

Shadow banking : Réactions réglementaires européennes

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André PRÜM

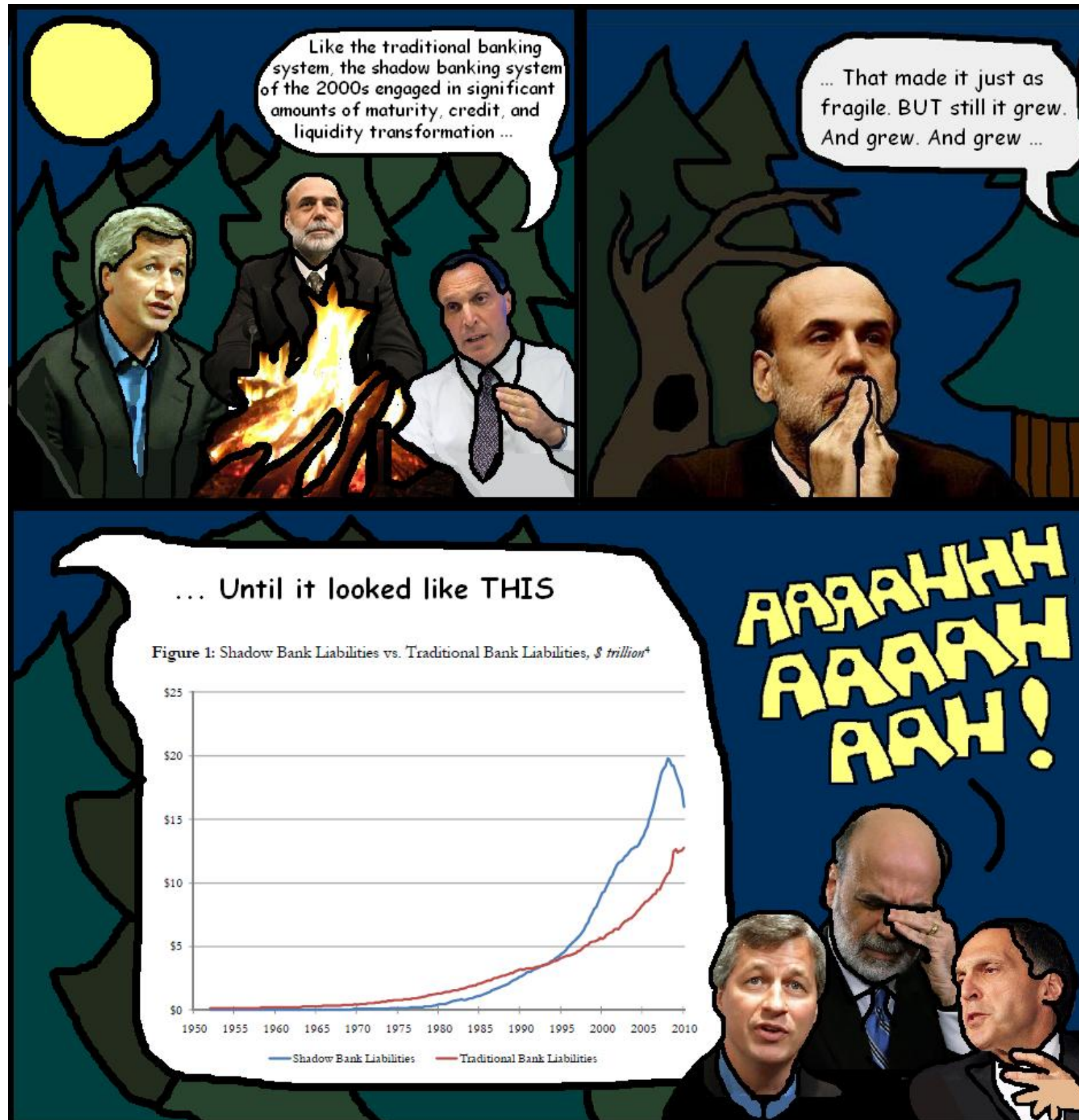
Plan

- 1) Les inquiétudes soulevées par l'expansion rapide du SB et sa contribution à la GCF
- 2) La surveillance des risques posés par le SB à la stabilité du système financier
- 3) Initiatives européennes pour contenir les risques systémiques liés au SB

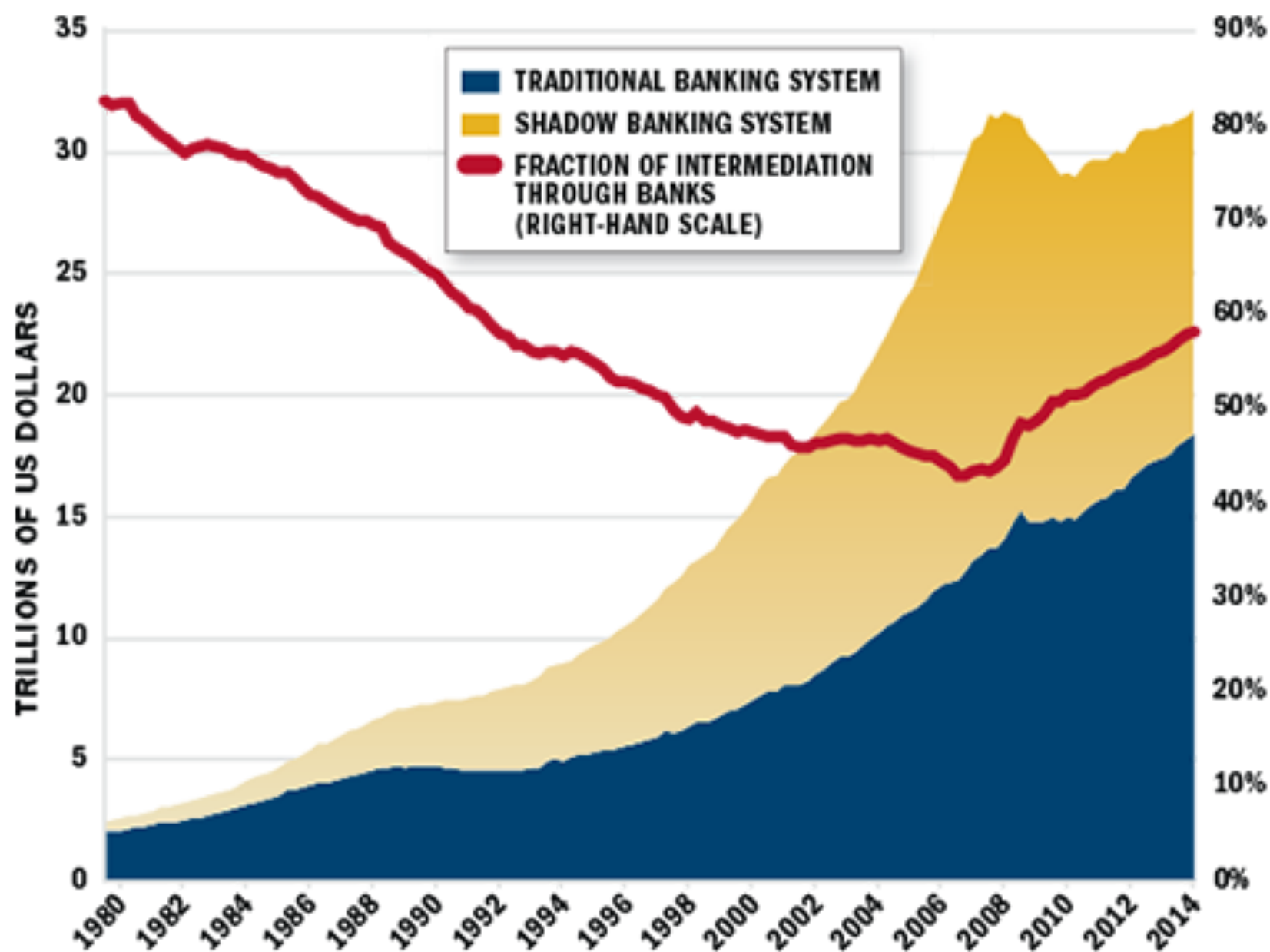


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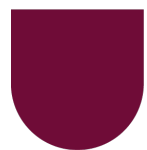
FINANCIAL INTERMEDIATION IN THE UNITED STATES, MONTHLY



Source: Updated version of Figure 1 In Zoltan Posar, Tobias Adrian, Adam Ashcraft, and Hayley Boesky, "Shadow Banking," Federal Reserve Bank of New York Staff Paper No. 458, revised February 2012.

FSB

- ★ Policy recommendations for Strengthening Oversight and Regulation of Shadow Banking, 29 August 2013
 - Overall Policy Recommendations
 - Policy Framework for Shadow Banking Entities
 - Policy Framework for Risks in Securities Lending and Repos
- ★ Global Shadow banking Monitoring reports
- ★ Transforming Shadow banking into a resilient Market-based Finance progress reports



G20: Roadmap towards strengthening oversight and regulation of Shadow banking, Saint Petersburg, 6 September 2013

IMF: Global Financial Stability report, October 2014



European Union

- EC Communication on Shadow Banking, 4 September 2013
- EC Proposed Regulations on Money Market Funds and on STS Securitisation
- EBA Guidelines Limits on exposures to shadow banking activities outside a regulated framework, December 2015
- ECB Report Shadow banking in the Euro Area, Risks and vulnerabilities in the investment fund sector June 2016
- ESRB EU Shadow Banking Monitor; July 2016
- ECB Financial Stability Review Nov. 2016

Volumes

- **FSB** (Nov. 2015) :
 - Monitoring Universe of Non-bank Financial Intermediation : \$137 trillions / 40% total financial system assets
 - Activités présentant un risque potentiel pour la stabilité du système financier : \$ 36 trillions en 2014 / 59% du PIB
- **ECB** (June 2016) :
 - Broad mesure : EUR 28 trillions / 1/3 euro area financial system assets

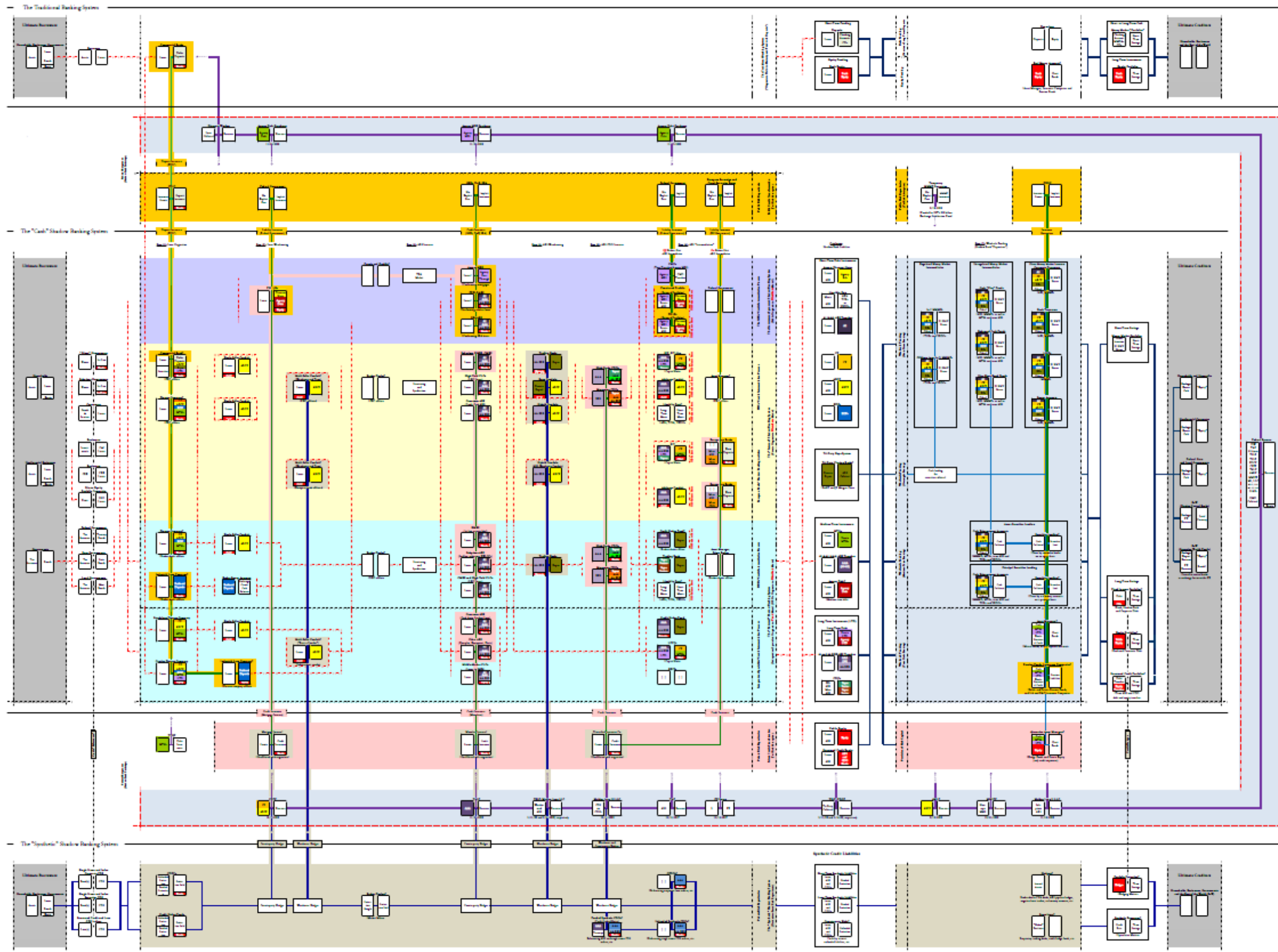


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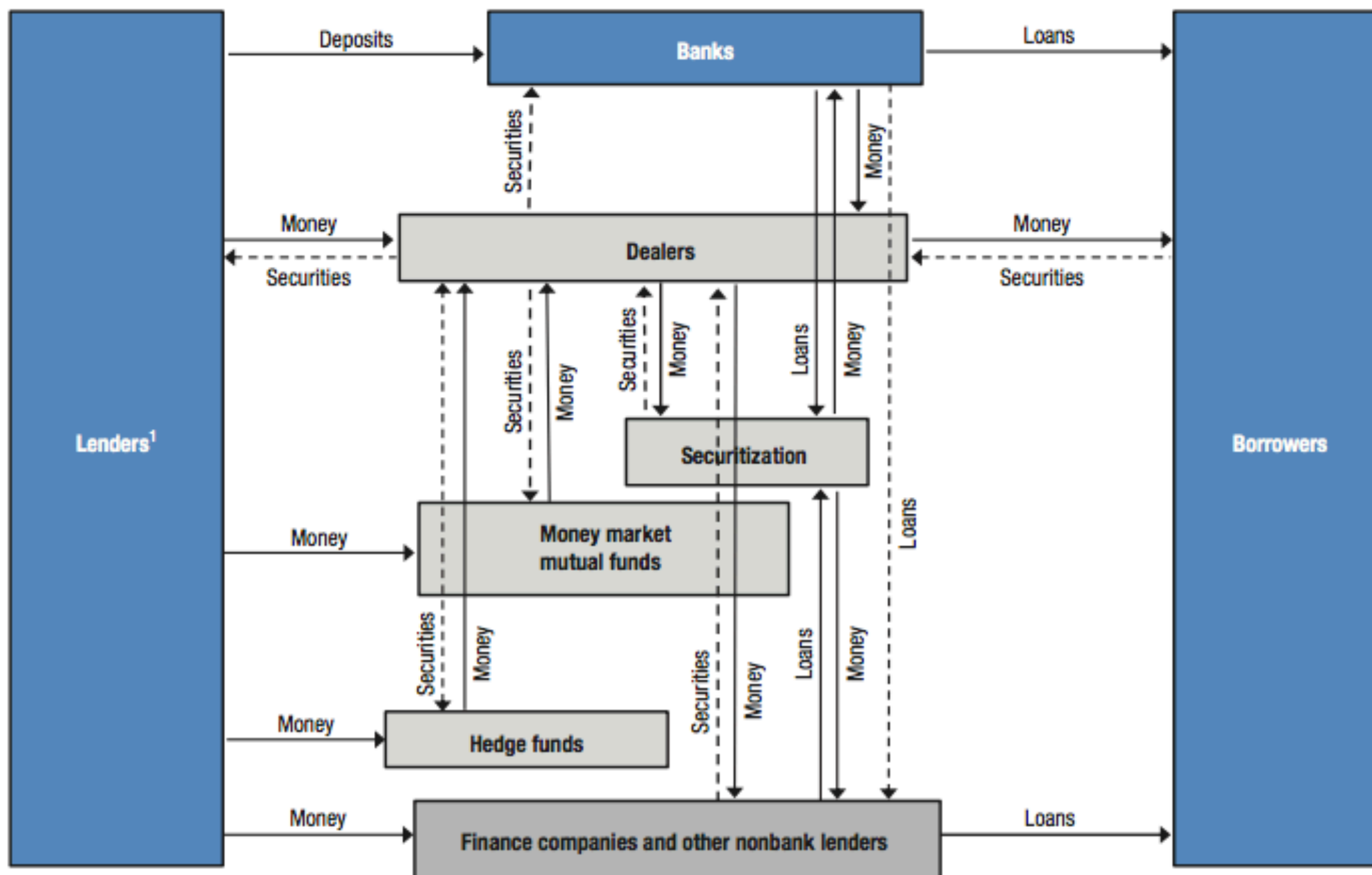
The Shadow Banking System

Conceptualized, designed and created by Tobias Peiser (tobias.peiser@ny.frb.org)
The Federal Reserve Bank of New York, November, 2009



Sources: Shadow Banking (Peters, Adrian, Ashcraft, Borsky (2010))

Figure 2.3. Traditional versus Shadow Banking Intermediation



Source: IMF staff illustration.

Note: This simplified representation of the financial sector shows the flow of funds from lenders to borrowers. It does not show the reverse flows, such as bank deposit withdrawals and money market mutual fund redemptions. The blue boxes represent the components of a bank-based economy, with the rest representing the shadow banking sector. The boxes on the outside characterize a simple shadow banking system as might be found in a less developed economy. The lighter colored boxes in the middle reflect the kinds of shadow banking activities and entities usually associated with more advanced economies, with dealers as the hub of most activity. This activity comprises issuing securities on behalf of borrowers (including securitization vehicles, finance companies, and other nonbank lenders), providing prime broker services to hedge funds, and conducting repurchase agreements and securities lending. Securitization vehicles do not generally involve borrowers directly. Securitized assets generally come from banks and nonbank lenders, and securities from dealers. See Annex 2.2 for details on the role of securitization.

¹The lenders category includes institutional investors (such as insurance companies and pension funds) and official sector institutions (such as central banks and sovereign wealth funds).

Risques pour la stabilité du système financier

- Risques liés directement à l'intermédiation de crédit à travers les transformations de maturités et de liquidités, les effets de leviers financiers et la transmission imparfaite de risques de crédit
- Risques par ricochet à travers les interconnexions entre le secteur bancaire réglementé et le secteur parallèle et l'arbitrage réglementaire

Essais de définition

FSB : “The system of credit intermediation that involves entities and activities outside the regular banking system” i.e. “in an environment where prudential regulatory standards and supervisory oversight are either not applied or are applied to a materially lesser or different degree than is the case for regular banks engaged in similar activities”

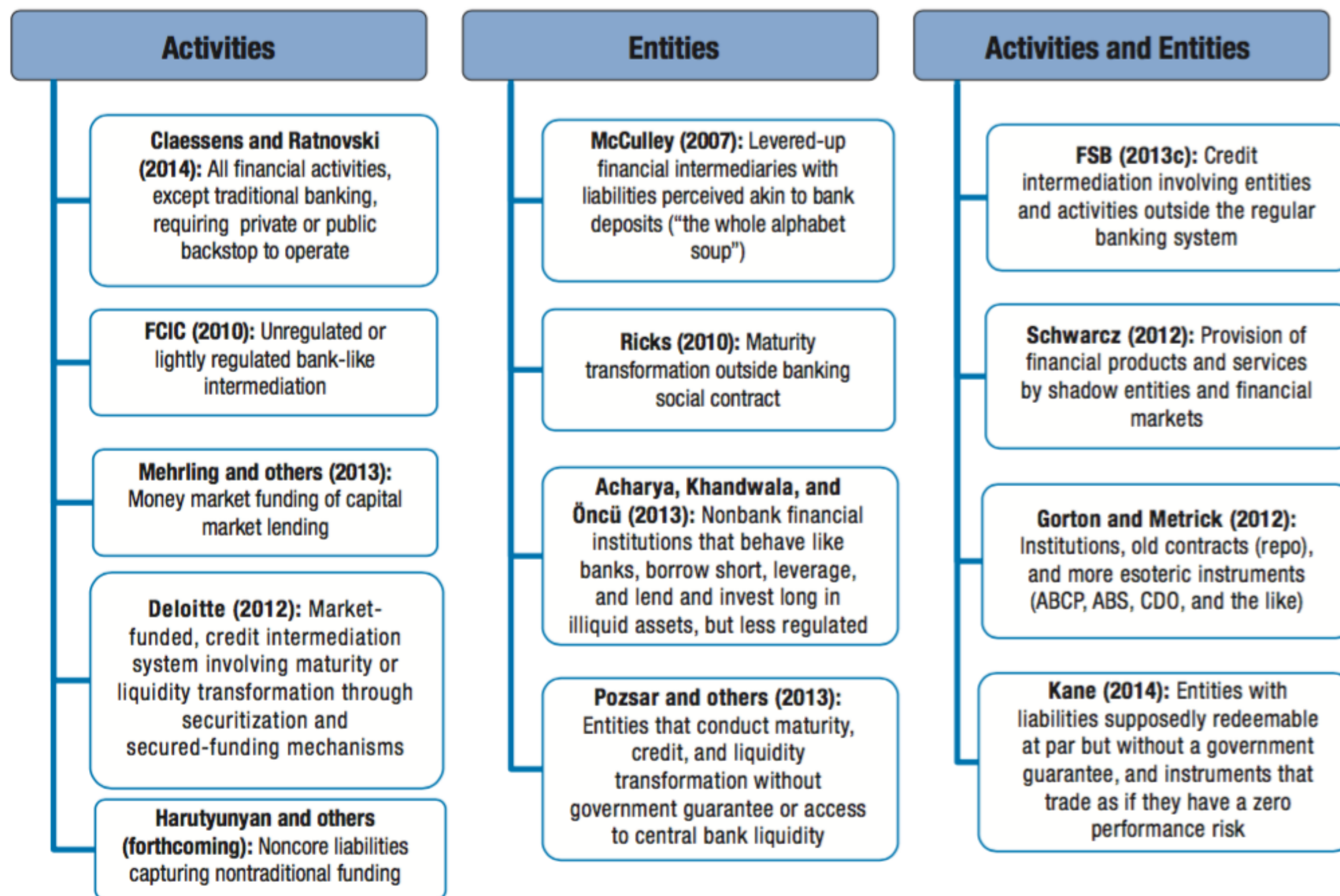
FSB : economic functions

1. management of collective investment vehicles that make them susceptible to runs
2. loan provision that is dependent on short-term funding
3. intermediation of market activities that is dependent on short-term funding or on secured funding of client assets
4. facilitation of credit creation
5. securitisation-based credit intermediation and funding of financial entities

Pozsar et al. “ Entities that conduct maturity, credit, and liquidity transformation without government guarantee and access to central bank liquidity”

IMF :“ Financing of banks and nonbank financial institutions through noncore liabilities, constitutes shadow banking regardless of the entity that carries it out ”

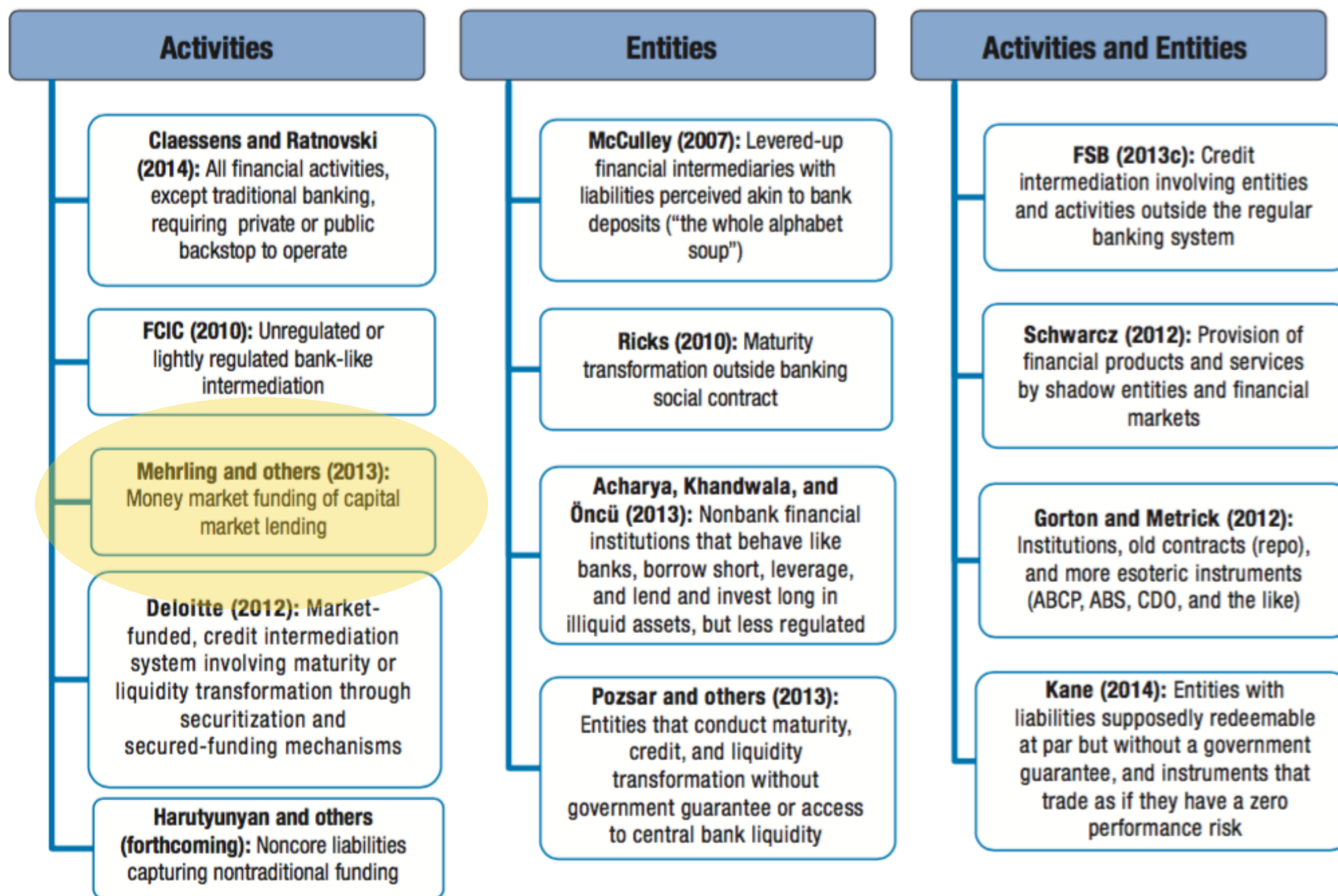
Figure 2.15. Different Definitions of Shadow Banking



Sources: See works cited in the Chapter 2 references.

Note: ABCP = asset-backed commercial paper; ABS = asset-backed security; CDO = collateralized debt obligation; repo = repurchase agreement.

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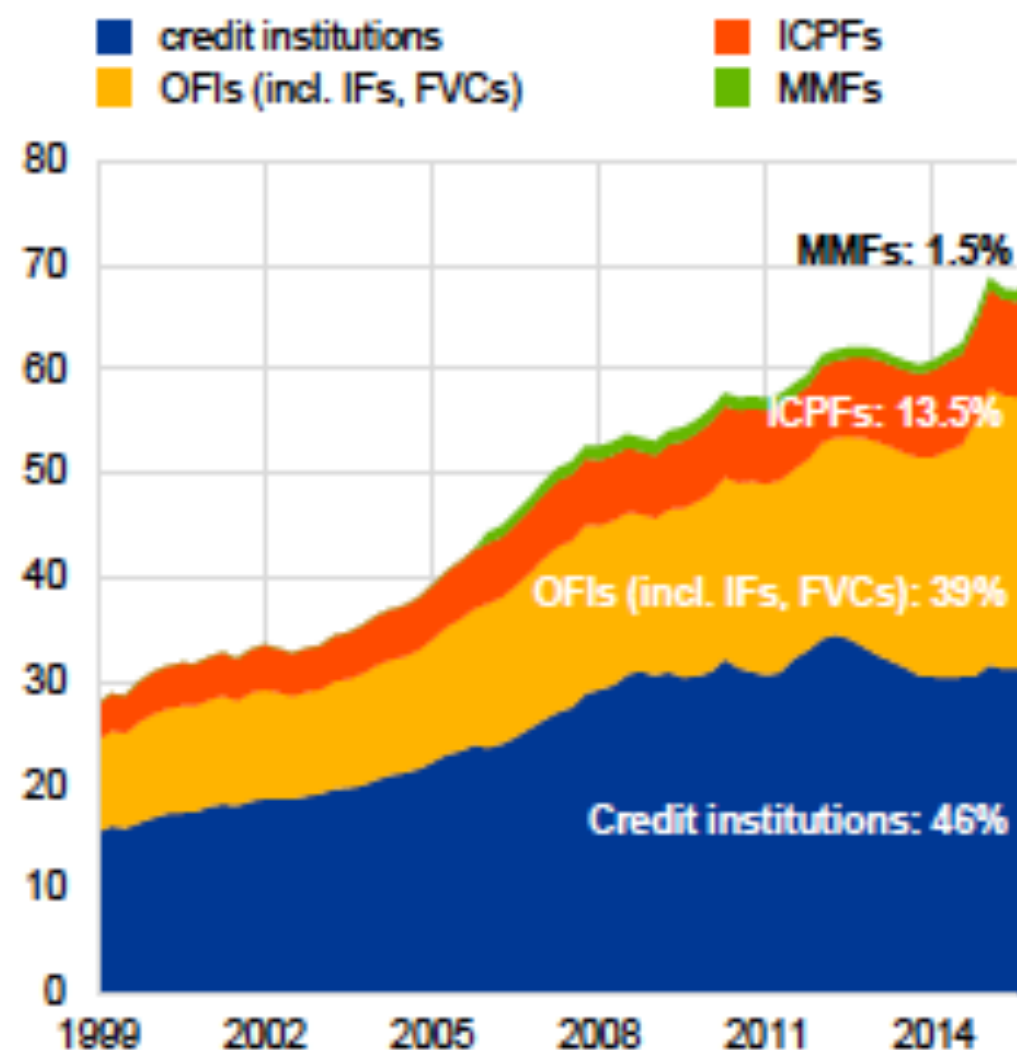


ESRB

"SB can be broadly defined as credit intermediation performed outside the traditional banking system"

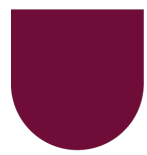
Euro area total financial sector assets

(Q1 1999 - Q4 2015; EUR trillions)



Sources: ECB and ECB calculations.

Note: MMFs refer to Money Market Funds. ICPFs refer to Insurance Corporations and Pension Funds. Other financial institutions (OFIs) refers to non-monetary financial corporations excluding ICPFs.



Entities

1° Other financial institutions :

- Financial Vehicle corporations (FVCs)
- Security and derivative dealers
- Financial corporations engaged in lending (FLCs)
- Non securitisation special purpose entities (SPEs)

2° Investment Funds

- Money Market Funds (MMFs)
- Hedge Funds
- Bond Funds

Activities

- Derivatives
- Repo Markets
- Securities lending

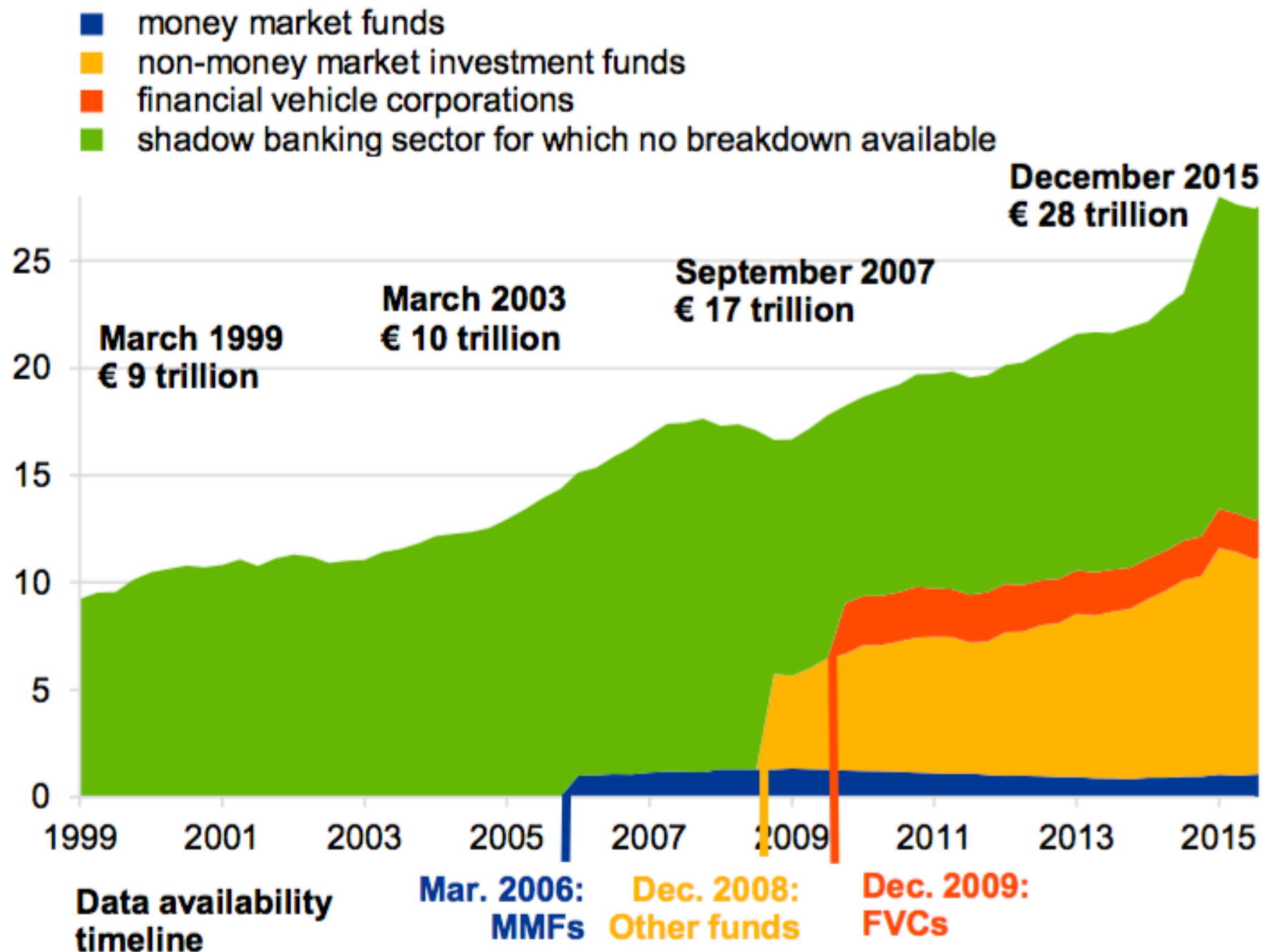
ESRB Mapping of broad SB functions

	Other financial institutions					Investment funds				
	FVCs	FCLs	SDDs	Money market funds		Bond funds	Hedge funds	Real estate funds	Exchange-traded funds	Private equity funds
	VNAV	CNAV								
Summary assessment	●	●	●	●	●	●	●	●	○	○
Engagement in shadow banking activities and risks										
Credit intermediation	●	●	○	●	●	●	●	●	○	●
Maturity transformation	●	●	●	●	●	●	●	○	●	○
Liquidity transformation	●	●	●	●	●	●	●	●	●	○
Leverage	●	●	●	○	○	●	●	●	○	●
Interconnectedness with banking system	●	○	○	●	●	●	●	○	●	○
Securities financing	○	○	●	●	●	●	●	●	●	○
Use of derivatives	●	○	○	●	●	●	●	●	●	○

Chart 4

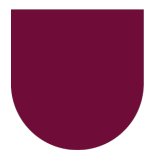
Euro area shadow banking assets – broad measure

(Q1 1999 - Q4 2015; EUR trillions)



Sources: ECB and ECB calculations.

Note: Broad measure includes all non-monetary financial institutions except insurance firms and pension funds



EBA Guidelines: Limits on exposures to shadow banking entities which carry out banking activities outside a regulated framework

Shadow banking entities : “Undertakings that carry out one or more credit intermediation activities and that are not excluded undertakings.”

EBA : excluded undertakings

- (1) undertakings included in consolidated supervision on the basis of the consolidated situation of an institution
- (2) undertakings which are supervised on a consolidated basis by a third country competent authority pursuant to the law of a third country which applies prudential and supervisory requirements that are at least equivalent to those applied in the Union.
- (3) undertakings which are not within the scope of points (1) and (2) but which are:
 - (a) credit institutions;
 - (b) investment firms; ...
 - (h) insurance holding companies
 - (j) institutions for occupational retirement provision

(k) undertakings for collective investment:

(i) within the meaning of Article 1 of UCITS IV;

(ii) established in third countries where they are authorised under laws which provide that they are subject to supervision considered to be equivalent

(iii) within the meaning of Article 4(1)(a) AIFMD

with the exception of:

- undertakings employing leverage on a substantial basis

- undertakings which are allowed to originate loans or purchase third party lending exposures onto their balance-sheet

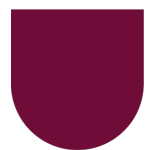
(iv) which are authorised as 'European long-term investment funds'

except undertakings that invest in financial assets with a residual maturity not exceeding two years (short-term assets) and have as distinct or cumulative objectives offering returns in line with money market rates or preserving the value of the investment (money market funds);

(l) central counterparties; (m) electronic money issuers; (n) payment institutions;

(o) entities the principal activity of which is to carry out credit intermediation activities for their parent undertakings, for their subsidiaries or for other subsidiaries of their parent undertakings;

p) resolution authorities, asset management vehicles and bridge institutions



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Risques directs

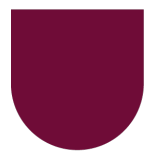
- ★ AIFMD : 2011/61/UE du 8 juin 2011
- ★ EMIR : Règlement UE 648/2012 du 4 juillet 2012 sur les produits dérivés de gré à gré, les contreparties centrales et les référentiels centraux
- ★ SFTR : Règlement UE 2015/2365 sur la transparence des opérations de financement sur titres (entrée en vigueur 2018)

Risques directs - en projet

- ★ Proposition de Règlement du PE et du Conseil du 30 Septembre 2015 établissant des règles communes en matière de titrisation ainsi qu'un cadre européen pour les opérations de titrisation simples, transparentes et standardisées
- ★ Proposition de Règlement du PE et du Conseil 10 juin 2016 (2016/0306 (COD)) sur les Fonds du Marché Monétaire

Risques de contagion

- ★ Directive et Règlement sur les exigences de fonds propres (CRD-CRR IV)
- ★ Lignes directrices de l'ABE sur les listes d'exposition des banques aux entités du SB, du 14 décembre 2015



Risques de contagion - en projet

- ★ proposition de la CA du 29 janvier 2014 pour une réforme structurelle du secteur bancaire européen



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