

The European Commission Consults on Macroprudential Policies for 'Shadow Banks'

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Towards the end of 2023, non-bank financial intermediaries ("NBFIs") accounted for approximately 41% of the EU's total financial assets, against a figure for banks of 36%. This dominance and growth, together with the liquidity events of recent years has focused both supranational and local regulators on macroprudential initiatives for NBFIs, including regarding leverage limits, liquidity management tools and issues for open-ended funds.

In this [paper](#), the European Commission seeks views on the current and future macroprudential treatment of NBFIs to identify vulnerabilities and risks. Questions understandably focus on liquidity mismatches, leverage levels, and interconnectedness between NBFIs and between NBFIs and banks and explore existing measures such as the Money Market Funds Regulations of 2017. Also examined is the current prudential supervision architecture and its pre-emptive and ex-post measures.

NBFI sectors that are discussed in the paper include asset management and open-ended funds, as well as insurance firms and pension funds, and their role in how the NBFI market operates under a prudential system that focuses on those sectors. Particular attention is paid to money market funds, the regulatory framework for which has been a particular area for prudential enhancements in recent years.

Responses are due by 22 November 2024.