

## Abstract

This paper reviews the theoretical and empirical literature explaining financial FDI from the perspective of the investing country (home). We conclude that the existing theoretical paradigms need to be adapted to explain the recent surge in international banks' local operations in the financial sectors of emerging countries. Macroeconomic and risk diversification theories would seem particularly well-suited to explain this reality. The empirical literature on the reasons why banks from decide to go broad has concentrated on bank-specific factors and much less so on macroeconomic determinants of the home country. Finally, the effects of financial FDI on the home country's economy and/or financial system are virtually unknown.

**Keywords:** financial FDI, home country