

Shadow Banking Activities and the Role of Traditional Intermediaries

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Abstract

In this paper I go through the evolution of modern banking to focus on a set of credit-related activities conducted outside the regulated perimeter of traditional institutions, and generally recognized as shadow banking. I summarize various related contributions that have shaped the fast growing academic debate in the aftermath of the recent financial crisis, in the view that these practices do represent more a natural evolution of the credit intermediation system, than a costly inefficiency. A relevant challenge is then constituted by the need of measuring the involvement of traditional banks in order to shape regulatory efforts accordingly and prevent threats to financial stability. While most of the activities related to the securitization processes do not appear on banks' books, some of them are partially reflected on off-balance sheet exposures (OBS). In order to trace the participation of publicly enhanced entities and understand the determinants of this sort of activities, I conduct an introductory analysis on European banks data from Bankscope. Country- and bank characteristics prove to be significantly correlated with the extent to which banks get exposed to OBS activities, which in turn might play a determinant role in shaping the bank business model, impact lending dynamics and influencing the transmission of monetary policy.

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