



Enhancing Risk Management and Governance in the Region's Banking System to Implement Basel II and to Meet Contemporary Risks and Challenges Arising from the Global Banking System

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Team 2

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Supervision of cross border banks

Key Measures in supervision of group of banks

Home-host responsibilities:

- home country authorities to supervise banks' worldwide consolidated activities
- host country responsibility to supervise foreign bank establishments in their territories as individual institutions.

Objective:

- To promote financial stability
- To foster a sound & progressive banking by ensuring safety & soundness of financial institution

Key Measures in Supervision of Cross Border Banks

Home Supervisor: part of consolidated supervision

Emerging issues

- Impact to subsidiaries/branches due to adverse economic condition (eg: supprime crisis, recession, devaluation of currencies)
 - Impact on capital, profitability
 - Any capital injection required
 - Liquidity contingency plan

Head office oversight

- Governance/ Internal reporting
- Global Liquidity Risk Management (Group ALCO) – Monitor, stress test, contingency funding plan.
- Global Risk Management (Reporting structure&monitoring), Policy&Procedure, Limit, Internal Control

Know the Overseas Business

- Overview of overseas business operations
 - strategy, vision, governance structure
 - significant activities
- Contribution (size & profit to the group)
- Country & Regulatory Risk

Domestic Banks with operations in other jurisdiction

Evaluation:

- Risk Profile – firm wide risk management
 - Credit Risk
 - Market Risk
 - Operational Risk
- Financial Condition
- Risk Management Process
- Compliance with laws & regulations
- Anti Money Laundering

Key Measures in Supervision of Cross Border Banks

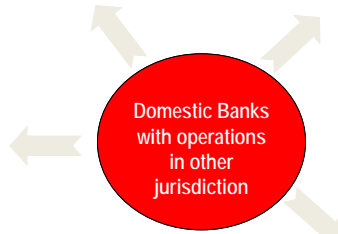
Relationship with Host Supervisor

Group task force

- To address any emerging issues
- Joint review on standard setting

Supervision

- Sharing of supervisory framework to approaches adopted (CAMELS, Risk Based Supervisory Framework etc)
- Basel II assessment – join assessment
- Prioritisation of issues



Memorandum of Understanding

- Responsibility of home & host
- Extensive & regular Information sharing
- Intensify communication & cooperation
- Cooperation in crisis management
- Supervisory visit

Information sharing

- Examination report
- Timely communication of findings /emerging issues
- Recent Regulation Introduced
- Basel II implementation

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Key Measures in Supervision of Cross Border Banks

Acting as Host Supervisor

Emerging issues

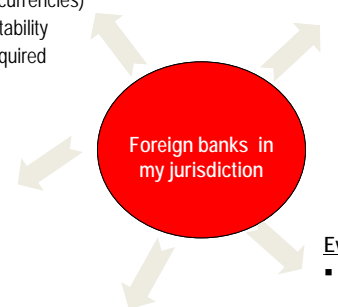
- Impact to foreign bank adverse economic condition (eg: supprime crisis, recession, devaluation of currencies)
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Support from Parent

- Health of the parent foreign bank (affect the foreign bank)
- Capital, liquidity support
- Risk Management
- IT Support (on consolidated basis)
- Viability of Business/Liquidty Contingency Plan

Parent bank oversight

- Reporting structure
- Types of internal reporting



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THANK YOU

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