

Press release

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Ref: 55/2020
16 December 2020

FSB reports on global trends and risks in non-bank financial intermediation

The Financial Stability Board (FSB) today published the Global Monitoring Report on Non-Bank Financial Intermediation 2020. The report presents the results of the FSB's annual monitoring exercise to assess global trends and risks in non-bank financial intermediation (NBFi). The report covers data from 29 jurisdictions, representing over 80% of global GDP.

The annual monitoring exercise focuses particularly on those parts of NBFi that may pose bank-like financial stability risks and/or involve regulatory arbitrage (the so-called narrow measure of NBFi). While the majority of this report is based on end-2019 data and therefore predates the COVID-19 pandemic, the trends described contribute to an understanding of the backdrop and some of the vulnerabilities that became apparent during the March market turmoil. In addition, two case studies are included in the report that analyse the impact of the COVID-19 shock on the NBFi sector in general and on money market funds specifically.

Main findings from this monitoring exercise include:

- In 2019 the growth of the NBFi sector again outpaced that of banks. At a global level, the NBFi sector grew by 8.9% in 2019 to \$200.2 trillion to account for 49.5% of total global financial assets, driven mainly by increases in investment funds, pension funds and insurance corporations. In over one third of the reporting jurisdictions, the NBFi sector represented more than 50% of the financial system.
- The narrow measure of NBFi grew by 11.1% to \$57.1 trillion in 2019, at a faster pace than the 2013-18 average annual growth rate of 7.1%. It now represents 14.2% of total global financial assets. This growth was driven mainly by collective investment vehicles with features that make them susceptible to runs, which grew by 13.5% in 2019, increasing their share to 72.9% of the narrow measure.

Klaas Knot, Vice Chair of the FSB and Chair of the Standing Committee on Vulnerabilities Assessment, said "The annual monitoring exercise furthers our understanding of vulnerabilities within the NBFi sector. The FSB will take steps to strengthen this monitoring as part of our ambitious work programme to strengthen the resilience of non-bank financial intermediation."

Notes to editors

The FSB created a system-wide monitoring framework to track developments in NBFIs in response to a G20 Leaders' request at the Seoul Summit in 2010. The objective of the monitoring exercise is to identify the build-up of systemic risks in NBFIs and initiate corrective actions where necessary. Complementing this monitoring, the FSB has been coordinating and contributing to the development of policies to mitigate potential systemic risks associated with NBFIs.

The FSB's holistic review of the March market turmoil, sets out an NBFIs work programme, focusing on three main areas: work to examine and address specific risk factors and markets that contributed to amplification of the March 2020 shock; enhancing understanding of systemic risks in NBFIs and the financial system as a whole, including interactions between banks and non-banks and cross-border spill-overs; and assessing policies to address systemic risks in NBFIs. As part of that work, the FSB will identify ways to enhance its annual monitoring exercise (e.g. on data gaps and risk metrics).

The FSB coordinates at the international level the work of national financial authorities and international standard-setting bodies and develops and promotes the implementation of effective regulatory, supervisory, and other financial sector policies in the interest of financial stability. It brings together national authorities responsible for financial stability in 24 countries and jurisdictions, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts. The FSB also conducts outreach with approximately 70 other jurisdictions through its six Regional Consultative Groups.

The FSB is chaired by Randal K. Quarles, Vice Chairman, US Federal Reserve; its Vice Chair is Klaas Knot, President of De Nederlandsche Bank. The FSB Secretariat is located in Basel, Switzerland, and hosted by the Bank for International Settlements.

For further information on the FSB, visit the FSB website, www.fsb.org.