Under-regulated pension funds could 'distort' lending market, minister warns

16 June 2015 **By** **Barbara Ottawa** **(URL=/barbara-ottawa/2482.bio)**

Austrian finance minister Hans Jörg Schelling has warned that institutional investors providing financing for projects and companies could "distort" the lending market because they are less regulated than banks.

Speaking at the recent Faros institutional investor conference in Vienna, Schelling reiterated concerns raised by the International Monetary Fund in its October 2014 Financial Stability Report (URL=https://www.imf.org/external/pubs/ft/gfsr/2014/02/pdf/c2.pdf) concerning 'shadow banking'.

"Regulation is a cost factor banks have to take into account and other lenders do not," he said.

Schelling said the regulatory situation in Europe was becoming "more and more dramatic", with some new requirements "actually being pure nonsense".

This increase in regulation – particularly for banks – means the world is "en route to a credit squeeze", he warned.

However, Hartwig Webersinke, an economist at the University of Applied Sciences in Aschaffenburg, argued that the increase in regulation in the wake of the financial crisis was "cyclical".

After 2008, the "clear political aim was to never let this happen again", and to ensure this, "a flood" of new regulation was introduced.

Webersinke argued that many of the new regulatory requirements were contradicting one other and pointed out that many financial service providers were being visited by different supervisors because there had been no final agreement on the remits of different European or local authorities.

As a case in point, he cited European Central Bank president Mario Draghi announcing support for banks to lend more venture capital.

"One month later, a different authority, under the same roof, told banks they had to improve their accounts because of new stress tests," Webersinke said.

"In a few years, we will be thinking about the costs of this additional regulation and the actual effect it has, and this will change the regulatory environment.

"We are only at the beginning, but I hope we will realise how many redundancies are already being created by too much regulation and that it is killing some financial products like the Riester-Rente," Websersinke added, referring to the German supplementary pensions vehicle set up by the former labour minister Walter Riester in 2002.

Regarding a possible financial transaction tax, Schelling said he did not see a sufficient number of EU member states supporting the measure.

“Further, it is unclear whether it is actually legally possible to introduce such a tax in only a few member states against the will of the other EU members,” he said.

Readers' comments (1)

- **Anonymous** Tue, 16 Jun 2015 4:23 pm

  I strongly recommend people interested inthe European bank disintermediation Topic to read the ECB's May 2105 working paper "Bank bias in Europe". From this it is easy to infer into which direction policy making will reshape the banking landscape in Europe. This is going to be a structural not a cyclical game.