



Sonnemannstrasse 20  
60314 Frankfurt am Main  
Germany  
<http://www.esrb.europa.eu>

Media contact:  
Tel: +49 69 1344 7455  
Fax: +49 69 1344 7404  
[media@esrb.europa.eu](mailto:media@esrb.europa.eu)

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### Second ESRB shadow banking workshop

The European Systemic Risk Board (ESRB) today hosted in Frankfurt am Main the second shadow banking workshop. The aim of the workshop was to gather the views of policymakers, academics and market participants from different jurisdictions on developments within the shadow banking system. Building on the discussion at last year's event, the workshop focused on assessing shadow banking risks to financial stability and reflected on supervisory and other policy actions to address those risks. The workshop discussion confirmed that a holistic approach is needed in order to fully map and assess the risks posed by shadow banking entities and activities.

Introducing the workshop, Richard Portes, Vice-Chair of the ESRB Advisory Scientific Committee and Co-Chair of the ESRB's Joint ATC-ASC Expert Group on Shadow Banking, said: "Today's workshop provides an opportunity to discuss the latest developments within the shadow banking system, including potential risks to financial stability. This part of the financial system has grown significantly in recent years and it therefore requires increased monitoring by policymakers and regulators. To this end the ESRB published in July the first *EU Shadow Banking Monitor*, which sets out our monitoring framework for assessing potential financial stability risks within the EU shadow banking system. The discussions today will help to inform our work going forward."

The first two sessions, chaired respectively by Fernando Restoy, Deputy Governor of the Banco de España, and Claudia Buch, Vice-President of the Deutsche Bundesbank, considered the systemic risks associated with leverage, liquidity and fragility within the shadow banking system as well as with its increased interconnectedness to the banking sector. Building on the discussion on risks, the third session, moderated by Steffen Kern, Head of Risk Analysis and Economics at the European Securities and Markets Authority (ESMA) and Co-Chair of the ESRB's Joint ATC-ASC Expert Group on Shadow Banking, focused on operational issues related to macroprudential policy beyond banking. Finally, a high-level policy panel,

chaired by Vítor Constâncio, Vice-President of the European Central Bank provided an opportunity to discuss the possible implications and the role of different entities within the Capital Markets Union (CMU) in Europe.

Closing the workshop, Francesco Mazzaferro, Head of the ESRB Secretariat, said: “Risks to financial stability can originate in parts of the financial system beyond the banking sector. The move towards a more market-based financial system within the CMU underscores the need for a broader set of macroprudential instruments that can apply to both lenders and borrowers, targeting entities and activities. As advocated in the recently published ESRB strategy paper on macroprudential policy beyond banking, policies should be more intensive in those areas where systemic risk is higher.”

For media enquiries, please call William Lelieveldt on +49 69 1344 7316.