

Discussion on
Who? What? Where?
**Mapping the interconnectedness of EU
banks and ‘shadow banking entities’**

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The views presented here are those of the authors and do not necessarily reflect the views of the Bank of England, the Monetary Policy Committee, the Financial Policy Committee, or the PRA.

Contributions

- ▶ New EU-wide **dataset** on banks' exposures to shadow banks

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- ▶ Clear ranking of **systemic risks** from shadow banks
- ▶ Implications for **regulation** and regulatory arbitrage

Data

- ▶ Coverage
 - ▶ 184 institutions from 22 Member States
 - ▶ Worldwide exposure to securitisations, funds, finance cos.
 - ▶ Matched with data on bank capitalisation

- ▶ International micro-data
 - ▶ Lender, borrower AND country variation
 - ▶ National accounts (Grillet-Aubert et al, 2016)
 - ▶ Microdata for one country (Liu and Coen, 2015)

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- ▶ Selection
 - ▶ Exposures below 0.25% of capital

Systemic risk from shadow banks

▶ Steps

1. Exposure statistics
2. Overlap / Concentration
3. Vulnerability measure (Battiston et al, 2016)

▶ Key results

- ▶ Vulnerability from US finance cos and securitisations
- ▶ Overlap due to diversification generates systemic risk
- ▶ UK (€) and Germany (%K) most exposed

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▶ Possible extensions

- ▶ Differentiated shocks $r_k \rightarrow$ stress test
- ▶ Interconnectedness: shadow banks & interbank

Regulation

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 - ▶ 'Solo' requirements for securitisation and finance cos.
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 - ▶ Stock take
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 - ▶ Repeat survey (time series) for policy assessment