

**MEMO# 26195**

May 28, 2012

## **Draft ICI Global Comment Letter on European Commission's Shadow Banking Green Paper: Member Input Requested by 30 May 2012**

[26195]

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TO: ICI GLOBAL SHADOW BANKING TASK FORCE  
ICI GLOBAL STEERING COMMITTEE No. 2-12 RE: DRAFT ICI GLOBAL COMMENT LETTER ON EUROPEAN COMMISSION'S SHADOW BANKING GREEN PAPER: MEMBER INPUT REQUESTED BY 30 MAY 2012

In March the European Commission issued a Green Paper on the regulation of the “shadow banking” sector. [\[1\]](#) The Green Paper is the first step in the Commission’s formal program to implement the forthcoming recommendations of the G20 being developed by the Financial Stability Board (FSB). The Commission is requesting comment on a variety of issues identified in the paper by the 1 June deadline including the definition of shadow banking, the risks and benefits associated with shadow banking, and the need for stricter monitoring and regulation.

### ICI Global Comment Letter

ICI Global has drafted a comment letter in response to the Green Paper on which it is seeking Member comment by midday BST on Wednesday 30 May 2012. The comment letter includes a detailed response to each of the 15 questions in the Green Paper, incorporating the feedback received from Members during the teleconference held earlier in May. The comment letter also makes the following key remarks:

- We support the Commission’s objective to create a more stable and responsible financial system and to limit the scope for regulatory arbitrage to prevent the creation and/or magnification of systemic risk;
- We are concerned that the ongoing use of the term “shadow banking” to describe the system of “market-based financing” discussed in the Green Paper continues to be merely an epithet, connoting that all activities so labeled lack both transparency and

any regular or official status and casting a pejorative tone on the system of credit intermediation. We therefore urge the Commission to focus in its analysis on the differences between banking and capital market financing and regulation, with a view to ensuring that each is adequate to address the financial stability concerns that have been identified.;

- We do not concur that the broad range of investment funds and activities outlined in Section 3 of the Green Paper should be considered as possible shadow banking entities and activities and therefore subject to further analysis by the Commission. Far from residing in the shadows, these entities and activities are already subject to a comprehensive framework of national and pan-European regulation;
- We consider that the Commission should actively engage in the work that is being undertaken at international level in respect of market-based financing, including by IOSCO and the FSB, but it should not seek to press ahead with its own regulatory reforms for that system or define in a concrete manner the nature of the regulatory response that it intends to adopt until this international work has been completed;
- We consider that the Commission should actively contribute to ensuring the coordinated implementation of any global policy recommendations in the European Union, and to the extent appropriate and feasible, taking account of the broad suite of existing regulation governing the fund management sector.

We welcome comments from members on the draft comment letter. Please submit comments to [giles.swan@ici.org](mailto:giles.swan@ici.org)

Giles Swan  
Director of Global Funds Policy - ICI Global

## [Attachment](#)

### **endnotes**

[1] European Commission, Green Paper: Shadow Banking, March 19, 2012, available at [http://ec.europa.eu/internal\\_market/bank/docs/shadow/green-paper\\_en.pdf](http://ec.europa.eu/internal_market/bank/docs/shadow/green-paper_en.pdf).