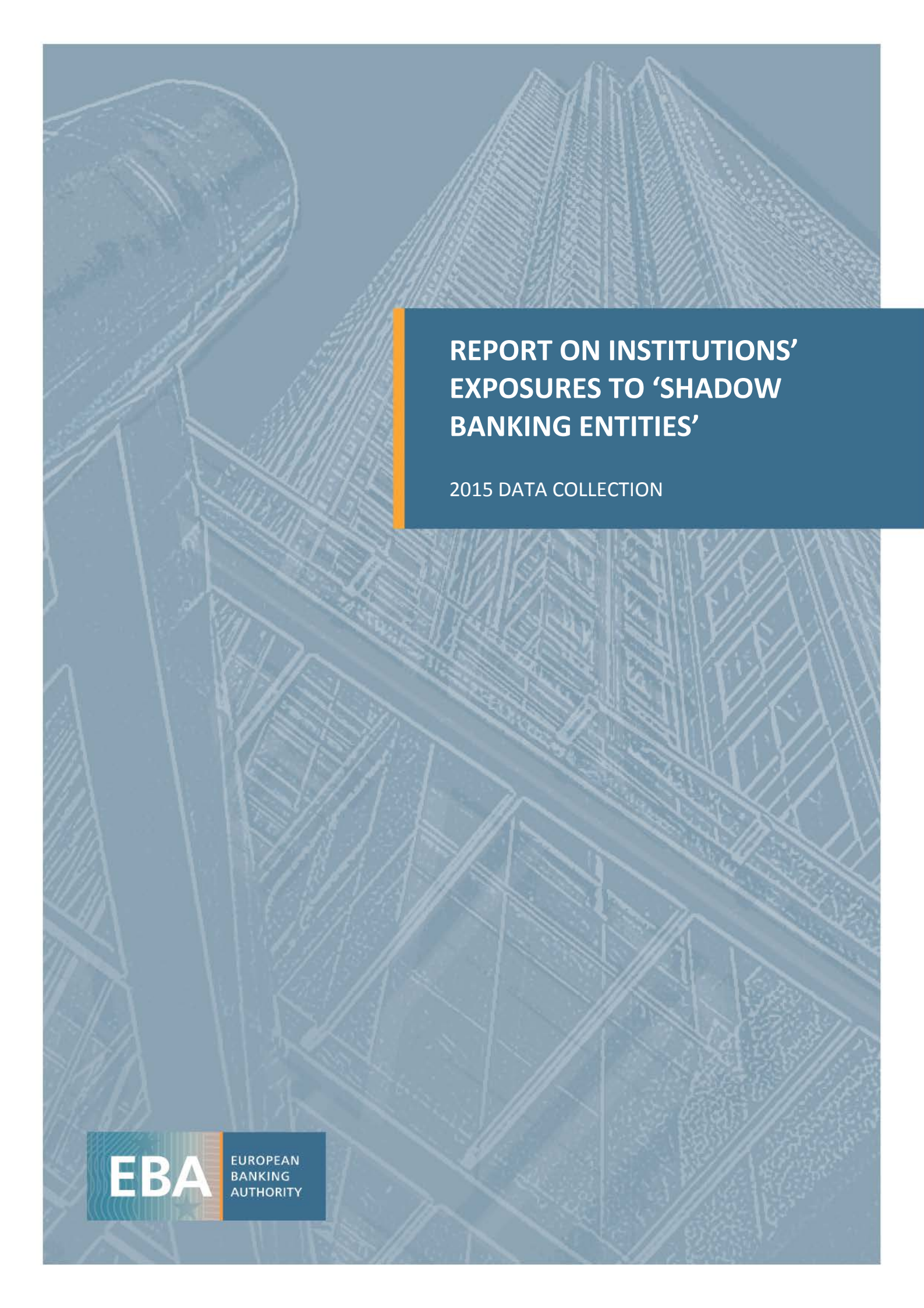




REPORT ON INSTITUTIONS' EXPOSURES TO 'SHADOW BANKING ENTITIES'

2015 DATA COLLECTION

EBA

EUROPEAN
BANKING
AUTHORITY

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1. Executive summary

The European Banking Authority (EBA) has developed guidelines on the approach that institutions should adopt for the purposes of setting appropriate individual and aggregate limits for exposures to shadow banking entities that carry out banking activities outside a regulated framework in accordance with the mandate in Article 395(2) of Regulation (EU) No. 575/2013 ('Guidelines on limits on exposures to shadow banking entities').

To better understand the relevance of institutions' exposures to certain types of unregulated and specified regulated entities (the so-called 'shadow banking entities') and the impact of potential limits, a data collection has been conducted. This Report presents the outcome of this data collection, where 184 institutions (169 credit institutions and 15 investment firms) from 22 Member States have participated.

Participating institutions were asked to report exposures to individual shadow banking entities and to characterise these exposures and their counterparties, with a focus on individual exposures with an exposure value, after exemptions and credit risk mitigation (CRM), equal to or in excess of 0.25% of the institutions' eligible capital. The aim of this materiality threshold was to reduce the institutions' burden in what regards the identification and reporting of exposures with an immaterial individual value. This policy choice also influenced the presentation of the data collection results. A similar materiality threshold is considered in the 'Guidelines on limits on exposures to shadow banking entities', with the aim of reducing institutions' burden of compliance and making the application of the guidelines more proportionate in relation to the risks they intend to address.

The definition of 'shadow banking entity' used for the purposes of the data collection was broader than the definition used in the guidelines, so as to capture as much information as possible and not to pre-empt future work by the EBA and/or the European Commission regarding this topic.¹

In terms of results, around one quarter of the exposures reported by institutions was classified as securitisation-based credit intermediation and funding of financial entities, and another quarter

¹ The data collection used the same definition of 'shadow banking entity' as included in the 'Guidelines on limits on exposures to shadow banking entities', with the following exceptions, where more granular data was collected:

- a. The list of 'excluded undertakings' covers fewer entities than the one included in the final 'Guidelines on limits on exposures to shadow banking entities'. For example, institutions have been asked to report exposures to all investment funds, regardless of whether they are subject to Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (recast) or Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010. Note that UCITS funds (other than Money Market Funds) and alternative investment funds that meet certain requirements have been excluded from the scope of the guidelines.
- b. Institutions have been asked to report exposures to all third-party undertakings. Note that undertakings that are not supervised on a solo level, but supervised on a consolidated level in the Union or in a third country which has a regime at least equivalent to the one applied in the Union, have been excluded from the scope of the guidelines.

had as counterparty investment funds other than money market funds (MMFs) (i.e. hedge funds, equity funds, real estate funds, fixed income funds, and other funds). The average aggregate exposure per reporting institution, measured in terms of its eligible capital, is higher in the cases of investment funds other than MMFs, and securitisation-based credit intermediations; these types of counterparties also represent the higher exposure values in EUR.

This Report, together with the 'Guidelines on limits on exposures to shadow banking entities', will assist the European Commission's work in relation to its report on the appropriateness and impact of imposing limits on exposures to shadow banking entities under the last subparagraph of Article 395(2) of Regulation (EU) No. 575/2013.

2. Data collection

Introduction

1. The EBA has developed guidelines to set appropriate limits on exposures to shadow banking entities that carry out banking activities outside a regulated framework under Article 395(2)² of Regulation (EU) No. 575/2013.³
2. On 19 March 2015, the EBA published a consultation paper that proposed the approach institutions should adopt for the purposes of setting appropriate individual and aggregate limits for exposures to shadow banking entities.⁴ Subsequently, the EBA has launched a data collection with the aim of gathering information regarding institutions' exposures to certain types of unregulated/lightly regulated entities.⁵ This Report presents the outcome of this data collection.
3. The 'Guidelines on limits on exposures to shadow banking entities', together with this Report, will assist the European Commission's work in relation to its report on the appropriateness and impact of imposing limits on exposures to shadow banking entities under the last subparagraph of Article 395(2) of Regulation (EU) No. 575/2013.

Sample

4. **184** institutions (of which **15** were investment firms) from **22** Member States participated in the data collection (see Figures 1 and 2).⁶

² Article 395(2) reads: 'EBA shall, in accordance with Article 16 of Regulation (EU) No 1093/2010, taking into account the effect of the credit risk mitigation in accordance with Articles 399 to 403 as well as the outcomes of developments in the area of shadow banking and large exposures at the Union and international levels, issue guidelines by 31 December 2014 to set appropriate aggregate limits to such exposures or tighter individual limits on exposures to shadow banking entities which carry out banking activities outside a regulated framework.'

In developing those guidelines, EBA shall consider whether the introduction of additional limits would have a material detrimental impact on the risk profile of institutions established in the Union, on the provision of credit to the real economy or on the stability and orderly functioning of financial markets.'

³ Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, amending Regulation (EU) No. 648/2012.

⁴ The consultation paper is available here: <https://www.eba.europa.eu/regulation-and-policy/large-exposures/guidelines-on-limits-on-exposures-to-shadow-banking>.

⁵ See Footnote 1 regarding the differences between the scope of guidelines and the definition of 'shadow banking entity' used for the purposes of this Report.

⁶ Some of the EU countries that did not participate in the data collection provided the following information. **Finland** has indicated that the shadow banking sector was insignificant in Finland, and therefore Finnish institutions' exposures to shadow banking entities were estimated to be negligible. **Croatia** has indicated that the Croatian banking system mainly comprises foreign-owned subsidiaries that account for 90.2% of the total banking assets in Croatia. Institutions for which the Croatian National Bank is a home supervisor are very small and are not relevant for collecting data on exposures to shadow banking entities. **Slovenia** has collected data on exposures of their institutions to potential shadow banking entities and has found that the exposure was rather small; i.e. approximately 2.2% of the total credit portfolio of the Slovenian banking system. The majority (approximately 80%) of the exposure to shadow banking entities related to entities that carry out the financial leasing activities, most of which are subsidiaries of Slovenian banks and are subject to supervision on a consolidated level. **Romania** has indicated that exposures to shadow banking entities incurred by Romanian banks are negligible. On the aggregate level of the banking sector, the exposures to non-monetary financial institutions (including insurance companies) were 0.8% of the gross assets at the end of April 2015.

5. The coverage of the sample in each Member State (expressed in terms of the aggregated total assets of credit institutions and investment firms as of the end of 2014) varied between 6% (Ireland) and 90% (Greece).⁷ Please note that this range does not identify individual countries that have a sample composed of three or fewer institutions.⁸

Figure 1: Number of reporting institutions in the sample and their financial sector's coverage

Country of reporting institution	Financial sector coverage	Number of reporting institutions
AT	63%	11
BE	47%	6
CY	57%	4
CZ	44%	8
DE	55%	36
ES	60%	4
FR	75%	6
GB	85%	18
GR	90%	4
IE	6%	8
IT	61%	8
LU	65%	20
MT	17%	9
PL	62%	21
SE	80%	4
XZ ⁹	30% ¹⁰	17
Total		184
Weighted average (sample)¹¹	56%	

⁷ The sample includes only institutions to which the competent authority acts as a home supervisor.

⁸ Country-specific results for countries that have a sample composed of three or fewer institutions have been aggregated for confidentiality reasons and given the code 'XZ'. These countries are: Denmark, Lithuania, Latvia, the Netherlands, Norway, Portugal and Slovakia.

⁹ See Footnote 8.

¹⁰ The weighted average of the financial sector for the seven countries with a sample composed of three or fewer reporting institutions.

¹¹ The financial sector coverage in each country weighted by the number of reporting institutions in that country, divided by the total number of reporting institutions.

6. The sample of reporting institutions included **56** Group 1 banks, **113** Group 2 banks, and **15** investment firms (see Figure 2).¹² Of these, **34** institutions (**4** Group 1 banks, **23** Group 2 banks, and **7** investment firms) did not report exposures that would fall within the scope of the data collection (see Figure 3).

Figure 2: Type of reporting institutions in the sample

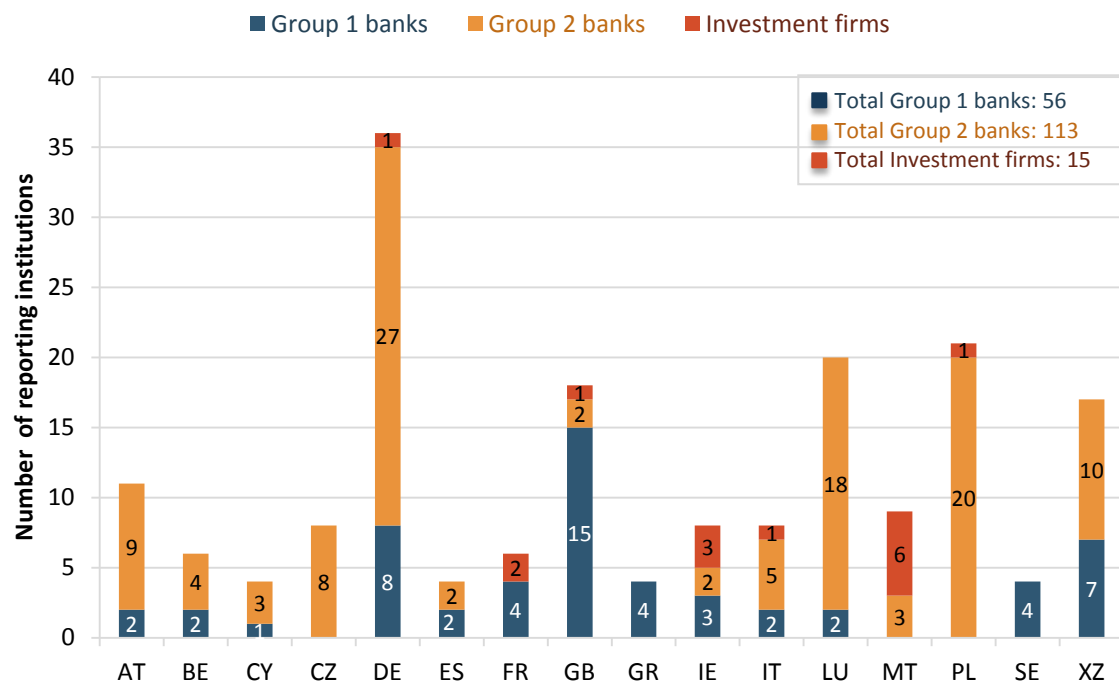
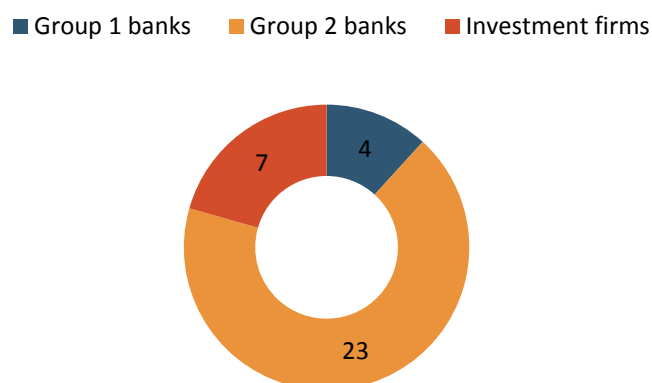


Figure 3: Number of reporting institutions that did not report exposures to shadow banking entities



¹² Group 1 banks have Tier 1 capital in excess of EUR 3 billion and are internationally active. Other banks would be considered Group 2 banks.

Scope and definitions

7. The definition of 'shadow banking entity' used for the purposes of the data collection was broader than the definition used in the 'Guidelines on limits on exposures to shadow banking entities', so as to capture as much information as possible and not to pre-empt future work by the EBA and/or the European Commission regarding this topic.¹³

8. In addition to the definitions provided in Regulation (EU) No. 575/2013 and Directive 2013/36/EU,¹⁴ the following definitions were applied for the purposes of the data collection:

- 'Exposures to shadow banking entities' means the exposures to individual shadow banking entities pursuant to Part Four of Regulation (EU) No. 575/2013.
- 'Shadow banking entities' means undertakings that meet conditions (1) and (2):

Condition (1): Carry out one or more credit intermediation activities

Where 'credit intermediation activities' means bank-like activities involving maturity transformation, liquidity transformation, leverage, credit risk transfer or similar activities. These activities include at least those listed in the following points of Annex 1 of Directive 2013/36/EU: points 1 to 3, 6 to 8, 10, and 11.

Condition (2): Are not one of the following undertakings:

(a) credit institutions;

(b) investment firms;

(c) third country credit institutions, if the third country applies prudential and supervisory requirements to that institution that are at least equivalent to those applied in the Union;

(d) recognised third country investment firms;

(e) financial institutions authorised and supervised by the competent authorities or third country competent authorities and that are subject to prudential and supervisory requirements comparable to those applied to institutions in terms of robustness;

(f) entities referred to in points 2 to 23 of Article 2(5) of Directive 2013/36/EU;¹⁵

(g) entities referred to in Article 9(2) of Directive 2013/36/EU;¹⁶

¹³ See Footnote 1 regarding the differences between the scope of guidelines and the definition of 'shadow banking entity' used for the purposes of this Report.

¹⁴ Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.

¹⁵ See the list of entities in the Annex to this Report.

- (h) insurance holding companies, insurance undertakings, reinsurance undertakings, and third country insurance undertakings and third country reinsurance undertakings where the supervisory regime of the third country concerned is deemed equivalent;
- (i) undertakings excluded from the scope of Directive 2009/138/EC on the taking up and pursuit of the business of insurance and reinsurance in accordance with Article 4 of that Directive;
- (j) institutions for occupational retirement provision and institutions within the meaning of point (a) of Article 6 of Directive 2003/41/EC on the activities and supervision of institutions for occupational retirement provision, and third country institutions carrying out equivalent business and subject to prudential and supervisory requirements comparable to those applied to institutions within the meaning of point (a) of Article 6 of Directive 2003/41/EC; and
- (k) central counterparties (CCPs) as defined in point 1 of Article 2 of Regulation (EU) No. 648/2012 on over-the-counter (OTC) derivatives, CCPs and trade repositories established in the EU, and third country CCPs recognised by the European Securities and Markets Authority (ESMA) pursuant to Article 25 of that regulation.

Requested data

9. Institutions were asked to provide information regarding their exposures to shadow banking entities (see 'definitions') at the **highest level of consolidation in a Member State, or individual level if the consolidated level did not apply**. The reference date for the reported data was 31 March 2015.
10. Institutions participating in the exercise were asked to report all exposures to individual shadow banking entities (see 'definitions'). Alternatively, institutions could choose to report only the exposures to individual shadow banking entities with an exposure value after exemptions¹⁷ and CRM equal to or in excess of 0.25% of eligible capital.¹⁸ If the latter was chosen, institutions were asked to provide additional information on the likely number of exposures that would fall below the 0.25% threshold and their approximate aggregate value.
11. Participating institutions were asked to identify their counterparties by indicating their code, name, and country of residence. Original exposures to individual counterparties were reported, as well as the value before and after CRM and exemptions, and also the percentage of the eligible capital they represented.

¹⁶ See the list of entities in the Annex to this Report.

¹⁷ In accordance with the instructions to the data collection, exemptions refer to Article 400 of Regulation (EU) No. 575/2013 or Article 493(3) of Regulation (EU) No. 575/2013 in connection with national implementation laws.

¹⁸ Article 4(1), point (71) of Regulation (EU) No. 575/2013 defines 'eligible capital' as the sum of Tier1 capital as referred to in Article 25 (of the same Regulation) and Tier 2 capital as referred to in Article 71 (of the same Regulation) that is equal to or less than one third of Tier 1 capital.

12. Regarding their counterparties, institutions were asked to indicate, to the best of their knowledge, whether a shadow banking entity was: (A) not supervised on a solo level, but supervised on a consolidated level in the Union; (B) not supervised on a solo level, but supervised on a consolidated level in a third country that has a regime at least equivalent to the one applied in the Union; or (C) other.
13. Institutions were asked to classify their counterparties in accordance with the following underlying economic functions (i.e. activities rather than legal form):
- a. **UCITS MMFs** – Undertakings that invest in financial assets with a residual maturity not exceeding two years (short-term assets) and have distinct or cumulative objectives offering returns in line with money market rates or preserving the value of the investment. These undertakings are subject to Directive 2009/65/EC (recast) or established in third countries where they are authorised under laws that provide that they are subject to a regime considered to be equivalent to that laid down in Directive 2009/65/EC.
 - b. **Non-UCITS MMFs** – Undertakings that invest in financial assets with a residual maturity not exceeding two years (short-term assets) and have distinct or cumulative objectives offering returns in line with money market rates or preserving the value of the investment. These undertakings are not subject to Directive 2009/65/EC (recast) or the equivalent third country regime.
 - c. **Non-MMF investment funds** – Management of collective investment vehicles with features that make them susceptible to runs; in particular: **hedge funds, equity funds, real estate funds, fixed income funds, and other investment funds.**
 - d. **Finance companies** – Loan provision that is dependent on short-term funding. Examples of entities include finance companies and leasing companies.
 - e. **Broker-dealers** – Intermediation of market activities that is dependent on short-term funding or on secured funding of client assets.
 - f. **Credit insurers/financial guarantors** – Facilitation of credit creation. Examples of entities include mortgage insurers, financial guarantors, and insurers that write credit protection.
 - g. **Securitisation** – Securitisation-based credit intermediation and funding of financial entities. Examples of entities include CLOs, ABCPs, SIVs.
 - h. **Non-equivalent banks/insurers** – Exposures to banks and insurance companies in non-equivalent third countries.
 - i. **Other.**
14. In addition, institutions were invited to provide qualitative information, on a best-effort basis, on whether (a) aggregate exposures to the shadow banking entity/activity type bear higher or

lower revenue compared to the rest of the on-balance and off-balance-sheet items; (b) exposures to the shadow banking entity/activity type bear a higher or lower average risk-weight, compared to the average risk-weight of the rest of the on-balance and off-balance-sheet items, when calculating risk-weighted assets (RWA); and (c) what would be the net impact on the institution's profitability from the substitution of the exposures to the shadow banking entity/activity type with other exposures (highly beneficial, beneficial, neutral, costly, or highly costly). This information has been used in the context of the impact assessment of the 'Guidelines on exposures on limits to shadow banking entities'.

Quality checks and assumptions

15. Several data quality checks were performed to ensure that the information reported by institutions complied with the instructions for the data collection,¹⁹ was consistent within itself and with other sources of information (e.g. COREP),²⁰ and was of overall good quality.
16. Several data fields, in particular the qualitative answers, were harmonised to facilitate the analysis. In particular, when institutions provided details regarding the counterparties but did not choose an option from the drop-down menu regarding the type of counterparty, this was corrected and harmonised.
17. The instructions for the data collection gave institutions a choice regarding the way they would report individual exposures below the materiality threshold of 0.25% of eligible capital; that is, institutions could just indicate the aggregated amount for these exposures instead of reporting them individually. For institutions that chose to report aggregated exposures below the materiality threshold and did not indicate the likely number of exposures that corresponded to that amount, it was assumed, for analysis purposes, that the aggregated exposure referred only to one individual counterparty.

¹⁹ For example, in several instances, the institutions were asked to confirm that the reported exposures were exposures to individual counterparties and not groups of connected clients, as it was the objective of the exercise.

²⁰ For example, fully duplicated rows (individual exposures) were eliminated; whenever the information on the header of the template (total count and sum) was different from the count and sum of the individual exposures reported in the template (it only affects the data field 'original amount of exposures'), it was assumed that the difference corresponded to the aggregated exposures below the threshold of 0.25% of the institution's eligible capital. All 'Amounts Exempted' were corrected to have a negative sign as in COREP.

3. Results of the data analysis

Exposures by country of the reporting institution

18. Figures 4, 6 and 7 provide an overview of exposures to shadow banking entities (as defined in Paragraph 8) by presenting aggregate data for the reporting institutions in each participating country. Figure 5 provides information about the perceived type of supervision of the counterparties (see also Paragraph 12), which is useful to better understand Figure 6.

Figure 4: Comparison of exposures by country of the reporting institution (for individual exposures equal to or above 0.25% of institutions' eligible capital)

Country of reporting institution	Exposure before exemptions & CRM (million EUR)	Exposure before exemptions & CRM (% of eligible capital)	(-) Amounts exempted (million EUR)	Exposure after exemptions & CRM (million EUR)	Exposure after exemptions & CRM (% of eligible capital)	No. of individual exposures	Average exposure after exemptions & CRM (% of eligible capital) per individual exposure	No. of reporting institutions	Average exposure after exemptions & CRM (% of eligible capital) per reporting institution
AT	7 511	294%	-575	6 779	267%	214	1%	10	27%
BE	5 018	96%	-1 224	3 794	88%	55	2%	5	18%
CY	125	9%	0	125	9%	9	1%	2	5%
CZ	1 767	226%	-499	1 154	166%	66	3%	8	21%
DE	119 701	2 090%	-4 036	112 925	2 079%	946	2%	30	69%
ES	2 842	14%	0	2 842	14%	11	1%	2	7%
FR	80 601	335%	-593	78 883	331%	251	1%	5	66%
GB	395 972	1 188%	-2 805	284 567	777%	782	1%	18	43%
GR	275	4%	0	275	3%	8	0%	1	3%
IE	2 367	165%	0	2 367	164%	35	5%	6	27%
IT	31 353	87%	-2 193	26 795	75%	111	1%	5	15%
LU	12 155	1 115%	-708	10 930	961%	401	2%	12	80%
MT	54	72%	0	54	72%	6	12%	3	24%
PL	2 976	343%	-8	2 967	341%	106	3%	15	23%
SE	6 316	43%	-23	5 952	40%	50	1%	4	10%
XZ ²¹	27 567	441%	-167	27 398	429%	221	2%	13	33%
Total	696 597		-12 833	567 806		3 272		139	

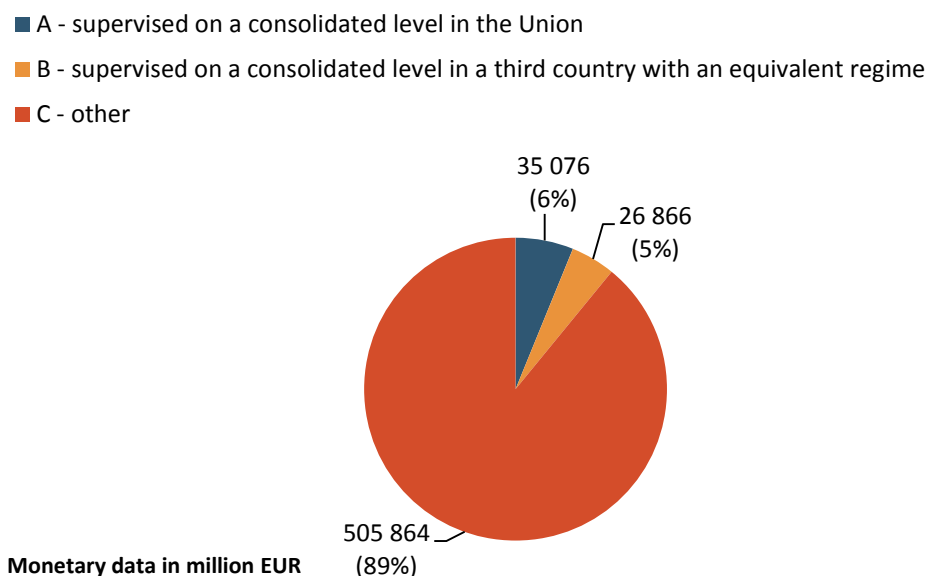
19. As shown in Figure 4, the reporting institutions in Great Britain have reported the highest aggregate exposures to shadow banking entities (396 billion EUR before exemptions and CRM and 285 billion EUR after considering the effect of exemptions and CRM), followed by

²¹ Country-specific results for countries that have a sample composed of three or fewer institutions have been aggregated for confidentiality reasons and given the code 'XZ'. These countries are: Denmark, Lithuania, Latvia, the Netherlands, Norway, Portugal and Slovakia.

institutions in Germany (120 billion EUR and 113 billion EUR respectively). This result is also influenced by the representativeness of the sample of the reporting institutions, which covers 85% of the financial sector in Great Britain and 55% in Germany (see also Figure 1).

20. Aggregate exposure values are influenced by the exclusion of individual exposures below the materiality threshold of 0.25% of institutions' eligible capital; in particular, for countries like Great Britain and Germany, the overall amount of the individual exposures below the threshold represent around half of the total exposures in EUR (see Figure 6). The inclusion of exposures to counterparties that are not supervised on a solo level, but supervised on a consolidated level in the Union or in a third country that has a regime at least equivalent to the one applied in the Union, does not make much difference in most countries (see Figure 6). This is driven by the fact that around 90% of the counterparties were classified as 'other', which means they are considered as non-supervised or have not been further identified by the reporting institutions (see Figure 5).

Figure 5: Exposures after exemptions and CRM (million EUR) by type of supervision of the counterparty (for individual exposures equal to or above 0.25% eligible capital) and its distribution



21. Institutions in Malta have reported individual exposures to a shadow banking entity that are, on average, higher than in the other countries (i.e. average individual exposure after exemptions and CRM of 12% of eligible capital). The highest aggregated exposures to shadow banking entities have been reported by the aggregate of institutions in Luxembourg, Germany, and France, (i.e. average aggregate exposures after exemptions and CRM of 80%, 69% and 66% of eligible capital respectively (see Figures 4 and 7)).

Figure 6: Comparison of exposures after exemptions and CRM (in million EUR) by country of reporting institution

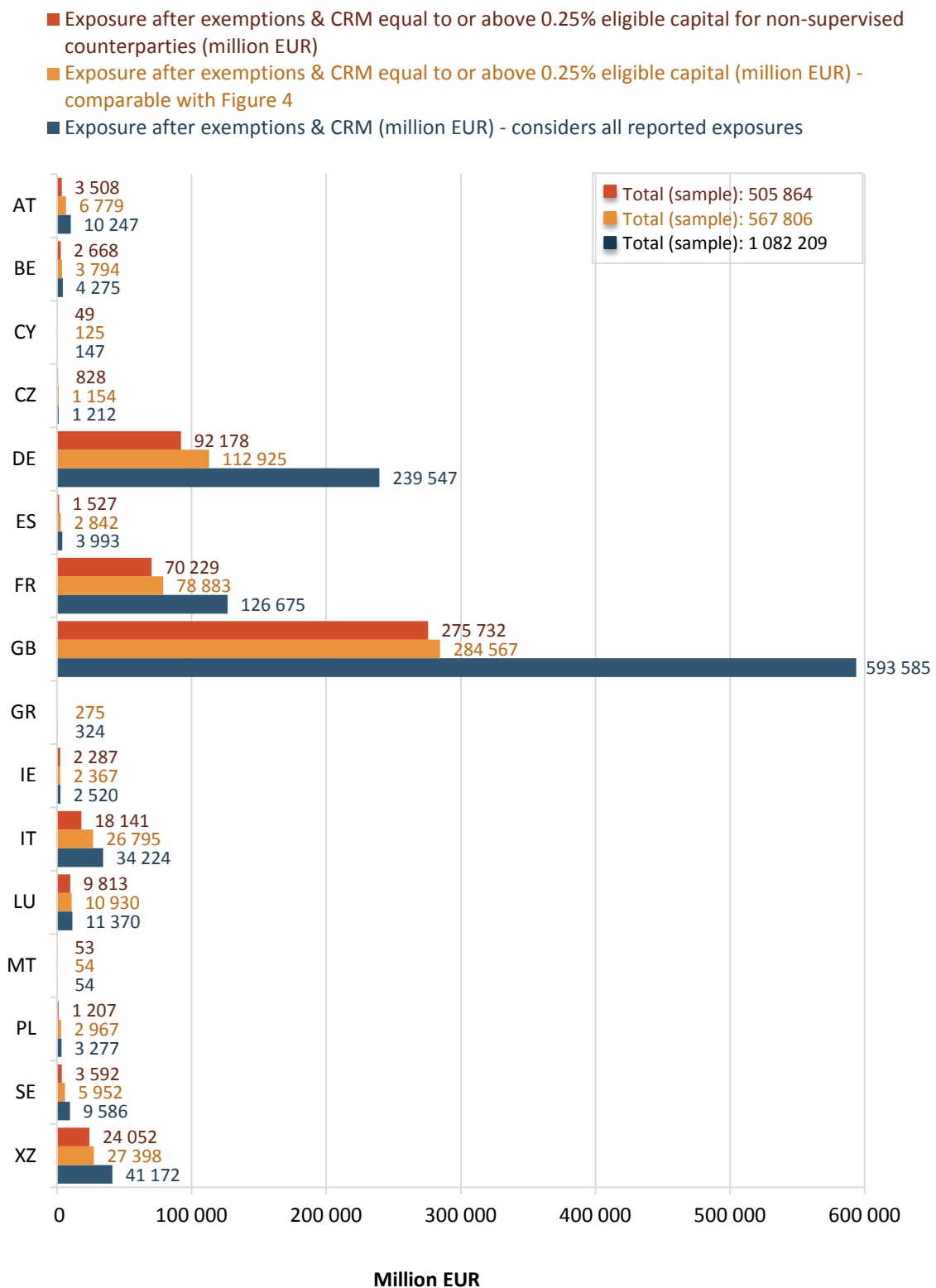
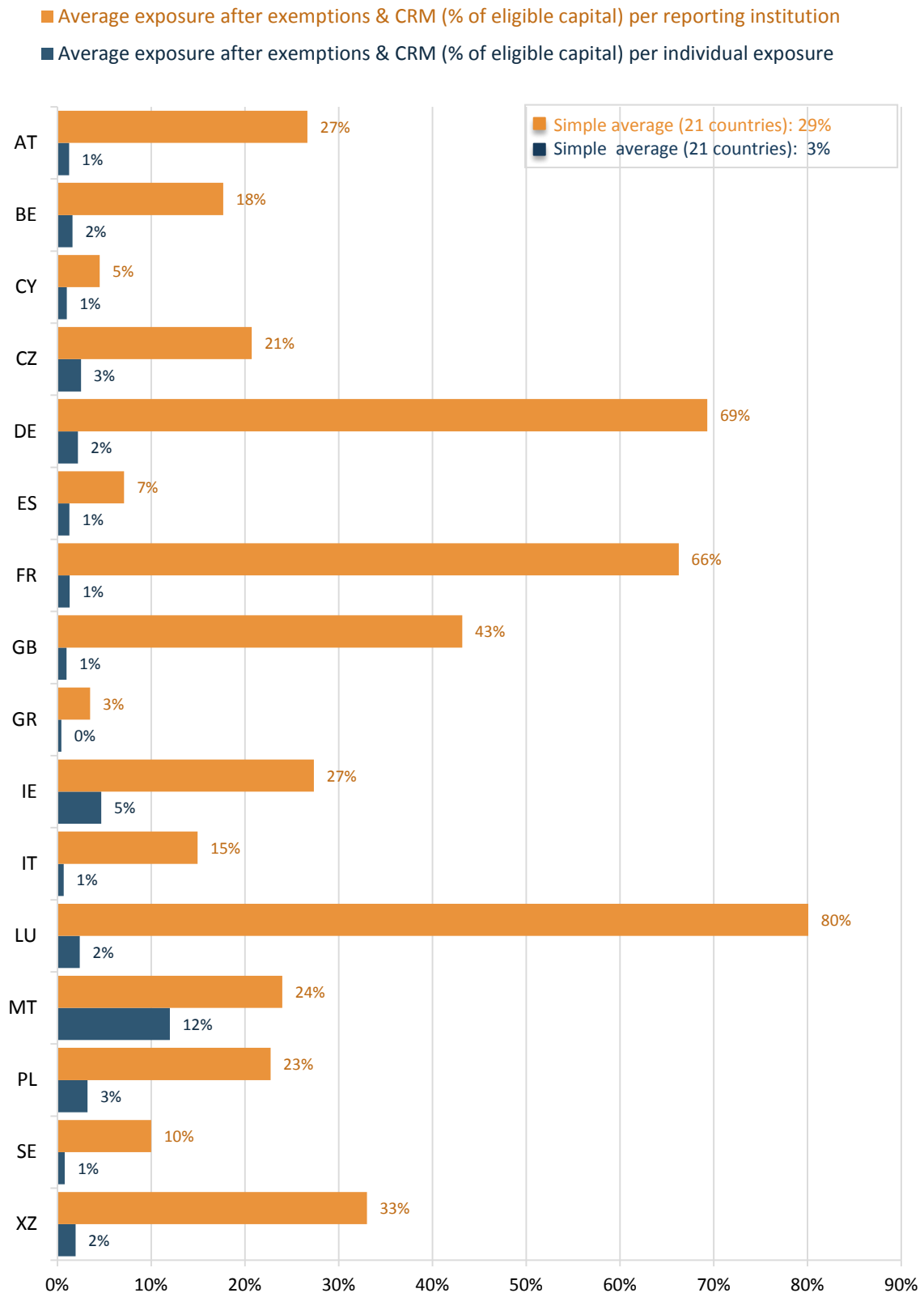


Figure 7: Average exposures after exemptions and CRM (in % of eligible capital) by country (for individual exposures equal to or above 0.25% eligible capital)



Exposures after exemptions and CRM by type of reporting institution

23. The figures below present an overview of the exposures by type of reporting institution as defined for the data collection: Group 1 banks (i.e. banks with Tier 1 capital in excess of EUR 3 billion and internationally active), Group 2 banks (other banks), and investment firms (Figures 8 and 9 consider the whole sample; Figures 10 and 11 consider only the institutions that have reported individual exposures equal to or above 0.25% of their eligible capital).

Figure 8: Total exposures after exemptions and CRM (million EUR) by type of reporting institution

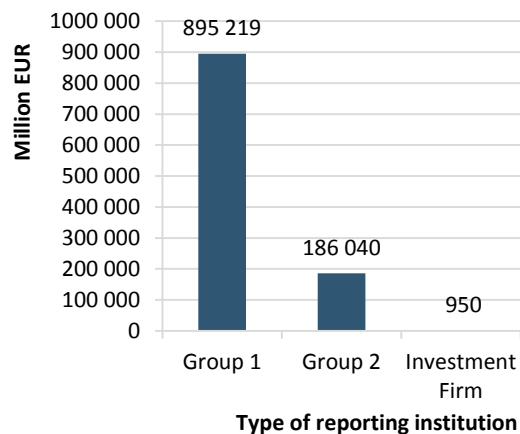


Figure 9: Average individual and aggregate exposures after exemptions and CRM (in % of eligible capital) by type of reporting institution

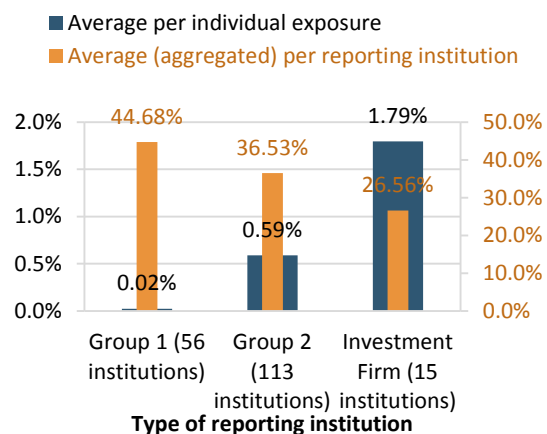


Figure 10: Total exposures after exemptions and CRM (million EUR) by type of reporting institution (for individual exposures equal to or above 0.25% eligible capital)

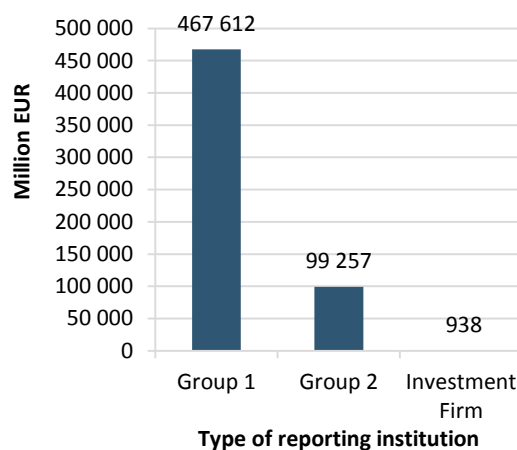
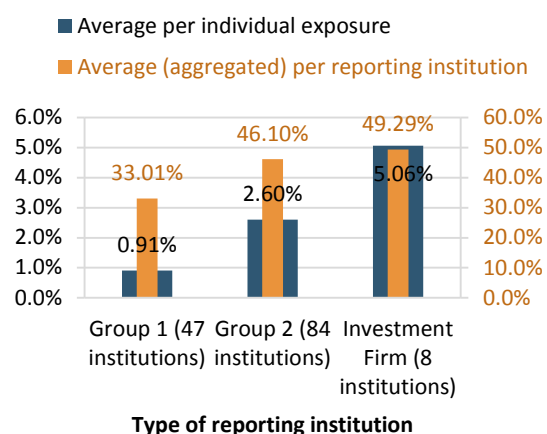


Figure 11: Average individual and aggregate exposures after exemptions and CRM (in % of eligible capital) by type of reporting institution (for individual exposures equal to or above 0.25% eligible capital)

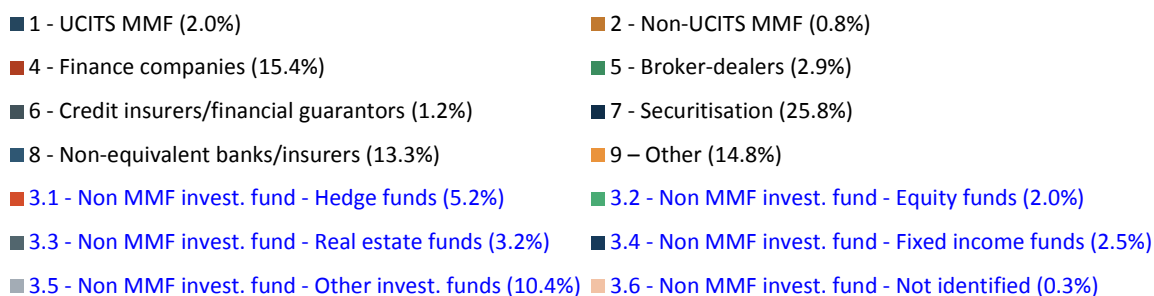


24. Group 1 banks have reported more than 80% of the total amount of the exposures. For these banks, the total of the individual exposures below 0.25% of eligible capital represents around half of their exposures to shadow banking entities (see Figures 8 and 10). The average exposure to individual counterparties ranges from 0.02% to 0.91% of eligible capital depending on the sample; the average aggregate exposure per reporting institution varies from 33% to 45% of eligible capital depending on the sample (see Figures 9 and 11).
25. Group 2 banks have reported around 17% of the total amount of the exposures. For these banks, as for Group 1 banks, the total of the individual exposures below 0.25% of eligible capital represents around half of their exposures to shadow banking entities (see Figures 8 and 10). The average exposure to individual counterparties is higher than for Group 1 banks and ranges from 0.59% to 2.60% of eligible capital depending on the sample; the average aggregate exposure per reporting institution varies from 37% to 46% of eligible capital depending on the sample (see Figures 9 and 11).
26. The amount of exposures reported by investment firms is much smaller than for credit institutions, only slightly above 0%, but is not influenced by individual exposures below 0.25% of eligible capital (see Figures 8 and 10). The average exposure to individual counterparties is higher than for Group 1 and 2 banks and ranges from 1.79% to 5.06% of eligible capital depending on the sample; the average aggregate exposure per reporting institution varies from 27% to 49% of eligible capital depending on the sample (see Figures 9 and 11).

Exposures after exemptions and CRM by type of counterparty

27. Figure 12 presents the distribution of exposures by type of counterparty; that is, by type of shadow banking entity/activity as defined for the data collection (see Paragraph 13). Around one quarter of the reported exposures is to securitisations and another quarter to investment funds other than MMFs (of those, almost half of the counterparties were not further specified). Around 40% of the exposures is distributed almost evenly between exposures to finance companies, non-equivalent banks/insurers, and other unspecified types of entity. Exposures to MMFs represent around 3% of the total exposures, and exposures to hedge funds around 5% of the total exposures.

Figure 12: Distribution of exposures after exemptions and CRM by type of activity of the counterparty, with detailed information on non-MMF investment funds (for individual exposures equal to or above 0.25% eligible capital)



28. The average aggregate exposure per reporting institution, in terms of eligible capital, is higher in the cases of investment funds other than MMFs (29.2%), securitisations (18.9%), and finance companies (10.8%); these types of counterparties also represent the higher exposure values in EUR (see Figure 13). Among the investment funds other than MMFs, average aggregate exposures per reporting entity to fixed income funds, real estate funds, and hedge funds each represent around 10% of institutions' eligible capital. Other (unidentified) non-MMF investment funds represent the highest amount of exposures to these type of investment funds (59 billion EUR and 22.9%) (see Figure 14).

Figure 13: Exposures after exemptions and CRM (million EUR) and average of aggregated exposures (in % of eligible capital) by type of activity of the counterparty (for individual exposures equal to or above 0.25% eligible capital)

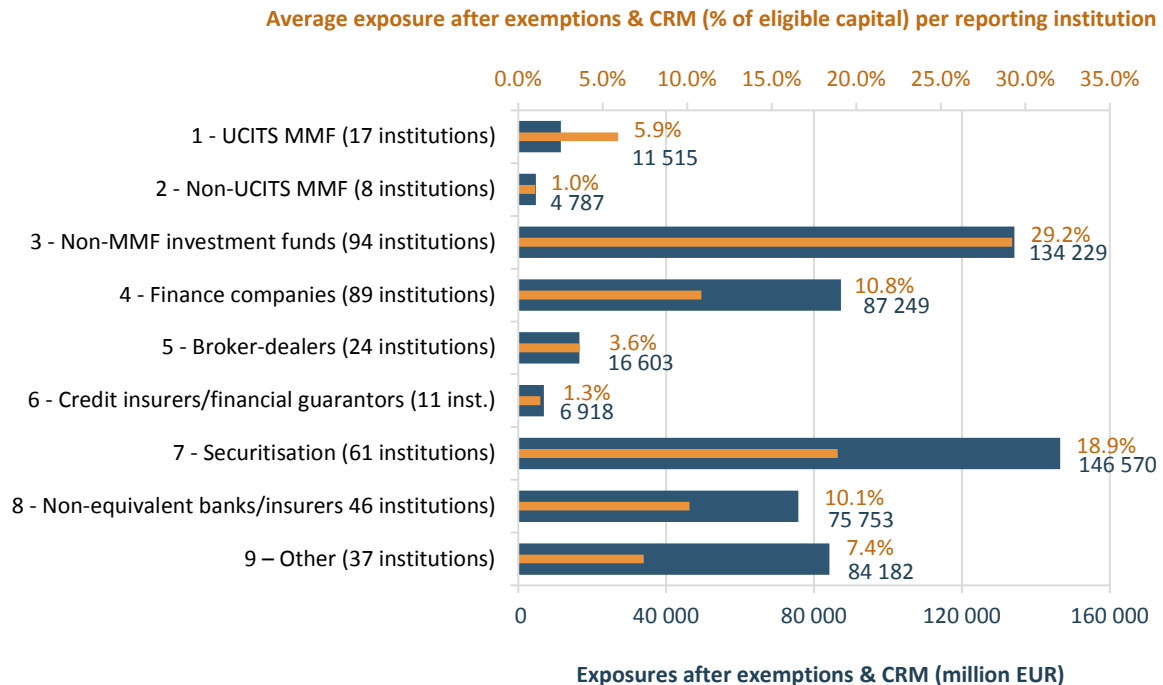
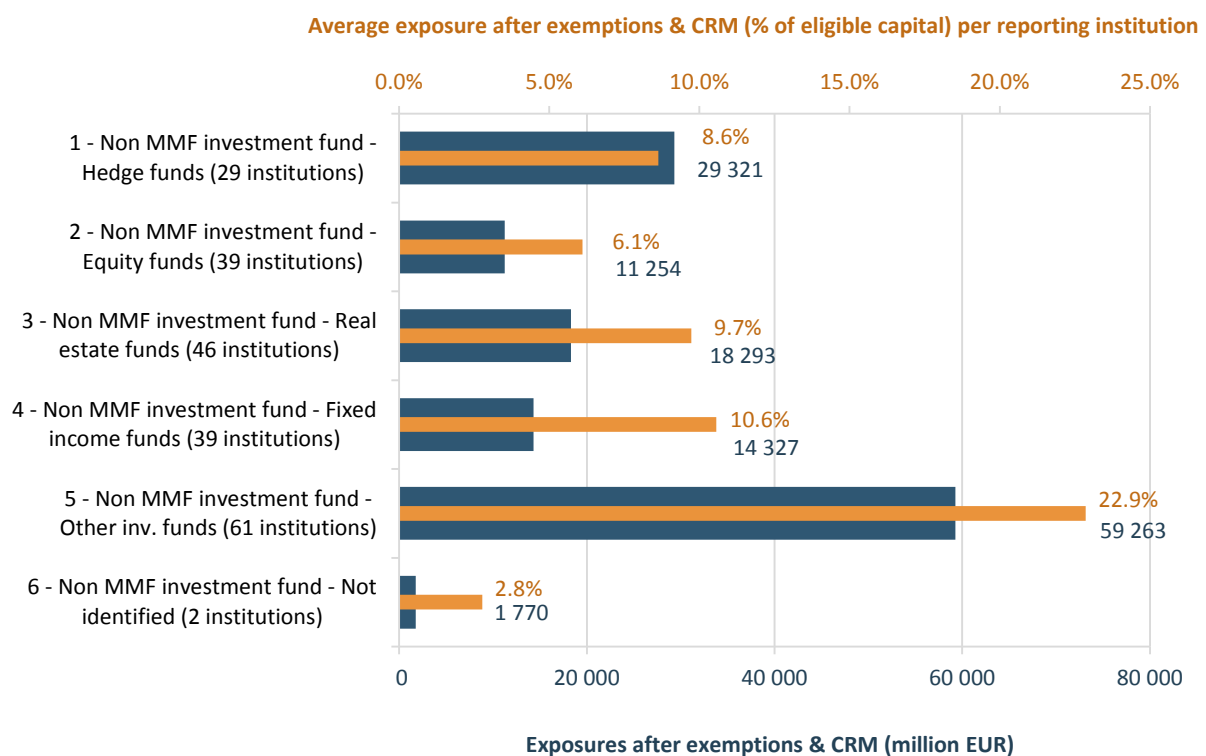
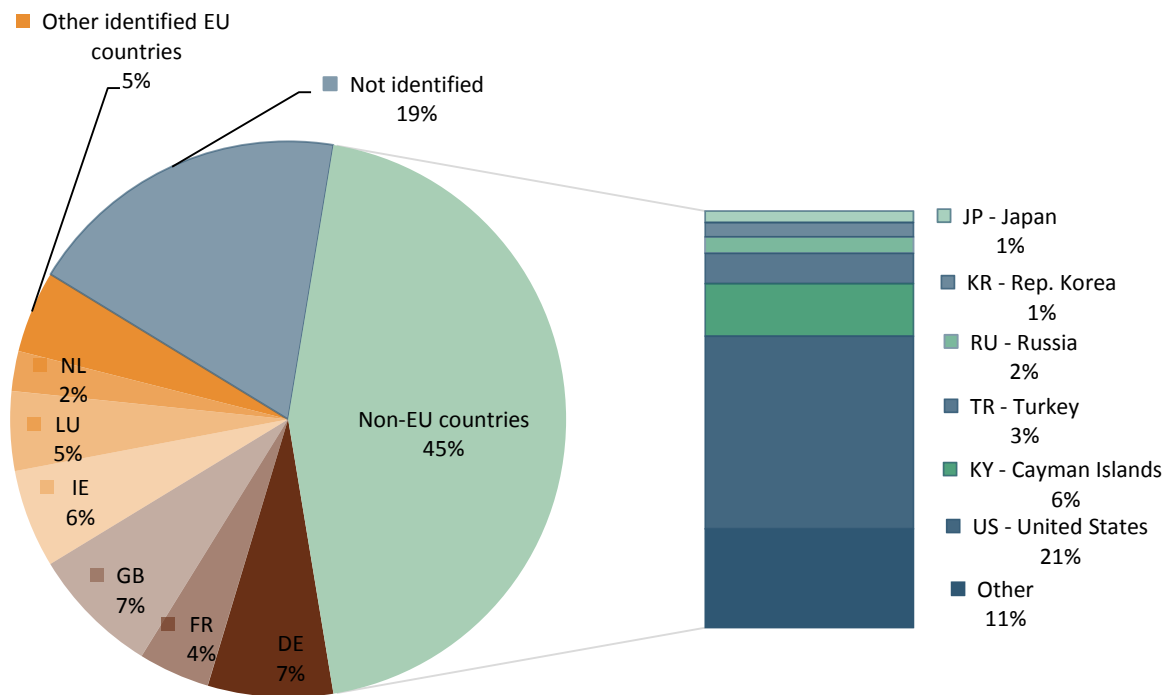


Figure 14: Exposures after exemptions and CRM (million EUR) and average of aggregated exposures (in % of eligible capital) by type of non-MMF investment funds (for individual exposures equal to or above 0.25% eligible capital)



29. As it can be seen in Figure 15, exposures to 'shadow banking entities' are widely dispersed by country of residence of the counterparty. Almost half of the exposures were identified as having counterparties outside the EU (45%), of which the highest exposures are to counterparties resident in the United States, Cayman Islands and Turkey (i.e. 21%, 6% and 3% respectively). Exposures to entities with the EU as the country of residence represent around 36% of the total exposures (after exemptions and CRM); the highest exposures are to counterparties that reside in Great Britain (7.5%), Germany (7.3%) and Ireland (5.7%). For around one fifth of the exposures, the reporting institutions were not able to identify the residence of their counterparties.

Figure 15: Distribution of exposures after exemptions and CRM by country of residence of counterparty (for individual exposures equal to or above 0.25% eligible capital)



Exposures after exemptions and CRM by type of reporting institution and type of counterparty

30. Figures 16 and 17 present detailed information regarding exposures reported by Group 1 and 2 banks, and investment firms by type of counterparty (as defined in Paragraph 13). For all types of reporting entities, the highest exposures are to securitisations and investment funds (other than MMFs), measured both in total EUR amount and average aggregated exposures (see Figure 16).

Figure 16: Comparison of exposures after exemptions and CRM by type of reporting institution and type of activity of the counterparty (for individual exposures equal to or above 0.25% eligible capital)

Type of reporting institution	Type of counterparty	Exposure after exemptions & CRM (million EUR)	Exposure after exemptions & CRM (% of eligible capital)	No. of individual exposures	Average exposure after exemptions & CRM (% of eligible capital) per individual exposure	No. of reporting institutions	Average exposure after exemptions & CRM (% of eligible capital) per reporting institution
Group 1	1 – UCITS MMFs	10 798	48.8%	53	0.9%	11	4.4%
Group 1	2 – Non-UCITS MMFs	4 779	7.6%	13	0.6%	6	1.3%
Group 1	3 – Non-MMF inv. funds	105 691	587.5%	579	1.0%	35	16.8%
Group 1	4 – Finance companies	68 949	198.3%	226	0.9%	31	6.4%
Group 1	5 – Broker-dealers	16 334	46.2%	35	1.3%	16	2.9%
Group 1	6 – Credit insurers/fin. guar.	5 664	10.8%	12	0.9%	9	1.2%
Group 1	7 – Securitisation	115 046	323.2%	375	0.9%	34	9.5%
Group 1	8 – Non-eq. banks/insurers	56 661	132.4%	202	0.7%	23	5.8%
Group 1	9 – Other	83 689	196.8%	210	0.9%	23	8.6%
Group 2	1 – UCITS MMFs	648	32.5%	23	1.4%	5	6.5%
Group 2	2 – Non-UCITS MMFs	6	0.3%	1	0.3%	1	0.3%
Group 2	3 – Non-MMF inv. funds	27 750	1 904.4%	564	3.4%	53	35.9%
Group 2	4 – Finance companies	18 300	766.7%	385	2.0%	58	13.2%
Group 2	5 – Broker-dealers	270	41.2%	10	4.1%	8	5.2%
Group 2	6 – Credit insurers/fin. guar.	1 254	3.6%	2	1.8%	2	1.8%
Group 2	7 – Securitisation	31 444	722.7%	320	2.3%	25	28.9%
Group 2	8 – Non-eq. banks/insurers	19 092	334.4%	145	2.3%	23	14.5%
Group 2	9 – Other	492	66.6%	39	1.7%	13	5.1%
Invest. firm	1 – UCITS MMFs	68	19.4%	7	2.8%	1	19.4%
Invest. firm	2 – Non-UCITS MMFs	1	0.3%	1	0.3%	1	0.3%
Invest. firm	3 – Non-MMF inv. funds	788	256.0%	58	4.4%	6	42.7%
Invest. firm	7 – Securitisation	80	107.3%	8	13.4%	2	53.7%
Invest. firm	9 – Other	0	11.3%	4	2.8%	1	11.3%

31. Group 1 banks have the highest exposures to all types of counterparties and also to each sub-type of non-MMF investment fund (in total EUR amount), followed by Group 2 banks (see Figures 16 and 17).

32. Figure 16 shows that investment firms reported the highest individual exposures on average. The counterparties of these exposures were securitisations and non-MMF investment funds (i.e. average individual exposures after exemptions and CRM of 13.4% and 4.4% of institutions' eligible capital respectively). Both Group 1 and Group 2 banks reported individual exposures to broker-dealers, which are, on average, higher than for the other types of counterparties (1.3% and 4.1% respectively).

33. Regarding exposures to non-MMF investment funds, both Group 1 and Group 2 banks are more exposed to other (unspecified) investment funds, followed by hedge funds for Group 1 banks and real estate funds for Group 2 banks (in terms of total EUR amount). Group 1 banks have higher average exposures to hedge funds and Group 2 banks to other investment funds (7.6% and 36.9% respectively). Investment firms are predominantly exposed to equity funds and hedge funds (in terms of total EUR amount – see Figure 17).

Figure 17: Comparison of exposures after exemptions and CRM by type of reporting institution and type of activity of non-MMF investment funds (for individual exposures equal to or above 0.25% eligible capital)

Type of reporting institution	Non-MMF investment funds	Exposure after exemptions & CRM (million EUR)	Exposure after exemptions & CRM (% of eligible capital)	No. of individual exposures	Average exposure after exemptions & CRM (% of eligible capital) per individual exposure	No. of reporting institutions	Average exposure after exemptions & CRM (% of eligible capital) per reporting institution
Group 1	1 – Hedge funds	27 280	130.0%	143	0.9%	17	7.6%
Group 1	2 – Equity funds	9 628	63.8%	81	0.8%	19	3.4%
Group 1	3 – Real estate funds	12 799	115.4%	126	0.9%	16	7.2%
Group 1	4 – Fixed income funds	11 529	105.7%	60	1.8%	17	6.2%
Group 1	5 – Other inv. funds	42 684	167.0%	167	1.0%	25	6.7%
Group 1	6 – Not identified	1 770	5.5%	2	2.8%	2	2.8%
Group 2	1 – Hedge funds	1 785	21.6%	14	1.5%	8	2.7%
Group 2	2 – Equity funds	1 252	68.3%	56	1.2%	19	3.6%
Group 2	3 – Real estate funds	5 494	332.3%	156	2.1%	30	11.1%
Group 2	4 – Fixed income funds	2 650	264.4%	90	2.9%	21	12.6%
Group 2	5 – Other inv. funds	16 569	1 217.9%	248	4.9%	33	36.9%
Invest. firm	1 – Hedge funds	256	98.6%	15	6.6%	4	24.7%
Invest. firm	2 – Equity funds	374	106.1%	25	4.2%	1	106.1%
Invest. firm	4 – Fixed income funds	148	41.9%	14	3.0%	1	41.9%
Invest. firm	5 – Other inv. funds	10	9.4%	4	2.3%	3	3.1%

Allocation of exposures (in % of eligible capital) after exemptions and CRM to buckets

34. Figures 18 and 19 present simulations of the impact of the application of different limit ranges to aggregated exposures as reported by the institutions participating in this data collection.

35. Figure 18 considers the sample of institutions that have reported individual exposures after considering the effects of exemptions and CRM to shadow banking entities (as defined in Paragraph 8) equal to or above 0.25% of their eligible capital.

36. In this case, if, for example, a limit of 25% of the institution's eligible capital were to be applied to the institution's aggregate exposure to shadow banking entities, 65 institutions would be in breach of this limit (25 Group 1 banks, 37 Group 2 banks and 3 investment firms), which represents around 47% of this sample of reporting institutions.

Figure 18: Allocation of reporting institutions to different buckets of aggregated exposures after exemptions and CRM (in % of eligible capital) (for individual exposures equal to or above 0.25% eligible capital)

Buckets	No. of institutions in breach	of which: Group 1 banks	of which: Group 2 banks	of which: invest. firms	Distribution of no. of institutions in breach	Cumulative no. of institutions in breach	Cumulative distribution of no. of institutions in breach
>=100% <500%	15	2	11	2	10.8%	15	10.8%
>=50% <100%	21	8	12	1	15.1%	36	25.9%
>=25% <50%	29	15	14	0	20.9%	65	46.8%
>=20% <25%	9	2	7	0	6.5%	74	53.2%
>=15% <20%	13	4	8	1	9.4%	87	62.6%
>=10% <15%	19	5	12	2	13.7%	106	76.3%
>=5% <10%	11	4	7	0	7.9%	117	84.2%
>=2.5% <5%	13	3	9	1	9.4%	130	93.5%
>=1% <2.5%	7	4	2	1	5.0%	137	98.6%
<1%	2	0	2	0	1.4%	139	100.0%

37. Figure 19 presents the results of a simulation similar to the one presented in Figure 18, but excludes exposures to counterparties that are not supervised on a solo level, but that are supervised on a consolidated level in the Union or in a third country that has a regime at least equivalent to the one applied in the Union (recall that Figure 5 shows that around 90% of the counterparties were classified as 'other', which means they are considered as non-supervised or have not been further identified by the reporting institutions).

38. In this case, if, for instance, a limit of 25% of the institution's eligible capital were to be applied to the institution's aggregate exposure to shadow banking entities, 52 institutions would be in breach of the limit (21 Group 1 banks, 30 Group 2 banks and 1 investment firm), which represents around 42% of this sample of reporting institutions.

Figure 19: Allocation of reporting institutions to different buckets of aggregated exposures after exemptions and CRM (in % of eligible capital) (for individual exposures equal to or above 0.25% eligible capital that are to non-supervised counterparties)

Buckets	No. of institutions in breach	of which: Group 1 banks	of which: Group 2 banks	of which: invest. firms	Distribution of no. of institutions in breach	Cumulative no. of institutions in breach	Cumulative distribution of no. of institutions in breach
>=100% <500%	10	2	8	0	8.1%	10	8.1%
>=50% <100%	17	5	11	1	13.7%	27	21.8%
>=25% <50%	25	14	11	0	20.2%	52	41.9%
>=20% <25%	7	2	5	0	5.6%	59	47.6%
>=15% <20%	7	2	4	1	5.6%	66	53.2%
>=10% <15%	21	7	12	2	16.9%	87	70.2%
>=5% <10%	12	3	9	0	9.7%	99	79.8%
>=2.5% <5%	12	5	6	1	9.7%	111	89.5%
>=1% <2.5%	10	3	6	1	8.1%	121	97.6%
<1%	3	0	3	0	2.4%	124	100.0%

39. Figure 20 considers the total sample of reporting institutions in this data collection and presents the allocation of the number of individual exposures to different buckets. The most remarkable conclusion is that the number of individual exposures after exemptions and CRM that are below 0.25% of eligible capital represents around 97% of the total number of reported exposures.²²

40. It is noted that to keep this data collection manageable and to reduce the burden for the reporting institutions, which participated in this exercise voluntarily, the collection of detailed information regarding counterparties needed to focus on individual exposures equal to or above 0.25% of the institutions' eligible capital, which represents around 3% of the total number of exposures (recall that Figure 6 compared the total amount of exposures to the total amount of exposures equal to or above the threshold of 0.25% of eligible capital). To ensure that the results were as reliable and detailed as possible, the data analysis also focused mainly on these exposures.

Figure 20: Allocation of individual exposures after exemptions and CRM (in % of eligible capital) to different buckets (for the whole sample)

Buckets	No. of individual exposures	Distribution of no. of individual exposures	Cumulative no. of individual exposures	Cumulative distribution of no. of individual exposures
>=100% <500%	2	0.00%	2	0.00%
>=50% <100%	2	0.00%	4	0.00%
>=25% <50%	12	0.01%	16	0.01%
>=20% <25%	9	0.01%	25	0.02%
>=15% <20%	18	0.02%	43	0.04%
>=10% <15%	38	0.04%	81	0.08%
>=5% <10%	141	0.13%	222	0.21%
>=2.5% <5%	260	0.24%	482	0.45%
>=1% <2.5%	703	0.65%	1 185	1.10%
>=0.25% <1%	2 087	1.94%	3 272	3.04%
>=0% <0.25%	104 349	96.96%	107 621	100.00%

²² The number of individual exposures below 0.0025 (0.25%) of eligible capital is underestimated given that a few reporting institutions have reported aggregated exposures after exemptions and CRM in a EUR amount and in a percentage of eligible capital, but were unable to indicate a likely number of exposures. In those cases, it was assumed, for analysis purposes, that the number of counterparties was one.

4. Annex

Entities referred to in points 2 to 23 of Article 2(5) of Directive 2013/36/EU:

'(...)

(2) central banks;

(3) post office giro institutions;

(4) in Belgium, the 'Institut de Réescompte et de Garantie/Herdiscontering- en Waarborginstituut';

(5) in Denmark, the 'Eksport Kredit Fonden', the 'Eksport Kredit Fonden A/S', the 'Danmarks Skibskredit A/S' and the 'KommuneKredit';

(6) in Germany, the 'Kreditanstalt für Wiederaufbau', undertakings which are recognised under the 'Wohnungsgemeinnützigkeitsgesetz' as bodies of State housing policy and are not mainly engaged in banking transactions, and undertakings recognised under that law as non-profit housing undertakings;

(7) in Estonia, the 'hoiu-laenuühistud', as cooperative undertakings that are recognised under the 'hoiu-laenuühistu seadus';

(8) in Ireland, credit unions and the friendly societies;

(9) in Greece, the 'Ταμείο Παρακαταθηκών και Δανείων' (Tamio Parakatathikon kai Danion);

(10) in Spain, the 'Instituto de Crédito Oficial';

(11) in France, the 'Caisse des dépôts et consignations';

(12) in Italy, the 'Cassa depositi e prestiti';

(13) in Latvia, the 'krājaizdevu sabiedrības', undertakings that are recognised under the 'krājaizdevu sabiedrību likums' as cooperative undertakings rendering financial services solely to their members;

(14) in Lithuania, the 'kredito unijos' other than the 'Centrinė kredito unija';

(15) in Hungary, the 'MFB Magyar Fejlesztési Bank Zártkörűen Működő Részvénytársaság' and the 'Magyar Export-Import Bank Zártkörűen Működő Részvénytársaság';

(16) in the Netherlands, the 'Nederlandse Investeringsbank voor Ontwikkelingslanden NV', the 'NV Noordelijke Ontwikkelingsmaatschappij', the 'NV Industriebank Limburgs Instituut voor Ontwikkeling en Financiering' and the 'Overijsselse Ontwikkelingsmaatschappij NV';

(17) in Austria, undertakings recognised as housing associations in the public interest and the 'Österreichische Kontrollbank AG';

(18) in Poland, the 'Spółdzielcze Kasy Oszczędnościowo – Kredytowe' and the 'Bank Gospodarstwa Krajowego';

(19) in Portugal, the 'Caixas Económicas' existing on 1 January 1986 with the exception of those incorporated as limited companies and of the 'Caixa Económica Montepio Geral';

(20) in Slovenia, the 'SID-Slovenska izvozna in razvojna banka, d.d. Ljubljana';

(21) in Finland, the 'Teollisen yhteistyön rahasto Oy/Fonden för industriellt samarbete AB', and the 'Finnvera Oyj/Finnvera Abp';

(22) in Sweden, the 'Svenska Skeppshypotekskassan';

(23) in the United Kingdom, the National Savings Bank, the Commonwealth Development Finance Company Ltd, the Agricultural Mortgage Corporation Ltd, the Scottish Agricultural Securities Corporation Ltd, the Crown Agents for overseas governments and administrations, credit unions and municipal banks.'

Entities referred to in Article 9(2) of Directive 2013/36/EU:

'(...) the taking of deposits or other funds repayable by a Member State, or by a Member State's regional or local authorities, by public international bodies of which one or more Member States are members, or to cases expressly covered by national or Union law, provided that those activities are subject to regulations and controls intended to protect depositors and investors.'

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