

Preface

Cross-border banking in the form of direct investment in physical facilities is increasing rapidly. Advances in telecommunication and computer technology permit more efficient operation of offices both in greater numbers and at greater distances as countries dismantle their regulatory and legal barriers to such banking in order to enhance the competitive environment. But cross-border banking introduces a number of challenges. Cross-border facilities are often subject to legislation and regulation both in the home and host countries. This not only increases the complexity and costs of such operations, but introduces the potential for conflicts between the home and host countries in areas such as maximizing the efficiency of the banking organizations as a whole and resolving liquidity or solvencies problems. For example, it may be that cross-border banking in the form of branches maximizes operating efficiency, but that such banking in the form of subsidiaries enhances failure resolution efficiency. Similarly, growth in cross-border banking has important implications for competition in banking and financial markets as well as for the design and conduct of both prudential regulation and the provision of any safety net, such as deposit insurance and central bank lender of last resort operations.

These and similar issues were explored by the participants at a conference cosponsored by the Federal Reserve Bank of Chicago and the World Bank at the Chicago Reserve Bank on October 6–7, 2005. That exploration resulted in the papers published in this volume. The conference was the eighth in an annual series of international finance conferences at the Federal Reserve Bank of Chicago, focusing on important current issues in global economics and finance. As at past conferences, the speakers and audience

reflected the international flavor of the title and represented some 25 countries. By publishing the papers in this book, the important analyses and policy recommendations discussed at the conference will be able to reach a far larger and even more diverse audience.

The authors represent a wide array of affiliations, including policymakers, bankers, and academics, from a broad spectrum of countries and official multinational organizations. Although all the authors are well-recognized experts in their respective areas, the four keynote speakers bring particular expertise as they are either current or recent leading policymakers who helped to shape both the current and future form of cross-border banking. Most of the presenters agree that cross-border banking will only increase in importance in coming years and the challenges that it represents for financial stability and prudential regulation will grow in importance and complexity. Thus, the intent of the conference was to identify and publicize these conditions while they are still relatively small and easier to deal with from the point of view of public policy. To the extent that it was successful in doing so, these papers will make an important and positive contribution to enhancing the safety and efficiency of banking around the globe.

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