

**IMF seminar on operational frameworks for the  
identification of systemically important financial  
institutions, markets and infrastructures  
Panel on establishing a Regulatory Perimeter**

**David Strachan  
Director, Financial Stability Division  
UK Financial Services Authority  
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# New boundary issues

## The Turner Review Analysis and Proposals

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- **The old (current) regulatory perimeter needs review**
- **Reputational contagion from the unregulated sector to the regulated sector especially through banks' off-balance sheet items**
- **Shadow banking system which performs maturity transformation (SIVs, conduits, MMMFs, etc.)**
- **Hedge funds (proposal for a new EU Directive)**
- **Economic substance not legal structure matters**
- **Indirect approach (limiting relationships between the regulated and the unregulated sectors)**
- **Powers for authorities to request information from unregulated entities (outside the regulatory perimeter)**
- **Reserve powers for authorities to regulate new activities/entities (expand the regulatory perimeter)**

# The UK approach so far



- **Tougher supervisory indirect approach on regulated entities**
- **Financial Services Act 2010**
  - New financial stability objective for the FSA
    - “Contributing to the protection and enhancement of the stability of the UK financial system”
  - FSA’s financial stability information gathering powers also outside the perimeter
- **FSA Consultation Paper 2010/11**