[Final: 25 March 2026]

RESOLUTION [XX 2026]

COMMITTEE ON INTERNATIONAL MONETARY LAW

Non-Bank Financial Intermediation (NBFI) and Financial Stability

The 82nd Conference of the International Law Association, held in Vienna, Austria, 17-21 August 2026:

HAVING CONSIDERED the report of the Committee on International Monetary Law;

NOTING:

FIRST that global financial stability and sound prudential supervision of financial institutions, markets and payment systems are essential for sustainable economic growth, employment, trade and investment and the effective implementation of sound monetary policy;

SECOND that the global and domestic economies are interconnected so that a financial crisis in one significant part of the financial sector can rapidly trigger contagion across other parts of the financial sector with widespread negative economic consequences;

THIRD that the international institutions and standard setters established to promote and preserve global financial stability (including the International Monetary Fund, the Bank for International Settlements, the Financial Stability Board, the Basel Committee on Banking Supervision, the Financial Action Task Force and others), regional and national Central Banks and other domestic financial authorities (hereinafter "International and Domestic Monitoring Institutions") recognise the need to cooperate with each other to promote the sound and effective regulation and supervision of financial institutions within and across their jurisdictions in order to maintain global financial stability and promote sound prudential supervision across the financial sector within their mandates;

FOURTH that financing outside the traditional banking system by Non-Bank Financial (NBF) institutions, which constitute a diverse group that includes insurers, pension funds, hedge funds, investment funds, sovereign wealth funds, business development companies, technology platforms, decentralised networks, high-net-worth individuals, and other unregulated or lightly regulated private entities and funds, has had startling growth, beginning in the US, and expanding in Europe, Asia and elsewhere. NBFI is said to have increased at least 4 times since 2013, to now exceed bank finance to corporate borrowers, and to hold about half of the world's financial assets. A significant amount of NBFI growth is supported by banks, highlighting the interconnectedness of the financial system, and current investment demands and technological advances indicate that NBFI will continue to grow;

FIFTH that some NBF institutions (including insurers and pension funds) are well regulated and supervised in many jurisdictions, while many NBF institutions are subject to light, minimal and differing amounts of regulation and supervision. Moreover, lack of accurate and complete data concerning a sizeable part of NBFI makes it difficult to assess liquidity and risks associated with NBFIs, including especially the increasing cross-border impact of non-bank activities. NBFI benefits economies in many ways, including the facilitation of capital markets through market-making and other activities, debt and equity liquidity provision, and diverse forms of credit provision for private companies, real estate and crypto markets. However, to the extent to which the data is said to be known, many International and Domestic Monitoring institutions have expressed concerns that NBFI activity may pose financial stability and conduct risks. Unreliable private credit ratings of some NBFI, excessively risky lending by some non-bank companies, the impact on bond markets of unexpected investor redemptions from funds facing liquidity constraints or in crisis situations, compound the risk assessment. This may present systemic risk arising from significant linkages between NBFI and the global banking system and data gaps, amplifying vulnerabilities across the financial sector;

CONCLUDING that the vast growth of NBFI activities in global finance today requires that further steps be taken to identify and monitor such growth and to assess whether and which NBF institutions should be subject to increased macro- and micro-regulatory and supervisory frameworks. This is critical to safeguard global financial stability and to ensure sound prudential supervision in support of sustainable global growth;

CALLS ON:

A. The International and Domestic Monitoring Institutions to continue their efforts to safeguard global and domestic financial stability and promote robust prudential practices across all public and private financial sector institutions within their mandates, with particular focus on NBFI and lightly regulated or unregulated NBF institutions and prioritising legal and policy reforms to support the outcomes recommended below;
B. The international standard setters and national regulators to strengthen the collection, analysis and public transparency (when needed for investor and consumer protection) of information (including data) related to NBFI especially regarding levels of leverage, liquidity, and contagion risks arising from interconnectedness with banks and other financial institutions;
C. The International and Domestic Monitoring Institutions to enhance cross-sectoral and international regulatory cooperation and coordination to improve asset risk assessment and to reduce systemic risk. Of special importance is the need to enhance the promotion of commonly accepted sound macro-prudential tools and measures that can then be applied to reduce any systemic risks that are identified;
D. The International and Domestic Monitoring Institutions, within their respective mandates, to monitor closely, in particular, prudential risks of NBFI activity. This monitoring should address in particular those NBF institutions that are characterised as systemically important financial institutions, in a way that is both supportive of reputable regulated NBF institutions and protective of investors and consumers. Achieving this may require the broadening, by legislatures if needed, of financial regulatory and supervisory perimeters to encompass insufficiently regulated NBF institutions.

E. The International and Domestic Monitoring Institutions to collectively consider the development of a better understanding of the business models and risks of each type of NBF institution and of whether and how Central Banks and other domestic financial authorities can best regulate or supervise those entities to ensure financial stability.

F. The international standard setters and national regulators to increase the clarity of the mechanism and responsibilities of public or private sector entities for providing assistance, particularly timely liquidity, during crises arising from NBFI activity, ensuring coordinated and effective intervention when NBFI-related risks could threaten the broader financial system.

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