



Bank of Russia  
The Central Bank of the Russian Federation



# The Moscow Resolution on Financial Inclusion and Shadow Banking

The Conference, “Financial Inclusion and Shadow Banking: Innovation and Proportionate Regulation for Balanced Growth”, was held in Moscow, Russia, on 12-13 November 2015, co-hosted by the Bank of Russia and the Alliance for Financial Inclusion (AFI).

## The Conference:

- **Highlighted** the importance of non-bank financial intermediaries in driving innovation and channeling funds for financial inclusion and economic growth, especially in emerging economies and developing countries;
- **Recognized** the diversity of definitions and interpretations of the concept of shadow banking, and their manifestations in different forms and across different countries; the need for co-existence of banks and non-bank financial institutions for inclusive financial ecosystems; and the challenges in developing and applying proportionate regulatory and supervisory frameworks for shadow banking;
- **Acknowledged** the positive linkage between financial inclusion and financial stability, as well as the potential systemic risks emanating from improperly monitored, regulated or supervised shadow banking entities and activities, which may create preconditions for regulatory arbitrage;
- **Discussed** perspectives from the private sector on developing regulatory and supervisory approaches which encourage financial innovations whilst protecting consumers from emerging risks and bolstering financial capability;
- **Supported** the efforts of regulators and supervisors (following the Financial Stability Board’s (FSB) recommendation) to identify and monitor trends in shadow banking and advance proportionate regulations to address the risks to financial stability emerging outside the regular banking system while not inhibiting sustainable non-bank financing models that do not pose systemic risk;
- **Welcomed** the progress that has been made by the FSB and other international organizations in developing the policy framework to strengthen oversight and regulation of shadow banking entities and activities, global shadow banking monitoring, and in sharing shadow banking data among regulators;

- **Noted** that the efforts of developed countries are in particular aimed at mitigating risks in banks' interactions with shadow banking entities and preventing risk spillover from the latter to the regular banking system. Emerging economies and developing countries, while focusing on the stability of the financial system, are also concerned with identifying, properly regulating and supervising those shadow banking activities and entities that could have a positive impact on financial inclusion.

## The Conference accordingly calls for:

1. **Gathering** information from AFI members as well as leveraging on the FSB Regional Consultative Groups to better understand jurisdiction-specific features of shadow banking, innovations in the financial sector and the oversight and regulatory framework implemented by members in respect of shadow banking activities and entities;
2. **Documenting** case studies highlighting successful approaches to developing and implementing proportionate regulatory frameworks that differentiate between properly regulated and resilient forms of market-based financing and unsupervised financial intermediaries that pose material risks to financial stability;
3. **Collaboration** between the FSB, the AFI Global Standards Committee (GSC) and relevant international organizations to consider a guide to the terminology around different manifestations of shadow banking, which focuses on underlying economic functions or activities and appropriately identifies the different risk dimensions of each activity; further develop appropriate frameworks and toolkits for clearly distinguishing between regulated and non-regulated NBFIs activities; and identify and assess shadow banking risks that appreciate the particular context of developing countries;
4. **Support** from the FSB, Standard-Setting Bodies (SSBs) and relevant international organizations to consider frameworks and methodologies for proportionate risk-based regulation and supervision for non-bank financial institutions to help address the systemic risk and regulatory arbitrage concerns posed by some of these institutions and activities;
5. **Communicating** to stakeholders via peer learning on successful approaches in defining, monitoring and implementing proportionate regulatory and supervisory frameworks for entities and activities that may fall within the “shadow banking” definition, to drive financial inclusion whilst preserving financial stability; and promote financial literacy via dissemination of best practices;
6. **Discussing** within the AFI Network and with relevant stakeholders the interrelationship between financial stability, financial inclusion and shadow banking, with the support of the FSB, relevant international organizations and national regulators;
7. **Leveraging** the AFI Public Private Dialogue (PPD) platform to work with the private sector to consider appropriate regulatory and supervisory framework to foster innovation whilst managing risks;
8. **Promoting** closer regional and global collaboration amongst AFI members and relevant stakeholders to encourage information exchange and experience sharing on emerging risks, regulatory developments and effective policy measures to address shadow banking risks.