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Money market funds

Shadow banks could be let off the regulatory hook under EU Parliament vote

Ahead of a vote on Thursday on draft EU rules on money market funds in the European Parliament’s economic and monetary affairs committee, Green MEPs have expressed concern that these shadow banks could continue to avoid effective regulation. Ahead of the vote, Green MEP and financial affairs spokesperson **Eva Joly** stated:

“The deal being prepared by the bigger political groups in the EU Parliament would see money market funds being let off the regulatory hook in spite of their role in fuelling damaging sovereign debt speculation. Some of these funds (so-called Constant Net Asset Value Money Market Funds) function like savings banks and these shadow banks should clearly face the same level of rigorous regulation but Thursday's vote could see them continue to avoid meaningful regulation. Given their role in sovereign debt speculation, the Financial Stability Board (FSB) and the European Systemic Risk Board (ESRB) recommended phasing-out such funds but the EP is set to give them the all clear to operate without appropriate regulation.

"Already weak proposals from the EU Commission could be further weakened in Thursday's vote. The Commission's proposal to introduce a capital buffer of 3% on shadow banks - similar to normal banks - was already a lot weaker than the recommended full phase-out of these funds. The compromise text to be voted on Thursday would not include any capital buffer however, following intense industry lobbying. CNAV Funds for sovereign bonds and retail investors would be preserved in spite of their nefarious role in speculating on sovereign bonds."

Green economic and finance spokesperson **Sven Giegold** added:

"The Greens have tabled alternative proposals aimed at phasing out these damaging funds and we are urging the bigger political groups to change their course. If the current compromise draft is adopted, it will undermine the European Parliament's hitherto laudable role in strengthening financial regulation in response to the financial crisis. It would also be a setback for the badly-needed regulation of this sector."

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Responsible MEPs

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