



Harald Endres

Regulation on reporting and transparency of securities financing transactions (SFT)

16. June Madrid

ECB - Money Market Contact Group



Agenda

1. Regulatory proposal
2. Potential impact on the money market

Regulatory proposal

Anouncement



18. November 2012

Strengthening Oversight and Regulation of Shadow Banking



29. August 2013

Strengthening Oversight and Regulation of Shadow Banking



05./06. Sept. 2013

„We will have a plan as to how we can regulate shadow banking“

Angela Merkel



29. January 2014

Regulation on reporting and transparency of securities financing transactions (SFT)

2014/0017

objective:

Regulation of shadow banks

Topics of the EU proposal

The EU commission refers to the recommendations of the FSB and will follow these recommendations



- **The monitoring of the build-up of systemic risks related to SFT transactions in the financial system**



- **The disclosure of the information on such transactions to the investors whose assets are employed in these or equivalent transactions**



- **The contractual transparency of rehypothecation activities**

Regulations vs. ECB monetary policy



- It is not expected that the selected options such as a structural impact on the market for securities financing transactions have to be.



- We are monitoring developments on money markets closely

Mario Draghi, ECB pressconference 6. March 2014



- Mr. Draghi reiterated the ECB`s keen interest in the efficient functioning of the money market in view of its importance for the ECB´s monetary policy transmission mechanism and for financial stability. With this interest in mind, the ECB was closely monitoring **various regulatory initiatives** and their impact on the money market

Mario Draghi, ECB MMCG 03. Sept. 2013



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European Money Market

Chart 6 Maturity breakdown for various money market segments in 2013 (percentages of total)

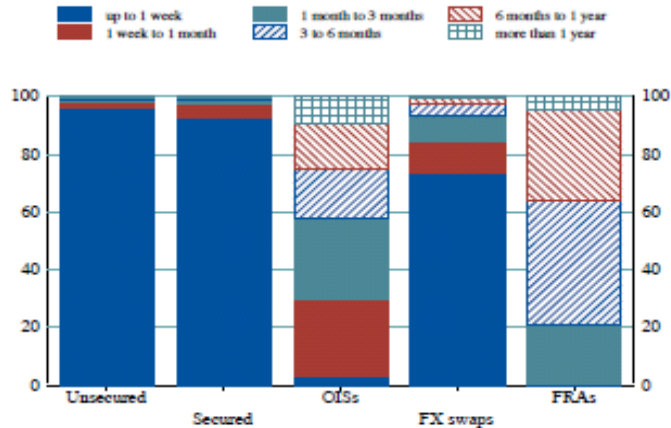
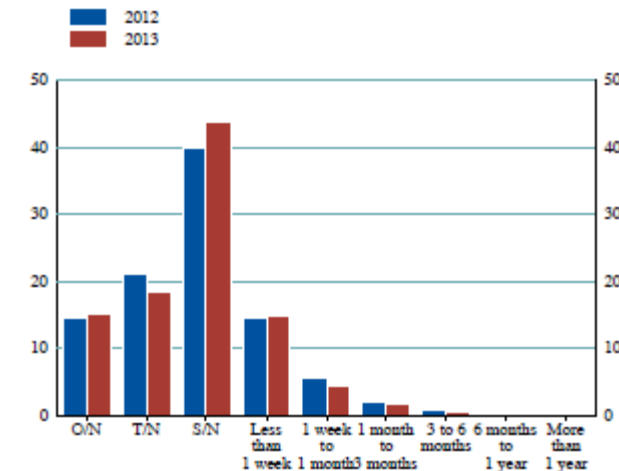


Chart 31 Breakdown, by maturity, of cumulative quarterly turnover in secured lending (percentages of total)



Note: The panel comprised 104 credit institutions.

Quelle: EZB Money Market Survey 2013

- The volume traded on the secured money market is a multiple of the unsecured money market
- 90% of trades have a maturity of less than 1 week
- Banks use the repomarkets for the short-term liquidity management

Repos as a link to the ECB monetary policy

4.9 TOTAL SECURED MARKET: QUALITATIVE ASSESSMENT AND DEVELOPMENT OF THE MARKET STRUCTURE

Chart 57 Is the secured market opinion efficient?
(percentages of total)

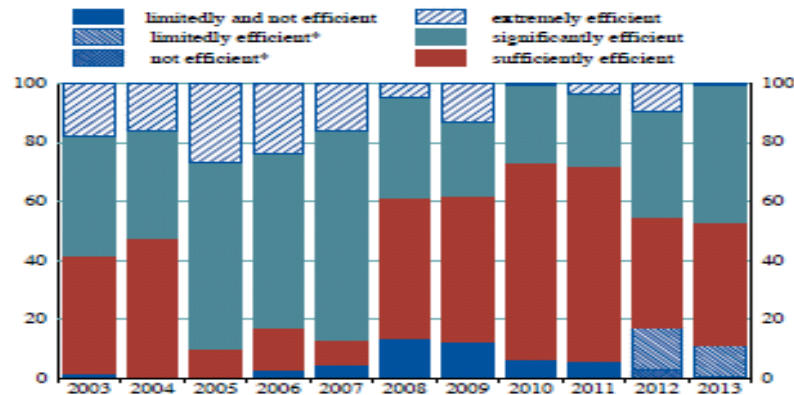
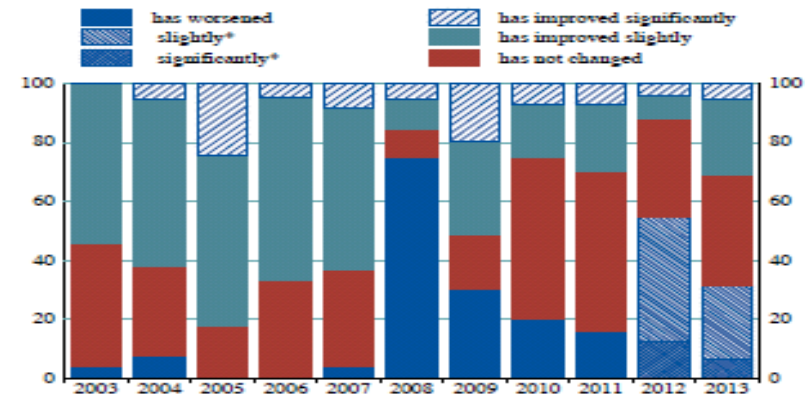


Chart 58 Has the market liquidity in the secured market changed with respect to last year? (percentages of total)



Quelle: EZB Money Market Survey 2013

* Reporting started in 2012.
Note: The panel comprised 104 credit institutions.

- Transmission of the ECB monetary policy via Repo market
- Fragmented repo markets affect monetary policy
- Liquid repo markets are a prerequisite for successful implementation of the ECB's monetary policy

Potential impact on Money Market



- Market loses liquidity



- Intervention in the transmission process of the ECB



- In particular, smaller institutions are increasing the use of ECB open market operations



- Corporates are not participating in the secured money market



- Asset management companies reduce their secured lending business



- A fully transactions-based-reporting requirement would reduce efficiency

Alternatives to increase transparency



- Transparency through targeted trades between banks/shadow banks



- Indiscriminate collection of data blocks the view of the essentials



- Reporting of medium/long term trades



- Increase the use of existing market data (ECB, ICMA, CCP, ATS, CSD)



- Comparison with various other regulatory transparency requirements

Shadow banking regulation should start with the shadow banking

A photograph of three business professionals (two men and one woman) in dark blue suits walking through a modern office hallway with large windows and a reflective floor. The scene is overlaid with a semi-transparent blue banner containing text.

Thank you for your attention!

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Disclaimer

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