Chinese shadow banks have not undergone the process of disintermediation, unlike their counterparts in the United States. Rather, they have merely replaced traditional banks as the primary credit intermediary. As a result, the risk facing shadow banks in China is identical to traditional banks: maturity mismatch at the institutional level. To mitigate this risk of Chinese shadow banks, a key solution would be to reinforce the regulatory framework of traditional banking and apply these principles to shadow banks carrying out credit intermediation. This would both level the playing field and deter regulation arbitrage. More importantly, to address such risk on a systemic level, the whole financial system would need to upgrade in two key ways: first, by synergizing the institutional level with the market level, and second, by eliminating the adverse effects of financial repression. The new rules adopted since 2018 appear conducive to ensuring that Chinese shadow banking activities will align with global practices and supplement traditional financial business in a healthier and more compatible manner.

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