43 VICTORIA STREET
HAMILTON 12
BERMUDA

PHONE: (441) 295-5278
FAX: (441) 292-7471
EMAIL: enquiries@bma.bm

PRESS RELEASE

For Release: Tuesday, 31st October 2017

BERMUDA MONETARY AUTHORITY HOSTS SHADOW BANKING WORKSHOP

HAMILTON, BERMUDA – Bermuda Monetary Authority (Authority) hosted the Financial Stability Board's (FSB) Regional Consultative Group of the Americas' (RCGA) Shadow Banking Workshop on 25th and 26th of October, 2017 at Hamilton Princess.

FSB, an international body monitoring and making recommendations about the global financial system, defines shadow banking as "credit intermediation involving entities (fully or partially) outside the regular banking system." Monitoring the size and structure of the shadow banking system, and its connections with other areas of the financial system, is important in order to measure and assess the underlying risks and, where needed, take measures to address them.

The workshop reviewed shadow banking risks to financial stability within the region, and exchanged ideas to gain a better understanding of the scope and structure surrounding shadow banking. It also identified specific characteristics in RCGA jurisdictions.

Marcelo Ramella, Deputy Director of Financial Stability at the Authority, said: "The workshop provided a concrete contribution to efforts by the international financial regulatory community to better understand risks in the shadow banking sector, which in turn helps policy developments aimed at addressing these risks. As a major international financial centre, Bermuda remains committed to continuing its active role in global efforts to strengthen the international financial regulatory architecture. This FSB workshop is an important step in this direction."

FSB's RCGA jurisdiction members include financial authorities from Argentina, Bahamas, Barbados, Bermuda, Bolivia, Brazil, British Virgin Islands, Canada, Cayman Islands, Chile, Colombia, Costa Rica, Guatemala, Jamaica, Mexico, Panama, Paraguay, Peru, Uruguay and the United States.

– Ends –

Media Contact: Stuart Roberts, Communications Manager, Communications,
E-mail: sroberts@bma.bm, Direct line: 278-0312, Cellular: 704-4117, www.bma.bm

NOTE TO EDITORS:

- About 'shadow banking':

43 VICTORIA STREET
HAMILTON 12
BERMUDA

PHONE: (441) 295-5278
FAX: (441) 292-7471
EMAIL: enquiries@bma.bm

PRESS RELEASE

- FSB developed a broader definition of shadow banks which includes all entities outside the regulated banking system performing the core banking function, credit intermediation (that is, taking money from savers and lending it to borrowers).
- The four key aspects of intermediation are:
  - maturity transformation: obtaining short-term funds to invest in longer-term assets;
  - liquidity transformation: a concept similar to maturity transformation that entails using cash-like liabilities to buy harder-to-sell assets such as loans;
  - leverage: employing techniques such as borrowing money to buy fixed assets to magnify the potential gains (or losses) on an investment; and
  - credit risk transfer: taking the risk of a borrower's default and transferring it from the originator of the loan to another party.
- FSB RCGA has been publishing the results from its annual regional shadow banking monitoring exercise since 2014.
- Some authorities or market participants prefer to use other terms such as "market-based financing" instead of "shadow banking". The use of the term "shadow banking" is not intended to cast a pejorative tone on this system of credit intermediation. However, the FSB is using the term "shadow banking" as this is the most commonly employed and, in particular, has been used in earlier G20 communications.