

MEMO# 26243

June 15, 2012

ICI Global Comment Letter Submitted in Response to European Commission Shadow Banking Green Paper

[26243]

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TO: ICI GLOBAL STEERING COMMITTEE No. 6-12
ICI GLOBAL SHADOW BANKING TASK FORCE RE: ICI GLOBAL COMMENT LETTER SUBMITTED
IN RESPONSE TO EUROPEAN COMMISSION SHADOW BANKING GREEN PAPER

ICI Global has submitted a comment letter in response to the European Commission's Green Paper on Shadow Banking [\[1\]](#).

The comment letter takes account of the comments we received from members on the draft letter circulated to members on 28 May 2012 [\[2\]](#). The following key remarks are made:

- 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 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 labelled 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.

The remainder of the comment letter provides ICI Global's views on each of the questions presented in the green paper including in the use of the term shadow banking and the associated definition, the risks and benefits of shadow banking, the challenges for regulators and supervisors, and the regulatory framework.

Giles Swan
Director of Global Funds Policy - ICI Global

[Attachment](#)

endnotes

[1] Green Paper on Shadow Banking, European Commission, 19 March 2012 (available from http://ec.europa.eu/internal_market/bank/docs/shadow/green-paper_en.pdf)

[2] Memo 26195, DRAFT ICI GLOBAL COMMENT LETTER ON EUROPEAN COMMISSION'S SHADOW BANKING GREEN PAPER: MEMBER INPUT REQUESTED BY 30 MAY 2012 (available from <http://www.ici.org/iciglobal/myglobal/memos/memo26195>)

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