Dietrich Domanski

+41 61 280 8353
dietrich.domanski@bis.org

Foreign banks in emerging market economies: changing players, changing issues[1]

Financial sector foreign direct investment in emerging market economies has surged over the past decade. While the benefits of heightened financial sector efficiency and better risk management are widely acknowledged, foreign ownership poses challenges for host countries due to the migration of decision-making and the incongruence of the organisational structures of foreign-owned banks and host country legal and regulatory systems. Many of these challenges will be best met by global coordination on the part of supervisors and central banks.

JEL classification: G200, F210, F230, F360.

Foreign direct investment in the financial sectors of emerging market economies has expanded dramatically over the past 10 years. Growing foreign involvement has been instrumental in aligning the financial systems of emerging market economies (EMEs) more closely with international standards in terms of capital allocation, risk management and corporate governance. At the same time, there have been significant changes in the way in which foreign banks organise and conduct business in EMEs. The transformation of host country banks through foreign bank entry has generally improved the efficiency and stability of domestic financial systems. But it has also given rise to new challenges for host country authorities.

This special feature reviews the major issues and challenges surrounding financial sector foreign direct investment (FSFDI) in emerging markets. It draws extensively on the Cumming Report prepared by the Committee on the Global Financial System (CGFS), as well as discussions at three related workshops in 2004.[2] The first part of the feature analyses patterns in FSFDI in emerging Asia, central and eastern Europe and Latin America. The second discusses the changing character of foreign bank involvement. The third explores the main

---

1 The views expressed in this article are those of the author and do not necessarily reflect those of the BIS or the CGFS. I am grateful to Jhuvesh Sobrun, Marcus Jellinghaus and Gert Schnabel for excellent research assistance.

2 See CGFS (2004) and CGFS (2005).

issues arising for host country regulatory authorities from this growing foreign bank involvement. The feature concludes with a brief review of the additional challenges facing authorities responsible for financial stability going forward.

Trends in FSFDI in emerging market economies

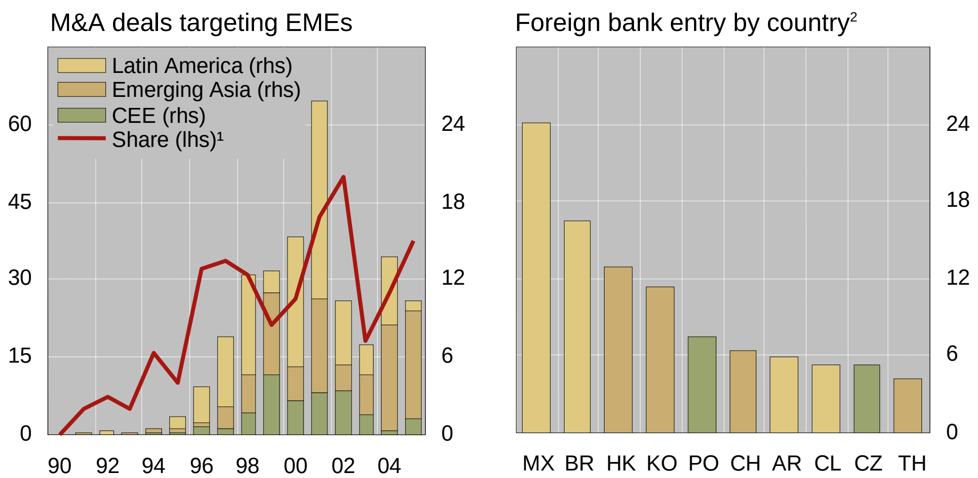
Sharp increase in FSFDI in the mid-1990s ...

FSFDI in EMEs has become an increasingly important element of the globalisation of banking activities since the mid-1990s.[3] The value of FSFDI, as measured by cross-border mergers and acquisitions (M&As) targeting banks in EMEs, rose from about $2½ billion in 1991–95 to $51½ billion in the following five years and $67½ billion from 2001 to October 2005.[4] FSFDI declined sharply after peaking in 2001, but has since stabilised well above the levels seen in the first half of the 1990s (Graph 1). FSFDI in EMEs also gained importance relative to cross-border mergers within developed countries. The share of cross-border M&A deals involving financial institutions from EMEs as the target increased from 13% of the global amount in 1991–95 to 28% in 1996–2000 and to 35% from 2001 to October 2005.

... with important regional differences

FSFDI inflows have displayed considerable regional differences, in terms of both absolute amounts and time profile. Overall, the majority of flows went to Latin America. Between 1991 and 2005, transactions targeting banks in the region accounted for $58 billion or 48% of total cross-border M&As targeting

FDI in the financial sector of emerging regions



[1] Value of completed M&A deals as a percentage of total cross-border M&A deals. [2] Cumulative sum of completed M&A deals by target nation between 1991 and 2005; in billions of US dollars. AR=Argentina, BR=Brazil, CH=China, CL=Chile, CZ=Czech Republic, HK=Hong Kong SAR, KO=South Korea, MX=Mexico, PO=Poland, TH=Thailand.

Sources: Thomson Financial. Graph 1

[3] On the trends and factors that explain the rise in FSFDI in the 1990s, see Soussa (2003) and Focarelli (2003).

[4] The volumes of completed mergers and acquisitions are used a proxy for FSFDI, as comprehensive and methodologically consistent data on sectoral FDI flows across countries are not available.

banks in EMEs. Latin America was followed by emerging Asia with $43 billion (36% of total M&As) and central and eastern Europe with $20 billion (17% of total M&As).

Investment in Latin America followed banking crises

Financial crises and the need to (re-)establish functioning banking systems created a one-time set of opportunities to invest in financial institutions and to expand business in EMEs in the second half of the 1990s. Encouraged by international financial institutions, EME governments typically responded to banking crises by accelerating financial liberalisation in order to facilitate the recapitalisation and consolidation of banking systems. This was the case in Latin America in the years following the 1994 Mexican crisis: FSFDI rose from 1995 onwards and remained high until 2002. The subsequent drop partly reflects the saturation of major financial systems with FSFDI. In Mexico, for instance, which received about 40% of the cumulative investment in the region from 1990 to 2002, the share of foreign-owned banking assets had reached more than 80% by end-2002. In addition, the Argentine crisis in 2002 apparently led foreign banks to reconsider the possible costs associated with FSFDI.[5]

Privatisation was the trigger in central and eastern Europe

Countries in central and eastern Europe became major recipients of FSFDI when the privatisation of their banking systems and preparations for EU membership took place in the second half of the 1990s.[6] In some instances the unsatisfactory results of early domestic privatisation schemes led the authorities to rely on foreign resources to recapitalise their banking sector and permit foreign ownership. Poland and the Czech Republic experienced the largest inflows with 38% and 28%, respectively, of the total volume of M&As targeting the region from 1991–2005. In the past three years, FSFDI has focused on countries that will join the European Union at a later stage, such as Bulgaria, Croatia and Romania. Overall, however, FSFDI flows to central and eastern Europe have ebbed, possibly indicating a certain saturation.

Emerging Asia lagged behind …

Large-scale FSFDI is a relatively recent phenomenon in emerging Asia. The value of cross-border M&As targeting non-Japan Asian countries was only $16 billion or 20% of total M&A flows into EMEs during 1991–96. To be sure, following the Asian crisis, foreign participation in the financial system increased as governments relaxed entry restrictions. Yet, the recapitalisation of failed banking systems occurred mainly through *domestic* investors, such as the government-owned asset management companies established to deal with non-performing loans.

… until 2003

However, since 2003 emerging Asia has been the most important target region for cross-border M&As, with a sizeable jump in activity occurring in

---

[5] Interviews conducted by the CGFS working group with financial firms that have operations in EMEs reveal that the Argentine crisis has fundamentally altered the perception of risk associated with FSFDI. Parent banks have changed risk definitions such that potential losses may exceed the value of equity invested because of the possible reputational costs of not covering losses in excess of equity. See CGFS (2004).

[6] For a discussion of FSFDI in the EU accession countries, see Baudino et al (2004) and Hawkins and Mihaljek (2001).

Korea and Thailand.[7] In some cases limitations remain, especially on foreign majority ownership, and as a result foreign bank involvement measured by assets held with majority ownership still remains comparatively small.[8] But many foreign banks have recently acquired minority stakes (which are not included in the M&A data shown here), in particular in China. Foreign financial institutions hold between 10 and 25% of the equity of the three largest Chinese banks. In total, foreign interests in Chinese banks (state-owned, joint stock commercial banks and city banks) amount to almost $18 billion.

Rising share of assets held by foreign banks

Overall, the share of bank assets in EMEs held by foreign banks has increased considerably since 1990 (Table 1). The regional differences in FDI flows discussed above are also reflected in the share of assets that foreign banks hold in different regions and countries: foreign ownership of the banking sector is substantially higher in Latin America and central and eastern Europe than in Asia. In some countries foreign banks now control more than 50% of

Share of bank assets held by foreign banks[1]

	1990	2004[2]	in per cent of GDP	in billions of USD
Central and eastern Europe				
Bulgaria	0	80	49	13
Czech Republic	10	96	92	99
Estonia	...	97	89	11
Hungary	10	83	67	68
Poland	3	68	43	105
Emerging Asia				
China	0	2	4	71
Hong Kong	89	72	344	570
India	5	8	6	36
Korea	4	8	10	65
Malaysia	...	18	27	32
Singapore	89	76	148	159
Thailand	5	18	20	32
Latin America				
Argentina	10	48	20	31
Brazil	6	27	18	107
Chile	19	42	37	35
Mexico	2	82	51	342
Peru	4	46	14	11
Venezuela	1	34	9	9

[1] Percentage share of total bank assets. [2] Or latest available year.

Sources: CGFS (2004); ECB; national central banks; BIS calculations. Table 1

[7] FSFDI in Asia is discussed in Chua (2003), Coppel and Davies (2003), Hirano (2003) and Hishikawa (2003). For an overview on the regulatory treatment of foreign banks, see Hohl et al (2005).

[8] For instance, foreign ownership in locally incorporated banks is restricted (eg in Malaysia) or foreign participation has to be reduced after a certain period (eg in Thailand and the Philippines).

total banking assets. In Mexico or Hungary the share of assets owned by foreign banks is as large as 80%. Banking systems in some smaller economies such as the Baltic states are almost entirely foreign-owned.

The changing character of foreign bank involvement

Changing investment opportunities ...

As investment opportunities and risks in EMEs changed, heightened competition in the traditional markets of major international banks increased the pressure on them to find new areas of growth. Improvements in risk measurement and management facilitated the expansion by financial institutions into EMEs. In part, investing institutions had gained experience in quantifying and managing market and credit risks using standard frameworks. In part, revamped macroeconomic policy frameworks and a greater reliance on market forces may have aligned the character of EME-related risks closer with those in mature economies.

... have led to a more diverse investor base

The range of foreign bank activity in EMEs has also broadened considerably. Traditionally, foreign banks focused primarily on the provision of financial services to their international corporate clients. Since the 1990s, however, foreign investments have increasingly been driven by more general profit opportunities in local markets. Broadly speaking, FSFDI has developed from a rather passive response to changing demand on the part of existing clients to the proactive exploration of new markets in host countries.

Major investor groups

Three groups of investors:

Following the Cumming Report, this article distinguishes three groups of foreign investors. The first group comprises globally active banks that have established a global presence across a wide range of markets. Global banks are defined as institutions that have a broad-based presence in advanced economies and at least two of the three emerging regions considered here. The second group is made up of commercial banks with a strategic focus on one emerging region (defined as having more than 80% of the cumulative value of their FSFDI in one region). The third group is other investors, including private equity funds or finance corporations.

globally active banks ...

Globally active banks see EMEs as an increasingly important segment of their franchise in the worldwide provision of certain financial services. Such institutions accounted for about one third of the total volume of FSFDI between 1991 and 2005. Globally active banks have built a strong presence in Latin America and, more recently, Asia (Graph 2). Such banks have in many cases focused on specific products (such as credit card business or consumer lending) or clients. Expanding into EMEs has allowed them to further exploit economies of scale, for instance in product development, transaction processing, back office and control functions as well as risk management.

... banks with a regional focus ...

Within the second group of foreign investors, commercial banks with a regional focus, European banks have been particularly prominent since the 1990s. This phenomenon probably reflects both economy of scale considerations and a lack of opportunities to expand in home markets. Banks with a regional focus are responsible for more than 60% of FSFDI in Latin

America, and these tend to be Spanish banks, which account for almost half of total FSFDI in the region (Graph 3). In central and eastern Europe, banks with a regional strategy, mainly domiciled in western Europe, account for about 70% of FSFDI.

In Asia, about one quarter of FSFDI came from banks with an Asian focus, domiciled in the region. In particular, firms from established financial centres such as Singapore and Hong Kong SAR have pursued strategies of regional expansion over the past few years. In addition, Hong Kong has been of special importance as a hub for FSFDI in China, because Hong Kong-chartered banks obtain preferential access to mainland China.

... and non-bank investors

A greater diversity of investors is visible in the growing volume of FSFDI by the third foreign investor group, which includes non-bank investors such as finance corporations and equity funds. US finance corporations have established a broad-based presence in large economies in central and eastern Europe, with a focus on consumer finance. In Asia, a number of investment funds, which usually emphasise the restructuring of acquired firms, acquired Asian banks in the aftermath of the financial crises. In Korea, until 2004 investment funds were the largest foreign majority owners.

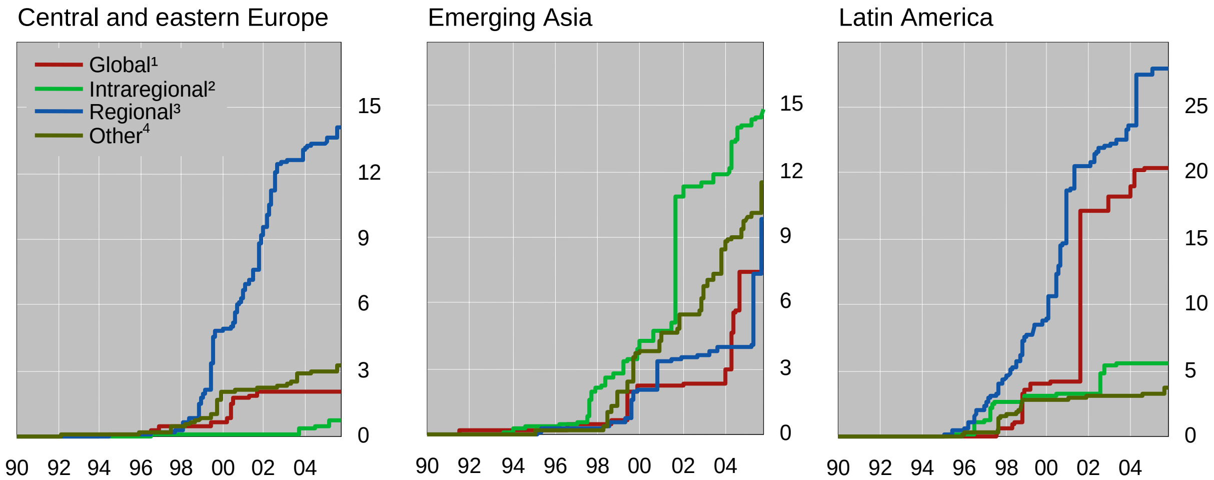
Changes in the organisation of operations in EMEs

Subsidiaries ...

The focus on the domestic markets of host countries is also reflected in the organisation of foreign-owned financial institutions in EMEs. The establishment of subsidiaries through the acquisition of local banks (as opposed to the creation of foreign branch offices) has become the prevalent mode of foreign entry. In central and eastern Europe, by the end of 2003 more than 85% of

Acquisitions of banks in EMEs by type of investor

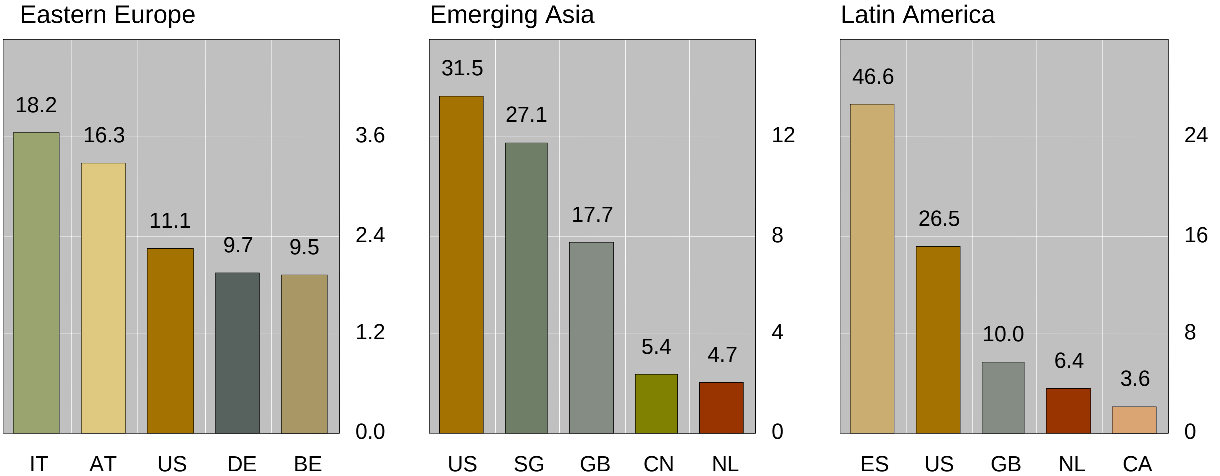
Cumulative value of cross-border M&As; in billions of US dollars



[1] Operations in at least two countries in at least two of the three emerging regions considered here. [2] Acquiring bank is domiciled within the region. [3] Acquiring bank has at least 80% of the cumulative value of acquisitions in one of the three regions considered here. [4] Acquiring institutions like non-banks and private equity funds.

Sources: Thomson Financial; BIS calculations. Graph 2

Regional composition of foreign ownership[1]



[1] Share (in per cent) and value (in billions of US dollars; shown on the y-axes) of acquisitions by firms domiciled in one country in the total culmulative value of M&A deals targeting the region. AT = Austria, BE = Belgium, CA = Canada, CN = China, ES = Spain, GB = United Kingdom, IT = Italy, NL = Netherlands, SG = Singapore, US = United States.

Source: Thomson Financial. Graph 3

foreign bank operations were run as subsidiaries, which also accounted for about 95% of total foreign bank assets (Table 2). In Latin America, the number of new sovereign operations established as subsidiaries increased from six to 56 between 1994 and 1998.[9]

... as a flexible form of operation

Acquiring domestic banks and establishing subsidiaries was the natural method of entry in the context of the privatisation or recapitalisation of the banking system. Furthermore, investing institutions sought to make investments that were sufficiently large to obtain a critical mass, and exploit economies of scale when entering retail markets. Typically, subsidiaries possess the branch network necessary to enter these markets. The legal form of a subsidiary has apparently proved sufficiently flexible to implement a variety of business strategies and different degrees of centralisation.[10]

Integration into the parent institution

The focus on the domestic market has also broadened the transfer of resources. In addition to the transfer of human capital usually associated with FDI, acquired institutions benefit from the adoption of the parent's infrastructure, such as back office routines or credit control systems. Complementary to this, decision-making and risk management of the local operation are integrated into those of the parent. Strategic decisions are generally taken at the head office while most control functions remain with the local management. Moreover, the acquisition often involves the transfer of reputation as the acquired banks frequently operate under the parent's brand name.

---

[9] Gallego et al (2003).

[10] The choice of the legal form of operations is, of course, also influenced by the regulatory framework in the host country. Some countries restrict the establishment of branches while allowing subsidiaries. Many countries require deposit-taking or securities business to be conducted through a subsidiary.

Presence of foreign banking groups in selected central and eastern European countries[1]						
	Baltic states[2]	Czech Republic	Hungary	Poland	Slovakia	Total
Number of subsidiaries	15	18	28	45	16	122
Number of branches	5	9	0	1	3	18
Total	20	27	28	46	19	140
Assets of subsidiaries[3]	14.2	62.3	33.7	74.7	19.8	204.8
Assets of branches[3]	1.5	7.6	0.0	0.7	3.0	12.8
Total[3]	15.7	69.9	33.7	75.4	22.8	217.6

[1] End-2003. [2] Estonia, Latvia and Lithuania. [3] In billions of euros.

Source: ECB (2005). Table 2

Issues for host countries

Benefits of FSFDI are widely acknowledged

The discussion at the CGFS workshops generally concluded that FSFDI is beneficial to the host country. FSFDI exposes domestic banks to international competition, thereby promoting efficiency and improvements in price formation. Indeed, increases in productivity are a well documented phenomenon in banking markets after foreign bank entry.[11] Experiences with foreign bank participation tend to be especially positive when financial firms expand into markets where they have acquired specific expertise and introduced sophisticated risk management techniques.[12]

Issues raised by foreign bank entry

At the same time, the greater globalisation of host country financial systems due to increased FSFDI raises new issues for emerging market investors and policymakers alike. The CGFS workshop discussions focused on the impact of foreign banks on economy-wide credit allocation, the side effects of the integration of acquired banks into the multinational firm, and the effect of foreign acquisitions on the availability of information at the host country level.

Foreign banks are focusing more on domestic lending ...

Foreign banks and domestic credit. Foreign banks have become heavily involved in lending through domestic affiliates since the mid-1990s. The ratio of foreign banks' local claims in local currency to total foreign claims (international claims and local claims in local currency) has increased sharply in all the emerging market regions considered here. In Latin America, this ratio rose to about 60% by the end of 2004 (Graph 4).[13] The trend has been similar in

[11] See CGFS (2004).

[12] Australia, for example, when vetting foreign banks' subsidiaries in the 1980s, preferred entrant banks which were willing to offer a broad range of products. This stance resulted in foreign banks competing with domestic banks in highly competitive segments, leading to large losses for foreign banks. In the early 1990s, however, the entrance criteria were changed, with the focus now on whether the bank would bring something unique to the Australian financial system (CGFS (2005)).

[13] An important side effect of the shift towards local lending in local currency for financial stability has been the reduction of currency mismatches (see Goldstein and Turner (2004)). For a discussion of foreign bank lending to EMEs, see also the international banking markets chapter in the *BIS Quarterly Review* (BIS, (2005b))

central and eastern Europe and emerging Asia, with the ratio of local to foreign claims in both regions increasing to 35% by the end of 2004.

... but the share in total domestic lending varies considerably

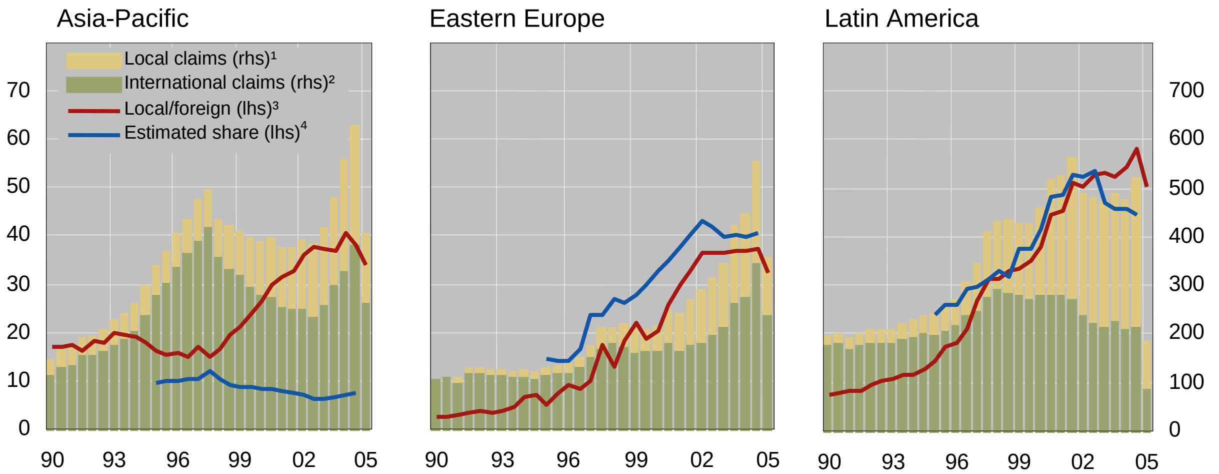
While local lending has generally become more important for foreign banks, the importance of foreign banks in *total* lending to host country non-bank sectors varies considerably.[14] Measures presented in the international banking markets chapter of the *BIS Quarterly Review* show that foreign banks' share in total domestic lending has increased in central and eastern Europe and Latin America, broadly in tandem with foreign banks switching from international towards local lending. By contrast, although it has grown as a percent of GDP, the share of foreign participation in domestic lending in Asia has remained rather stable at about 10%.

Foreign banks do not appear to be "cherry-picking"

The rapid expansion of domestic credit by foreign banks in central and eastern Europe and Latin America suggests that foreign banks have *not* focused only on a small group of highly creditworthy customers. Indeed, more recent research generally does not provide evidence of foreign banks "cherry-picking" a selective group of highly rated clients.[15] Still, comments made at the CGFS workshops suggest that small and medium-sized enterprises (SMEs) often have difficulties in obtaining credit from foreign banks, which are more dependent on standardised credit evaluation. Consequently, lending to SMEs from foreign banks depends on the availability of reliable accounts, and transparent procedures for posting collateral and foreclosure.

BIS reporting banks' foreign claims on emerging markets

By residency of immediate borrower, in billions of US dollars



[1] Claims on local residents denominated in local currencies and booked by reporting banks' local affiliates. [2] Cross-border claims in all currencies plus claims on local residents denominated in foreign currencies and booked by reporting banks' local affiliates. [3] Local claims as a percentage of foreign claims. [4] Local and international claims of foreign banks on non-banks as a percentage of total credit to non-banks. Lending to non-banks by large banks is estimated by applying the sectoral breakdown available for international claims to local currency claims.

Source: BIS. Graph 4

[14] For details regarding the calculation of this and related measures, see BIS (2005a).

[15] See Cardenas et al (2003) for an overview.

The rapid credit expansion by foreign banks also raises financial stability issues for host country authorities. Lending to households has been a particular concern in central and eastern Europe, where household credit increased by an annual average of 17% between 2000 and 2004. Some of this growth is the result of the aggressive expansion by foreign banks due to much higher spreads.[16] To be sure, household credit growth is occurring from a low base and in rapidly growing economies, so the debt burden is still relatively low. It is also not clear how much slower this credit growth would have been in the absence of foreign bank participation. Still, the development underscores the need for host country authorities to have adequate information to assess the activities of all financial institutions in their markets.

Rapid credit expansion and financial stability

Integration of acquired banks into an international financial firm. In background interviews for the Cumming Report, many financial institutions indicated that they are managing their affiliate operations in EMEs as part of an investment portfolio, based on risk-adjusted return considerations. Thus, changes in business strategy and risk appetite at the parent level can affect the resources allocated to specific countries. Such decisions, which could include exiting the country, can in turn influence the overall provision of financial services in host countries, especially if foreign ownership is highly concentrated.

Migration of decision-making ...

The degree of existing involvement clearly increases the cost of reducing or even closing operations in a country. In valuing their EME investments, institutions regard their local operations as a bundle of assets, including intangible elements such as host government goodwill, client relationships and reputation. The value of these assets is likely to suffer when significantly reducing service levels or even exiting a country. Notwithstanding this generally greater commitment, however, foreign ownership exposes local banking systems more directly to changes in global conditions.

... but increasing involvement in local markets

Availability of information to markets and supervisors. The acquisition (and subsequent delisting) of the shares of subsidiaries on local stock exchanges can adversely affect the quality of information available to market participants and host country supervisors. For one, it dilutes the available pricing signals on the profitability of domestic banking business. For instance, after the foreign acquisition of Mexico’s two largest banks, the correlation of the prices of the domestic and the (newly) foreign-owned banks dropped significantly (Table 3), consistent with the view that the share prices of foreign-owned banks reflect domestic financial market conditions less. Another effect of foreign acquisition is that local financial analysts usually drop their coverage of banks that become foreign subsidiaries. As local analysts tend to have an informational advantage over their international counterparts, this may also diminish the quality of available information.[17]

Diluted pricing signals ...

… and reduced analyst coverage

[16] Bank Austria (2004) calculates an average retail spread (spread between average deposit and loan rate) of 6 percentage points for the Czech Republic, Hungary, Poland, Slovakia and Slovenia, compared to 3 percentage points for the euro area.

[17] Bae et al (2005).

Foreign bank entry and equity price correlation in Mexico				
	Acquisition of Bancomer by BBVA[1]		Acquisition of Banamex by Citigroup[2]	
	pre-acquisition	post-acquisition	pre-acquisition	post-acquisition
Equities of domestically owned banks:				
Banorte[3]	0.76	0.58**	0.79	0.25**
Inbursa[3]	0.75	0.60**	0.73	0.45**
Mexbol index[3]	0.87	0.70**	0.81	0.22**

Note: ** indicates a change in the correlation coefficient from the previous period that is significant at the 1% level.

[1] Acquisition: June 2000, delisting: March 2004. [2] Acquisition: May 2001, delisting: October 2001. [3] Correlation of monthly returns with the equity returns of the acquired bank.

Sources: Bloomberg; BIS calculations. Table 3

Information available to supervisors

Information requested by supervisors and made publicly available can to some degree substitute for information provided by markets. In part for this reason, bank supervisors often prefer subsidiaries to be legally organised as a domestically chartered bank. However, the integration of local operations into the parent institutions and in particular the centralisation of decision-making processes often mean that foreign subsidiaries functionally resemble branches, and foreign parents might choose to transform subsidiaries into branches in order to reduce costs.[18] This is especially the case in central and eastern Europe, where the adoption of the single EU passport has streamlined the process of changing the legal form of operations.

Looking forward

Growing foreign bank participation has exposed EMEs to three underlying trends in the global financial system: consolidation, capital allocation based on risk-adjusted profitability and corporate governance based on widely dispersed ownership by private shareholders at the parent level. The benefits of this kind of financial globalisation in the form of heightened financial sector efficiency, improved pricing and better risk management are widely acknowledged.

At the same time, to exploit the benefits of foreign bank involvement, more scope remains to develop the institutional infrastructure. This includes the improvement of legal and accounting frameworks as well as bankruptcy procedures in EMEs, and their harmonisation at the global level.

Foreign ownership can also pose challenges to supervisory authorities because of the migration of decision-making and the incongruence of foreign-owned banks' organisational structures and host country legal and regulatory systems. To deal with these challenges, the need to coordinate between host and home country authorities is widely recognised, not least to identify the

[18] Bednarski and Osinski (2002). For another model, see the discussion in Goldberg et al (2005) of the implementation of a fully integrated strategy across four countries in the case of Nordea.

information needs of those charged with financial and macroeconomic stability in both home and host countries.

Against this backdrop, international cooperation between central banks appears likely to play an ever more important role. One reason is that liquidity problems may increasingly affect banks operating in different currency areas, and hence different central banks. Another reason is that central banks, with their focus on systemic stability, might be particularly well equipped to assess the risks arising from global activities. The discussion in the three CGFS workshops underlined the usefulness of bringing together home and host country central banks to discuss these topics.

References

Bae, K-H, R M Stulz and H Tan (2005): "Do local analysts know more? A cross-country study of the performance of local analysts and foreign analysts", *NBER Working Papers*, 11697, October.

Bank Austria (2004): "Banking in CEE", April.

Bank for International Settlements (2005a): "The international banking market," *BIS Quarterly Review*, June, pp 15–30.

——— (2005b): "The international banking market," *BIS Quarterly Review*, September, pp 15–32.

Baudino, P, G Caviglia, E Dorrucci and G Pineau (2004): "Financial FDI to the EU accession countries", central bank paper submitted for the CGFS Working Group on foreign direct investment in the financial sectors of emerging market economies (http://www.bis.org/publ/cgfs22cbpapers.htm).

Bednarski, P and J Osinski (2002): "Financial sector issues in Poland", in C Thimann (ed): *Financial sector in EU accession countries*, European Central Bank, Frankfurt.

Cardenas, F, J P Graf and P O'Dogherty (2003): "Foreign bank entry in emerging market economies: a host country perspective", central bank paper submitted for the CGFS Working Group on foreign direct investment in the financial sectors of emerging market economies (http://www.bis.org/publ/cgfs22cbpapers.htm).

Chua, H B (2003): "FDI in the financial sector: the experience of ASEAN countries over the last decade", central bank paper submitted for the CGFS Working Group on foreign direct investment in the financial sectors of emerging market economies (http://www.bis.org/publ/cgfs22cbpapers.htm).

Committee on the Global Financial System (2004): "Foreign direct investment in the financial sector of emerging market economies", report submitted by a working group established by the CGFS, March, Basel.

——— (2005): "Foreign direct investment in the financial sector – experiences in Asia, central and eastern Europe and Latin America", summary of follow-up workshops to the CGFS report “Foreign direct investment in the financial sector of emerging market economies”, June, Basel.

Coppel, J and M Davies (2003): “Foreign participation in East Asia’s banking sector”, central bank paper submitted for the CGFS Working Group on foreign direct investment in the financial sectors of emerging market economies (http://www.bis.org/publ/cgfs22cbpapers.htm).

European Central Bank (2005): “Banking structures in the new EU member states”, January, Frankfurt.

Focarelli, D (2003): “The pattern of foreign entry in the financial markets of emerging countries”, central bank paper submitted for the CGFS Working Group on foreign direct investment in the financial sectors of emerging market economies (http://www.bis.org/publ/cgfs22cbpapers.htm).

Gallego, S, A G Herrero and C Luna (2003): “Investing in the financial sector abroad: potential risks and how to manage them”, central bank paper submitted for the CGFS Working Group on foreign direct investment in the financial sectors of emerging market economies (http://www.bis.org/publ/cgfs22cbpapers.htm).

Goldberg, L, R J Sweeney and C Wihlborg (2005): “Nordea points the way to better bank regulation”, *The Financial Regulator*, pp 69–77.

Goldstein, M and P Turner (2004): “Controlling currency mismatches in emerging markets”, Institute for International Economics, Washington.

Hawkins J and D Mihaljek (2001): “The banking industry in the emerging market economies: competition, consolidation and systemic stability - an overview”, *BIS Papers*, No 4, Basel.

Hirano, T (2003): “Financial sector FDI in Asian economies: some stylized facts and observations”, central bank paper submitted for the CGFS Working Group on foreign direct investment in the financial sectors of emerging market economies (http://www.bis.org/publ/cgfs22cbpapers.htm)

Hishikawa, I (2003): “Financial sector FDI in Asia: brief overview”, central bank paper submitted for the CGFS Working Group on foreign direct investment in the financial sectors of emerging market economies (http://www.bis.org/publ/cgfs22cbpapers.htm).

Hohl, S, P McGuire and E Remolona (2005): “Cross-border banking in Asia: Basel II and other issues”, paper presented at the conference on “Cross-border banking: regulatory challenges”, Chicago, 6–7 October.

Soussa F (2003) “A note on banking FDI in emerging markets: literature review and evidence from M&A data”, central bank paper submitted for the CGFS Working Group on foreign direct investment in the financial sectors of emerging market economies (http://www.bis.org/publ/cgfs22cbpapers.htm).