International
Capital
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Association

ASSET MANAGEMENT AND INVESTORS COUNCIL

Financial Stability Board
Secretariat to the Financial Stability Board Bank for International Settlements
Centralbahnplatz 2
CH-4002 Basel
Switzerland

fsb@bis.org

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Sent by email

To whom it may concern

Shadow Banking – The Financial Stability Board consultation published 18 November, 2012

The ICMA Asset Management and Investors Council ('AMIC') was established in March 2008 to represent the buy-side members of the ICMA membership. ICMA is one of the few trade associations with a European focus having both buy-side and sell-side representation. The AMIC composition embraces the diversification and the current dynamics of the industry – representing the full array of buy side interests both by type and geography. The AMIC's focus is on issues which are of concern to its broad membership, rather than having a specific product focus.

The AMIC previously responded to the Financial Stability Board's note on shadow banking published in April 2011, explaining it believed that a key step in the shadow banking discussion was to clarify the type of activities understood under the term "shadow banking". Moreover the AMIC wanted to ensure that recommendations for regulatory reforms took into account current regulatory developments and their impact on the asset management industry; and to avoid regulatory overlaps. The AMIC also recommended a global approach to the definition and identification of shadow banking issues. AMICresponse160511

The AMIC also responded to the European Commission's Green Paper on shadow banking published in April 2012 on 15 June, 2012, and shared its concerns regarding the definitions of the term "shadow banking" and its potential effects on the asset management industry. AMICresponse150612.

The AMIC has now reviewed the current Financial Stability Board consultation and would make the following five additional general comments:

First, the AMIC agrees with the FSB's and IOSCO's attempt to limit the scope of the shadow banking definition and to focus the debate, which was initially all encompassing.

Second, the AMIC considers that shadow banking, appropriately conducted, provides a valuable alternative to bank funding in support of real economic activity.

Third, it is important to note that the asset management industry is already highly regulated and closely supervised. The asset management industry in itself does not create systemic risk. Unlike banking, there is no leveraging of balance sheets in the asset management industry. Asset managers act as agents in managing their clients' funds with which their clients have entrusted them. The AMIC considers that it would be inappropriate for the asset management industry to be regulated as if asset managers were banks.

Fourth, the AMIC considers that over-regulation of the asset management industry would encourage investors to take a very conservative investment approach which would have a negative economic effect and might have systemic implications.

Finally, the AMIC considers it important that regulators do not in effect try to manage investor behaviour, but instead they should ensure the smooth running of the banking system, the macro environment and the regulatory environment for investor protection.

Please note that ICMA has also provided a detailed response to the FSB consultation via its European Repo Council on repo related issues.

The AMIC would be happy to discuss further with you the points made in this letter. The Secretary of the AMIC, Annika Wahlberg, can be reached at Annika.Wahlberg@icmagroup.org should you need further information.

Yours faithfully,

Robert Parker

Robert Parker
AMIC Chairman