



Press release

10 September 2018

ESRB publishes EU Shadow Banking Monitor

The European Systemic Risk Board (ESRB) has today published the EU Shadow Banking Monitor 2018 which covers data up to end-2017. This is the third issue in an annual series that contributes to the monitoring of a part of the financial system that has grown in recent years and, while little changed in 2017, now accounts for around 40% of the EU financial system. While the size of the shadow banking system is important for monitoring purposes, it is not, in itself, a measure of risks and vulnerabilities.

The report identifies several key risks and vulnerabilities in the EU shadow banking system:

- Liquidity risk and risks associated with leverage among some types of investment funds.
- Interconnectedness and the risk of contagion across sectors and within the shadow banking system, including domestic and cross-border linkages.
- Procyclicality, leverage and liquidity risk created through the use of derivatives and securities financing transactions.
- Vulnerabilities in some parts of the other financial institution sector, where significant data gaps prevent a comprehensive risk assessment.

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.

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