

ADAPTATION TO SHADOW BANKING SECTOR REGULATORY FRAMEWORKS

AN EXAMINATION OF THE NEW BUYSIDE CONSUMER CONSUMPTION & PAYMENT PARADIGMS

In response to 2009 G20 nations mandates for governments to install new levels of regional and global regulatory oversight into the global capital markets shadow banking system as a means of preventing the spread of systemic risk, the EU subsequently implemented three new regulations – the Securities Financing Transactions Regulation, the Money Market Funds Regulation and the Securitisation Regulation – designed to increase the monitoring of an already quasi-regulated set of transactions types carried out by funds managers on behalf of their end-investor clients.

How the Mandates of the EU Shadow Banking Regulations Overlap



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1. THE MONEY MARKET FUNDS REGULATION

INSTRUMENT COVERAGE: MONEY MARKETS FUNDS

2. THE SECURITISATION REGULATION

INSTRUMENT COVERAGE: SECURITISATIONS, ASSET-BACKED COMMERCIAL PAPERS

3. THE SECURITIES FINANCING TRANSACTIONS REGULATION

INSTRUMENT COVERAGE: SHARE COMMODITIES LENDING & BORROWING, REPO & REVERSE REPO, SELL-BUY-BACK & BUY-SELL-BACK, MARGIN COLLATERAL & RE-USE, TOTAL RETURNS SWAPS

USD11tn

OF INFLOWS OF SHADOW BANKING SECTOR FINANCIAL ASSETS HOLDINGS BETWEEN 2015 AND 2016

REPO, REVERSE REPO, SELL-BUY-BACK AND BUY-SELL-BACK INSTRUMENTS HELD IN MONEY MARKET FUNDS FALL WITHIN THE SCOPE OF BOTH REGULATIONS.

MONEY MARKETS FUNDS CANNOT INVEST IN RE-SECURITISATIONS EVEN WHEN ALLOWED BY SR.

A MONEY MARKET FUND HAS LIMITS ON THE PROPORTION OF SECURITISATION AND ASSET-BACKED COMMERCIAL PAPER INSTRUMENTS HELD COMPARED TO THE VALUE OF THE PORTFOLIO.

FROM 2015-2016, THE VOLUME OF INFLOWS OF GLOBAL ECONOMY ASSETS HELD IN COLLECTIVE INVESTMENT VEHICLES GREW BY

45%

This report examines the implementation and compliance reporting implications of all three EU shadow banking system regulations for the EU-domiciled funds management industry. The report also explores the current landscape for technology vendor solutions that can be used by funds managers and their counterparties in the marketplace for transaction reporting purposes.

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