Faculti Summary
https://faculti.net/eu-non-bank-finance-returns-to-growth/

This video discusses the roles and risks associated with banks and non-bank financial intermediaries in the financial system. Banks hold deposit liabilities, make loans, and must adhere to regulatory minimum equity capital. In contrast, many non-bank financial intermediaries, like asset managers, don't have significant balance sheets and are primarily channels for investor funds into various assets. The risks for these assets fall on the investors, not the intermediaries, which often face little regulation and no central bank support during crises.

Key examples of failures, such as the 2008 crisis involving AIG and the recent collapse of the family office Argos, highlight the potential systemic risks these intermediaries pose, particularly through interconnectedness with banks. This video emphasizes that although non-bank entities can diversify risks and channel savings into investments, they can increase systemic debt and liquidity risks.

Specific concerns include the increasing relevance of crypto assets, with both banks and non-bank intermediaries exposed to the volatile crypto market. Moreover, the limited regulation around money market funds and private credit, which has grown significantly, raises alarms among financial authorities. The evolving relationships between banks and non-bank financial actors necessitate better monitoring and regulation to prevent potential adverse effects on financial stability. This video concludes that non-bank financial intermediation has become a critical area of concern for policymakers globally.