

Press release

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FSB launches peer review on the implementation of its policy framework for shadow banking entities and invites feedback from stakeholders

The Financial Stability Board (FSB) has launched a peer review on the implementation of its policy framework for financial stability risks posed by non-bank financial entities other than money market funds (“other shadow banking entities”). The objective of the review is to evaluate the progress made by FSB jurisdictions in implementing the overarching principles set out in the framework – in particular, to assess shadow banking entities based on economic functions, to adopt policy tools if necessary to mitigate any identified financial stability risks, and to participate in the FSB information-sharing process.

The [summarized terms of reference](#) provide more details on the objectives, scope and process of this review. A questionnaire to collect information from national authorities has been distributed to FSB members. The responses will be analysed and discussed by the FSB later this year. The peer review report will be published in early 2016.

As part of this peer review, the FSB invites feedback from financial institutions, industry and consumer associations as well as other stakeholders on the areas covered by the peer review. This could include comments on:

- institutional arrangements needed to define and update the regulatory perimeter to capture new forms of shadow banking if necessary to ensure financial stability;
- types of information that may be necessary to assess shadow banking risks for entities identified as having the potential to pose risks to the financial system;
- possible ways to enhance public disclosure of shadow bank entities’ risks; and
- the design of policy tools to mitigate identified financial stability risks.

Feedback should be submitted by 24 July 2015 to fsb@bis.org under the subject heading “FSB Peer Review on Shadow Banking.” Individual submissions will not be made public.

Notes to editors

The FSB has been established to coordinate at the international level the work of national financial authorities and international standard setting bodies and to develop and promote the implementation of effective regulatory, supervisory and other financial sector policies in the interest of financial stability. It brings together national authorities responsible for financial stability in 24 countries and jurisdictions, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts. The FSB also conducts outreach with 65 other jurisdictions through its six regional consultative groups.

The FSB began a regular programme of peer reviews in 2010, consisting of thematic reviews and country reviews. The peer review on the implementation of the policy framework for other shadow banking entities is the twelfth thematic peer review conducted by the FSB. The objectives and guidelines for the conduct of these reviews are set forth in the [Handbook for FSB Peer Reviews](#). All published peer review reports are available on the [FSB website](#).

Transforming shadow banking into resilient market-based finance is one of the core elements of the FSB's regulatory reform agenda to address the fault lines that contributed to the global financial crisis and to build safer, more sustainable sources of financing for the real economy. The FSB has adopted a two-pronged strategy to deal with these fault lines. First, it has created a system-wide monitoring framework to track financial sector developments outside the banking system with a view to identifying the build-up of systemic risks and initiating corrective actions where necessary. Second, it is coordinating and contributing to the development of policy measures in five areas where oversight and regulation need to be strengthened to reduce excessive build-up of leverage, as well as maturity and liquidity mismatch, in the system.

One of these five areas is assessing and mitigating financial stability risks posed by non-bank financial entities other than money market funds ("other shadow banking entities"). Based on the G20 Roadmap agreed at the St Petersburg Summit, the FSB developed a [high-level policy framework for other shadow banking entities](#) in August 2013. The framework focuses on the underlying economic functions (i.e. activities) of non-bank financial entities instead of their legal forms, and sets forth key overarching principles that authorities should adhere to in their oversight of non-bank financial entities that are identified as posing shadow banking risks that threaten financial stability.

The FSB is chaired by Mark Carney, Governor of the Bank of England. Its Secretariat is located in Basel, Switzerland, and hosted by the Bank for International Settlements.

For further information on the FSB, visit the FSB website, www.financialstabilityboard.org