International Banking
Description

• Cross border cross country facet of banking business
• May not necessarily own or hold a physical presence offshore
• Traditional foreign banking
  – Transactions with non residents in domestic currency
  – International trade finance
  – Other international transactions
• Eurocurrency banking
  – Bank participation in foreign exchange transactions
  – Transactions with residents and non-residents
Multinational Bank

• Owns and controls activities in different countries
  – Own and control branches
  – Affiliated banks in other countries
  – Foreign direct investment
  – Multinational retail banking
  – Banking services to overseas corporate firms
  – Multinational wholesale banking
Evolution of International Banks

• Offer international products
  – Letter of credit
  – Bills of exchange

• Establishment of subsidiaries in foreign jurisdiction

• Establishment of branches in foreign jurisdiction
  – Colonialism
  – Overseas banks
  – Financing of economic development in other countries
Need for International Banking

• Growth and profit opportunities
• Leveraging of strength
• Client activities
• Risk management
• Impact of regulation
• Exchange rate movements
• Distance from the domestic market
Organizational Forms

• Foreign correspondent

• Foreign agencies

• Foreign subsidiaries

• Foreign branch
Benefits of Branch Structure

• Greater capital flexibility
• Lower cost of functioning
• Access to the world capital base
• Increased freedom of operations
• Lower transaction costs
Choice of Structure

• Type of foreign business
• Volume of foreign business
• Resource requirements
• Host country legal structure
• Host country regulatory structure
Establishment of a Multinational Bank

• Acquisition
  – Integration of two entities
  – Retraining of employees

• Growth
  – Market segmentation within foreign economies
  – Consumer banking business
  – Greenfield foreign office
  – Extension of technology
  – Extension of systems
  – Extension of business practices
  – Extension of business processes
Moving from Multinational Banking to Global Banking

- Global banks requires integration of multinational
  operations to global network
    - Changes in communication
    - Changes in technology
    - Globalization of financial markets

- Multinational banks have independent subsidiaries in
different countries
Advantages of Global Banking

• Realization of global scale economies
• Reduction of duplication of banking operations
• Benefits from global best practices
• Benefits from identification in the international financial markets
• Efficient business divisions
• Group expertise and knowledge
Future of International Banking

• Better financial markets
• Competent financial markets
• Market openness
• Emergence of non banking financial institutions
• Deregulation of national financial markets
• Increased participation of banks in off-balance sheet transactions
• Monitoring of market transactions
• Optimal risk management of banks
• Risk management services to customers
• Multinational financial service providers to customers across countries