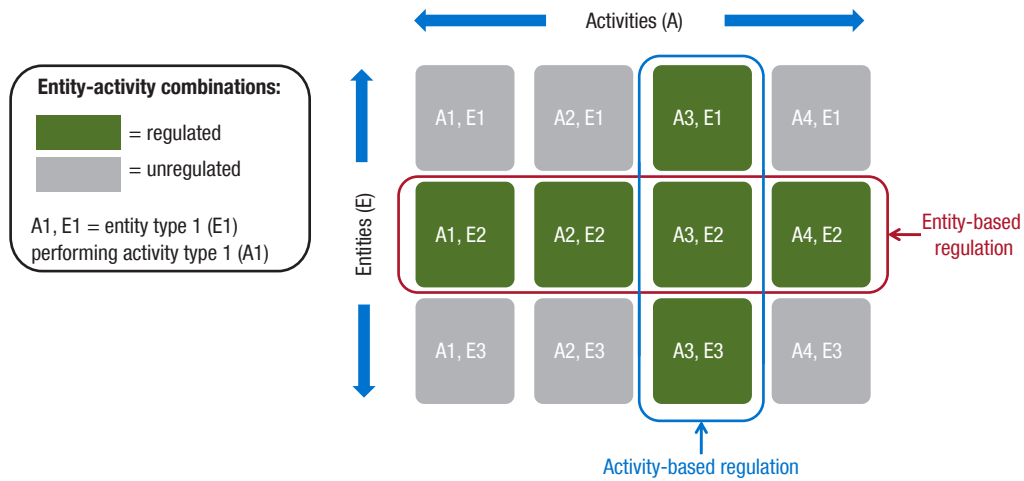**Figure 2.13. Effective Shadow Banking Regulation Must Cover Activities and Entities**

Source: IMF staff illustration.
Note: The figure shows four activity types (A1–A4) and three entity types (E1–E3). Entity-based regulation that covers only entity type E2 would miss the migration of, say, activity type A3 from E2 to E1; but that migration would be picked up by activity-based regulation covering A3. Similarly, activity-based regulation that covers activity type A3 would miss situations in which covered entities (E1–E3) migrate to activities, say A2, that are not covered but have similar economic outcomes.