Banks’ business models: trends towards specialisation or outsourcing to the shadow banking system?

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The costs of the recent global financial crisis have been substantial. Public debt has increased in the countries hit by the crisis. The crisis caused a large output loss. Unemployment is well above pre-crisis levels in advanced economies.
Changing banks

Most G-SIBs have reduced trading and interbank lending, and increased non-trading securities holdings.

Most G-SIBs have increased retail deposits, and reduced short-term wholesale and long-term funding.

- **Customer Loans**
- **Interbank Loans**
- **Trading Assets**
- **Non-trading securities**
- **Other assets**

- **Other funding**
- **Long-term funding**
- **Short-term wholesale funding**
- **Customer Deposits**
Assets of financial intermediaries

Total financial assets

- Banks
- Public financial institutions
- Central banks
- Insurance companies and pension funds
- OFIs

Note: Data from 26 countries, comprising 20 FSB member jurisdictions and euro area countries
Credit, by entity type

Credit by Banks and OFIs

Credit by ICPFs and selected OFI subsectors

Note: Data from 26 countries, comprising 20 FSB member jurisdictions and euro area countries. ICPFs = insurance companies and pension funds.
Narrowing down shadow banking (as of end-2014)

Note: Data from 26 countries, comprising 20 FSB member jurisdictions and euro area countries MUNFI = Monitoring Universe of Non-bank Financial Intermediation (insurance companies (ICs) + pension funds (PFs) + other financial intermediaries (OFIs)).
Relative size of economic functions (at end-2014)

- EF1 – Collective investment vehicles
- EF2 – Loan provision dependent on short-term funding
- EF3 – Market intermediation dependent on short-term funding
- EF4 – Facilitation of credit intermediation
- EF5 – Securitisation-based credit intermediation
- SB not classified into EFs

Note: Data from 26 countries, comprising 20 FSB member jurisdictions and euro area countries
The FSB has been coordinating and contributing to the development of policies to strengthen oversight and regulation of shadow banking, focusing on measures that seek:

(i) to mitigate risks in banks’ interactions with shadow banking entities;

(ii) to reduce the susceptibility of money market funds to “runs”; 

(iii) to improve transparency and align the incentives in securitisation;

(iv) to dampen procyclicality and other financial stability risks in securities financing transactions (such as repos and securities lending); and 

(v) to assess and mitigate financial stability risks posed by other shadow banking entities and activities.
Bank-OFI interconnectedness

Assets and liabilities of banks to OFIs as percent of bank assets

Note: Data from 26 countries, comprising 20 FSB member jurisdictions and euro area countries
Growth in EF1

Growth in assets of funds with features that make them susceptible to runs

Note: Data from 26 jurisdictions, comprising 24 FSB member jurisdictions plus Ireland and Chile.
Annex - Notes

Note: Data on slides 4-7 from: Argentina, Australia, Brazil, Canada, Chile, China, France, Germany, Hong Kong, India, Indonesia, Ireland, Italy, Japan, Korea, Mexico, Netherlands, Russia, Saudi Arabia, Singapore, South Africa, Spain, Switzerland, Turkey, United States, and United Kingdom.

Data on slide 9 does not include China, Hong Kong, Japan, Korea and Singapore.

Banks = deposit-taking institutions.

ICPFs = insurance companies and pension funds.

OFIs = other financial intermediaries.

SB not classified into EFs = Residual OFI with some shadow banking risks but not classified into any of the five economic functions.

Some underlying series have breaks.

Sources: National flow of funds data; other national sources, FSB calculations.