Financial disintermediation and the role of monetary policy and financial regulation

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Bank disintermediation is happening!

Total financial assets held by euro area financial corporations
(outstanding amounts; lhs: EUR bn; rhs: percent of nominal GDP)

Debt financing of euro area NFCs
(outstanding amounts; percentages)

Sources: Eurostat, ECB.
Notes: Financial corporations and MFIs excluding the Eurosystem.
Last observation: Q2 2018.

Source: ECB.
Notes: Inter-company loans have been excluded.
Bank disintermediation and monetary policy

Impact of monetary policy on intermediation structure
- Is the low level of yields fostering disintermediation?
- Are non-banks better able to manage a tighter margin environment?
- Incentives for firms to issue market debt

Impact of intermediation structure on monetary policy transmission
- “Waterbed” effect:
  - Originate and distribute model
  - Non-bank lenders and bond markets
- Distributional effects: firms with no access to debt capital markets

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Bank disintermediation and regulation

Impact of regulation on intermediation structure
• Impact of bank capital requirements on bank lending
• Asymmetric regulation and regulatory arbitrage

Impact of intermediation structure on regulation
• Effectiveness of macroprudential policy and “leakages”
• Design of regulation given different implications of bank vs. non-bank finance on growth

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