Challenges for Resolution of Banks in Sub-Saharan Africa
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABBREVIATIONS AND ACRONYMS</td>
<td>III</td>
</tr>
<tr>
<td>ACKNOWLEDGMENTS</td>
<td>V</td>
</tr>
<tr>
<td>EXECUTIVE SUMMARY</td>
<td>VII</td>
</tr>
<tr>
<td>I. INTRODUCTION</td>
<td>1</td>
</tr>
<tr>
<td>II. CONTEXT</td>
<td>3</td>
</tr>
<tr>
<td>III. KEY ATTRIBUTES</td>
<td>5</td>
</tr>
<tr>
<td>IV. SCOPE AND AUTHORITY</td>
<td>7</td>
</tr>
<tr>
<td>V. POWERS AND TOOLS</td>
<td>9</td>
</tr>
<tr>
<td>VI. FUNDING</td>
<td>13</td>
</tr>
<tr>
<td>VII. LEGAL SAFEGUARDS</td>
<td>15</td>
</tr>
<tr>
<td>VIII. ACCESS TO INFORMATION</td>
<td>17</td>
</tr>
<tr>
<td>IX. CROSS-BORDER COOPERATION</td>
<td>19</td>
</tr>
<tr>
<td>X. RECOVERY AND RESOLUTION PLANNING – RESOLVABILITY ASSESSMENT</td>
<td>21</td>
</tr>
<tr>
<td>XI. NOW WHAT TO DO?</td>
<td>23</td>
</tr>
<tr>
<td>REFERENCES</td>
<td>25</td>
</tr>
</tbody>
</table>
ABBREVIATIONS AND ACRONYMS

AACB  Association of African Central Banks
D-SIBs  domestic systemically important banks
EAC  East African Community
FSB  Financial Stability Board
G20  Group of Twenty
G-SIBs  global systemically important banks
IADI  International Association of Deposit Insurers
KAs  Key Attributes of Effective Resolution Regimes for Financial Institutions
PABs  Pan-African Banks
RRPs  Recovery and Resolution Plans
SADC  Southern African Development Community
SIBs  systematically important banks
SIFIs  systemically important financial institutions
TLAC  total loss absorbing capacity
WAEMU  West African Economic and Monetary Union
ACKNOWLEDGMENTS

This paper was written by Jan Barend Jansen, a Lead Financial Sector Specialist in the Finance, Competitiveness & Innovation Global Practice at the World Bank Group. The paper is based on a presentation that the author gave at a conference on “Finance in Africa: Banks, Debt, and Development” at St. Antony’s College, Oxford, on April 25, 2018, organized by the Political Economy of Financial Markets programme (PEFM Oxford).

The author thanks Julian Casal and Erik Feyen for providing comments on a previous version of this paper.

A special thanks goes to Nancy Morrison for editing this publication and Aichin Lim Jones for design and production services.
While the recent global financial crisis has affected many developed countries, it has had less impact in Africa. Nevertheless, the lessons learned from this crisis are relevant for African countries, especially because banking groups with a head office in Africa have grown rapidly and these groups are systemically present in many of their African host countries. As macroeconomic conditions have deteriorated in many Sub-Saharan African countries in the last two years, the question arises whether the regulatory framework for the financial systems of these countries is strong enough to face a serious financial crisis in the future.

The recent global financial crisis was the reason for the G-20 to strengthen the global regulatory and supervisory framework for financial institutions, in particular for systemically important financial institutions (SIFIs). As part of this effort, a new standard for the effective resolution of SIFIs has been established to address the moral hazard of these institutions and to protect the stability of the financial system. This new standard, defined in the so-called Key Attributes of Effective Resolution Regimes for Financial Institutions (the Key Attributes, KAs), is relevant not only for SIFIs but also offers useful guidance for resolving smaller banks in less developed countries.

This paper highlights the 12 essential characteristics of effective resolution regimes for financial institutions, as provided by the Key Attributes. These features should be integrated in the national resolution frameworks for financial institutions and tailored to the local circumstances and legal traditions. For each feature, the paper maps the challenges for introducing them in resolution regimes for banks in the Sub-Saharan African region. Some of the major challenges are:

- Tailoring the Key Attributes to the local jurisdictions, taking into account the complexity and importance of their financial sectors. In most cases it is best to establish only the basic elements of the Key Attributes in the financial frameworks of the Sub-Saharan African countries.
- Establish an independent resolution authority with sufficient powers, tools, equipment, and qualified personnel. If the resolution authority is situated within a central bank, strong fire walls must be guaranteed between the resolution department and other departments.
- Strengthening the quality and scope of the operational data systems.
- Holding enough funding for resolution purposes, including a financial backstop offered by the government.
- Gather sufficient willingness to act quickly, if necessary, to protect depositors, preserve value in the financial sector, and reduce public costs.

Sub-Saharan African countries would do well to weave these functions into their banks’ resolution regimes before the next economic downturn. This is particularly important for countries where one or more of the Pan-African Banks (PABs) have their home base. The paper concludes with a list of actions that Sub-Saharan African countries can take to strengthen their bank resolution frameworks.
I. INTRODUCTION

In many Sub-Saharan African countries, macroeconomic conditions have deteriorated over the last two years. Often such developments create fiscal challenges for countries and profitability issues for their financial institutions, which potentially gives rise to a vicious feedback loop. At the same time, banking groups with their headquarters in Africa, so-called Pan-African Banks (PABs), have expanded rapidly. These banking groups often have a systemic presence in their African host countries. Against this backdrop, the question arises whether the regulatory and oversight systems of the Sub-Saharan Africa countries are well equipped to weather a financial crisis when it comes to Africa. This requires strong legal and supervisory regimes, and well-equipped supervisors. But even then, banks will from time to time fail. Thus, there is a need for strong insolvency frameworks designed for banks, in particular for those that are systemic.

A new standard has been established in the aftermath of the recent global financial crisis for effectively resolving financial institutions as part of a package of policy measures to address the moral hazard risks posed by systemically important financial institutions (SIFIs). The Key Attributes (KAs) are a nonbinding set of principles that form the new international standard for strengthening the resolution regimes for banks and other financial institutions. Many of these principles not only provide good guidance for resolving global systemically important financial institutions, but also for resolving smaller financial institutions. Therefore, the KAs also provide useful guidance for designing insolvency frameworks for banks in less developed countries. Importantly, however, the implementation of the KAs must take into account the complexity of the financial sector and the systemic importance of their financial institutions; thus, not all KAs might be relevant for these countries, or should only be implemented proportionally.

Economies and financial sectors in Africa have their own characteristics. So, in designing insolvency frameworks for Sub-Saharan African countries, it is important to understand the specific challenges for resolution of banks in these countries and how best to overcome them. This chapter maps these challenges, guided by the principles laid down in the KAs.

1 General insolvency frameworks for commercial firms have proven to be ineffective for dealing with failing banks, especially during financial crises.
2 In October 2011, the Financial Stability Board (FSB) adopted the Key Attributes of Effective Resolution Regimes for Financial Institutions (Key Attributes, KA) at its Plenary meeting. At the Cannes Summit of November 2011, the Key Attributes were endorsed by the G20 Leaders as a new international standard for resolution regimes. In October 2014, they were supplemented with new Annexes containing, among others, sector-specific guidance for insurers and financial market infrastructures. See http://www.fsb.org/.
3 According to the KA, a bank is systemically significant (or critical) if its failure could lead to a disruption of services critical for the functioning of the financial system or real economy. A distinction can be made between those financial institutions that are considered to be systemic for the global economy (global systemically important banks, G-SIFIs) and those financial institutions that are considered to be systemic for domestic economies (domestic systemically important banks, D-SIFIs). A subcategory of the SIFIs is the systemically important banks (SIBs) category, divided in globally systemically important banks (G-SIBs) and domestically systemically important banks (D-SIBs).
4 World Bank (forthcoming).
II. CONTEXT

Many Sub-Saharan African countries enjoyed a decade or more of uninterrupted growth since the beginning of the century, albeit from a relatively low base. Real GDP per capita doubled in the median Sub-Saharan African country and increased slightly more in the average Sub-Saharan African country. However, economic circumstances have deteriorated considerably since 2016. Among other reasons, this has been due to lower commodity prices and the tightening of monetary policies in developed countries, especially higher interest rates in the United States, which led to higher borrowing costs for Sub-Saharan African countries, and an increase of public debt in foreign currency. Public debt (foreign or domestically held) has risen considerably in countries like Côte d’Ivoire, Ghana, Kenya, Senegal, and Mozambique. In addition, the risk profile of the banking sector has weakened; nonperforming loans have started to increase in several countries, such as Angola, Republic of Congo, Ghana, Kenya, and Nigeria. Some of these countries (such as Angola and Nigeria) have a large share of their bank lending in foreign currencies. In addition, in many Sub-Saharan African countries the exposures of the financial sector to the sovereign are increasing, directly to government or indirectly through supply chains that depend on the State. Many sovereigns are building up their arrears or financing large parts of their expenditures via issuance of government securities, thereby crowding out private sector funding (as in The Gambia). Surveys of the World Bank have indicated that correspondent banking relationships have also come under pressure in smaller countries in Africa. The result has been a diminished supply of US dollars, with a large share of bank lending in foreign exchange in some countries (including Angola and Nigeria), and a slowdown in international trade operations in countries like Angola, Guinea, and Liberia, further weakening their financial systems. The recent increase in foreign exchange–denominated government debt also increases foreign exchange risk, which could result in balance of payments difficulties for some countries and corresponding financial stability implications (for example, in Angola and Mozambique). All by all, recent deterioration in the macroeconomic environment represents the main financial stability risks in Sub-Saharan Africa. This has already led to bank failures in some Sub-Saharan African countries, such as Angola, the Democratic Republic of Congo, Ghana, Kenya, Mozambique, and Uganda. In other countries, the impact may have been delayed (as exposures are rolled over, or temporary liquidity support is provided), but those policy choices will only magnify the potential impact, if and when a crisis hits.

Large banking groups have emerged since the mid-2000s in many Sub-Saharan African countries mainly via the acquisition of existing banks, resulting in Pan-African Banks (PABs) that have subsidiaries (rarely branches) across many borders with a significant presence in many of the host countries. While there are many African banking groups, seven of them dominate

5 IMF (2015, 17).
6 World Bank (2015a, 2015b).
7 IMF (2016, 15).
the field. Three have headquarters in Morocco, two in Togo, one in Nigeria, and one in South Africa. In addition to these systemic PABs, there are some smaller African banking groups with a sub-regional presence. Major PABs have complex holding structures overseeing many different financial and real sector activities. Some of the financial holdings are unregulated. The emergence of these PABs has a number of benefits, such as improved competition, strengthened inclusion, and economies of scale, but they also pose supervisory challenges, and they may increase systemic and cross-border contagion risks.

The heterogeneity of the Sub-Saharan African countries is large. Some countries have relatively large banking sectors (South Africa, Nigeria, and Angola are the largest), while others have micro financial systems (Lesotho, Seychelles, Swaziland, and São Tomé and Príncipe are among the smallest). Most countries fall in the middle, but even then, it can be difficult to speak of the region as a whole, given that there are different monetary arrangements and endogenous factors.

The Sub-Saharan African countries are in different stages of implementing international supervision standards; some have implemented Basel II standards, while others are still preparing to introduce them. There are supervisory weaknesses concerning consolidated supervision, home-host relationships, capacity, and enforcement of the laws and regulations in many Sub-Saharan African countries. The quality of financial reporting varies, and different accounting standards are used by countries, which further complicates supervision of the Pan-African Banks. Also, many Sub-Saharan African countries have not yet introduced depositor protection schemes. Some parts of Africa have established regional institutions to cooperate on monetary, banking, and capital market issues: the Association of African Central Banks (AACB), the East Africa Community (EAC), the Southern African Development Community (SADC), and the West African Economic and Monetary Union (WAEMU).

---

8 Attijariwafa Bank, Groupe Banque Centrale Populaire, and Banque Marocaine du Commerce Extérieur (BMCE) in Morocco; Ecobank and Oragroup in Togo; Standard Bank in South Africa; and United Bank for Africa in Nigeria.
9 IMF (2015, 28).
Before the recent global financial crisis, most countries around the world had only a few tools at their disposal for resolving banks, often a combination of supervisory forbearance, “voluntary” mergers with other financial institutions, and nationalization. Only as a very last resort were authorities able and willing to liquidate banks. The available instruments (blanket guarantees, recapitalization, asset management companies) depended in most cases on large public support measures. As a result, authorities ended up with high public costs yet were not able to resolve SIFIs.

If anything, the global financial crisis showed that the regulatory frameworks for resolving SIFIs were inadequate in most countries, very costly for the taxpayers, and could easily lead to fiscal crises with serious consequences for the real economies. One part of the policy measures that the international community—the Group of Twenty (G20), the Financial Stability Board (FSB), and the Basel Committee of Bank Supervisors—initiated after the crisis were the Key Attributes, targeted at SIFIs and setting out the mandates, powers, and tools that national authorities must have to deal with financial institutions whose failure could have a systemic impact. The Key Attributes are intended to provide national authorities the ability to efficiently resolve those institutions at least cost for the State. Although targeted at SIFIs, the Key Attributes also provide very useful guidance for smaller financial institutions.

For resolution regimes to be most effective, a number of preconditions must be in place. If these preconditions are not fully implemented, or are only partly in place, the effectiveness of a resolution regime can be seriously hampered. In this regard, the following preconditions are important:

- A well-established framework for financial stability, surveillance, and policy formulation
- An effective system of supervision, regulation, and oversight of banks
- Effective protection schemes for depositors and other protected clients or customers
- A robust accounting, auditing, and disclosure regime
- A well-developed legal framework and judicial system.

The Key Attributes emphasize 12 essential features of an effective resolution regime. These features should be integrated in the national resolution frameworks for financial institutions and tailored to the local circumstances and legal traditions. There is not a one-size-fits-all approach. The implementation of these essential features in Sub-Saharan Africa comes with its own challenges. Although the Key Attributes are designed for all kind of SIFIs, covering banks, insurers, financial market infrastructures, and possibly other kind of SIFIs, the discussion that follows focuses on Sub-Saharan African banks only.

---

10 These measures included Emergency Liquidity Assistance provided by central banks to ailing banks, turned into unrecov- erable solvency support.
11 See FSB (2016).
IV. SCOPE AND AUTHORITY

Key Attributes

The Key Attributes have been designed to help countries establish effective resolution frameworks for SIFIs and more particularly for SIBs. Therefore, it is important that a resolution framework clearly indicates which banks are systemically important. The Key Attributes (KA 1.1) declare that a resolution regime should extend to holding companies, nonregulated entities that are significant to the business of the group (such as treasury services, and risk management and valuation), and branches of foreign banks.

Many of the powers, tools, and legal safeguards are also useful for resolving smaller banks, but not all of them. For instance, the establishment of a bridge bank or the requirement to draft resolution plans are only useful for systemic banks. Thus, the determination that a bank is systemic has important implications from a supervisory perspective (including extra capital requirements and greater scrutiny), but also for its treatment in resolution.

An administrative authority should be established in charge of exercising the resolution powers and utilizing the tools provided under the resolution regime for resolving banks. Such a resolution authority should aim to pursue financial stability, ensure continuity of critical financial services, avoid unnecessary destruction of value, and minimize costs of resolution for all stakeholders, while considering the potential impact of resolution actions on financial stability in other jurisdictions.

In pursuing its objectives and functions, the resolution authority should be operationally independent. The Key Attributes lay down some safeguards in this respect by requiring a sound accountability framework with adequate checks and balances, such as on independent decision making; proper appointment and dismissal procedures for the head of the resolution authority, members of the governing body, and senior management; regulations to prevent conflicts of interest; and sound reporting requirements. The resolution authority should also have adequate human and budgetary resources to operate independently. However, the Key Attributes themselves are silent with respect to the preferred institutional set-up of the resolution authority and whether it should be a stand-alone institution or be part of an existing financial authority. The explanatory notes acknowledge that the resolution authority may be part of an institution in charge of other functions (but operationally separated), such as a supervisor or a deposit insurer.12

Challenges for Sub-Saharan Africa

Although none of the Sub-Saharan African countries have a G-SIB headquartered in their jurisdiction, several of them are home to a Pan-African Bank. A PAB has a systemic presence in its own jurisdiction, but also in many jurisdictions of the region via subsidiaries. Further, smaller African banking groups have a systemic presence in some Sub-Saharan African countries. The failure of a D-SIB always threatens the financial stability of the jurisdiction in dispute, while the failure of a smaller bank in most cases does not. Therefore, it is essential for resolution frameworks in Africa to determine which banks are systemically important for a country and which

12 See the explanatory notes under (d) for KA 2.
are not. A resolution framework should enable the resolution authority to make such a determination ex ante or at the time of intervention. Thus, the resolution framework should provide the authorities enough flexibility to determine that a bank is systemic at the time of failing, even though not considered to be systemic in advance. The rise of Pan-African Banks has amplified the need in Africa to establish resolution frameworks for systemic banks that are able to efficiently resolve these institutions at least cost for the State.

The Key Attributes provide a powerful resolution framework, not only for systemic banks, but also for medium and small domestic banks in Sub-Saharan African jurisdictions. Implementation of the Key Attributes in Africa will strengthen the overall resolution regimes for banks by introducing new concepts in addition to the liquidation option, such as a powerful independent resolution authority, a pallet of resolution tools, legal safeguards for shareholders and creditors of banks, funding arrangements for resolution, access to data, cross-border cooperation, and recovery and resolution plans. These concepts can be used in many circumstances and for many banks and will help resolve banks in a more efficient manner. However, the implementation of the Key Attributes should be tailored to the local jurisdictions and be implemented taking into account the complexity and importance of the financial sector of Sub-Saharan African countries. In other words, they should be implemented proportionally in Sub-Saharan Africa. To find the right balance in implementing the Key Attributes in Sub-Saharan Africa is a challenge and not straightforward.

For many Sub-Saharan African countries, it makes perfectly sense to establish the resolution authority in an existing financial authority, such as the central bank or supervisory authority. This has several advantages, such as being able, right from the start, to profit from the independence of such an institution, safeguarded in many Sub-Saharan African countries by laws and regulations. An efficient resolution regime must have a resolution authority that is shielded from political and industry influences. This will be a challenge in Africa (as in many other parts of the world), where in the past vested interests formed an obstacle for resolving failing banks, resulting in zombie banks at the expense of State coffers.

In an environment of scarce resources, it is also advantageous for the resolution authority to lean upon the reputation, financial resources, expertise, and information technology (IT) systems of the central bank. However, to manage conflicts of interest, strong fire walls must be put in place between the supervision and resolution functions of central banks, including separate reporting lines up to the highest level. At the same time, regulators should realize that the capacity of many supervisors and central banks in Sub-Saharan African countries is tight or inadequate. Therefore, adding a new task to an existing authority should be accompanied by extra resources. To prepare for taking on the task of resolution authority, central banks should also improve their IT systems to gather relevant data, train their staff, and strengthen cross-border cooperation.

---

13 In principle, the resolution authority could also be vested in a deposit insurance fund, but these funds are still lacking in many Sub-Saharan African countries; see Section VI on funding issues.
V. POWERS AND TOOLS

Key Attributes

Financial authorities should have a variety of powers and tools to protect the stability of the financial system and the interests of all stakeholders involved. Interventions in ailing banks should start at the stage of supervision, ranging from warnings to more intrusive measures, such as orders to end business lines and implement recovery plans, that, in worst case scenarios, could cross over to interventions by the resolution authority at the resolution stage. The resolution authority should have a broad gamut of intervention powers at its disposal to achieve its objectives of preserving financial stability and protecting depositors, while minimizing value destruction and overall costs of resolution. The resolution authority should be able to use these powers in a flexible manner, separately or in combination with other resolution tools, and tailored to the situation at hand. Many of the resolution tools can be applied to smaller and larger institutions and in countries at all stages of economic development.

Arguably, the most fundamental principle laid down by the Key Attributes is KA 3.1, which determines that resolution should be initiated when a firm is no longer viable or likely to be no longer viable and has no reasonable prospect of becoming so. The prime task of resolution authorities is to initiate early interventions. History has shown that in many cases authorities act too late and too slowly, thereby destroying whatever value is left in the ailing firm. KA 3.1 firmly states that interventions should start before a firm is balance-sheet insolvent (when a firm’s total liabilities outweigh its total assets) and before all equity has been fully wiped out, triggered by clear and transparent criteria of nonviability, which are based on quantitative and qualitative factors. Most importantly, a clear process should be in place to transfer the decision-making authority from the supervisor to the resolution authority.

KA 3.2 contains a long list of resolution powers, but it is important to realize that withdrawal of the license and liquidation of a failing bank is the preferred option for smaller and medium banks that are non-systemic (KA 3.2 xii). Resolution actions should be taken only if there are systemic reasons (broader financial stability concerns) or that resolution of a failing bank is the least cost solution; and still some parts of the failing bank will end in liquidation.

Some of the resolution powers and tools can be applied in all jurisdictions and are useful powers for resolving SIBs and for liquidating smaller, non-systemic banks, while other powers and tools are targeted only at resolving G-SIBs/D-SIBs (see Box 1).

14 World Bank (forthcoming).
15 There is a last resort resolution power to put a failing financial institution under temporary public ownership in case the stability of the financial system is at risk. This tool is not mentioned in KA 3 on Resolution Powers, but curiously enough is included in KA 6 on Funding. This power to temporary nationalize financial institutions can be applied by all jurisdictions.
V. POWERS AND TOOLS

Challenges for Sub-Saharan Africa

For Sub-Saharan African countries that are considering introducing a resolution regime for banks, it is essential that in advance a thorough assessment of the financial sector be undertaken to determine which resolution powers and tools would be appropriate for the country. Apart from deciding which banks are systemic and which are not, this should entail reviewing banks’ business plans, products, and balance sheets to determine the portfolios of their assets and liabilities. In addition, it is important to take stock of the integration of the financial markets. Countries where banks are integrated with other financial institutions, such as insurance companies, resulting in financial groups or holding companies, require a more sophisticated resolution framework than countries without such financial groups. Lastly, countries that are home to banks with subsidiaries and branches abroad, or countries with many subsidiaries and branches of foreign banks, must put more emphasis on the cross-border aspects of resolution, including cooperation and information exchange with foreign authorities.

Box 1: Common Resolution Powers and Powers and Tools Targeted Only to G-SIBs/D-SIBs

In addition to the power to liquidate a bank, the following “common resolution powers” can be applied to small and larger banks:

- Remove and replace the senior management and directors and recover monies from responsible persons (KA 3.2 i). This power is both a supervisory power and a resolution power.
- Appoint an administrator to take control of and manage the affected firm (KA 3.2 ii). This power is also both a supervisory power as a resolution power;
- Operate and resolve the financial firm, including powers to terminate contracts, continue or assign contracts, purchase or sell assets, write down debt, and take any other action necessary to restructure or wind down the firm’s operations (KA 3.2 iii).
- Override rights of shareholders of the firm in resolution (KA 3.2 v).
- Transfer or sell assets and liabilities, legal rights and obligations (KA 3.2 vi and KA 3.3). This tool, also called the Purchase (of assets) and Assumption (of liabilities) tool, is one of the most efficient and (cost) effective resolution tools.

Some of the powers and tools are targeted only to G-SIBs/D-SIBs:

- Ensure continuity of essential services and functions by requiring other companies in the same group to continue to provide such essential services (KA 3.2 iv).
- Establish a temporary bridge institution, owned by government, to take over and continue operating certain critical functions and viable operations of a failed firm (KA 3.2 vii).
- Establish a separate asset management vehicle (KA 3.2 viii).
- Carry out bail-in within resolution as a means to achieve or help achieve continuity of essential functions (KA 3.2 ix, KA 3.5, and KA 3.6).
- Temporarily stay the exercise of early termination rights that may otherwise be triggered upon entry of a firm into resolution or in connection with the use of resolution powers (KA 3.2 x and KA 4).
- Impose a moratorium with suspension of payments to unsecured creditors and customers and a stay on creditor actions to attach assets or otherwise collect money or property from the firm, while protecting the enforcement of eligible netting and collateral agreements (KA 3.2 xi).
Such an assessment should not be a static, but a dynamic assessment taking into account new developments in the financial markets. The financial markets in many Sub-Saharan African countries are undergoing rapid changes, such as the growth of Pan-African Banks, but also the development of new financial banking and payment services that are competing with traditional banks and are often blurring the boundaries between traditional financial sectors.

Sub-Saharan African countries are well advised to introduce all the common resolution powers. This, by itself, is not an easy exercise. The new powers should be integrated in the domestic legal framework, which might be a challenge given the intrusive character of some of the powers (the power to override shareholder rights). The powers should also be woven into the existing regime for supervision of banks and the existing bank liquidation framework. A clear separation between supervision, resolution, and liquidation should be spelled out in law. It is highly recommended that most tools should not be used for different purposes; the tool should be a supervision tool or a resolution tool, clearly indicating the character of intervention by the authorities, thereby reducing legal uncertainty.

As discussed, some of the tools are relevant only for G-SIBs/D-SIBs and therefore are not relevant for Sub-Saharan African countries that lack such institutions. For instance, the power to ensure essential services and functions is relevant only if a systemically important institution must be resolved as a going-concern. Also, a bridge bank should be established only if such a temporary institution is necessary “to bridge time” to find a viable solution for a failing SIB. Smaller banks should be liquidated, while their valuable assets might be transferred to other banks. An asset management vehicle is a useful tool to deal with a large amount of nonperforming assets of the same class. Thus, it should be used only when a SIB is failing, or if a crisis hits the broader financial sector and same class assets of several failing smaller banks might best be brought together in the asset management vehicle. However, history has shown that asset management vehicles often have been used to store nonperforming assets (at book-value), resulting in high costs for the State. Smaller Sub-Saharan African countries are advised to establish asset management vehicles only on ad hoc basis, when needed, and not to make them part of the standard resolution toolbox.

Some other resolution powers are not suitable for Sub-Saharan African countries even if they have SIBs operating in their jurisdictions because their financial markets are less developed. The bail-in tool\(^\text{16}\) requires that there are sufficient liabilities on the balance sheet of a failing G-SIB/D-SIB to be bailed in. In many Sub-Saharan African countries, the liability side of the balance sheet of their banks consists mainly of small depositors and/or small retailers. Bailing in those depositors would only enlarge a financial crisis by eroding trust in the financial system. In addition, the financial markets of these countries are not sufficiently developed for banks to issue bail-in-able debt securities—as banks can do in highly developed financial markets to raise enough total loss absorbing capacity (TLAC).\(^\text{17}\) The power to stay the exercise of early termination rights is appropriate only in those jurisdictions where financial contracts (such as derivatives contracts) are commonly used, and therefore less adequate and necessary for Sub-Saharan African countries. In the same vein, it is better not to use a moratorium with a suspension of payments in jurisdictions where trust in the financial markets is already low, as it often tends to worsen this trust and might lead to a run on banks, and smaller banks can better directly be liquidated, once they are failing.

\(^{16}\) A bail-in tool provides the power to write down equity and unsecured creditor claims of the bank in resolution and to convert unsecured claims into equity or other instruments of ownership in the bank in resolution, a parent company, or a newly established entity or bridge institution.

\(^{17}\) The Financial Stability Board (FSB) published requirements regarding total loss absorbing capacity on November 9, 2015, which were adopted at the G20 summit in Turkey. TLAC requires G-SIBs to develop their ability to cope with large losses without burdening taxpayers. These banks are required to have a certain amount of loss absorbing securities outstanding, which together make up the bank’s TLAC.
Triggers for entering the resolution stage of an ailing bank should be clearly defined. The legal frameworks of many Sub-Saharan African countries have very general and broad criteria to initiate early supervisory intervention or liquidation of a bank (such as “the condition of the institution is unsound”), without any additional specific criteria for liquidation. Therefore, when drafting a regime for resolution of banks, the law should include very specific and mandatory triggers for initiating resolution that force resolution authorities to take early action.

Most importantly, the introduction of adequate legal resolution powers is a necessary step to improve the resolution regime of banks in all Sub-Saharan African countries, but it will not be sufficient to overcome the lack of action many of their authorities have exhibited in the past in resolving failing banks in a timely and efficient manner. What often is missing is a willingness to act in sensitive cases, leading to unnecessary forbearance, loss of value in banks, and high public costs. The introduction of best international practices in resolution of banks should be accompanied by a change in culture and attitude of the supervision and resolution authorities.

It should also be well understood that the final foundation stone of building a sound resolution process is the availability of well-educated and well-trained staff. Some of the new resolution powers are technical sophisticated (such as valuation of assets in the case of bail-in; and stay and action on exercising early termination rights of financial contracts) and require that resolution authorities are able to attract and retain (costly) topnotch financial experts.
VI. FUNDING

Key Attributes

The funding of resolution actions must be well regulated to protect the taxpayer by minimizing public financial support (KA 6). The funding of resolving a failing bank should in the first instance be borne by the bank, its unsecured and uninsured creditors, and, if necessary, by other parts of the banking sector.

Credible funding arrangements for resolution may consist of a privately funded resolution fund, a privately funded deposit insurance scheme, or a combination of these funds, while temporary public funding arrangements should be in place to provide liquidity or solvency support, if needed, to ascertain orderly resolution, combined with arrangements to recover any public losses from the financial industry. To minimize the risk of moral hazard, such temporary public support should be provided only if it is necessary to foster the stability of the financial system and permits a resolution option that is best able to achieve an orderly resolution of one or more failing banks, while all private resources of funding have been exhausted.

Challenges for Sub-Saharan Africa

The lack of funding for resolving failing banks is often a major challenge in Sub-Saharan African countries. The lack of resources is caused by several factors. First, while secured depositors should be reimbursed by privately funded deposit insurance schemes, the number of deposit insurance schemes in Africa still lags behind those in other parts of the world. At the end of 2018, less than half of African countries had an official funding arrangement in place for paying insured depositors out. Specifically, only 25 of the 55 African countries had an explicit deposit insurance scheme—one that is established by statute and typically insures deposits up to a statutory coverage limit—according to the International Association of Deposit Insurers (IADI). So, this means that in most African countries, resources must come from the State, or ex post from the remaining banks. In addition, in many African countries with an explicit deposit insurance scheme, the deposit insurance funds have not reached their minimum target size. This means that the failure of a medium-sized bank will result in a funding gap. In principle, such a funding gap could be financed by the deposit insurance scheme through borrowing in the domestic market, or the State could temporary shoulder a full payout to the insured depositors. However, these financing

---

18 Losses are allocated to shareholders and unsecured/uninsured creditors in accordance with the hierarchy of claims and they should carry the losses provided that they are no worse off than in liquidation. See Section VII on legal safeguards.

19 Otherwise, private resources of funding would not achieve the statutory objectives of the resolution regime (see essential criteria ii for KA 6.2).

20 The Key Attributes recognize that there might be cases where reliance on nationalization or public ownership is the only viable option for continuing critical functions and that therefore some countries might incorporate this as a last resort option in their resolution framework (KA 6.5).

21 See http://www.iadi.org. This reflects the number of African countries with an explicit deposit insurance scheme as indicated on the IADI’s website as of December 10, 2018.

22 Fortunately, triggered by the most recent global financial crisis, the number of explicit deposit insurance schemes is rapidly rising in Africa. According to IADI, 10 African countries are currently developing a deposit insurance protection scheme.

23 If the statutes of the deposit insurance scheme provide for this.

24 Temporary sources of funding must ex post be recovered from the financial system participants, according to KA 6.2.
options are not available in many Sub-Saharan African countries. For the above-mentioned reasons, many deposit schemes in Africa are not able to contribute to the resolution of a SIB.

**In many Sub-Saharan African countries, fiscal resources are insufficient to set up temporary public funding arrangements to provide solvency support, if needed.** Therefore, even if the resolution authority has all the statutory powers and tools, the swift resolution of a failing systemically important bank will be held back by the lack of sufficient temporary public resources. This is a major obstacle in Africa for carrying out swift, efficient, and least-cost resolutions of D-SIBs. This lack of a sufficient fiscal back-up undermines trust in the financial system and will hamper the resolution of a systemic bank, but when the preconditions are in place (including effective supervision), Sub-Saharan African countries could establish a privately funded scheme combining deposit protection and resolution frameworks, ex ante to be funded by the financial industry.

**The private funding of a D-SIB in many Sub-Saharan African countries is limited because of less developed financial markets and the lack of more sophisticated financial products and instruments.** The resolution of a D-SIB should, according to the Key Attributes, in the first instance be borne by its shareholders and its unsecured and uninsured creditors, such as bond holders. However, the issuance of bonds in many Sub-Saharan African financial markets is very limited. Often government bonds are the only bonds that are traded at those markets. For this reason, the bail-in resolution tool is not a realistic option for the funding of a D-SIB in many Sub-Saharan African countries.

**The withdrawal by global banks of correspondent banking relationships with Sub-Saharan African countries might complicate the resolution of a Pan-African Bank.** International financial flows are important for the economic growth and financial stability of the Sub-Saharan African countries. The lack of correspondent banking relationships has resulted in a concentration of cross-border flows, which may pose financial stability risks.25 More specifically, it might increase liquidity stress in foreign denominations and thereby accelerate the resolution of a failing bank and/or complicate its resolution.

---

VII. LEGAL SAFEGUARDS

Key Attributes

The Key Attributes contain far-reaching measures that infringe upon third party’s rights, such as the powers to terminate contracts, to override rights of shareholders, and to transfer or sell assets and liabilities of a failing bank (KA 3.2). The overruling of these rights is justified on grounds of public interest: that is, to preserve the stability of the financial system and to contain costs for society (the taxpayers).

However, the Key Attributes also contain a number of explicit safeguards designed to protect the governance and economic rights of creditors, counterparties, and shareholders of a failed bank, or to protect an orderly and prompt resolution by the resolution authority. The Key Attributes try to establish a delicate balance between providing the resolution authority all the necessary tools to ensure prompt corrective resolution, while protecting to the extent possible the essential rights of the parties involved.

In particular, the Key Attributes specify that “just” compensation should be awarded to creditors for any expropriation. KA 5.2 states that creditors should have a right to compensation if they do not receive at a minimum what they would have received in a liquidation of the firm (“no creditor worse off than in liquidation safeguard”). Another safeguard in the Key Attributes (KA 5.1) states that the resolution authority is required to exercise resolution powers in a way that respects the applicable hierarchy of creditor claims. Respecting the hierarchy of claims means, in principle, absorbing losses in the following order: equity should absorb losses first; then losses should be imposed on subordinated debt, and only then on senior debt holders. A resolution authority, as a general principle, should treat creditors of the same class equal (“pari passu principle”), while providing flexibility to depart from that principle, if necessary, to protect financial stability or to maximize the value for the benefit of all creditors.26

The resolution authority should have the capacity to exercise the resolution powers with the necessary speed and flexibility, subject to constitutionally protected legal remedies and due process (KA 5.4). Where prior court approval is required, the timelines required for completing court proceedings should be consistent with the Key Attributes and should be incorporated into resolution planning. According to KA 5.5, the legal framework should provide that compensation is the only remedy that can be obtained from a court or tribunal through judicial review of measures taken by the resolution authority acting within their powers and in good faith (thus, not staying or reversing the resolution measures).

Challenges for Sub-Saharan Africa

The introduction of intrusive resolution powers in Africa requires a balanced protection of the rights of creditors, counterparties, and shareholders of a failed bank. Authorities must navigate the existing protection of property rights in their country, often anchored in constitutional provisions. The “no creditor worse off than in liquidation safeguard” necessitates an adequate valuation at the time of resolution of these rights, as well as a counterfactual valuation of these rights in liquidation.27

---

26 See the essential criteria for KA 5.2.
27 A precondition for such complicated exercises is that the relevant data and the necessary valuation expertise are quickly available, what is most often not the case in Sub-Saharan African countries. However, resolution authorities could have ex ante contracts set up with (international) accounting firms that can do this valuation on short notice. See Section VIII on access to information.
The Sub-Saharan African countries should secure a clear hierarchy of claims that will apply in the process of liquidation and resolution of banks; this hierarchy should have enough flexibility to depart from the “pari passu principle,” if necessary, to protect financial stability, or to maximize the value for the benefit of all creditors. If Sub-Saharan African countries already have a hierarchy of claims, it is often for commercial firms (not specifically for banks), depositors are not ranked first, and the order in which claims are rewarded is not always straightforward. This creates uncertainty for shareholders (investors) and unsecured creditors of banks alike and is detrimental to economic growth and the stability of the financial system. A tricky legal issue in many countries is to incorporate enough flexibility in the legal system to depart from the “pari passu principle” when necessary in the interest of financial stability or the benefit of all creditors. Often this requires careful drafting to stay within the legal traditions of a country.

While courts play a key role in the process of liquidation of banks in most Sub-Saharan African countries, this role must be more limited in the case of resolution of banks. Because it is essential that resolution measures be taken swiftly and that the measures taken by the resolution authority enjoy a high degree of legal certainty, courts in Sub-Saharan African countries must be able to use expedited procedures if court approvals are necessary for the resolution authority to exercise resolution powers. Courts should not be able to overrule resolution measures taken in good faith by the resolution authority but should be able to award monetary compensation if errors were made. Such limitation of court powers runs against many legal traditions in Sub-Saharan African countries and, in some cases, challenges their constitutional provisions. The implementation of these resolution principles requires a clear explanation to the judiciary and the regulators of the objectives and principles of the resolution, and careful and precise drafting to incorporate these principles in local legal frameworks. Central banks could play an active role in engaging with the judiciary and transferring knowledge. Also, many courts in the Sub-Saharan African countries have limited capacity and judges are not specialized in certain parts of law. Courts should consider creating specialized divisions that deal with commercial and financial matters, including the liquidation and resolution of banks.
VIII. ACCESS TO INFORMATION

Key Attributes

To be able to take accurate and swift resolution measures, banks’ management and resolution authorities should have access to all relevant information. This requires that banks have accurate and up-to-date data systems in place. Resolution authorities should have direct access to banks to gather all critical information, if needed. In normal times, such nonpublic information should be available for recovery and resolution planning, while in times of crisis this information should be available to undertake resolution measures. It should be accessible for all domestic authorities that play a role in safeguarding the stability of the financial system ("safety-net players"), such as financial supervisory authorities, central banks, resolution authorities, ministries of finance, and deposit insurance funds. The information exchange between the domestic safety-net players should be embedded in broader cooperation agreements to formalize the work procedures and the division of responsibilities among them.28 If a failing bank has cross-border operations, legal frameworks must also enable the exchange of information with all relevant foreign safety-net players.29

Accurate data systems are especially necessary for making proper mandatory valuations of a failing bank’s assets and liabilities, including its off-balance sheet items. Best international practice is that the supervisor, or the resolution authority, will instruct an independent institution (such as a recognized auditing firm) to undertake such a valuation when a bank is nearing the conditions (triggers) for entering in resolution.

Challenges for Sub-Saharan Africa

Given that an efficient bank resolution regime is fully dependent on the accuracy and accessibility of relevant bank data, data systems in many Sub-Saharan African countries need to be strengthened. Weak data systems are due to many factors, such as outdated reporting and information systems, a lack of adequate internal risk control and compliance frameworks, and weak accounting and auditing configurations. For instance, important data gaps exist for Pan-African Banks at the level of subsidiaries, limiting the analysis of the soundness of the bank—particularly the analysis of capital and nonperforming loan ratios.30 Therefore, the implementation of a new resolution framework in Sub-Saharan African countries must go hand in hand with a serious investment in data systems. In addition, the staff of banks and that of supervision and resolution authorities need to get adequate training to be able to use the new systems.

The introduction of a sound bank resolution regime requires not only a dedicated effort by the authorities to set it up, but sufficient financial resources, which are often scarce in fiscally stressed Sub-Saharan African countries. Investments in new IT-systems and the hiring of IT expertise are expensive. Moreover, the upgrading of the accounting and auditing practices, and the training of staff, requires support from international experts. In addition, valuations, to be done in the context of resolution, require specialized skills that are expensive.

28 Such agreements often take the form of one or more Memoranda of Understanding (MOUs).
29 See Section IX on cross-border cooperation.
30 See IMF (2015, 33).
The information exchange among all safety-net players in Sub-Saharan African countries needs to be strengthened. In many of these countries, the exchange of information between all stakeholders is ad hoc and voluntary, or the legal system prohibits an appropriate exchange of sensitive and granular nonpublic bank information with domestic institutions outside the supervisory realm. In addition, there are often operational obstacles that prohibit the timely and accurate exchange of information. Even more hurdles exist in many Sub-Saharan African countries for exchanging information with foreign supervisors, foreign resolution authorities, and other foreign safety-net players.
IX. CROSS-BORDER COOPERATION

Key Attributes

Resolution authorities should aim for cross-border cooperation and coordination, and legal frameworks must accommodate it (KA 7). Where there is a significant cross-border influence in the financial sector, cooperation between home and host authorities is essential. For effective resolution, a resolution authority should be able to cooperate with foreign resolution authorities, as well as with foreign supervisors and/or deposit insurance agencies. The resolution authority should have the power to negotiate and to enter into information exchange and cooperation agreements with foreign authorities. Strong cooperation can develop only if authorities are explicitly allowed to exchange relevant information with their international counterparts to enable cross-border resolution planning and execution. Given that the data to be exchanged often contain market-sensitive information, a high degree of confidentiality should be ensured at all times.

The resolution authority should have resolution powers over both subsidiaries and branches of foreign banks to support resolution measures of foreign home authorities or, in exceptional cases, to take measures on its own initiative to preserve the stability of its financial system (KA 7.3). The Key Attributes also provide that a resolution authority should be able to support foreign resolution authorities in their resolution actions or give effect to foreign resolution actions (KA 7.5). The legal basis for this should be provided in law, including an enabling clause to conclude bilateral or multilateral Memoranda of Understanding. Moreover, national laws should not discriminate against creditors on the basis of their nationality, the location of the claim, and the like (KA 7.4).

Challenges for Sub-Saharan Africa

The rapid emergence of Pan-African Banks across Africa underlines the need for strong cross-border resolution agreements between home and host authorities. The home authorities of PABs have an interest in securing sound resolution procedures for their SIBs to preserve the stability of their own financial system, especially when critical parts of a SIB are outside their own jurisdiction. Host authorities have a keen interest in close cooperation of resolution procedures with the home authorities when a subsidiary of a PAB is systemically important in their jurisdiction. In some parts of Africa, supervisory colleges have been established for PABs. In practice, however, these arrangements are not yet very effective and trail behind the establishment of many cross-border subsidiaries, and resolution agreements between home and host authorities do not exist or exist at only a very elementary level. This might jeopardize a quick and efficient resolution of a failing PAB, thereby threatening the financial stability of its own and many host jurisdictions.

There is an asymmetric balance of power between the four Sub-Saharan African countries that are home to a systemic Pan-African Bank (Morocco, Nigeria, South Africa, and Togo) and the authorities of countries that host the PAB’s subsidiaries. Home authorities have better

---

31 See FSB (2015).
and more information about the soundness of a systemic PAB, as well as a firmer grip on its senior management. Therefore, home authorities might at first instance have less incentive to conclude cooperation and information exchange agreements with host authorities, particularly if the subsidiaries in those countries are relatively small compared to the group’s balance sheet and no critical parts of the Pan-African Bank are vested in host jurisdictions. This asymmetry might hinder the concluding of cooperation agreements in Africa, resulting in a suboptimal resolution framework for Africa as a whole.

There are many differences between Sub-Saharan African countries concerning their political system, organization of government, and legal traditions, which present additional obstacles for strengthening cooperation between the resolution authorities of these countries. For instance, financial reports and disclosures of Pan-African Banks are based on different sets of accounting standards because not all African jurisdictions apply International Financial Reporting Standards. Discrepancies in legal authority, accounting, auditing, and confidentiality regimes must be overcome—if necessary, with support from international experts. Regional institutions (AACB, EAC, SADC, WAEMU) aim to overcome some of these differences. In the area of bank resolution, however, the arrangement of the regional institutions might create extra challenges, given that resolution powers are not always clear and spread across regional and national bodies.

---

33 See IMF (2015, 38).
34 See IMF (2015, 44).
X. RECOVERY AND RESOLUTION PLANNING – RESOLVABILITY ASSESSMENT

Key Attributes

The recent global financial crisis has demonstrated that banks and authorities should prepare well in advance before banks get into problems. They must have plans with options in the event of a bank failure, especially for SIBs. Therefore, the Key Attributes introduce new tools, consisting of a recovery planning tool, a resolution planning tool, and a resolvability assessment tool (Recovery and Resolution Plans, RRPs). According to the Key Attributes (KA 11), banks (senior management) should have detailed Recovery Plans for addressing financial problems without relying on public sources, to be updated at least annually. Such plans should indicate options for a bank to recover from financial distress as a “going concern,” while the bank remains under its management’s control. Recovery plans provide measures to conserve or raise capital and/or liquidity, and measures to restructure the business of the bank to decrease the bank’s risk profile and make it profitable again.

Resolution authorities should have Resolution Plans that provide for the resolution of a systemic bank on a “gone concern” basis when recovery plans have failed, indicating specific options and actions for resolution. In addition, home resolution authorities should evaluate the feasibility and credibility of resolution strategies (Resolvability Assessments) on a regular basis, at least for SIBs (KA 10). While recovery and resolution tools and Resolvability Assessments are intended for G-SIBs, they might well be applied to other banks, especially D-SIBs, which could have an impact on the jurisdiction’s financial stability in the event of a D-SIB’s failure.

Challenges for Sub-Saharan Africa

With the rise of Pan-African Banks in Africa, there is a clear need to have a well-designed and organized regime for Recovery and Resolution Plans, in particular in those jurisdictions that are home to a systemic PAB. To secure the stability of their financial systems, such home authorities should undertake thorough RRPs on a regular basis. One of the challenges is to simplify the set-up of systemic PABs to create a clear structure consisting of a few legal entities that are well prepared for resolution. Many banking groups in Africa have complicated cross-border structures, making effective supervision and resolution a challenge for both home and host authorities. This will not be an easy task and will require the necessary will, effort, and expertise from banks and authorities alike. However, the streamlining of these banks will be in the interest of financial stability—and, by making them more transparent and efficient, also in the interest of the businesses themselves.

A major obstacle for authorities to undertake Recovery and Resolution Plans in Africa is the lack of reliable granular data. To develop adequate Recovery and Resolution Plans, and to perform sound resolution assessments, banks and authorities must possess a clear overview of all

35 As recommended in the Guidance Note issued by the FSB on June 21, 2018 on “Funding Strategy Elements of an Implementable Resolution Plan,” such resolutions plans should also appropriately address the available temporary public funding in resolution, whether from the central bank (in case of emergency liquidity assistance) and/or the government (in case of solvency support).
36 See IMF (2015, 37).
business activities and the risks associated with them. Not all supervisors in Africa have those data—especially not home supervisors of banks with many cross-border operations, in the absence of home-host cooperation agreements on bank resolution. Supervisors and resolution authorities in Africa should give priority to improving their data reporting and IT systems and improving the exchange of cross-border data using cooperation agreements.37

Recovery and Resolution Plans are not costless and might require a huge amount of resources and capacity of banks and authorities. For G-SIBs/D-SIBs, RRPs should be required and be completed for the sake of financial stability. However, the less complex and interconnected a bank is, the simpler RRPs should be. No RRPs should be required for small banks.

37 See Section VIII on access to information.
XI. NOW WHAT TO DO?

Key Attributes

The recent deterioration in economic conditions and the rise of regional systemically important banks in Africa make the strengthening of resolution frameworks more urgent. When the opportunity arises, Sub-Saharan African countries should use the insights of the Key Attributes and weave them into their resolution regimes for banks, in tune with the development of their financial sectors and the presence of systemically important banks. While all Sub-Saharan African countries should take a close look at their resolution regimes for banks, Sub-Saharan African countries home to one or more of the Pan-African Banks, should especially investigate whether their resolution frameworks are sufficiently capable of quickly resolving these banks, while shielding taxpayers from losses and protecting critical functions, thereby ensuring the stability of the financial sector.

Sub-Saharan African countries that have decided to strengthen their bank resolution frameworks should focus on the following actions:

• Ensure that the preconditions for effective resolution regimes for banks are met, in particular an effective system of regulating and supervising banks.

• Undertake an assessment of the current insolvency framework for banks against the Key Attributes and reform the relevant legal framework (laws and regulations) taking into account the structure and complexity of the financial sector, the systemic importance of the banks, and the legal traditions of the jurisdiction.

• Establish an independent resolution authority with sufficient capacity and resources to operate and with an appropriate governance framework. In case the resolution authority will be housed at the central bank or the financial supervisor, strong fire walls are required to separate the interests of the monetary authority, the supervisor, the payment overseer, and others from the interests of the resolution authority.

• Strengthen the quality and scope of the operational data systems to enable an effective use of the new resolution powers and tools.

• Assess the national accounting and auditing standards and, if necessary, bring them in line with international standards.

• Review the best options for ex ante funding by the financial industry of resolution measures.

• Strengthen international cooperation, exchange of supervisory information, and international exchange of information necessary for preparing Recovery and Resolution Plans, as a matter of urgency. The is specifically relevant for the home authorities of Pan-African Banks, but also for host authorities with subsidiaries of PABs that have a systemic presence.

In addition:

• The regional institutions in Africa (AACB, EAC, SADC, WAEMU) should play a key role in coordinating and harmonizing legal frameworks and operational practices in the field of bank resolution (including data systems, accounting and auditing practices, and Recovery and Resolution Plans).

• Home supervisors/resolution authorities of Pan-African Banks should start preparing Recovery and Resolution Plans and use them, as a matter of priority, to simplify the organization structures of these banks.38

38 For some Pan-African Banks, because of their structure, it is not directly clear who should take the lead, such as in the case of Ecobank. Should the authorities of Togo or Nigeria take the lead?
In all these steps, a willingness to act quickly, if necessary, is paramount in the interest of protecting depositors, preserving value in the financial sector, and limiting public costs.
REFERENCES


