

MEMO# 36036

March 3, 2025

ICI Responds to FSB Consultation on NBFI Leverage

[36036]March 03, 2025TO:ICI Members

ICI Global Members

Derivatives Markets Advisory Committee

Equity Markets Advisory Committee

Europe Regulatory and Policy Committee

SEC Rules CommitteeSUBJECTS:Derivatives

Financial Stability

International/GlobalRE:ICI Responds to FSB Consultation on NBFI Leverage

On 28 February, ICI filed a [response](#) to the Financial Stability Board's (FSB) consultation on leverage in non-bank financial intermediation.[\[1\]](#) The Consultation proposes a set of recommendations for authorities intended to enhance authorities' and market participants' ability to monitor vulnerabilities associated with NBFI leverage.

Our response expresses support for the FSB's focus on leverage, as there is a long history of systemic crises arising when financial institutions have taken on excessive leverage.

However, the scope of covered participants is very broad, including hedge funds, other leveraged investment funds, pension funds, and insurance companies, as well as banks and broker-dealers in their role as leverage providers. Our responses push back against this broad scope, which does not account for the different ways that NBFI participants use leverage and the variation in risk and level of risk associated with these uses. We encourage revision to calibrate the recommendations to sector-specific leverage risks and the use of metrics to measure leverage that focus on risk.

We also highlight regulated funds' low leverage risk, detailing the comprehensive regulatory frameworks with strict controls on leverage. These guardrails prevent the build-up of leverage in the regulated fund sector, making it very unlikely that regulated funds' use of leverage could pose a risk to financial stability.

Following consideration of feedback to the Consultation, the FSB is expected to publish the final recommendations in July 2025.

Kirsten Robbins
Associate Chief Counsel, ICI Global

Notes

[1] FSB, [Leverage in Non-bank Financial Intermediation](#) (18 December 2024) (The Consultation).

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