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Secretariat of the Financial Stability Board
c/o Bank for International Settlements
CH-4002
Basel, Switzerland
fsb@bis.org

Dear Sir/Madam,

**Re: CBA¹ Comments on the Financial Stability Board's Consultative Document:
Strengthening Oversight and Regulation of Shadow Banking (A Policy Framework for
Strengthening Oversight and Regulation of Shadow Banking Entities)**

Thank you for the opportunity to comment on the Financial Stability Board's (FSB) Consultative Document: Strengthening Oversight and Regulation of Shadow Banking (A Policy Framework for Strengthening Oversight and Regulation of Shadow Banking Entities). The CBA acknowledges the FSB's efforts to assess and address risks posed by "Other Shadow Banking Entities".

Our responses to the specific questions contained in the consultative document are set out in the attached table.

We thank you for taking our comments into consideration and would be pleased to discuss these issues further at your convenience.

Sincerely,



Attachment: CBA Comments on FSB Consultative Document

¹ The Canadian Bankers Association works on behalf of 54 domestic banks, foreign bank subsidiaries and foreign bank branches operating in Canada and their 274,000 employees. The CBA advocates for effective public policies that contribute to a sound, successful banking system that benefits Canadians and Canada's economy. The Association also promotes financial literacy to help Canadians make informed financial decisions and works with banks and law enforcement to help protect customers against financial crime and promote fraud awareness. www.cba.ca.

CBA Comments on FSB Consultative Document: Strengthening Oversight and Regulation of Shadow Banking (A Policy Framework for Strengthening Oversight and Regulation of Shadow Banking Entities)

Q1. Do you agree that the high-level policy framework effectively addresses shadow banking risks (maturity/liquidity transformation, leverage and/or imperfect credit risk transfer) posed by non-bank financial entities other than MMFs? Does the framework address the risk of regulatory arbitrage?

The CBA agrees that the high-level policy framework effectively addresses shadow banking risks posed by non-bank financial entities other than MMFs.

However, we believe that the framework outlined in the document could provide greater detail on how it would address the risk of regulatory arbitrage. For example, the document could specify whether it would recommend that authorities apply identical (or substantially similar) regulatory measures to shadow banking activities as are applied to the regular banking system, as a means to reduce the risk of regulatory arbitrage. As well, the FSB could also make consideration for different types of regulation that could be applied to shadow banking entities (prudential, consumer protection and investor protection, among others).

In addition, the FSB may also wish to provide more detail on how shadow banking activities would be regulated and supervised by home and host authorities, as activities that are considered “shadow banking” (i.e., activities fully or partially outside the regular banking system) will differ across jurisdictions.

Q2. Do the five economic functions set out in Section 2 capture all non-bank financial activities that may pose shadow banking risks in the non-bank financial space? Are there additional economic function(s) that authorities should consider? If so, please provide details, including the kinds of shadow banking entities/activities that would be covered by the additional economic function(s).

The FSB may wish to consider the risks that unregulated payments systems – and their potential future growth – could pose to the global financial system.

Q3. Are the suggested information items listed in the Annex for assessing the extent of shadow banking risks appropriate in capturing the shadow banking risk factors? Are there additional items authorities could consider? Would collecting or providing any of the information items listed in the Annex present any practical problems? If so, please clarify which items, the practical problems, and possible proxies that could be collected or provided instead.

We assume that authorities would collect the information items listed in the Annex directly from entities outside the regular banking system and therefore have no comments on this question.

Q4. Do you agree with the policy toolkit for each economic function to mitigate systemic risks associated with that function? Are there additional policy tool(s) authorities should consider?

The proposed policy toolkits for each economic function appear to be appropriate.

Q5. Are there any costs or unintended consequences from implementing the high-level policy framework in the jurisdiction(s) on which you would like to comment? Please provide quantitative answers to the extent possible.

The CBA supports the general principle of “proportionality” outlined by the FSB. We agree that regulatory measures should be proportionate to the risks shadow banking poses to the financial system, which would contribute to a competitive, efficient, and innovative global financial system.

The CBA also suggests that the FSB make efforts to ensure that any regulatory measures applied to other shadow banking entities are applied consistently across jurisdictions in order to reduce the risk of regulatory arbitrage and ensure a level playing field globally.