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Comments on the Green Paper on shadow banking

The Danish Government welcomes the initiative put forward by the European Commission to examine issues raised by shadow banking activities and entities. This is especially relevant in relation to the build up of systemic risks and possible contagion to the regulated financial sector and the need to put forward future appropriate legislative actions related to the regulation of the shadow banking system.

However, it should be emphasized that, even if shadow banking poses potential threats to financial stability, it also performs important functions in the financial system. It is therefore important that future regulation is proportionate and primarily imposed on entities that pose a significant risk to the financial system.

In that regard additional regulation of funds that are already covered by extensive European legislation, such as the UCITS and AIFM directives, should be avoided. It is therefore important that future legislative initiatives in relation to shadow banking take into account the coming and existing EU legislation which affects the shadow banking system. This should be done in order to avoid that any future regulation becomes too extensive and thus hampers growth in Europe.

Yours sincerely,



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