



## ICMA EUROPEAN REPO COUNCIL

Secretariat of the Financial Stability Board  
c/o Bank for International Settlements  
CH-4002, Basel,  
Switzerland

4 October 2013

Dear Sirs,

### **Addressing Shadow Banking Risks in Securities Lending and Repos**

The ICMA ERC<sup>i</sup> and the ISLA<sup>ii</sup> (the Associations) are respectively the industry representative bodies for the professional repo and securities lending markets in Europe. We are writing this short letter in order to offer to continue to contribute constructively in support of the work being performed by the Financial Stability Board's (FSB's) Shadow Banking Workstream on Securities Lending and Repos (WS5).

From the outset, the Associations have played an active part in the efforts of WS5. This has included participating in formal WS5 meetings, in both London and New York, as well as providing detailed written submissions commenting on WS5's papers; and being involved in many other meetings and events along with representatives of WS5. This reflects the importance of WS5's work to the Associations and the desire of the Associations to ensure that their deep understanding of their respective markets is able to be effectively utilised in order to inform the work of WS5.

The Associations have noted the 29 August publication of the FSB's papers on Shadow Banking and are reviewing these closely. In particular the Associations are studying the details of the "Policy Framework for Addressing Shadow Banking Risks in Securities Lending and Repos" and will respond to the consultation component in due course.

In the meantime, there are two points concerning other on-going work, described within the report on the "Policy Framework for Addressing Shadow Banking Risks in Securities Lending and Repos", which have caught the attention of the Associations and prompted the writing of this letter. The first of these concerns the upcoming quantitative impact study and the second the FSB data experts group on securities financing markets.

In each case the Associations would like to offer their support and wish to explore how best this can be achieved.

1. It is stated that the second stage of the QIS (QIS2) will be undertaken in the fourth quarter of 2013 with a wider pool of firms than the first stage of the QIS (QIS1); and that the FSB will soon publish the QIS2 instructions with data reporting templates and invite market participants to contribute their data to the exercise. We would be very happy to review the templates in advance of their publication and provide feedback on them if WS5 felt this would be useful.

In addition, the Associations have very strong contact networks across their respective segments of the market, and believe that we could provide significant assistance in ensuring that the QIS2 materials are promptly brought to the attention of those best placed to provide the most meaningful responses. Accordingly, we request that the FSB keep us informed as to the timing and substance of the QIS2 work and volunteer to help coordinate the dissemination of QIS2 materials.

2. It is stated that a new FSB data experts group on securities financing markets has been established to take forward recommendations on data collection and aggregation at the global level (recommendations 2 and 3). This group will develop proposed standards and processes for data collection and aggregation at the global level to ensure consistent data collection by national/regional authorities by the end of 2014.

The Associations are experienced in the collation of information with respect to their respective segments of the market; and are already engaged in continuing discussions with a broad range of central bankers and regulators regarding their interests in obtaining enhanced transparency of data across these markets. The Associations consider that they are uniquely well placed to offer valuable input to the work of the FSB data experts group on securities financing markets and request that the FSB Secretariat consider the establishment of a communication channel to give the FSB data experts group access to the market insight that the Associations can offer.

The Associations are supportive of the efforts of WS5 and remain keen to translate their support into tangible contributions to the necessary on-going work. Accordingly the Associations respectfully requests that you carefully consider how this can best be achieved from the FSB's perspective and look forward to hearing your response to the suggestions put forward in this letter.

Yours faithfully,



**Kevin McNulty**  
Chief Executive  
ISLA



**Godfried De Vidts**  
Chairman  
ICMA ERC

cc : *David Rule, Prudential Regulatory Authority, Bank of England*  
*Andrew Hauser, Bank of England*  
*Ulrich Bindseil, European Central Bank*  
*Daniela Russo, European Central Bank*  
*Francesco Mazzaferro, European Systemic Risk Board*  
*Jennifer Robertson, DG MARKT, European Commission*

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- <sup>i</sup> Since the early 1990's, the [International Capital Market Association](#) (ICMA) has played a significant role in promoting the interests and activities of the international repo market, and of the product itself. The ICMA [European Repo Council](#) (ERC) has become the industry representative body that has fashioned consensus solutions to the emerging, practical issues in a rapidly evolving marketplace, consolidating and codifying best market practice. The discussions that take place at the ICMA ERC meetings underpin the strong sense of community and common interest that characterises the professional repo market in Europe.
- <sup>ii</sup> The [International Securities Lending Association](#) (ISLA) is a trade association established in 1989 to represent the common interest of participants in the European securities lending market. It has 90 members comprising insurance companies, pension funds, asset managers, banks and securities dealers.