



Press release

1 September 2025

ESRB publishes EU Non-bank Financial Intermediation Risk Monitor 2025

- Report outlines risks from leverage, liquidity mismatch and interconnectedness
- Non-bank vulnerabilities could amplify cyclical risks to financial stability

The European Systemic Risk Board (ESRB) has today published the [EU Non-bank Financial Intermediation Risk Monitor 2025](#) (NBFIM Monitor) highlighting key cyclical and structural risks related to non-bank financial intermediation.

Leverage, liquidity mismatches and interconnectedness remain key vulnerabilities across the NBFIM sector. Though typically associated with alternative investment funds, high leverage is also prevalent in certain undertakings for collective investment in transferable securities (UCITS funds) designed for retail investors. These funds pursue hedge fund-like strategies, exposing them to significant market and liquidity risks.

This year's report also examines the role of captive financial institutions (i.e. subsidiaries of non-financial companies providing financial services exclusively to the parent and its affiliates) in facilitating liquidity and financing within transnational corporations. It explores their interconnectedness with private equity and real estate funds and the systemic risks this could pose. These topics, alongside carry trade activity by global hedge funds and the use of bank lending by real estate investment funds, are covered in five special features. Additionally, the report looks at the growing importance of private finance, with non-bank credit provision increasingly complementing traditional bank funding.

Given ongoing macroeconomic challenges and heightened market volatility, structural vulnerabilities in non-bank financial intermediaries could amplify cyclical risks to the stability of the EU financial system. Persistent geopolitical tensions, tighter financial conditions and subdued growth prospects could exacerbate credit and market risks. This may result in significant losses and strain non-bank financial intermediaries engaged in liquidity transformation, particularly those with concentrated exposures to US technology stocks or commercial real estate, or those reliant on high leverage. Moreover,

vulnerabilities linked to liquidity mismatches and interconnectedness within the NBFIs sector could magnify the impact of market stress and destabilise the broader financial system.

For media queries, please contact [François Peyratout](#), tel.: +49 172 8632 119.