Shadow Banking in the Dutch National Accounts

Paul den Boer
Statistics Netherlands

Paper Abstract: Recently, there has been growing attention for the shadow banking phenomenon. Capital requirements for regulated banks have made it more attractive to provide credit via unregulated shadow banks. Complicated financial products like securities, swaps and other derivatives are part of their business. Risks may increase in the less traditional areas of the banking system, like hedge funds, financial vehicle corporations, and other financial intermediaries. The shadow banking sector is a systemic risk because of the interconnectedness of shadow banks with the regulated part of the financial system.

'Addressing those risks is challenging. Firstly, because shadow banking is an elusive concept that is hard to quantify with available statistics. Secondly, as I have argued, the tools needed to prevent the building-up of excessive risks in that sector are currently not in the set of instruments available to the ECB or to macro-prudential authorities at large – and some need yet to be devised.' said ECB vice-president Constâncio in his speech on 13 February 2015.

This paper uses the System of National Accounts (SNA) to quantify the size and risk of shadow banking in the Netherlands. That is a prerequisite for developing tools to prevent excessive risks in that sector. Firstly, an inventory will be made of the definitions used in literature to delineate shadow banking, trying to select the best definition(s) applicable to the Netherlands. Secondly, it will be investigated how to measure the size and risks of shadow banking. Possible sources of data are the Dutch National Accounts, more specifically the Sector Accounts. They contain the balance sheets of financial sectors, relevant for leverage and other statistical measures of risk, and give insight to the interconnected nature of banking and non-banking sectors.

The sources, quality of the data and their applicability to the Netherlands will be paid attention to. Finally, analyses will be performed based on the collected definitions and available data. This analysis aims to contribute to improved supervision of shadow banking.