Workshop *"The Micro and Macro of Financial Intermediation"*
Opening Remarks by Stephany Griffith-Jones, Vice Governor of the Central Bank of Chile
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It is a pleasure to welcome you all to the workshop titled ***The Micro and Macro of Financial Intermediation***. I am especially pleased to see so many distinguished researchers and policy experts from academia and central banks joining us today —your participation speaks to the relevance of the topics we will be discussing.

To our international guests, I would like to share that the Central Bank of Chile has just celebrated its centennial. Over the years, the Bank has faced a range of challenges: the banking crisis of the early 1980s, global financial crises, natural disasters, and more recently, the COVID-19 pandemic. In each of these moments, the Bank's response was guided by a clear objective—preserving financial stability. This has meant stabilizing the banking sector during times of stress, ensuring the continuity of the payment system after a natural disaster, providing liquidity when needed, and preserving the transmission of monetary policy amid global uncertainty. These experiences highlight a simple but important idea: financial stability is essential for economic stability and economic progress, and a key channel through which central banks pursue their primary objective—price stability.

We all understand that financial intermediaries play a central role in allocating credit and risk—but this role comes with inherent vulnerabilities. Intermediaries engage in maturity transformation, take on leverage, and are exposed to liquidity risk. These features have been recognized for decades. However, the financial sector is in constant change. Today, banks face greater competition from non-bank intermediaries, as households and firms increasingly channel savings outside the traditional banking system. This shift has the potential to weaken the stability of deposit funding. At the same time technology and real-time payments have accelerated the movement of funds—depositors and investors now reallocate money in minutes rather than days. Social media further amplifies coordination during periods of stress, as the Silicon Valley Bank episode showed. Financial institutions themselves have become increasingly complex, both in their business models and portfolio structures. The risks financial institutions face today are not the same as those of the past. Regulation has evolved but so have the channels through which shocks propagate.

At the Central Bank of Chile, we are committed to staying ahead of the curve. This means continuously strengthening our analytical capabilities and deepening our understanding of the financial system. We know that credibility and effectiveness in monetary and financial policy depend not only on solid frameworks, but also on our ability to interpret a fast-changing environment. Financial innovation, new technologies, and evolving market structures demand that we remain vigilant, adaptive, and informed. This is not just a technical necessity; it is our responsibility. Our mission requires us to anticipate risks, understand emerging dynamics, and respond with clarity and purpose. That is why spaces like this workshop are so valuable: they allow us to engage with new ideas, challenge assumptions, and reaffirm our commitment to rigorous, forward-looking policymaking.

Over the next two days, we will address key topics in financial intermediation from both micro and macro perspectives. This workshop brings together researchers from international and local institutions to discuss empirical evidence and theoretical developments relevant to the financial system.

The first session, “Household Balance Sheets and Economic Outcomes,” will highlight how households with diverse characteristics manage their balance sheets—and how this heterogeneity shapes the effects of shocks and policy interventions. We will examine how household participation in equity markets influences the strength of monetary policy, how the phenomenon of “coholding”—simultaneously holding liquid assets and debt—changes spending responses to income shocks, and how liquid wealth shocks affect borrowing across different household types. Together, these findings highlight the pivotal role of household heterogeneity in shaping the effectiveness of monetary and financial policies.

The second session shifts focus to the liabilities side of financial intermediation. Here, we will consider some vulnerabilities in bank funding structures. We will see how institutions—especially larger ones—become more fragile when they rely heavily on uninsured deposits in times of rising interest rates. Regulations that scale with bank size, such as size-dependent capital buffers, appear more effective in containing fragility than uniform requirements. At the same time, in the euro area, deposit rates often adjust slowly and unevenly to changes in policy rates, reflecting differences in depositor behavior, market structure, and individual bank characteristics. These insights remind us that factors like prudential design and funding market structures play a crucial role in shaping deposit dynamics.

The third session, "Financial Intermediaries and Credit Allocation," will reveal how competition, collateral, and fragility shape the allocation of credit. Evidence from Ecuador suggests that banks can sometimes behave more like joint profit maximizers than competitors—resulting in higher interest rates and lower credit activity. In the U.S., real estate markets reveal the power of the collateral channel: rising collateral values ease borrowing constraints and fuel credit growth. Finally, unconventional monetary policy can have unintended consequences. By attracting riskier deposits from non-bank financial institutions, it may impair banks' ability to provide liquidity through credit lines, ultimately curbing firms' investment. Together, these findings highlight the importance of policy design to consider competition, collateral dynamics, and funding structures to promote an efficient flow of credit to firms and households.

The fourth session, "Shifts in Financial Market Structures: Technologies, Trends, and Impacts," explores how innovation and regulation are transforming financial markets. We will examine how India's open payment infrastructure has expanded financial access, but also encouraged riskier, less diversified investment among retail participants. We will see how fintech lenders in the U.S. mortgage market excel at acquiring clients, but often at higher fees. We will also discuss how the implementation of a macroprudential rule in Chile has modified its mortgage market, influencing both the range of products available and their pricing. These diverse cases illustrate a shared lesson: while technological and regulatory shifts can enhance market efficiency and inclusion, they must be accompanied by robust safeguards—such as transparent pricing, consumer protection, and effective oversight— to prevent the emergence of new vulnerabilities in financial systems.

On behalf of the Central Bank of Chile, I would like to extend my gratitude to all the participants, discussants, and attendees for joining us today. This event will undoubtedly enrich the ongoing dialogue in financial intermediation. I also want to thank José Gabriel Carreño and Pedro Roje for their work in setting up this program, as well as Laura Carvajal, Francisco Inostroza, and our Institutional Affairs Department for their essential contributions to making this event possible. I wish you all two days of exciting discussions, and a pleasant stay in Santiago.