

MEMO# 33865

October 26, 2021

ICI Global Response to EBA Consultation on Identifying "Shadow Banking Entities" for Purposes of Large Exposure Reporting by Banking Organizations

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TO: ICI Members

ICI Global Members

Global Regulated Funds Committee SUBJECTS: International/Global

Money Market Funds

Risk Oversight RE: ICI Global Response to EBA Consultation on Identifying "Shadow Banking Entities" for Purposes of Large Exposure Reporting by Banking Organizations

Under the EU Capital Requirements Regulation (CRR), a banking organization must report to supervisory authorities its ten largest exposures to "shadow banking entities which carry out banking activities outside the regulated framework." The European Banking Authority (EBA) issued a consultation paper on draft regulatory technical standards (RTS) to specify criteria for identifying shadow banking entities for purposes of this reporting requirement.[\[1\]](#) The draft RTS identify money market funds (MMFs) as being in scope, and the EBA requested comments on whether the RTS should extend to more types of funds (e.g., UCITS that are not MMFs).

ICI Global has submitted the attached response, which covers three aspects of the draft RTS relevant to regulated funds:

- The response explains why the EBA should adopt a more accurate definition of "banking activities outside the regulated framework," one that is consistent with current views of the Financial Stability Board (FSB) regarding financial activity occurring outside the banking system and not the FSB's skepticism about "shadow banking" from a decade ago.
- The response concurs with the EBA's decision to exclude UCITS and similarly regulated funds from the draft RTS, expressing ICI Global's view that the regulatory and structural characteristics of regulated funds "are more than sufficient" to warrant this conclusion.

- The response questions the EBA's decision to apply the draft RTS to regulated MMFs, despite acknowledging the comprehensive regulatory requirements applicable to these funds. ICI Global disagrees with the EBA's contention that regulated MMFs should be treated as shadow banking entities under the RTS while policymakers evaluate the March 2020 market turmoil and "tackle the vulnerabilities identified with MMFs." The response states that although the EBA's interest in the outcome of these workstreams is understandable, the fact remains that regulated MMFs do not "carry out banking activities outside the regulated framework."^[2]

Rachel H. Graham
Associate General Counsel & Corporate Secretary

endnotes

^[1] EBA, Consultation Paper: Draft Regulatory Technical Standards on criteria for the identification of shadow banking entities under Article 394(4) of Regulation (EU) No 575/2013 (26 July 2021), available at https://www.eba.europa.eu/sites/default/documents/files/document_library/Publications/Consultations/2021/Consultation%20on%20draft%20RTS%20on%20criteria%20for%20the%20identification%20of%20shadow%20banking%20entities/1017738/CP%20on%20draft%20RTS%20on%20Shadow%20Banking%20Entities.pdf.

^[2] The response also reiterates certain points that ICI/ICI Global have made to international, EU, and US policymakers as to the experience of regulated MMFs in March 2020.