Drivers for International Expansion: Panel Discussion

"The International Expansion of Financial Conglomerates"
Bogotá, Colombia November 29-30, 2017

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International Expansion: Factors

Threats

01 Decreasing local returns

02 Increasing local competition

03 Excessive risk concentration (currency, sectors, etc)

Opportunities

04 Need to follow clients' international expansion

05 High potential returns from efficiency gains

06 Diversification (markets, currencies, economic cycles..)

07 Filling the gap after "derisking" from big global banks

International Expansion: Considerations

Home Supervisors

01 **Limit risks from expansión**

02 **Keep corporate culture**

Host Supervisors

03 **Keep control of domestic banking system**

04 **Foster local economy and capital markets**

05 **Financial Stability: more capital, expertise and technology, but also exposure to FX risk, foreign shocks, etc**

06 **Solvency & Resolvability**

International Expansion: Models

Centralized Approach		Decentralized Approach
Branches	Legal Structure	Subsidiaries
Wholesale business	Business Model	Retail business
Centralized	Capital & Funding Management	Decentralized
Significant	Intra-Group Positions	Negligible
Single Point of Entry	Resolution Strategy	Multiple Point of Entry

International Expansion: Thoughts

No unique foreign bank business paradigm. Different factors affect the choice of model

For Latam the "Decentralized model" has delivered good results in the last crisis; brick and mortar banks are less volatile than cross-border flows.

Decentralized model:

- **Subsidiaries are self-sufficiency and sustainable**
- **Prevents contagion home-host countries**
- **Help develop local capital markets**

Centralized model:

- **Provides more potential for optimization of liquidity & capital management.**
- **More economies of scale in funding activities.**

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