the vulnerabilities affecting financial systems and on policy initiatives to address them, and to provide input to the FSB. One of the RCGs covers the Sub-Saharan Africa region.

The FSB RCG for Sub-Saharan Africa decided to establish a Working Group on Home-Host Cooperation and Information Sharing during its fourth meeting held in Mauritius in October 2013. This report describes the findings and conclusions of the Working Group and sets out a series of recommendations for consideration by the RCG.

The analysis and conclusions of this report are based on the responses to a questionnaire prepared by the Working Group by jurisdictions in Sub-Saharan Africa. Responses were provided by 19 jurisdictions in Sub-Saharan Africa. The Group considered that the jurisdictions which responded to the questionnaire constituted a representative sample of Sub-Saharan Africa.

The report has been prepared by a working group chaired by Mr. Mahendra Vikramdass Panchoo, Second Deputy Governor, Bank of Mauritius, who took over this responsibility from Mr Y. Googoolye, First Deputy Governor, Bank of Mauritius. The team includes members from the Central Banks of West African States (BCEAO), Kenya, Mauritius, Nigeria, South Africa, Sierra Leone and Tanzania. The list of members of the Working Group is at Annex 1. Dimple Bhandia (FSB Secretariat) provided support to the team and contributed to the preparation of the report.

¹ See http://www.fsb.org/press/pr_101103.pdf. For more information on the FSB see <http://www.fsb.org>.

Abbreviations

AfDB	African Development Bank
BCBS	Basel Committee for Banking Supervision
BCEAO	Central Banks of West African States
BCP	Basel Core Principles
CMG	Crisis Management Group
FSB	Financial Stability Board
IAIS	International Association of Insurance Supervisors
IMF	International Monetary Fund
IOSCO	International Organization of Securities Commissions
MFW4A	Making Finance Work for Africa
MoU	Memorandum of Understanding
RCG	Regional Consultative Group
WAMU	West African Monetary Union

1. Introduction

The FSB Regional Consultative Group (RCG) for Sub-Saharan Africa decided to establish a Working Group on Home-Host Cooperation and Information Sharing during its fourth meeting held in Mauritius in October 2013. The purpose of the Working Group was to study and analyse home-host cooperation and information sharing among supervisors in the Sub-Saharan African region with a view to identifying the current status of, and challenges associated with, home-host cooperation and information sharing in the region as well as steps that could be taken to enhance and strengthen the oversight of financial groups operating in multiple jurisdictions. The efforts of the Working Group, it was felt, would be beneficial to financial authorities in the region and also serve as a source of useful input to the FSB's work in this area.

The RCG recognised that in globally integrated financial markets, strong international cooperation and information sharing are essential to overcome vulnerabilities affecting financial systems. International standard-setting bodies have dedicated great efforts to achieve this goal, but the international principles on cooperation and information sharing are not always applied in equal measure in all jurisdictions. Overcoming cross-border regulatory arbitrage and the constraints on the sharing of information between home and host supervisors is crucial to financial stability. The authorities also noted that international financial standard-setting bodies – in particular, the Basel Committee on Banking Supervision (BCBS), the International Association of Insurance Supervisors (IAIS), and the International Organization of Securities Commissions (IOSCO) – have included standards related to cross-border cooperation and home-host relationships in their core principles. However, despite international standards and minimum criteria for effective coordination and information sharing among supervisors, in practice there are gaps in the way the international standards are implemented across jurisdictions, and as a result there could be a lack of effective, timely and relevant sharing of information and cooperation.

Against this background, the objectives of the Working Group were to identify the extent of cross-border financial activities in the region both in terms of size and type of activities; to identify the risks posed by such activities; to assess the extent to which supervisors cooperate and share information to oversee banks operating in multiple jurisdictions; and to identify any impediments to the current arrangements for supervisory cooperation and information sharing. The Terms of Reference of the Working Group are set out in Annex 2.

The Working Group conducted the majority of its work through e-mails and conference calls. It also held three physical meetings – one in Cape Town in December 2015; one in Basel in September 2016; and one in Mauritius in January 2017.

As a first step, the team prepared a questionnaire to solicit information from jurisdictions in the Sub-Saharan African region on the various items set out in the Terms of Reference. The questionnaire used by the team is at Annex 3. The questionnaire was sent to 35 jurisdictions in Sub-Saharan Africa, including all the members of the Regional Consultative Group for Sub-Saharan Africa. 19 jurisdictions provided responses to the questionnaire (the list of jurisdictions which responded to the questionnaire is at Annex 4). These included nine jurisdictions from

amongst the RCG members (Angola is the only member in our RCG that did not respond to the questionnaire). The Group considered that the jurisdictions which responded to the questionnaire constituted a representative sample of Sub-Saharan Africa. The Group's analysis and also the initial observations set out in the rest of this report are based primarily on the responses provided by the aforesaid 19 jurisdictions. Jurisdictions were asked to report data / position as at 30 June 2015.

This report is organised as follows. Section 2 of the report sets out some background information and recent developments relating to cross-border banking in Sub-Saharan Africa. Section 3 depicts the arrangements established by reporting jurisdictions to assess risks from cross-border activities. Section 4 sets out the arrangements for cooperation and information exchange between jurisdictions, while Section 5 specifically looks at the cooperation and information exchange between home jurisdictions of cross-border banks, especially Pan African Banks, and host jurisdictions. Each section sets out the findings from the responses to the Working Group questionnaire provided by the jurisdictions and ends with a sub-section on "*Observations and Recommendations*" to the RCG.

2. Cross-border banking in Sub-Saharan Africa – Background and recent developments

Size and characteristics

Jurisdictions in Sub-Saharan Africa, in general, and the nineteen jurisdictions which responded to the questionnaire of the Working Group, in particular, (hereafter referred to as the 19 responding jurisdictions) include a mix of countries which are very different in terms of their level of development and sophistication of their financial systems.

The 19 responding jurisdictions reported a total of 460 banks as at 30 June 2015. Of these, 193 were local banks while 267 were cross-border banks, out of which, 223 (or 84 percent) were subsidiaries of regional or global banks, reflecting the fact that subsidiarisation is the preferred form of cross-border banking presence in the region. Subsidiarisation of cross-border banking is perceived to pose lower risks, e.g. through minimising the potential of contagion. Several Sub-Saharan African countries are also host to Global Systemically Important Banks (G-SIBs). In November 2015, the Financial Stability Board updated the list of G-SIBs.² It is observed that out of the thirty institutions that had been classified as G-SIBs, 11 had operations in Sub-Saharan Africa, either in the form of branches or subsidiaries. South Africa is the jurisdiction that is host to the largest number of G-SIBs (ten) in the region.

Total banking assets reported by the 19 responding jurisdictions amounted to USD 693,420.9 million as at 30 June 2015. Across jurisdictions, there were significant variations in the size of the banking sector, as measured by total assets with total banking assets varying from USD 874 million in Sierra Leone to USD 360,516 million in South Africa (see Table 1). South Africa, Nigeria, WAMU, Kenya and Mauritius had the largest banking sector in the region and together, they account for 88.5% of total assets in the 19 jurisdictions. These five jurisdictions are also host jurisdictions for the operations of several G-SIBs and have more developed financial systems in relation to the other remaining jurisdictions.

Foreign banks (global and regional banks) accounted for approximately 33 percent of total banking system assets in these 19 jurisdictions, of which subsidiaries accounted for about 29 percent. Excluding Nigeria and South Africa, which are major home jurisdictions to several banks with significant regional presence, this figure was much higher at about 58 percent. Local banks accounted for over 66 percent of banking sector assets in these jurisdictions. Cross-border banks accounted for almost 30 percent of deposits and loans in the 19 jurisdictions.

In its April 2016 *Regional Economic Outlook: Sub-Saharan Africa*,³ the IMF estimated that the average ratio of banking sector assets to GDP stood at 70.4% for the region. Mauritius had the highest ratio of total banking sector assets to GDP at 346.8%, followed by South Africa at 124.2%.

² <http://www.fsb.org/wp-content/uploads/2015-update-of-list-of-global-systemically-important-banks-G-SIBs.pdf>

³ <https://www.imf.org/external/pubs/ft/reo/2016/afr/eng/pdf/sreo0416.pdf>

Table 1: Banking Sector assets in 19 responding jurisdictions in Sub-Saharan Africa					
Total Assets (US\$ Million) as on 30 June 2015					
	All banks	Local banks	Branches	Subsidiaries	Others
WAMU	46,454.0	19,735.0	-	26,719.0	-
Botswana	7,243.5	-	-	6,629.7	613.8
Burundi	1,002.0	738.0	-	264.0	-
Ghana	13,506.8	5,148.3	-	8,358.5	-
Guinea	1,960.9	-	-	1,960.9	-
Kenya	35,261.0	22,909.0	1,717.0	10,635.0	-
Lesotho	1,014.0	29.0	-	985.0	-
Madagascar	2,313.6	12.7	-	1,762.8	538.1
Mauritius	33,597.0	14,930.0	1,386.0	17,020.0	261.0
Mozambique	7,868.9	691.9	-	7,177.0	-
Namibia	4375.0	181.0	-	4,194.0	-
Nigeria	138,004.9	116,750.3	-	21,254.6	-
Rwanda	2,779.6	1,787.8	-	991.8	-
Seychelles	1,371.0	511.6	126.8	678.4	54.1
Sierra Leone	873.8	333.5	-	540.3	-
South Africa	360,516.0	267,053.0	22,696.0	70,766.0	237.0
Swaziland	13,598.4	1,929.5	-	11,668.9	-
Tanzania	12,550.2	6,507.2	-	5,724.1	318.8
Zambia	7,455.3	1,039.2	-	4,720.8	1,198.3
TOTAL	691,745.9	460,287.0	25,925.8	202,050.9	3,221.1

Recent developments

Banking in Sub-Saharan Africa has undergone tremendous change during the last few decades. Financial liberalisation and related reforms, upgrades in institutional and regulatory capacity and more recently the expansion of cross-border banking activities with the rapid development of pan-African banking group networks have significantly changed the African banking and financial landscape. According to a recent IMF report on Pan African banks,⁴ seven major banks with headquarters in Morocco, Nigeria, South Africa and Togo have a presence in at least 10 African countries while several other banks with headquarters in Kenya, Nigeria and South Africa operate in at least five countries. While European and American banks have traditionally been present in the continent due to historical linkages, the IMF report postulates that these pan-African banking groups are now systemically important in 36 Sub-Saharan African countries. They have now outstripped the long-established European and American banks on the continent in terms of importance.

According to the European Investment Bank,⁵ three quarters of pan-African banks generate more than a quarter of their revenues outside their home market. These banks tend to expand

⁴ "Pan-African Banking: Opportunities and Challenges for Cross-Border Oversight" April 2015 (<http://www.imf.org/external/pubs/cat/longres.aspx?sk=42781>)

⁵ http://www.eib.org/attachments/efs/economic_report_banking_africa_from_financing_to_investment_en.pdf

outside their home market pulled by higher profitability and market growth in the target markets and pushed by rising competition in their home market. Tanzania has as many as six of these pan-African banks, while Ghana, Kenya, Mozambique, Uganda, Zambia and Zimbabwe have as many as five. Large parts of West, Central and East Africa have three or more pan-African banks.

A 2014 report “Making Cross-Border Banking Work for Africa”⁶ prepared under the umbrella of the Making Finance Work for Africa (MFW4A) Partnership, notes that *cross-border banking has become an increasingly important feature of African financial systems, and this trend has accelerated in the past decade. African banks have not only substantially increased their geographic footprints on the continent, but have also become economically significant beyond their home countries and of systemic importance in a number of jurisdictions. This growth and expansion of African banks has, in recent years, reduced the importance of the traditional, mostly European banks on the continent and has shifted the burden of managing the risks and reaping the benefits of cross-border banking from the traditional home countries in Europe towards African policymakers.*

Cross-border banking involves opportunities as well as risks. Cross-border banking, in general, leads to greater diversification and increased competition. The pan-African banks facilitate economic integration and give rise to economies of scale by leveraging group-wide functions and transferring know-how and locally adapted banking skills. Cross-border banking also has the potential to offer new avenues for funding and hence contribute to economic growth and greater financial inclusion. According to the World Bank’s Financial Inclusion Database, only 34 percent of adults in Sub-Saharan Africa had a bank account in 2014, but this is up from 24 percent in 2011. Consequently, access to finance in Sub-Saharan Africa, though expanding, remains among the lowest in the world and one of the key obstacles to the activity and growth of enterprises, especially micro, small and medium-sized enterprises. Cross-border banking can alleviate the problem of access to finance to some extent.

The growth of cross-border banking, however, also entails risks. Growing financial interconnectedness makes it easier for disruptions in one country to be transmitted across borders to other jurisdictions as evidenced during the global financial crisis. There is, therefore, a need to an effective supervisory oversight mechanism and cross-border regulatory cooperation.

3. Assessment of risks from cross-border banking activities

Supervisory processes for the assessment of risks

17 out of 19 jurisdictions (84 percent of the responding jurisdictions) provided information about the formal process through which cross-border risks are assessed in their jurisdictions. The process through which cross-border financial activities risks are assessed varies across jurisdictions. Most countries report that they are applying risk-based methodologies to identify risk profiles and risk appetites as well as supervisory frameworks to assess risk posed by banks

⁶ <https://openknowledge.worldbank.org/bitstream/handle/10986/20248/892020WP0Makin00Box385274B00PUBLIC0.pdf?sequence=1>

to the financial system. Where countries do not have formal risk assessment processes, risk is determined through the sharing of information facilitated by MoUs and supervisory colleges or through consolidated supervisory and on-site or off-site inspections.

- One jurisdiction (Botswana) requires banks to have board-approved risk management policies and applies a risk-focused supervisory approach which feeds into the risk profiling of banks operating in the jurisdiction and may initiate targeted supervisory interventions. Another jurisdiction (Nigeria) also adopts a risk-based supervision methodology that profiles the risks of a supervised institution in order to prioritise supervisory resources according to the risk profile of the institution. One jurisdiction (Mauritius) requires a board-approved policy specifying risk appetite for risks posed by cross-border operations including the setting of country risk limits.
- One jurisdiction (South Africa) applies the same standards and regulations to foreign banks and domestic banks operating in the Republic and supervises banks in terms of a Supervisory Review and Evaluation Process. Another jurisdiction (Nigeria) supervises foreign banks operating in that jurisdiction in terms of the Supervisory Framework for Banks and Financial Institutions by assessing the financial position and earning performances of the parent company using available financial soundness indicators, the Stock Exchange, supervisory and regulatory agencies.
- 21 percent of the respondents (Republic of Burundi, Guinea, Lesotho and Madagascar) do not have formal processes in place to assess the risks of cross-border banking activities. One jurisdiction (the Republic of Burundi) advised, however, that it is guided by a Memorandum of Understanding (MoU) signed with the East African Community Central Banks which provides general principles on the cross-border cooperation among regulatory authorities. Another jurisdiction (the Central Bank of Guinea) ensures that any bank operating in that jurisdiction belongs to a holding company that is supervised by a partner central bank in a prudential and consolidated manner. Another jurisdiction (Lesotho) advised that risk assessment for all banks both local and foreign is undertaken through on-site and off-site monitoring. However, regulators through supervisory colleges share information on subsidiaries from different countries. In one jurisdiction (Madagascar), the risk assessment process is the same for foreign banks and local banks particularly for risks of solvency, division risks, and risks of available capital, foreign currency exposure, non-banking activities, and acquisition of stakes in another institution.
- One monetary union jurisdiction (WAMU) indicated that assessment is carried out on a regular basis by supervisory authorities and by the jurisdiction's Financial Stability Committee which comprises regulators and supervisors from various segments of the financial system.
- Two jurisdictions (Rwanda and Kenya) conduct consolidated supervision. One of them seeks assurance from home regulators and has entered into MoUs with host regulators to facilitate information sharing.
- One jurisdiction's (Tanzania) risk assessment is guided by regulations on consolidated supervision namely the Banking and Financial Institutions (Consolidated Supervision) Regulations of 2014. Another jurisdiction (Sierra Leone) assesses risks of a parent company by the home supervisor and by joint examinations of subsidiaries. Another jurisdiction (Ghana) indicated that risks are assessed by joint examination with

regulators of some jurisdictions, through group financials analysis and MoUs with regulators of parent companies to facilitate collaboration and information sharing.

- One jurisdiction (Namibia) indicated that its banking supervision department has a Determination on Consolidated Supervision process that encompasses an overall evaluation, both quantitative and qualitative of the risks incurred by and the strength of a banking group to which a banking institution belongs, primarily to assess the potential impact of other group financial entities on the local bank. Therefore, the financial information of cross-border entities are reported on a consolidated basis and during on-site examinations. The impact from cross-border entities is also assessed.
- One jurisdiction (Swaziland) is guided by their Central Bank Risk Management Guidelines (No.18/2009/BSD) which outlines the process for identification, measurement, monitoring and mitigation of material risks.
- One jurisdiction (Zambia) answered “no” to the question whilst two did not respond to the question.

More than 50 percent of the respondents reported that they conduct risk assessment for cross-border activities for both foreign and local banks at the licensing stage, specified periodicities and on a continuous basis. One jurisdiction (Sierra Leone) conducts assessments at all stages for foreign banks whilst another (Nigeria) conducts assessments for local banks at all stages and limits assessments for foreign banks to the licensing stage and specified periodicities. One jurisdiction (Guinea) assessments are focused on foreign banks during the licensing and specified periodicities only. One jurisdiction (South Africa) conducts risk assessments for both foreign and local banks at the licensing stage and at specified periodicities and not on a continuous basis. Another jurisdiction's (Mauritius) risk assessment for both foreign and local banks is conducted at the licensing stage, specified periodicities and on a continuous basis. One jurisdiction (Mozambique) advised that it does not conduct formal risk assessments for both local and foreign banks at the licensing stage and did not respond to the specified periodicities and continuous basis stages. One jurisdiction (Madagascar) responded that it does not conduct formal assessment at any of the stages. One jurisdiction (Zambia) responded that the question was not applicable. One jurisdiction (Namibia) did not respond to the question.

Based on the responses received from the countries, it is apparent that at least 50 percent of the respondents conduct risk assessments throughout the operation of a bank i.e. licensing, specified periodicities and on a continuous basis. There seems to be more focus in terms of risk assessment with foreign banks as opposed to local banks, whilst some countries do not conduct any formal risk assessment.

Legal and regulatory arrangements

Few jurisdictions have in place legal requirements related to mandatory locally-held shareholding though most (but not all) jurisdictions have prudential requirements in place to monitor ownership. One jurisdiction's (Zambia) law places a restriction of 25 percent on ownership of voting shares (listed companies can own up to 100 percent) whilst another jurisdiction's law (Tanzania) stipulates that a person may not own or control, directly or indirectly a beneficial interest of more than 20 percent (except if it is a bank or a holding company of a bank). One jurisdiction (Kenya) indicated that no shareholder and related parties can own more than 25% of the share capital of a bank. However, another bank, government

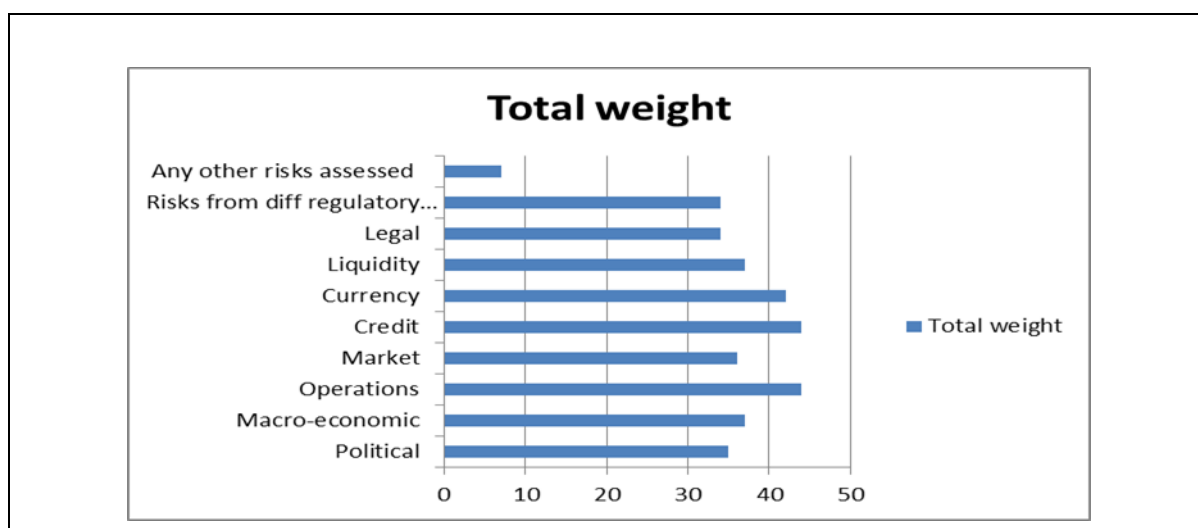
agency and an approved non-operating holding company are exempted from this requirement. One jurisdiction (Guinea) responded that a bank can be fully owned by foreigners and there is no requirement to have a percentage of the shareholding for local individuals or entities. Seven jurisdictions (Republic of Burundi, Seychelles, Sierra Leone, Swaziland, Rwanda, Mozambique and Lesotho) have no legally enforceable ownership requirements. One jurisdiction (Namibia) advised that with envisaged legislative changes to the Banking Law, there will be an introduction of local ownership requirements restricting foreign owners to 55%. This proposal is still at a policy drafting and consultation phase.

Most jurisdictions which responded to the questionnaire, however, reported the existence of specific prudential guidelines (especially with regard to ownership) related to cross-border banks. In one jurisdiction (Botswana) the proposed structure must not hinder effective supervision and there is discouragement of concentration of ownership by single individuals. One jurisdiction (Ghana) requires 60 percent of capital of foreign subsidiaries to be brought into that jurisdiction (Ghana) in foreign currency. One jurisdiction (Madagascar) requires a strategic partner with experience and qualification recognized internationally with a solid financial base to have significant influence with voting rights at least equal to a blocking minority of 33.34 percent. In one jurisdiction (Mauritius), significant ownership (directly or indirectly owning 10 percent or more of capital or voting rights) requires central bank approval. Another jurisdiction (Nigeria) requires all banks operating in the jurisdiction to be incorporated in terms of their company law. Another jurisdiction (South Africa) requires shareholding percentages above 15 percent to be approved by the Registrar of Banks and in instances where the shareholding is above 49 percent requires Ministerial approval; and one monetary union (WAMU) advised that the banking legislation does not contain any provision pertaining to the capital of businesses which are intended to operate as credit institution within the zone. However, amendments to the capital structure are regulated in case they go significantly beyond the threshold.

Risk assessment – major risks

Jurisdictions, in their response to the questionnaire, identified the major risks which they perceived cross-border banking could pose. Credit risk, operational risks and currency risks were identified by the respondents as the three most concerning areas. Macro-economic, market and liquidity risks were ranked second in terms of risks affecting the stability of the jurisdictions whilst legal risk, political risk and risks from different regulatory framework were ranked in the last category. Chart 1 presents the most important risks assessed, with the total weight being assessed based on the ranking of risks by reporting jurisdictions.

Chart 1: Risks from cross-border banking

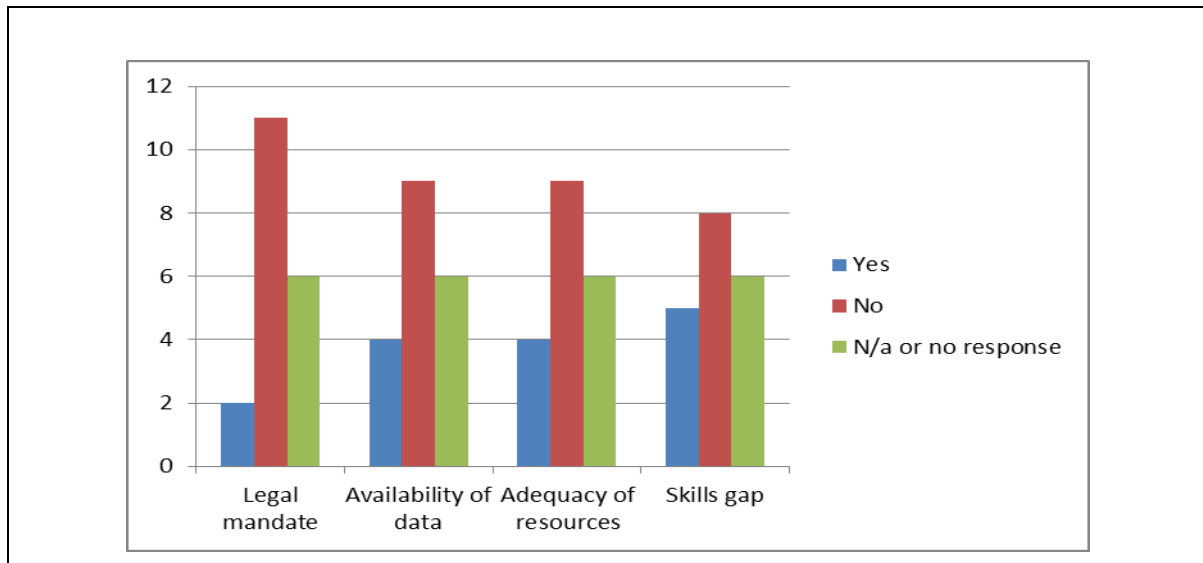


In the questionnaire, respondents were asked to score the 10 risk categories (in the chart above) on a scale of 1 to 5. The maximum score for 10 categories was 50. The responses indicated considerable differences across jurisdictions with regard to their perception of the degree of risk posed by these categories. Two jurisdictions ranked the highest in terms of their concern over the risk areas scoring most risk areas with a 3 or 4 and an occasional 5, with a total score of 33 each. Three jurisdictions ranked most risk areas as a 3 or 4 and had a total score of 28, 27 and 27 respectively. Four jurisdictions ranked risks between 1 and 4 with the predominant ranking being 3. Four jurisdictions had total scores of 25, 23, 23 and 21, respectively. One jurisdiction rated all risks as 2 which indicate that there are no crucial areas for concern and has a total score of 18 whilst another scored all risks as a 2 besides the political risk, which was given a 3. Its total score was 19. Four jurisdictions ranked risks between 0 and 4 with a majority of risks ranked as 2 and 3. The total scores for these jurisdictions were 17, 17, 15 and 12, respectively. One jurisdiction scored political, macro-economic, market, credit, and legal risks as a 0. Currency and risk from different regulatory framework were marked at 1. Operational risk and liquidity risk were marked as a 2. No responses were selected for other risk assessed by the jurisdiction. In total this jurisdiction scored 6 out of 50.

Risk assessment – challenges and mitigants

61 percent of the respondents reported that they face no significant challenges in terms of risk assessments. Five jurisdictions did not respond to the question or indicated that constraints were not applicable. Others identified a number of challenges / constraints to assessing risks arising from cross-border banking. These included, in order of priority skill gaps, adequacy of resources, availability of data and a legal mandate (Chart 2). Other areas of concern identified included the difficulties experienced in communication due to the use of national languages and difficulty in reconciling accounts due to the utilisation of different accounting standards.

Chart 2: Constraints faced by jurisdictions in assessing risks from cross-bank banking



Jurisdictions identified a number of interventions which could mitigate risks from cross-border activities (though two jurisdictions did not respond to the relevant questions):

- Improvements in regulatory framework;
- Supervisory colleges to share information;
- Ratification of cooperation agreements and MoUs with other regulators and supervisors both domestically and internationally;
- Focus on consolidated supervision, joint-verification missions and joint supervision (on-site access to local offices by the home supervisor);
- Formalisation of Guidelines on Country Risk Management and Risk Management Guidelines;
- Ongoing assessment of political and macro-economic developments in the home and host countries, offsite supervision via returns rendered by banks on their offshore subsidiaries, capital augmentation for offshore subsidiaries are subject to regulatory approval, power to require parents of foreign banks to inject additional capital into their foreign operations to meet regulatory requirements and power to intervene in the management of banks found to be in continual breach of prudential ratios and corporate governance codes;
- Monitoring of concentration risk of all cross-border banking activities;
- Harmonisation of legal, regulatory and supervisory frameworks among EAC countries; and
- Limitations on currency exposure, concentration limits and restrictions on lending to non-residents.

The countries have identified a number of areas that can improve their capacity to mitigate risks from cross-border financial activities. These range from formalising information sharing arrangements, finalising country risk management guidelines and monitoring risk concentration, focusing on harmonizing of regulations and embarking on onsite and offsite inspections and introducing specific limits.

4. Home-host cooperation and information sharing: Existing arrangements

Legal framework for sharing of information with domestic and foreign authorities

All jurisdictions provided information about the existing legal framework for sharing of information with other domestic and foreign authorities with more than half the jurisdictions indicating that their jurisdictions have a legislative basis to share information with other supervisory authorities. Specifically, ten jurisdictions (WAMU, Botswana, Ghana, Kenya, Madagascar, Mauritius, Nigeria, South Africa, Seychelles and Tanzania) report that a legal framework for the sharing of supervisory information is in place. In addition, respondents indicated that MoUs and supervisory colleges also play a significant role in contributing towards information sharing across borders, especially where the legal framework does not provide for the sharing of such information. Six jurisdictions (the Republic of Burundi, Guinea, Lesotho, Rwanda, Sierra Leone and Swaziland) responded that information is shared through established MoUs. One jurisdiction (Mozambique) responded that with regard to foreign supervisors there is a room under articles 56 and 8 of the Banks Act, for information sharing as long as an MoU has been signed. No response was received for local authorities. One jurisdiction (Namibia) responded that it has concluded MoUs with others supervisors from where subsidiaries of foreign banks originate and in which their local bank has a subsidiary. In future, they will hold supervisory colleges to share information. One jurisdiction (Zambia) stated that there is no legal framework for sharing information with domestic and foreign supervisory authorities.

In cases where there is no legal framework catering for the sharing of information, countries use the MoU to facilitate such sharing. One monetary union (WAMU) advised that in the absence of a ratified agreement, information is shared on the basis of the commitment of the requesting authority to ensure confidentiality of information and to use it for the sole purpose of supervision. Reciprocity of the process is also an element for the sharing of information. One jurisdiction has undertaken a process of creating a National Financial Stability Committee and for this purpose it has prepared a MoU that will be signed by all the other Regulators of the financial system, the Ministry of Finance and the ministry in charge of social security. No mention is made about the sharing of information with foreign supervisory agencies. One jurisdiction advised that information may be made available to institutions that provide Technical Assistance such as IMF, World Bank, AFDB, etc.

With regard to applicable requirements in different jurisdictions for the sharing of information, jurisdictions reported a variety of requirements (see Table 2).

	Signed MOU	Undertaking confidentiality	Undertaking for supervisory purposes	Reciprocity exists	Prior Court Approval
WAMU	Yes	Yes	Yes	Yes	No response
Botswana	Yes	Yes	Yes	Yes	Prior approval from Bank of Botswana
Burundi	Yes	Yes	Yes	Yes	No response
Ghana	Yes	Yes	Yes	Yes	No response
Guinea	No	Yes	Yes	No	No
Kenya	Yes	Yes	Yes	Yes	No
Lesotho	Yes	Yes	Yes	Yes	No response
Madagascar	Yes	Yes	Yes	Yes	No response
Mauritius	No	Yes	Yes	No	No
Mozambique	Yes	No response	No response	No response	No response
Namibia	Yes	Yes	Yes	Yes	
Nigeria	Yes	Yes	Yes	Yes	No
Rwanda	Yes	Yes	Yes	Yes	No
Seychelles	Yes	Yes	Yes	No response	No response
Sierra Leone	Yes	Yes	Yes	Yes	No
South Africa	Yes	Yes	Yes	Yes	N/A
Swaziland	Yes	Yes	Yes	Yes	No
Tanzania	Yes	Yes	Yes	Not necessary if MOU is in place	No response
Zambia	Yes	Yes	Yes	No response	No response

A signed MoU from the requesting authority, undertakings of confidentiality and the requirement that information will only be used for supervisory purposes are the strongest preconditions necessary for sharing information, as indicated by 83.3 percent of the respondents (WAMU, Botswana, Burundi, Ghana, Kenya, Lesotho, Madagascar, Nigeria, Rwanda, Seychelles, Sierra Leone, South Africa, Swaziland, Namibia, Tanzania and Zambia). Two jurisdictions do not require a signed MoU but require prior undertakings of confidentiality and confirmation that the information will only be used for supervisory purposes. One jurisdiction requires a signed MoU and did not provide responses for the other options. One jurisdiction advised that all prior requirements are necessary and also requires prior approval from the central bank in order to share information. At least 66.6 percent of the respondents required that reciprocity exists between both parties.

It is clear from the responses received that prior court approval is not a pre-condition for sharing information. Additionally, 16 jurisdictions responded that there have been no instance of a challenge in court on information shared under an MoU indicating that the legality of the provision of information to local or foreign supervisory authorities on the strength of a MoU has not been challenged in a court of law.

Mechanisms for sharing information

As mentioned earlier, MOUs, including multilateral MOUs appear to be the preferred process through which information is shared between jurisdictions in the region (see Table 3).

Table 3: MoUs for exchange of information

No.	Name of Jurisdiction	No. of MoUs
1.	Mozambique	NA
2.	Zambia	7
3.	Tanzania	5
4.	Swaziland	1
5.	South Africa	27
6.	Sierra Leone	1
7.	Seychelles	2
8.	Rwanda	4
9.	Nigeria	28
10.	Mauritius	10
11.	Madagascar	3
12.	Lesotho	1
13.	Guinea	4
14.	Ghana	3
15.	Burundi	3
16.	Botswana	3
17.	WAMU	9
18.	Kenya	8
19.	Namibia	5

Exchange of supervisory information is also achieved through Colleges of Supervisors. 7 of the responding jurisdictions are home jurisdictions to banks which have operations in other countries. Five of these jurisdictions had set up supervisory colleges which, *inter alia*, facilitate exchange of information (see Table 4).

Table 4: Supervisory colleges

Country	No. of host jurisdictions in which local banks operate	Supervisory College
Tanzania	2	0
South Africa	53	3
Nigeria	56	1
Mauritius	5	2
Kenya	6	6
WAMU	36	2
Namibia	2	0

Regional supervisory colleges are also a notable information sharing mechanism. For instance, the College of Supervisors of the West African Monetary Zone (CSWAMZ) was established in 2011 through the signing of a multilateral MoU. The College comprises the five (5) Anglophone West African Countries (The Gambia, Ghana, Liberia, Nigeria and Sierra Leone) and the Republic of Guinea. The College meets on a quarterly basis in member countries on a rotational basis. At each meeting countries make presentations on developments in their respective banking industries and share information and experiences

About 50 percent of the responding jurisdictions further report that information is also exchanged on the basis of Statements of Cooperation. Less common is the exchange of information through Crisis Management Groups. Some jurisdictions also utilise other channels for the reporting of information including bilateral visits, calls for information, joint on-site exams, and staff attachments.

Many jurisdictions (roughly half of the respondents) report various forms of collaborative work as a prevalent form of supervisory cooperation in the region. Such collaboration takes place (for example) through joint on-site examinations supervisory colleges and/or joint workshops and seminars and contribute to the effectiveness of the oversight of international banking groups.

Authorities with whom information is shared / can be shared and restrictions on types of information

Tables 5 and 6 set out different kinds of authorities in the same jurisdiction and in other jurisdictions with whom the authorities in the responding jurisdictions can share information and the restrictions, if any, on the types of information which is shared / can be shared.

Table 5: Types of information which can be shared with foreign authorities

Types of information that can be shared with foreign authorities					
	Banking Supervisors	Central Banks	Ministry of Finance	Financial Stability Authority	Resolution Authority
Burundi	Yes - All	Yes - All	No	No	NO
Lesotho	Yes - All	Yes - All	Yes - secret only	Yes - All	Yes - All
WAMU	Yes - All	Yes - All	Yes - All	Yes - All	Yes - All
Sierra Leone	Yes - All	Yes - All	No	No	No
South Africa	Yes - All	Yes - All	N/A	Yes - All	Yes - All
Tanzania	Yes - All	Yes - All	Yes - All	Yes - All	Yes - All
Botswana	Yes - no secret	Yes - No secret	Yes - no secret	Yes - no secret	Yes - no secret
Mauritius	Yes - All	Yes - All	No	No	No
Rwanda	Yes - Secret only	Yes - Secret only	Yes - secret only	Yes - secret only	Yes - secret only
Zambia	Yes - all	Yes - all	No	No	No
Ghana	Yes - all	Yes - all	No	Yes - all	Yes - All
Kenya	Yes - All	Yes - All	No	Yes - All	No
Guinea	Yes All	Yes - all	Yes - all	Yes - All	Yes - All
Namibia	Yes - confidential	Yes - All	Yes - confidential information only on formal request	Yes - confidential information only on formal request	Yes - confidential information only on formal request
Nigeria	Yes - All	Yes - All	No	Yes - All	No
Swaziland	Yes All	Yes - All	No	Yes - All	Yes All
Madagascar	Yes - secret only	Yes - Secret only	Yes - secret only	Yes - secret only	Yes - secret only
Mozambique	Yes - no secret	Yes - no secret	Yes - no secret	Yes - no secret	Yes - no secret
Seychelles	No response	No response	No response	No response	No response

In general, most jurisdictions report the ability to share information with foreign authorities, especially foreign central banks and supervisory authorities. Some constraints are reported with regard to sharing of information with foreign ministries of finance and resolution authorities.

Three jurisdictions advised that confidential information and other information may be shared with all foreign supervisory authorities. Two jurisdictions stated that only confidential information can be shared with all types of foreign authorities. Three jurisdictions advised that confidential and other information may be shared with foreign banking supervisors and central banks. Confidential and other information may not be shared with resolution authorities, finance ministry and financial stability/macro-prudential authority. Four jurisdictions advised that confidential and other information can be shared with foreign banking supervisors, central bank, resolution authority and financial stability authority. Two jurisdictions stated that

confidential information and other information are not shared with foreign finance ministry. Finance ministry was marked as not applicable for one jurisdiction. One jurisdiction stated that confidential information cannot be shared with a foreign finance ministry but other information can be shared. One jurisdiction advised that confidential and other information can be shared with foreign banking supervisors, financial stability authority and central banks provided that there is a reciprocal agreement. One jurisdiction stated that confidential information and other information can be provided to the resolution authority, finance ministry and macro-prudential stability authority despite it not being mentioned in the law (Banking Act of 2004). The law (Banking Act of 2004) allows the disclosure of information by the central bank under conditions of confidentiality to a central bank or any other entity by whatever name called which performs the function of a central bank in a foreign country for the purpose of assisting it in exercising functions corresponding to that of the central bank under the law (Banking Act of 2004). One jurisdiction stated that confidential information and other information can be shared with foreign bank supervisors, central banks and financial stability authority. Confidential information cannot be shared with foreign resolution authorities and the finance ministry. One jurisdiction advised that confidential information and financial statements of banks will be provided to foreign banking supervisors and the foreign central bank. The performance of each bank will also be shared under other information if formally requested by the foreign banking supervisor. Confidential information will only be shared with a foreign resolution authority, ministry and stability authority if it is formally requested. No responses for other information were provided for the foreign central bank, the resolution and financial stability authorities. Two jurisdictions stated that it cannot share confidential information with foreign supervisory authorities however other information can be shared. One jurisdiction did not respond to the question.

Table 6: Types of information which can be shared with local authorities

Types of information that can be shared with local authorities					
	Other Supervisors	Central Banks	Ministry of Finance	Financial Stability Authority	Resolution Authority
Burundi	No	No	No	No	No
Lesotho	Yes - All	Yes - All	Yes - All	Yes - All	Yes - All
WAMU	Yes - All	Yes - All	Yes - All	Yes - All	Yes - All
Sierra Leone	Yes - no confidential	No response	Yes - no confidential	No response	No response
South Africa	Yes - All	Yes - All	Yes - All	Yes - All	Yes - All
Tanzania	Yes - All	Yes - All	Yes - All	Yes - All	Yes - All
Botswana	Yes - All	Yes - All	Yes - All	Yes - All	Yes - All
Mauritius	Yes - All	N/A	No	No authority exists	No authority exists
Rwanda	N/A	N/A	N/A	N/A	N/A
Zambia	Yes - All	No response	Yes - All	Yes - All	No response
Ghana	Yes - All	Yes - All	Yes - All	Yes - All	Yes - All
Kenya	Yes - All	Yes - All	Yes - All	Yes - All	Yes - All
Guinea	Yes - All	Yes - All	Yes - All	Yes - All	Yes - All
Namibia	Yes - other information	No response	Yes - other information	No response	No response
Nigeria	Yes - All	Yes - All	Yes - no confidential	Yes - All	Yes - All
Swaziland	Yes - All	No	Yes - All	Yes - All	No
Madagascar	Yes - confidential only	Yes - confidential only	Yes - confidential only	Yes - confidential only	Yes - confidential only
Mozambique	No response	No response	No response	No response	No response
Seychelles	No response	No response	No response	No response	No response

Most jurisdictions report the existence of enabling provisions for sharing of information, including confidential information, with other domestic authorities. But several jurisdictions report constraints e.g. with regard to sharing of information, especially confidential information with the ministry of finance; sharing of information with other authorities including central

banks and domestic supervisors; absence of a formal information sharing framework between the domestic authorities, etc.

More than 60 percent of the respondents (WAMU, Botswana, Guinea, Kenya, South Africa, Tanzania, Ghana, and Lesotho) indicated that confidential information and other information can be shared with local supervisory authorities. In the remaining countries there are restrictions in terms of the type of authorities with whom information can be shared⁷. One jurisdiction advised that confidential information cannot be shared with domestic supervisors and the ministry of finance. Other information however can be shared with these two authorities. One jurisdiction responded that confidential information can be shared with all domestic supervisory authorities whilst no other information can be shared.⁸ One jurisdiction advised that it shares confidential and other information with the Financial Services Commission. There is no separate resolution authority in this jurisdiction at present and that information of a general nature is shared with the Finance Ministry. There is no macro-prudential authority in this jurisdiction at present, whilst the central bank houses a financial stability unit. In one jurisdiction confidential or other information cannot be shared with other supervisors, the central bank, resolution authority, finance ministry, and the macro-prudential authority as information sharing framework between the domestic authorities has not yet been established. In two jurisdictions confidential information and other information can be shared with other supervisors, the finance minister and the financial stability authority. One jurisdiction advised that no information is shared with the central bank and the resolution authority whilst another jurisdiction did not provide responses with regard to the central bank and the resolution authority. One jurisdiction advised that confidential information and other information can be shared with other supervisors, the resolution authority and the financial stability authority. Confidential information cannot be shared with the finance ministry whilst other information can be shared. One jurisdiction did not furnish a response to the sharing of confidential information with local authorities. This jurisdiction (Namibia) does however share other information with the Finance Ministry and the supervisor of non-banking institutions

⁷ WAMU, Botswana, Kenya, South Africa, Tanzania and Ghana state that secret and other information can be shared with all the local supervisory authorities listed. In Kenya, sharing is subject to confidentiality restrictions and prior clearance. Madagascar advised that secret information can be shared with all domestic supervisory authorities. No other information can be shared.

In Lesotho, secret information cannot be shared with other supervisors and the finance ministry. Secret information can be shared with the central bank, resolution authority and financial stability authority. Other information can be shared across the board.

Nigeria advised that secret information and other information can be shared with other supervisors, the resolution authority and the financial stability authority. Secret information cannot be shared with the finance ministry whilst other information can be shared.

In Swaziland and Zambia, secret information and other information can be shared with other supervisors, the finance minister and the financial stability authority. Zambia do not respond to the sharing of information with the central bank and the resolution authority whilst Swaziland stated that no information can be shared with the Central Bank and the Resolution authority.

⁸ Secret information can be shared with all types of foreign authorities. Other information cannot be shared. The memoranda of understanding with the Bank of Mauritius, the Bank Al Maghrib and the COBAC provide details of information which can be shared as the process for exchanging information relevant to the mission of Commission for Banking and Financial Supervision (Commission de Supervision Bancaire et Financière (CSBF)) as granting licenses, control on site and also to allow the extension of the control on site to the representations, subsidiaries and foreign branches of credit institutions.

being the (Namibian) Financial Institutions Supervisory Authority. No response was received from two jurisdictions. One jurisdiction advised that the question is not applicable.

Types of information that is shared / can be shared

The most common types of information shared with host supervisors include confirmation on whether the applicant establishment (a) is in substantial compliance with financial laws and regulations and (b) is able, given its administrative structure and internal controls, to manage the cross-border establishment in an orderly manner; and information about fitness and properness of prospective directors, managers and relevant shareholders. Information about material developments and supervisory concerns on the cross-border establishment's operations; formal enforcement actions (administrative penalties) taken against the local banks and information about Anti-Money laundering, Terrorist financing, unauthorized banking business and other illegal conduct is reported to be shared by a few jurisdictions. Also, information is most commonly shared at the time of granting of licenses and as part of the ongoing supervisory processes with fewer jurisdictions reporting that information is shared at the time of crises or as part of a resolution process.

Obstacles to sharing of information

Responding jurisdictions cited a number of obstacles / impediments to effective information sharing and supervisory cooperation between home and host supervisors in the region. The main obstacles to information sharing and coordination of supervisory efforts from the survey include the lack of explicit legal provision to support information sharing (26 percent), foreign regulatory framework (26 percent (secrecy laws, etc.) and adoption of international standards, particularly Basel II. Others include foreign banks' parent company structure, absence of or limited scope of MoU (53 percent) and operational issues such as technology challenges, timing and duplication of request, and comparability of data (53 percent). Other obstacles cited by a significant percent of respondents are lack of strong bilateral relationships (47 percent), lack of willingness/motivation for cooperation (32 percent) and differing degrees of supervisory capacity (53 percent).

5. Home-host cooperation and information sharing: Effectiveness

The questionnaire asked jurisdictions to respond to some specific questions about the arrangement for cooperation and information sharing between home and host supervisors of banks with cross-border operations. The questions were targeted at soliciting information about the nature and timeliness of information shared, collaborative arrangements for risk assessments or consolidated supervision and the functioning of supervisory colleges and crisis management groups.

Effectiveness of Current Supervisory Information Sharing and Cooperation with respect to timeliness; ease of use; consistency; completeness; adequacy; appropriateness and nature of information shared

The responses provided by the 19 responding jurisdictions indicate that the supervisors were most concerned about the timeliness of sharing of supervisory information under the current information sharing and supervisory cooperation arrangements with only three of the 19 respondents being of the opinion that the timeliness of information shared was effective. A few jurisdictions also expressed concern about the ease of use, consistency and completeness of information shared as highlighted below.

On *Timeliness*, a majority (12) of the respondents representing approximately 63 percent of the jurisdictions stated that current arrangements are only moderately effective, three jurisdictions or 16 percent affirmed that they are effective, while only one posited they are ineffective. Three jurisdictions did not respond to the question. Specifically, one respondent stated that delays in receiving information had hindered its ability to effectively assess the risks of cross-border banks' branches and subsidiaries in its jurisdiction.

With regard to *Ease of Use*, a majority (11) of the jurisdictions agreed that current arrangements were adequate while another six felt that the current arrangements were moderately effective. Two jurisdictions did not provide any response.

Similarly, on *Consistency*, 10 responding jurisdictions, representing 53 percent appeared satisfied with the current arrangements, while six other jurisdictions felt that the current arrangements were of moderate effectiveness.

With regard to *Completeness*, 10 respondents or 53 percent agreed to its effectiveness, while six respondents or 32 percent stated that it is moderately effective. Only one jurisdiction considered completeness as not effective, while two did not respond to the question.

With regard to *Adequacy*, 16 supervisory authorities representing 84 percent of the respondents considered information received and exchanged with their foreign counterparts as adequate. Only three respondents did not consider the information received and exchanged as adequate. One jurisdiction indicated that they lack the requisite capacity, in terms of skills, number of staff and technical tools to evaluate the adequacy of the information received from the supervisors. Some jurisdictions expressed specific concerns with regard to the adequacy of information shared under the current information sharing arrangements in the region. One jurisdiction also stated that the MOU only highlights the need for the host supervisor and the home supervisor to inform each other without delay on issues relating to crisis that may have a material impact on entities that they supervise. It stated, however, that no details were given

with regard to crisis preparedness, management and resolution and thus recommended that meeting periodically or just annually may also improve sharing of information and development. Another jurisdiction stated that other valuable information like market share, issues of supervisory concern and non-compliance with laws and regulations are not being shared currently and therefore, efforts should be made towards improvement in the aforementioned. One jurisdiction while agreeing that the amount of information shared is adequate, however stated that the lack of agreement on a common working language, terms of reference and modalities of communicating the findings of the joint verification missions remain issues of concerns.

On the *nature of information* shared, 10 jurisdictions (WAMU, Botswana, Burundi, Ghana, Guinea, Kenya, Madagascar, Mauritius, Nigeria, South Africa) including home supervisors of Pan-African banks, affirmed that the information shared reflect the circumstances and risk profile of the banking group, as well as the information needs of home and host supervisors based on the principles of proportionality and materiality. In particular, the home supervisors of major Pan-African banks report that:

- Information provided includes prudential ratios of the supervised institution and whether they complied with the regulatory benchmarks or requirements. It also includes comments on corporate governance concerns and/or infractions. To underscore recourse to the principle of proportionality, more frequent on-site visits are made to offshore institutions that control significant percentage of the total group assets. Generally, the information shared, whether on-site or off-site, includes the risk profile of an institution as shown by its latest examination report (Nigeria).
- During supervisory colleges, supervisory assessments are shared with host regulators who present information on their risk analysis of the entity operating in their jurisdiction. Attending delegates also provides an update on Basel II and Basel III implementation, and their requirements and controls with regard to anti-money laundering and terrorist financing in their respective jurisdictions (South Africa).
- The information shared is restricted to that which is of direct mutual concern to both the home and host jurisdictions (Kenya).
- Information shared with host supervisors include both macroeconomic data as well as bank specific data such as total assets, deposits, advances, non-performing loans, liquidity indicators, earnings indicators. A standard set of information is being shared with as well as requested from host supervisors (Mauritius).

Jurisdictions report that major types of information which is shared includes but is not limited to:

- Report of examination in the case of joint on-site examination;
- Major examination findings or issues of supervisory concerns;
- Prudential requirements in the host and home jurisdictions as well as information on material or persistent non-compliance with prudential standards and any significant matters requiring an immediate attention on management and internal controls;
- Macro-economic indicators and developments in the home and host jurisdictions;
- Bank capital adequacy ratios, legal lending limits, funding and deposit concentrations; and
- Risk management information, corporate governance and risk profile of subsidiaries.

Several host jurisdictions, however, variously report that there is *no* sharing of information, *limited* sharing of information or that the information shared does not include the

aforementioned details. One jurisdiction (Botswana) advises that there is no sharing of information between home and host supervisors on banking group's principal risks, vulnerabilities and risk management practices. Another jurisdiction (Mauritius) reports that information sharing between home and host supervisors is done at irregular intervals and usually through the supervisory colleges. Where the operations of a subsidiary are small compared to the overall operations of the group, the home supervisors often do not find it useful to share information regarding the bank's principal risks, vulnerabilities and risk management practices at regular intervals. One other jurisdiction (WAMU) mentions that the information exchanged pertains mostly to the level of understanding of the risk profile of foreign head offices of local subsidiaries, although there persists the lack of information regarding head offices of French banks having local subsidiaries.

Functioning of Supervisory Colleges

All respondents (except Seychelles who provided no response) considered the functioning of Supervisory Colleges as being either effective (WAMU, Botswana, Burundi, Lesotho, Ghana, Guinea, Kenya, South Africa, Swaziland, Tanzania, and Zambia) or moderately effective (Madagascar, Mauritius, Mozambique, Namibia, Nigeria, Rwanda and Sierra Leone).

Jurisdictions highlight that Supervisory Colleges have facilitated identification of the risks of banking groups and allowed for effective monitoring of international banking groups on a consolidated basis. They have enabled improved understanding of the overall operations of foreign subsidiaries from a broader perspective as well as effective supervision of parent banks and their subsidiaries which is dependent on information sharing (material and risk management practices) and cooperation between home and host supervisors, both in normal and in crisis situations. The Colleges promote sharing of supervisory information and joint decision making and provide an opportunity for supervisors to learn from each other. Supervisory Colleges also provide a platform through which issues of concern can be reiterated before senior officials of the banking groups.

Some jurisdictions also pointed out certain shortcomings and areas of improvement in the functioning of Supervisory Colleges. The frequency of meetings of Supervisory Colleges and the time devoted to such meetings are considered to be inadequate in some cases. Others feel that Colleges can delay decision making, especially when consent of other supervisors is required while taking a decision. Some jurisdictions report that resolutions made at the Supervisory Colleges are usually not being followed up in terms of resolving the identified problems. Also, the Colleges do not cover crisis management.

Annex 6 details the responses provided by jurisdictions with regard to their experiences of participating in supervisory colleges – both the positive outcomes as well as the perceived shortcomings.

Crisis management

Few jurisdictions which responded to the questionnaire have set up or were part of Crisis Management Groups. Of the three countries that have CMGs, two (Botswana and Tanzania) said they were not effective. Most jurisdictions report that regulators were cooperative during crisis and willing to share all supervisory information about the banks that have problems. Two jurisdictions (Mozambique and Nigeria) indicated evidence of ring fencing and unwillingness

of regulators to share necessary information during crisis. The lack of responses or detailed responses makes it evidence that CMGs have yet to fully evolve as a mechanism for supervisory cooperation and information sharing in the region.

Improving supervisory cooperation and information sharing

Jurisdiction provided a number of suggestions on ways in which supervisory cooperation and information sharing in the region could be made more effective.

Several jurisdictions stated that supervisors should have MoUs which explicitly require information sharing on related banks, while reiterating the need to improve the timeliness, and regularity of information sharing and strengthen bilateral relations. Some respondents recommended the establishment of supervisory colleges for all Pan-African banks and the use of standardized information template to be validated by the members of a supervisory college to facilitate the sharing of information at regular intervals. Respondents also suggested that the frequency of supervisory college meetings should be increased and the timeliness of sharing of information and speed of implementation of decisions should be improved. The agenda of the supervisory colleges should be extended to include discussions on matters related to international supervisory standards. The importance of continuity in the person's attending a particular institution's supervisory college was also stressed to enable relevant supervisors to build in-depth knowledge of a supervised institution.

One jurisdiction suggested that significant events and decisions taken by the foreign control agency, including sanctions, injunctions, requests for increase of capital, which substantially impact the subsidiaries, should be brought to the attention of the home authority. Similarly, the supervisory authority of the head office should be made aware of instances of sub-capitalization or where subsidiaries do not conform to local legislation.

Respondents also suggested that investigations conducted on site could be carried out on a joint operational and regulatory basis which would factor-in the concerns of both authorities concerned. Also, for joint on-site examination between home and host supervisors, very often the timetable of the home supervisors differs from that of the host supervisors, thus making it difficult for both supervisors to be part of the same exercise.

One respondent suggested more interactions between home and host supervisors during normal circumstances to strengthen bonds between the agencies which will support interactions during crisis periods. This can be achieved through more periodic meetings through conference calls and video conferencing. Furthermore, some respondents suggested that home jurisdictions develop a cross-border framework for cross-border supervision and consolidated supervision at institution level. Furthermore, they should put in place an explicit legal provision to support information sharing and create strong bilateral relationships.

One respondent sharing of supervisory information will be more effective if there is increased mutual trust between the home and host supervisors, where both agencies consider their role in ensuring effective supervision of a banking or financial services group as interdependent, complementary and reinforcing rather than as competitors.

Some respondents also recommended that home regulators intensify the supervision of banking groups on a bank solo and consolidated basis, develop crisis management framework and involve host supervisors in crisis management meetings of systemically important banks.

6. Summary, conclusions and recommendations

Summary and Conclusions

Formal Risk Assessments

The responses provided by jurisdictions to the Working Group questionnaire evidence that risk assessment has been given different levels of importance in different jurisdictions. Whilst some countries⁹ have formalised processes of risk assessment, it is concerning that several jurisdictions have no formal established processes¹⁰ and instead rely on MoUs and supervisory colleges to assist in assessing risk. It is not clear how risks are identified and assessed in jurisdictions that have indicated that there is no formal risk assessment process in place as well as jurisdictions such as Zambia, Mozambique and Seychelles which have not responded to this part of the questionnaire.

There are also significant variations across jurisdictions in terms of the stages and periodicities in which risk assessment is conducted. It is not clear why certain jurisdictions do not conduct assessments at specific stages or at defined periodicities (e.g. at the licensing stage or annually) or why certain countries do not provide responses to the stages of assessment.

Most responding jurisdictions have prudential requirements which place constraints on concentration in bank ownership even though specific legal requirements are not in place. This ensures that ownership structures do not interfere with supervisory processes. However, there are some countries where such prudential requirements are also not in place and supervisory concerns could potentially arise. It is not clear from the responses how such situations are handled in these jurisdictions.

Jurisdictions have identified skills gap and adequacy of resources as major challenges to effective risk assessment. Other challenges include lack of legal mandate and data availability.

Jurisdictions identified credit, operational and currency risks as the key risks which could be posed by cross-border banking activities. Further work could be undertaken to develop effective frameworks for managing each type of risk and in assessing how different jurisdictions have taken different initiatives to mitigate such risks.

Risk assessment is considered to be more efficient when conducted within a monetary union or through a central bank group. Risk assessment is guided by general principles when dealing with a monetary union. Supervisory colleges established by unions give other jurisdictions access to variant skills and experience. Member countries within African Monetary Unions and Development Communities should be encouraged to utilize these relationships to facilitate risk assessment.

Home-host cooperation and information sharing: Existing arrangements and effectiveness

There is a strong legislative basis for information sharing in the respondent jurisdictions, especially facilitated through MoUs. It may be prudent to establish the reasons for a lack of a legislative mandate to share information in certain jurisdictions. It would also be beneficial to understand the reasons why information is not shared with some local regulatory authorities as

⁹ Botswana, Nigeria, South Africa, Nigeria.

¹⁰ The Republic of Burundi, Lesotho, Madagascar and Guinea.

well as the implications this has from a risk and financial soundness perspectives. Further enquiry could be conducted on the reasons for information being shared with selected foreign authorities as well as the reluctance to share information with foreign finance ministries.

Whilst the sharing of information through MoUs have not been challenged in the respondent jurisdictions, it may be prudent to understand whether information shared with both foreign and local authorities on the basis of legislation has been challenged. Such evidence will assist jurisdictions that are still in the process of drafting a legal mandate for information sharing.

Opinion is divided amongst the responding jurisdictions with regard to the effectiveness of the existing information sharing arrangements with regard to timeliness, ease of use, consistency, completeness, appropriateness and adequacy of the information shared. Most jurisdictions, however, feel that the frequency of information sharing and the timeliness with which such information is shared could be improved. Jurisdictions also report that it is important for home / host regulators to share critical information on market share, issues of supervisory concern and non-compliance with laws and regulations which will create a more holistic view of the risk factors of banks.

Jurisdictions also observe that greater degree of collaborative work such as joint inspections, workshops, etc. could greatly facilitate sharing of information between home and host supervisors. They further observed that such collaborative work could also contribute to capacity building within the region.

Sharing of information is also facilitated by monetary unions where there is a sharing of skills between Minister of Finance, Central Banks and banking commissions. Countries with unions or development communities are encouraged to utilize these relationships to enhance information sharing.

Jurisdictions observe a number of benefits with regard to home-host cooperation and information sharing fostered by the establishment of supervisory colleges. At the same time, they note a number of shortcomings in the functioning of the supervisory college which relate to frequency of meetings; non-inclusion of some host jurisdictions (including jurisdictions where the cross-border bank is systemically important); shortcomings in the nature and timeliness of information shared by the home supervisor; high turnover of staff attending meetings of supervisory colleges, etc.

Few jurisdictions which responded to the questionnaire have set up or were part of CMGs. The lack of responses or detailed responses makes it evidence that CMGs have yet to fully evolve as a mechanism for supervisory cooperation and information sharing in the region.

Recommendations

Risk assessment

Recommendation 1: Jurisdictions should ensure that they have in place a formal risk assessment framework (preferably a risk-based supervisory approach) to assess risks from cross-border banking activities at periodic intervals. Jurisdictions which are part of regional unions or central banking groups are encouraged to utilize these relationships to facilitate risk assessment.

Recommendation 2: Jurisdictions should ensure that adequate legal and /or prudential requirements are in place with regard to ownership structures in their respective banking systems.

Information sharing arrangements

Recommendation 3: Where not already in place, jurisdictions should ensure that an appropriate legal framework for the sharing of information is in place. The legal framework should facilitate sharing of information with domestic authorities (where regulatory oversight is divided between different authorities in one jurisdiction) and on a cross-border basis.

Recommendation 4: Jurisdictions should explore the reasons for the existing constraints in sharing of information with ministries of finance and resolution authorities, both domestic and foreign, and address these, as appropriate.

Recommendation 5: Establishing and maintaining effective communication channels are key to effective supervisory cooperation and information sharing. To this end:

- Supervisors should carry out a self-assessment of their communication channels against their cooperative and information sharing needs.
- They should consider sharing high level contact details for facilitating interaction and ensuring that this information is updated at regular intervals.
- Supervisors should remain in regular and direct contact regarding mutually regulated entities, as this could facilitate establishment of an appropriate and efficient framework for the exchange of information, as well as the sharing of supervisory concerns while allowing supervisors to perform coordinated supervisory work.

Recommendation 6: Jurisdictions should examine the areas where collaborative work (including joint inspections, staff attachments, workshops, etc.) could be most usefully enhanced taking into cognisance costs and mutual benefits.

Recommendation 7: Jurisdictions should work towards removing the shortcomings with regard to the process of sharing information between supervisors (especially with regard to timeliness of sharing information). Jurisdictions should also examine the nature of information shared with a view to ensuring that information which contributes to a more holistic assessment of the risks arising from cross-border activities is shared. For example, supervisors could identify the information they must obtain from a counterpart supervisor before authorizing an entity that is part of an international group. The information should be sufficient to allow the supervisor to have a clear view of the risks posed by the banking entities both during normal and crisis times.

Recommendation 8: Jurisdictions which are home countries of cross-border banks should explore ways to improve the functioning and effectiveness of supervisory colleges through, *inter alia*, improving the frequency of college meetings, as appropriate; ensuring timely sharing of important information through the colleges; and favourably considering the requests of host jurisdictions which seek to attend the supervisory college. Jurisdictions, both host and home, should ensure continuity of attendance of officials in supervisory colleges (e.g. through ensuring that two officials, including one senior, attend the college meetings).

Recommendation 9: Jurisdictions which are home authorities for pan-African banks should start working on establishing crisis management groups. The preparations include any legal or regulatory reforms to facilitate information exchange and to ensure confidentiality of information exchanged.

Capacity building and adequacy of resources

Recommendation 10: Capacity building will have to be a priority in most responding jurisdictions to enable to effectively assess risks posed by cross-border banks including through the analysis of information received from home/host jurisdictions. Some jurisdictions will require further assistance for moving to international standards such as Basel II / III, International Accounting Standards, etc.

Recommendation 11: Jurisdictions should ensure availability of adequate resources (both in terms of number and skills) to supervise regulated institutions including systemically important banks.

Annex 1: Working Group on Home-Host Cooperation and Information Sharing: List of members

Chair	Mr Mahendra Vikramdass Punchoo Second Deputy Governor, Bank of Mauritius
BCEAO	Mr Babacar Fall BCEAO
Kenya	Mr Reuben Chepng'ar Central Bank of Kenya
Mauritius	Mr Dhirajsingh Rughoobur Bank of Mauritius
Nigeria	Mr Chikelu Oballum Central Bank of Nigeria
	Mr Muhammad Hassan Central Bank of Nigeria
South Africa	Mr Unathi Kamlana South African Reserve Bank
Sierra Leone	Mr Tapsiru Dainkeh Bank of Sierra Leone
Tanzania	Mr Augustino Hotay Bank of Tanzania

Annex 2: Working Group on Home-Host Cooperation and Information Sharing: Terms of Reference

Purpose

At the 22 October 2013 meeting of the FSB Regional Consultative Group for Sub-Saharan Africa (RCG or Group), members expressed the view that a working group should be formed to study and analyse home-host cooperation and information sharing among supervisors in the Sub-Saharan Africa region. In particular, it was suggested that the working group could identify the current status of, and challenges associated with, home-host cooperation and information sharing in the region and steps that could be taken to enhance it and thereby strengthen the oversight of financial groups operating in multiple jurisdictions. The efforts of the working group would be beneficial to financial authorities in the region and serve as a useful input to the FSB's work in this area.

Background

In globally integrated financial markets, strong international cooperation and information sharing are essential to overcome vulnerabilities affecting financial systems. International standard-setting bodies have dedicated great efforts to achieve this goal, but the international principles on cooperation and information sharing are not always applied in equal measure in all jurisdictions. Overcoming cross-border regulatory arbitrage and the constraints on the sharing of information between home and host supervisors is crucial to financial stability.

International financial standard-setting bodies – in particular, the Basel Committee on Banking Supervision (BCBS), the International Association of Insurance Supervisors (IAIS), and the International Organization of Securities Commissions (IOSCO) – have included standards related to cross-border cooperation and home-host relationships in their core principles.

During the 2008 financial crisis, many entities operating on a cross-border basis experienced severe financial difficulties and as a result, the importance of international regulatory cooperation became particularly apparent. Existing cooperation mechanisms were tested and were found to be insufficient and inadequate in an increasingly globalised environment. This highlighted the need to strengthen engagement among supervisors in different jurisdictions. At an international level, standard setters have updated their guidelines to incorporate lessons from the recent financial crisis and designed mechanisms to facilitate information sharing among members.

Despite international standards and minimum criteria for effective coordination and information sharing among supervisors, in practice there are gaps in the way the international standards are implemented among jurisdictions, and as a result there could be a lack of effective, timely and relevant sharing of information and cooperation

Objectives

With global developments, practices and international standards as background, the working group will focus its attention on home-host cooperation and information sharing issues within the Sub-Saharan Africa region. This will extend however, to cooperation and information sharing as it relates to financial institutions that are headquartered outside of the region but which have operations within the region.

The objectives of the working group are to:

- a. Identify the extent of cross-border financial activities in the region both in terms of size and activities.
- b. Identify risks posed by cross-border financial activities activity in the region.
- c. Assess the extent to which supervisors cooperate and share information to oversee banks operating in multiple jurisdictions. This should be considered in the context of consolidated supervision of cross-border financial groups, crisis management groups, supervisory colleges, bilateral MoUs, etc.
- d. Share information, where available, on the extent of member jurisdictions' adherence to regulatory and supervisory standards on international cooperation and information exchange (either from IMF-World Bank Reports on Standards and Codes assessments or existing self-assessments)¹¹, and approaches to address identified weaknesses.
- e. Identify impediments to the current arrangements for supervisory cooperation and information sharing.
- f. Offer recommendations to increase the effectiveness of supervision/oversight of institutions operating in multiple jurisdictions in the region.

It should be noted that the first two objectives are primarily for background purposes and to put the analysis, conclusions and recommendations in the next three objectives into context.

Membership

The working group will be chaired by a member of the RCG. Members will comprise senior level representatives and technical experts from the jurisdictions that are members of the RCG.

Special invitations to experts from outside the RCG, both from international organisations and other countries in the region, could be considered.

Deliverables

The working group will deliver a report to the RCG at its second meeting in 2014. The report should describe the working group's findings and conclusions, including the current status of home-host cooperation and information sharing in the region and challenges related thereto. It should also offer recommendations to strengthen the framework for home-host cooperation and information sharing.

The report will be considered by members of the RCG at its second meeting in 2014 and ultimately approved (after carrying out any revisions requested by RCG members). If deemed appropriate by members of the RCG, the report may then be submitted to the FSB Plenary for its consideration and input to various FSB workstreams.

Working arrangements

The working group will conduct the majority of its work via conference calls and e-mail; physical meetings may also be required but are expected to be infrequent.

¹¹ See http://www.financialstabilityboard.org/publications/r_131218.pdf for information on the FSB initiative to promote global adherence, including the Annex setting out the relevant standards.

Annex 3: Working Group Questionnaire

At the 22 October 2013 meeting of the FSB Regional Consultative Group for Sub-Saharan Africa (RCG or Group), members agreed to form a working group to study and analyse home-host cooperation and information sharing among supervisors in the Sub-Saharan Africa region. In particular, it was decided that the working group could identify the current status of, and challenges associated with, home-host cooperation and information sharing in the region and steps that could be taken to enhance it and thereby strengthen the oversight of financial groups operating in multiple jurisdictions. The efforts of the working group would be beneficial to financial authorities in the region and serve as a useful input to the FSB's work in this area.

The working group will deliver a report to the RCG. The report will describe the working group's findings and conclusions, including the current status of home-host cooperation and information sharing in the region and challenges related thereto. It will also offer recommendations to strengthen the framework for home-host cooperation and information sharing. The report will be considered by members of the RCG and could, if deemed appropriate, be submitted to the FSB Plenary for its consideration and input to various FSB workstreams.

Under its Terms of Reference, the working group was mandated to complete the following tasks:

- g. Identify the extent of cross-border financial activities in the region both in terms of size and activities.
- h. Identify risks posed by cross-border financial activities in the region.
- i. Assess the extent to which supervisors cooperate and share information to oversee banks operating in multiple jurisdictions. This should be considered in the context of consolidated supervision of cross-border financial groups, crisis management groups, supervisory colleges, bilateral MoUs, etc.
- j. Share information, where available, on the extent of member jurisdictions' adherence to regulatory and supervisory standards on international cooperation and information exchange (either from IMF-World Bank Reports on Standards and Codes assessments or existing self-assessments)¹², and approaches to address identified weaknesses.
- k. Identify impediments to the current arrangements for supervisory cooperation and information sharing.
- l. Offer recommendations to increase the effectiveness of supervision/oversight of institutions operating in multiple jurisdictions in the region.

To fulfil its mandate, the working group has prepared this questionnaire to gather regional information that facilitates the identification of current challenges to the sound home-host cooperation and potential policy measures to overcome the challenges.

Respondents are kindly requested to submit their completed questionnaire via e-mail to Dimple.Bhandia@bis.org by Friday February 26, 2016. All information may please be provided as at 30 June, 2015. All figures should be in US dollar million. We appreciate that not all data may be available in all jurisdictions. In some cases, data may be partially available.

¹² See http://www.financialstabilityboard.org/publications/r_131218.pdf for information on the FSB initiative to promote global adherence, including the Annex setting out the relevant standards.

Jurisdictions are, in such cases, requested to provide the requested information on a best efforts basis. Please feel free to contact us (Dimple.Bhandia@bis.org) for any question related to this matter.

Questionnaire responses will be shared with all FSB RCG members and an analysis of the same could be shared with all FSB members. Cross references are allowed for responding to this questionnaire.

General Information

Jurisdiction	
Name of agency responding to the questionnaire	
Name and designation of the primary contact person	
Telephone number of primary contact person	
Email of the primary contact	
Name and designation of the alternate contact person	
Telephone number of the alternate contact person	
Email of the alternate contact person	

A. Cross-border banks and financial activities in the region

- 1 Does the banking law in your jurisdiction provide for the licensing of branches and / or subsidiaries of foreign banks? If so, please indicate whether there are separate licensing requirements for local banks (banks domiciled in your jurisdiction) and branches/subsidiaries of foreign banks (banks domiciled in other jurisdictions).

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- 2 How many banks were in operation in your jurisdiction as at **30 June 2015**? Please specify the number of local banks, subsidiaries of foreign banks, branches of foreign banks and any other types of bank in operation in your country as at that date.

	All banks	Local banks	Subsidiaries of foreign banks	Branches of foreign banks	Others (please specify)
Total Number					

- 3 Please specify the amount of total banking sector assets, deposits, borrowings and loans and advances held by / controlled by different types of banks in your country as at **30 June 2015**.

		Total Assets (US\$ million)	Deposits (US\$ million)		Borrowings (US\$ million)		Loans and advances (US\$ million)
				Of which mobilised abroad (US\$ mn)		Of which mobilised abroad (US\$ mn)	
1	All Banks						
2	Local banks						
3	Branches of foreign banks						
4	Subsidiaries of foreign banks						
5	Others (please specify)						

- 4 Please provide details of the foreign banks operating in your jurisdiction, as at **30 June 2015**.

SN	Name of foreign banks	Form of operation (Branch / subsidiary/both)	Whether the parent of the foreign bank is a G-SIB ¹³ (Y/N)	Is the bank considered systemically important in the jurisdiction (Y/N)?	Capital base of the foreign bank (US\$ million)	Country of domicile of parent bank
1						
2						

¹³ The FSB published in November 2015 the updated list of G-SIBs using end-2014 data and the updated assessment methodology published by the BCBS in July 2013. The list is available at <http://www.financialstabilityboard.org/wp-content/uploads/2015-update-of-list-of-global-systemically-important-banks-G-SIBs.pdf>.

- 5 Please provide a list of representative offices opened in your country by foreign banks, as at **30 June 2015**.

SN	Name of the foreign banks	Country of Domicile
1		
2		

- 6 As at **30 June 2015**, please provide the following details about the foreign banks in your jurisdiction.

SN	Name of foreign bank	Total Assets in the jurisdiction (US\$ million)	Loans and advances to customers (US\$ million)	Net Interbank placements (US\$ million)	Deposits (US\$ million)
1					
2					
...					
	Total				

- 7 Are there local banks that operate in another jurisdiction either as subsidiaries or branches or in any other form? If so, please provide, as at **30 June 2015**, a list of such banks, their total assets and the host jurisdictions in which they operate as per the table below:

SN	Name of bank	Name (s) of host jurisdictions in which the bank operates branches	No. of branches	Name (s) of host jurisdictions in which the bank has subsidiaries	No. of subsidiaries	Name (s) of host jurisdictions in which the bank operates in any other form	No. of entities	Total Assets of the banking group (US\$ million)	Total deposits of the banking group (US\$ million)	Total loans and advances of the banking group (US\$ million)
1										
2										

- 8 What is the market share of the cross-border branches or subsidiaries of the local banks in terms of loans and advances, deposits and total assets in the host jurisdictions, as at **30 June 2015**?

SN	Name of the bank	Host jurisdiction	Total Loans and Advances in the jurisdiction (US\$ million)	Market share (%)	Total deposits in the jurisdiction (US\$ million)	Market share (%)	Total assets in the jurisdiction (US\$ million)	Market share (%)
1								
2								

- 9 Please provide a list of representative offices opened in other jurisdictions by the local banks, as at **30 June 2015**.

	Name of the bank	Jurisdictions where Representative offices have been opened
1		
2		

- 10 Please provide the details of cross-border operations of foreign banks operating in your jurisdiction, as at **30 June 2015**.

SN	Name of foreign bank	Total cross-border assets (US\$ million)	Total cross-border liabilities (US\$ million)
1			
2			

- 11 Please provide the details of cross-border operations of local banks operating in other jurisdictions, as at **30 June 2015**.

SN	Name of the local bank	Total cross-border assets (US\$ million)	Total cross-border liabilities (US\$ million)
1			
2			

B. Assessment of risks posed by cross-border financial activities

- 1 Does the jurisdiction have a formal process through which the risks posed by cross-border banking and financial activities are assessed? If so, please provide a brief description of the risk assessment process. Please respond separately for foreign banks operating in the country and local banks operating in other jurisdictions.

- 2 When and at what iteration is the formal assessment of risks, if any, conducted – at the licensing stage or on a continuous basis or both? Please respond separately for foreign banks operating in the country and local banks operating in other jurisdictions.

Assessment of risks	Local banks	Foreign banks
Licensing stage	Y/N	Y/N
At specified periodicities	Y/N	Y/N
On a continuous basis	Y/N	Y/N

- 3 Is your jurisdiction a low tax jurisdiction? If so, please indicate how the jurisdiction's status as a low tax jurisdiction gives rise to additional risks, if any.

- 4 Is there a legally enforceable ownership structure of banks operating in your country (e.g., is it a legal requirement that a certain percentage of shareholding needs to be held locally)? If so, please provide a brief description of the specific legal provisions.

- 5 Are there any specific limitations / constraints faced by your jurisdiction in assessing the risks from cross-border financial activities (e.g. legal mandate, availability of adequate data /information,

adequacy of resources for the collection or analysis of data, etc.)? If so, please provide a brief description of the same.

Challenges/ constraints	Y/N	Remarks
Legal mandate	Y/N	
Availability of data	Y/N	
Adequacy of resources	Y/N	
Skill gaps	Y/N	
Others		

- 6 How would you rank the risks posed by cross-border financial activities to the stability of your banking system (on a scale of 0-5, where 0 indicates no risks posed 1 is low risk and 5 is high risk):

	0	1	2	3	4	5
Political risk						
Macroeconomic Risks						
Operational risk						
Market risk						
Credit Risk						
Currency Risk						
Liquidity risk						
Legal risk						
Risks from different regulatory frameworks						
Any other risks assessed by the jurisdiction:						
Additional Risk 1						
Additional Risk 2						

- 7 Please provide details of any specific measures which have been taken by your jurisdiction or can be taken by your jurisdiction to address or mitigate the risks identified from cross-border banking activities?

C. Existing information sharing arrangements – legal and regulatory arrangements

- 1 Please describe briefly, the legal framework in your jurisdiction for sharing of supervisory information with other domestic supervisors / authorities and foreign supervisors / authorities? Please specifically comment on the provisions for sharing of information protected by your jurisdiction's secrecy laws.

- 2 Please provide details of the types of foreign authorities with whom information can be shared and the type of information which can be shared?

Type of Foreign Authority	Information protected by secrecy laws	Other information	Comments (if any)
Banking supervisor	Y/N	Y/N	
Central Bank	Y/N	Y/N	
Resolution authority	Y/N	Y/N	
Finance ministry	Y/N	Y/N	
Financial stability / macroprudential authority	Y/N	Y/N	

- 3 Please provide details of the types of domestic authorities with whom information can be shared and the type of information which can be shared?

Type of Foreign Authority	Information protected by secrecy laws	Other information	Comments (if any)
Other supervisors	Y/N	Y/N	
Central Bank	Y/N	Y/N	
Resolution authority	Y/N	Y/N	
Finance ministry	Y/N	Y/N	
Financial stability / macroprudential authority	Y/N	Y/N	

- 4 If the legal framework does not provide for sharing on information with (a) other domestic authorities and (b) foreign authorities, on what basis is information shared with such authorities.

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- 5 Please select the requirements which must be observed **prior** to the exchange of information with foreign supervisors.

Requirements	Please select one or more
1. Signature of a Memorandum of Understanding (MOU) with the foreign supervisor requesting information.	
2. Undertaking that information is to be kept confidential.	
3. Undertaking that information is to be used only for supervisory purposes.	
4. Reciprocity exists with foreign supervisor.	
5. Prior court approval	
6. Other (please specify)	

- 6 Is there a case where your power to share information on the basis of an MOU was challenged in court? If so, please provide a brief account of the argument?

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D. Existing information sharing arrangements – processes

- 1 Please provide a list of MoUs, if any, that you have with the regulators of the jurisdictions where a branch or subsidiary of a local bank has been set up or with the home authorities of the different foreign banks operating in your jurisdiction?

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- 2 Provided that there are statutory and contractual bases for information sharing with foreign supervisors, how does information sharing between you and home supervisors take place? Please specify whether it applies for public and/or confidential information.

	Select one or more
1. Bilateral Basis:	
a) Formal statements of mutual cooperation, such as Memoranda of Understanding (MOU)	
b) Statements of cooperation (they can be tailored to detail, i.e. actions to be taken in crisis or with respect to supervision arrangements for specific firms).	
c) Recurrent home-host channels (i.e. conference calls).	
d) Visits for information purposes	
2. Multilateral Basis:	
a) Colleges of Supervisors.	
b) Crisis Management Groups (CMG).	
c) Multilateral Memoranda of Understanding (MMOU).	
3. Other (Please provide a brief description)	

- 3 Does the mechanism for information sharing (MoUs or any such other arrangement) include collaboration on crisis preparedness, management and resolution, including the establishment of Joint Crisis Management Groups (CMGs), for cross-border banks and financial groups?
- a) Yes, including the Joint CMGs
 - b) Yes, but Joint CMGs are not in place
 - c) In the process of setting up Joint CMGs
 - d) No

- 4 Based on the experience over the last few years, which are the most recurrent topics requested / required by your jurisdiction (both as host and home supervisor)

Topic	Home supervisor	Host supervisor
Fit and proper process		
Granting licenses		
Information on specific entities or persons (for enforcement purposes)		
On-going supervisory process		
Material supervisory concerns		
Crisis management		
Financial institution resolution process		
Other (please specify)		

- 5 Based on the experience over the last few years, which are the most recurrent topics requested / required by foreign supervisors (both as host and home supervisor).

Topic	Home supervisor	Host supervisor
Fit and proper process		
Granting licenses		
Information on specific entities or persons (for enforcement purposes)		
On-going supervisory process		
Material supervisory concerns		
Crisis management		
Financial institution resolution process		
Other (please specify)		

- 6 What kind of information regarding cross-border establishments, do you usually exchange with foreign supervisors?

- a) Information provided to host supervisors of local banks operating in other jurisdictions:

Topic	Under normal circumstances	Under stress conditions
Authorization and licensing process		
1. Confirmation on whether the applicant establishment: <ul style="list-style-type: none"> a. Is in substantial compliance with financial laws and regulations b. Is able, given its administrative structure and internal controls, to manage the cross-border establishment in an orderly manner. 		
2. Extent to which home supervisor will conduct consolidated supervision over the applicant establishment.		
3. Fitness and properness of prospective directors, managers and relevant shareholders.		
4. Other (specify).		
Ongoing supervision of cross-border establishments		
5. Material developments and supervisory concerns on the cross-border establishment's operations.		
6. Formal enforcement actions (administrative penalties) taken against the local banks, if possible, with such notification made in advance of the enforcement action.		
7. Relevant information on: <ul style="list-style-type: none"> a. Anti-Money laundering. b. Terrorist financing. c. Unauthorized banking business. d. Other illegal conduct. 		
Other		
8. Please specify		
9. Please specify		

- b) Information provided to home supervisors of foreign banks operating in your jurisdiction:

Topic	Under normal circumstances	Under stress conditions
Authorization and licensing process		
1. Notification of applications for approval to establish offices or make acquisitions in your jurisdiction.		
2. Scope of its supervision over the applicant establishment and indicate any special feature that might give rise to the need of special arrangements.		
3. Fitness and properness of prospective directors, managers and relevant shareholders.		
4. Other (specify).		
Ongoing supervision of cross-border establishments		
5. Material developments and supervisory concerns on the cross-border establishment's operations.		

6.	Formal enforcement action (administrative penalties) taken against a foreign establishment, if possible, with such notification made in advance of the enforcement action.		
Other			
7.	Please specify		
8.	Please specify		

- 7 Do you seek the opinion / consent of the home regulatory authority of a bank or financial holding company as part of the requirements prior to the grant of banking licence in your own jurisdiction? If so, please provide a brief description of the process through which the opinion / consent is requested and how the information is used.

- 8 Do you conduct supervision, on a consolidated basis, for your systemically important banks, including cross-border banks and other financial institutions? If so, does your Consolidated Supervision include joint on-site examination with foreign supervisors and at what periodicity (e.g. semi-annual, annual, every two years, etc.)?

- 9 What other arrangements are in place for information exchange / cooperation with foreign supervisors with regard to on-site inspections.

		Comments (if any)
Agreement on how the inspections will be carried out	Y/N	
Notification of plans to examine a foreign establishment (indicate purposes and scope)	Y/N	
Exchange of views on the inspection	Y/N	
Joint examination		
Other	(please specify)	

- 10 Does the supervisory division of your central bank or regulatory agency engage in staff exchange and attachments, including sabbaticals with foreign central banks and regulatory agencies? If so, please provide a brief description of the process followed for staff exchanges / attachments, etc. including number, period, etc.

- 11 Do you have functional supervisory colleges for your domestic systemically important banks or other financial institutions and how often do the colleges meet? If so, are other domestic regulators / authorities invited to attend supervisory colleges if the banks are part of financial conglomerates?

- a) No, there are no functional supervisory colleges
- b) Yes, all concerned domestic authorities are invited to attend the colleges
- c) Yes, some domestic authorities are invited to attend the colleges

- Indicate the authorities invited:
- d) No, functional supervisory colleges are there but other domestic authorities are not invited to attend

12 Do you hold Crisis Management meetings with host supervisors in respect of systemically important banks? If yes, are they held alongside supervisory colleges or on a separate basis?

- a) Yes, held alongside supervisory college meetings
 b) Yes, held separate from supervisory college meetings
 c) No

13 For each foreign bank operating in your jurisdiction, please indicate the following (at a minimum, please provide the information for the foreign banks which have significant importance for your financial system):

Foreign bank	Bilateral information sharing arrangement (select one or more)	Has the home supervisor established Supervisory Colleges? If so, do you participate in them? a) Core college b) Universal college c) Regional college	Has the home supervisor established a CMG? If so, do you participate in the CMG?	Does information provided is considered as sufficient, high quality and timely provided? (Y/N)	
				College	CMG
Bank 1	(a) MOU (b) Statement of cooperation (c) Visits / conference calls, etc. (d) Other arrangements (e) No arrangements	(a) No college (b) Core college established <ul style="list-style-type: none"> • Jurisdiction participates • Jurisdiction does not participate – not invited • Jurisdiction does not participate – other reasons (c) Universal college established <ul style="list-style-type: none"> • Jurisdiction participates • Jurisdiction does not participate – not invited • Jurisdiction does not participate – other reasons (d) Regional college established <ul style="list-style-type: none"> • Jurisdiction participates • Jurisdiction does not participate – not invited • Jurisdiction does not participate – other reasons 	(a) No CMG (b) Core college established <ul style="list-style-type: none"> • Jurisdiction participates • Jurisdiction does not participate – not invited • Jurisdiction does not participate – other reasons 		
Bank 2		(a) No college (b) Core college established <ul style="list-style-type: none"> • Jurisdiction participates 	(a) No CMG (b) Core college established <ul style="list-style-type: none"> • Jurisdiction participates 		

		<ul style="list-style-type: none"> • Jurisdiction does not participate – not invited • Jurisdiction does not participate – other reasons <p>(c) Universal college established</p> <ul style="list-style-type: none"> • Jurisdiction participates • Jurisdiction does not participate – not invited • Jurisdiction does not participate – other reasons <p>(d) Regional college established</p> <ul style="list-style-type: none"> • Jurisdiction participates • Jurisdiction does not participate – not invited • Jurisdiction does not participate – other reasons 	<ul style="list-style-type: none"> • Jurisdiction does not participate – not invited • Jurisdiction does not participate – other reasons 		
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14 For each local bank operating in other jurisdictions, please indicate the following (at a minimum, please provide the information for the local banks which have significant importance for your financial system):

Local bank	No. of other jurisdictions in which the bank operates	Bilateral information sharing arrangement existing (No. of jurisdictions)	Has your jurisdiction established Supervisory College (Y/N)?	Has your jurisdiction established a CMG (Y/N)?
Bank 1				
Bank 2				

E. Existing information sharing arrangements – assessment

1. What is your assessment of the effectiveness of the current supervisory information sharing and cooperation (select one for each attribute)?

	Timeliness	Ease of use	Consistency	Completeness
Effective				
Moderately effective				
Not effective				

2. Do you consider the information received or exchanged as adequate? If not, please provide a brief description of the shortcomings or inadequacies with regard to the information shared, especially the kind of information / details of information not shared / provided by supervisor.

3. Which of the following information sharing and cooperation practices is, in your assessment, most effective among regulatory agencies (please rank in order of effectiveness).

	Rank
Correspondence as and when necessary	
Periodic sharing of information	
Joint on-site examinations	
Peer review workshops	
Supervisory colleges	
Other (please specify)	

4. Do home and host supervisors of cross-border banks and banking groups in your jurisdiction promptly share appropriate information with respect to a banking group’s principal risks, vulnerabilities and risk management practices in line with their respective roles and responsibilities? If so, please provide a brief description of the type and details of information that is shared.

5. Does the information shared reflect the circumstances and risk profile of the banking group, as well as the information needs of home and host supervisors based on the principles of proportionality and materiality? If so, please provide a brief description of how the information shared reflects the circumstances and risk profile of the banking group, as well as the information needs of home and host supervisors based on the principles of proportionality and materiality.

6. Does collaborative work between home and host supervisors take place, as appropriate, to improve the effectiveness of the oversight of international banking groups? If so, please provide a brief description of the kind of collaborative work undertaken.

7. How will you assess the experience of your jurisdiction derived from participating in supervisory colleges set up by home supervisors of foreign banks operating in your country (select one)?

Effective	
Moderately effective	
Not effective	

8. Please elaborate on the experience both the positive outcomes and shortcomings of the functioning of the supervisory colleges.

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9. How will you assess the experience of your jurisdiction derived from participating in CMGs set up by home supervisors of foreign banks operating in your country (select one)?

Effective	
Moderately effective	
Not effective	

10. Please elaborate on the experience of (both the positive outcomes and shortcomings) the functioning of the CMGs.

--

11. How do you rate the cooperation and willingness to share supervisory information during crisis, if applicable?

Effective	Strongly Agree	Agree	Disagree	Strongly disagree	Not applicable
Other regulators were ready to share all information about the bank(s) that got into problems					
Other regulators were cooperative during crisis and willing to share supervisory information					
Other regulators ring-fenced their banks from the crisis and would not willingly share useful information					
Other (Please specify)					

12. Please suggest ways in which supervisory information sharing can be made more effective among supervisory/regulatory agencies?

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F. Existing information sharing arrangements – Impediments

- 1 In the experience of your jurisdiction, which are the main obstacles (legal or otherwise) to share information and to the supervisory coordination efforts with foreign supervisors?

Obstacles	Home supervisor	Host supervisor	Comments (if any)
1. Lack of explicit legal provisions to support information sharing			
2. Foreign regulatory framework: <ul style="list-style-type: none"> a. Secrecy laws and provisions b. Non-financial provisions that hinder the effective flow of information c. Multiple regulatory agencies 			
3. Adoption of international standards <ul style="list-style-type: none"> a. Basel capital account b. IFRS c. Other 			
4. Foreign banks' parent company structure			
5. MOU: <ul style="list-style-type: none"> a. Absence b. Limited scope 			
6. Operational Issues: <ul style="list-style-type: none"> a. Lack of clarity on the information /sharing information process of foreign supervisor b. Information Technology problems c. Timing d. Duplication of requests e. Perceived lack of interest from the foreign supervisor f. Quality of available data g. Comparability of available data 			
7. Supervisory Colleges: <ul style="list-style-type: none"> a. Non-existence of colleges b. Not being invited to be part of the college c. Being excluded from the core college. d. Insufficient/partial information shared at colleges 			
8. Lack of strong bilateral relationships			
9. Willingness / motivation for cooperation			
10. Differing degree of supervisory capacity			
11. Others (specify).			

Annex 4: List of jurisdictions which responded to the Working Group questionnaire

1. WAMU
2. Botswana
3. Burundi
4. Ghana
5. Guinea
6. Kenya
7. Lesotho
8. Madagascar
9. Mauritius
10. Mozambique
11. Namibia
12. Nigeria
13. Rwanda
14. Seychelles
15. Sierra Leone
16. South Africa
17. Swaziland
18. Tanzania
19. Zambia

Annex 5: Experience with supervisory colleges

Jurisdiction	Positive Outcomes of Supervisory Colleges	Shortcomings of Supervisory Colleges
A	The Supervisory Colleges have enabled a better understanding of the global risk profile of banking groups. In addition, they have allowed a direct interaction with the group officials regarding shortcomings identified and the action plan to be implemented to address these weaknesses.	Language difference between the home and host supervisors hinders effective communication and cooperation.
B	The supervisory colleges are adequately structured, well attended and participants exchange productive information on issues of supervisory concerns. Given the wide spectrum of participating supervisors, these colleges have enabled the Bank to be informed of supervisory challenges that could emerge through the experience of other supervisors. Furthermore, the colleges present a good opportunity for the Bank representatives to reiterate issues of concern such as excessive hubbing and matrix reporting, which typically would have been raised with senior officials of the respective banking group, whenever they paid courtesy visits to the Bank.	Home Supervisors do not share information with the host on banking group's principal risks, vulnerabilities and risk management practices. It only shares information on status of subsidiary within the host country.
C	The supervisory authority is informed about the risk profile of the bank as a group. The college discusses about the bank as a group and each jurisdiction brings its own findings locally to the headquarters so that measures can be taken at the higher level of the bank.	No shortcoming was stated.
D	Promote information sharing Provide the opportunity to learn from other supervisors	Delayed decision making especially when one needs to obtain the consent of other supervisors before taking a decision.
E	The experience from supervisory colleges enables the host central bank to gain detailed and up-to-date information on banking groups including their operations in other countries thereby aiding comparison between what is obtainable in our jurisdiction and that in other countries	The host supervisor could not recall any negative experiences. However, it would like more exchanges between the home and host jurisdictions.

		2. Collaboration with western banks home supervisors needs to become more effective
F	A lot more is learnt about the banking groups under review, particularly regarding the strategic positioning of foreign group operations in the context of the overall banking group.	Sustaining the momentum for information sharing beyond the supervisory college meetings.
G	Understanding the entire structure of the bank and other areas of concerns which may require more focus is the main positive experience learned from the supervision college	Collaborative work on the oversight of international banking groups are non-existent.
H	The Supervisory Colleges were extremely enriching to identify the risks of banking groups and allow effective monitoring of international banking groups on a consolidated basis	The Colleges do not cover crisis management and the time frame of the college sessions are usually not adequate for thorough discussion and decision making
I	<p>Supervisory colleges enable the home supervisory authority to interact with home regulators of foreign banking groups and host regulators of the local banking groups. The positive outcome of meeting with the home supervisors is that it enables the bank to have in-depth information on the activities of the international banking groups as well as the risk areas and supervisory concerns.</p> <p>As the home supervisor of two largest domestic groups, the Bank benefits from the sharing of information on the cross-border operations of its domestic banks as it captures details such as findings of on-site examination by the host supervisors, and areas of non-compliance. However, the supervisory practice varies across the other countries in which our banks operate and this might not make it comparable in the risk assessment process.</p>	<p>However, the large international banking groups usually hold supervisory colleges for only one day which might not be enough to have thorough discussion. These colleges do not cover crisis management as this is taken care of in Crisis Management Groups. Unfortunately, we do not form part in these Crisis Management Groups as the operations of the bank in our country is relatively small compared to the group perspective, even though some of these institutions might be systemically important from our perspective.</p> <p>As the home jurisdiction of our two largest domestic groups, the jurisdiction benefits from the sharing of information on</p>

		the cross-border operations of our banks as it captures details like findings of on-site examination by the host supervisors, areas of non-compliance. However, the supervisory practice varies across the other countries in which our banks operate and this might not make it comparable in the risk assessment process.
J	One respondent stated that supervisory colleges were not 'Not Applicable' to its jurisdiction.	Nil
K	<p>The home supervisor's experience with the establishment and hosting of a College Supervisors for one banking group has been very rewarding. Supervisory information was freely shared during meetings and decisions jointly taken. The College has helped the home supervisor to better appreciate the supervisory concerns of the host supervisors of the bank as well as the bank's challenges in the host countries and its strategies for addressing them. The meetings provided the home supervisor deeper insight into the risk profile and operating performance of the subsidiaries of the bank, particularly regarding their capital adequacy, liquidity profile, asset quality, earnings and corporate governance.</p> <p>The home supervisor also participates as host in the Core College of one and the "General College" another banking group. The experiences gathered from participation in these colleges were found useful in better understanding the risk profile of the supervised institutions.</p>	
L	Highlights key issues concerning supervised banks	Delay to follow up the implementation

M	NO RESPONSE	
N	Good information sharing platform	Nil
O	Supervisory Colleges play an important role in the sharing of information between supervisors and collaborate to effectively carry out consolidated supervision.	Nil
P	<p>Supervisory colleges enable the host supervisor to understand the overall operations of foreign banking subsidiaries in its jurisdiction from a broader perspective.</p> <p>Effective supervision of parent banks and their subsidiaries is dependent on information sharing (material risks and risk management practices) and cooperation between home and host supervisors, both in normal times and in crisis situations.</p> <p>The CBS is well aware of its responsibility to ensure that banking groups operate in a safe and sound manner in all jurisdictions in which they operate.</p> <p>The CBS applies rigorous supervisory processes and procedures, aligned to internationally accepted good regulatory and supervisory standards and/or requirements.</p>	Frequency of Supervisory Colleges
Q	Supervisory College aid information sharing and understanding of the bank and its affiliates.	Duration of the supervisory college is considered short, given the contents of the college
R	<p>Better appreciation of the supervised institutions as a whole</p> <p>Establish contacts with other supervisors and share common issues</p>	There are usually no follow up of resolution of identified problems

<p>S</p>	<p>It has brought about Improved understanding of the overall operations of foreign subsidiaries from a broader perspective as well as effective supervision of parent banks and their subsidiaries which is dependent on information sharing (material and risk management practices) and cooperation between home and host supervisors, both in normal and in crisis situations Promote sharing of supervisory information and joint decision making; Provide the opportunity to learn from other supervisors</p>	<p>The resolutions made at the Supervisory colleges are usually not being followed up with towards resolving the identified problems.</p> <p>The frequency of the Supervisory Colleges</p>
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