

PRESS RELEASE

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ESRB publishes EU Non-bank Financial Intermediation Risk Monitor 2019

The European Systemic Risk Board (ESRB) has today published the [EU Non-bank Financial Intermediation Risk Monitor 2019](#) (NBFIMonitor, previously called the Shadow Banking Monitor), which covers data up to end-2018. This is the fourth issue in an annual series that contributes to the monitoring of a part of the financial system that has grown in recent years and now accounts for around 40% of the EU financial system. While the size of the monitoring universe is important for monitoring purposes, it is not, in itself, a measure of risks and vulnerabilities.

The report identifies several key risks and vulnerabilities:

- risk-taking, liquidity risk and risks associated with leverage among some types of investment funds and other non-bank financial institutions;
- interconnectedness and the risk of contagion across sectors and within the non-bank financial system, including domestic and cross-border linkages;
- activities-related risks – procyclicality, leverage, and liquidity risk – created through the use of derivatives and securities financing transactions.

These risks and vulnerabilities are assessed using an entity-based monitoring framework which considers both investment funds and other financial institutions (OFIs), such as financial vehicle corporations, security and derivative dealers and financial corporations engaged in lending. The analysis is complemented by an activity-based assessment considering risks and vulnerabilities in securities financing transactions and derivatives markets which are used across entities and where risks can arise from the use and reuse of financial collateral. The Monitor includes four boxes that focus on the role of investment funds in EU commercial real estate markets; insights from new data reported under the EU Alternative Investment Fund Managers Directive (AIFMD); risks from the growing market for leveraged loans; and interdependencies in central clearing in the EU derivatives markets.

Finally, further work is required to address remaining data gaps and improve risk assessments by developing metrics to measure liquidity, leverage and interconnectedness.

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