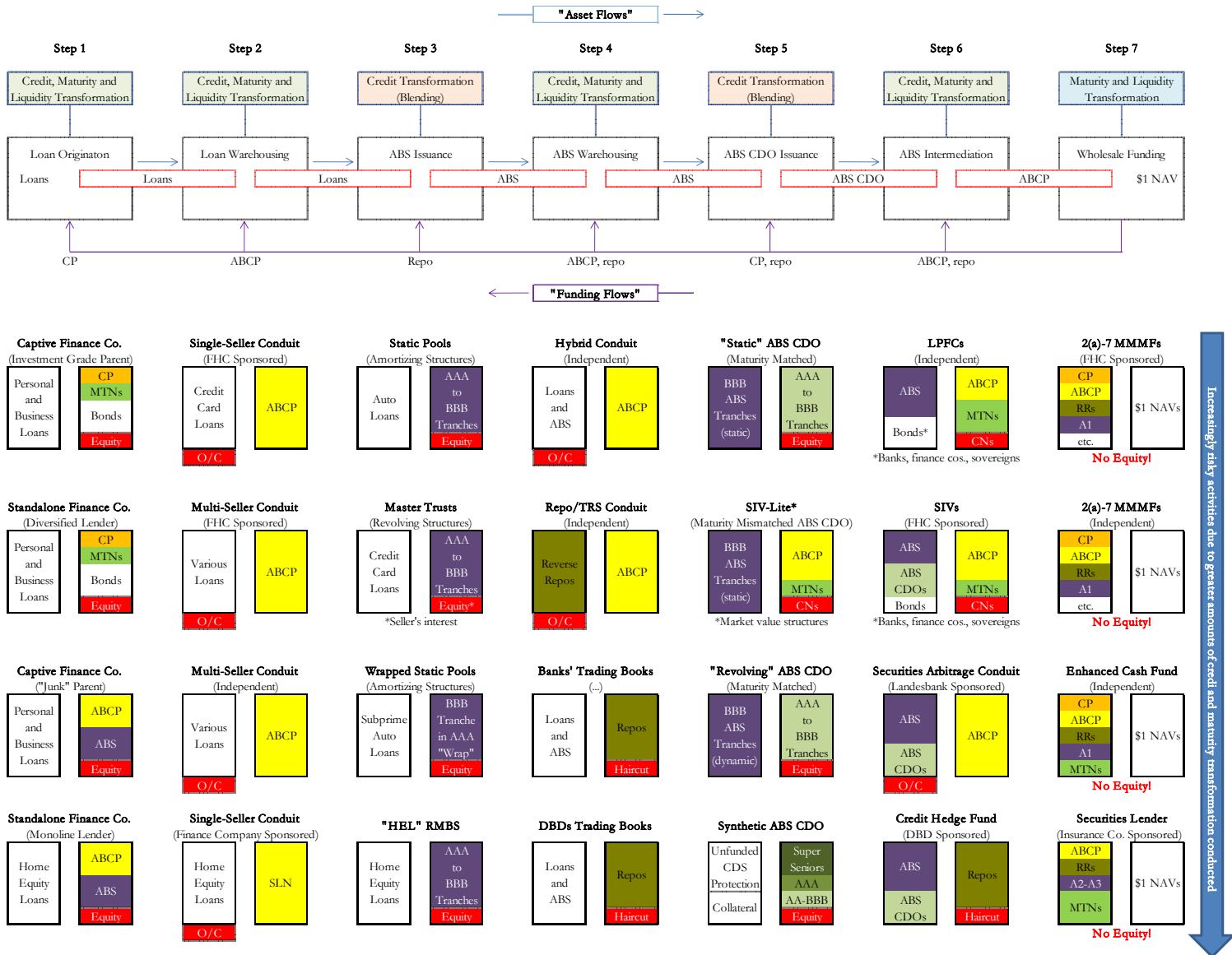


# Appendix 6: The Spectrum of Shadow Banks within a Spectrum of Shadow Credit Intermediation

Shadow banks are best thought along a spectrum. Each of the seven steps involved in the shadow credit intermediation process were performed by many different types of shadow banks, with varying asset mixes, funding strategies, amounts of capital and degrees of leverage. The list of balance sheets below are an illustrative example of this. Thus, the shadow credit intermediation process was supported by various forms of equity of various degrees of strength (each denoted with a red cell): as such, equity came in the form of common equity, overcollateralization (O/C), haircuts, equity tranches and capital notes. Wholesale funding providers (money market mutual funds, securities lenders) were the only actors involved in the shadow credit intermediation process without any form of capital supporting their activities. Having numerous types of shadow banks under each functional step of the shadow credit intermediation process means that each functional step can be performed many different ways. Depending on the asset mix and funding strategy employed, different shadow banks performing the same functions in the system conducted different amounts of credit, maturity and liquidity transformation. Shadow banks are listed vertically, top-down, in increasing order of riskiness.



Source: Shadow Banking (Pozsar, Adrian, Ashcraft, Boesky (2010))