



Press release

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ESRB publishes EU Non-bank Financial Intermediation Risk Monitor 2024

The European Systemic Risk Board (ESRB) has today published the EU Non-bank Financial Intermediation Risk Monitor 2024 (NBFi Monitor). This edition of the annual series highlights the key cyclical and structural risks associated with non-bank financial intermediation, specifically investment funds and other financial institutions (OFIs), in 2023. The NBFi Monitor uses both entity and activity-based monitoring to provide a holistic assessment of financial stability risks.

At the current juncture, structural vulnerabilities in NBFi could amplify cyclical risks to EU financial system stability owing to the impact of higher interest rates. Tighter financing conditions, coupled with slow growth, could amplify credit risk. This could lead to losses and put a strain on non-bank financial intermediaries engaged in liquidity transformation, especially those with direct exposures to interest rate-sensitive sectors such as real estate, or those that rely on leverage.

These risks could materialise in all NBFi segments. This edition of the report shows that high leverage, which is typically associated with alternative investment funds (AIFs), can also build up in some undertakings for collective investment in transferable securities (UCITS) that pursue hedge fund-like strategies. It also explores interconnectedness, including the market footprint of investment funds and OFIs, as well as cross-exposures within the investment fund sector.

The NBFi Monitor 2024 also includes three special features focusing on specific risks and vulnerabilities.

- **Ownership structure of EU fund managers** – most EU fund managers belong to banking groups; ownership links between fund managers and other financial institutions can create reputational or step-in risk.

- **Growth of private finance** – while vulnerabilities in private finance do not seem to pose an immediate concern from a systemic risk perspective, a continuation of the rapid growth observed in recent years could lead to the sector becoming systemically relevant.
- **Money market funds (MMFs)** – the global role played by EU-domiciled MMFs and the regulatory reforms taking place outside of the EU call for a comprehensive assessment of the EU regulatory framework on MMFs to ensure resilience.

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