



## **‘Non-Bank Finance and Financial Intermediation’ Naples, 18-19 June 2019**

Banca d'Italia, Banque de France and the World Bank Group jointly organized the 2019 edition of the Euromed Workshop on the topic of ‘Non-Bank Finance and Financial Intermediation’. The objective of this closed-door event was to facilitate high-level policy dialogue between Euro-Mediterranean countries with differing economic structures and financial systems, concentrating on the different types of non-bank finance. The event was held on 18 to 19 June 2019 in Naples, at Banca d'Italia's regional branch.

Participants from central banks and financial authorities across the eurozone, southeast Europe, the Middle East and North Africa, together with representatives from international and regional economic organizations, discussed the main opportunities and risks of non-bank finance from both national and systemic perspectives. Participants shared views on policies that can not only effectively mitigate these risks but also foster an environment that promotes financial deepening and stimulates a more diversified financial system.

Non-bank financial intermediaries (NBFIs) are financial intermediaries that do not have a banking license but provide financing and other financial services, such as asset management, insurance and payments, including firms conducting technology-enabled innovation in financial services (fintech). Non-bank finance can be an opportunity to develop a more diversified credit supply, increase access to financial resources, and enhance competition and efficiency in the financial sector. On the other hand, it can also entail significant risks for the financial system. Many of these intermediaries are involved in maturity and liquidity transformation through both credit and investment products. There are also risks related to credit growth, excessive leverage, and interconnectedness through funding or operational dependencies. These risks can be exacerbated because NBFIs can operate fully or partly outside the robust regulatory perimeter. These issues pose new challenges to regulatory and supervisory authorities.

Important policy issues were examined, such as the role of NBFIs in fostering economic growth through increased access to finance for SMEs and their role as a source of innovation. The workshop also addressed the regulatory and supervisory framework for non-bank finance and macroprudential supervisory tools for the NBFI sector. Attention was also devoted to partnerships and to new technology as a way to expand the outreach of NBFIs, while considering the opportunities and risks inherent in fintech services and the appropriate oversight responses. Participants took stock of the recent announcement of new digital currency platforms by social media companies.