

Shadow banking, cryptos, fintech

(and symbiosis of finance and crime)

Shadow banking



Contrary to the implication of its name, “shadow banking” is not (necessarily) illegal

The **shadow banking system** is a term for the collection of non-bank financial intermediaries (NBFIs) that legally provide services similar to traditional commercial banks but outside normal banking regulations.

[Wikipedia: 16 October 2025](#)

Size and actors

- At end-2022, shadow banking institutions held around \$63 trillion – equivalent to 78% of global GDP
- Up from \$28 trillion and 68% of world GDP in 2009
- Nearly half of all financial assets.
- The actors operate outside the system of regulated depository institutions (i.e. banks).
- Activities not insured.

Examples of NBFIs include [hedge funds](#), [insurance firms](#), [pawn shops](#), [cashier's check](#) issuers, [check cashing](#) locations, [payday lending](#), [currency exchanges](#), and [microloan organizations](#), and mutual funds, etc.

The phrase "shadow banking" is regarded by some as pejorative, and the term "**market-based finance**" has been proposed as an alternative

These activities are unregulated

NBFIs played an important role in repacking mortgage loans into mortgage-backed securities leading to the subprime crisis.

Shadow banking has continued to grow since, especially as banking has become more regulated.

Investment (and commercial) banks may also carry out shadow banking activities, via off-balance-sheet (OBS) securitisations, etc.

Shadow Banking Activities

Shadow banking entities act as intermediaries between large borrowers and lenders (earnings from interest rate spreads and fees). Their activities include ([Investopedia](#)):

include [maturity](#) transformation (converting short-term funds into longer-term investments),

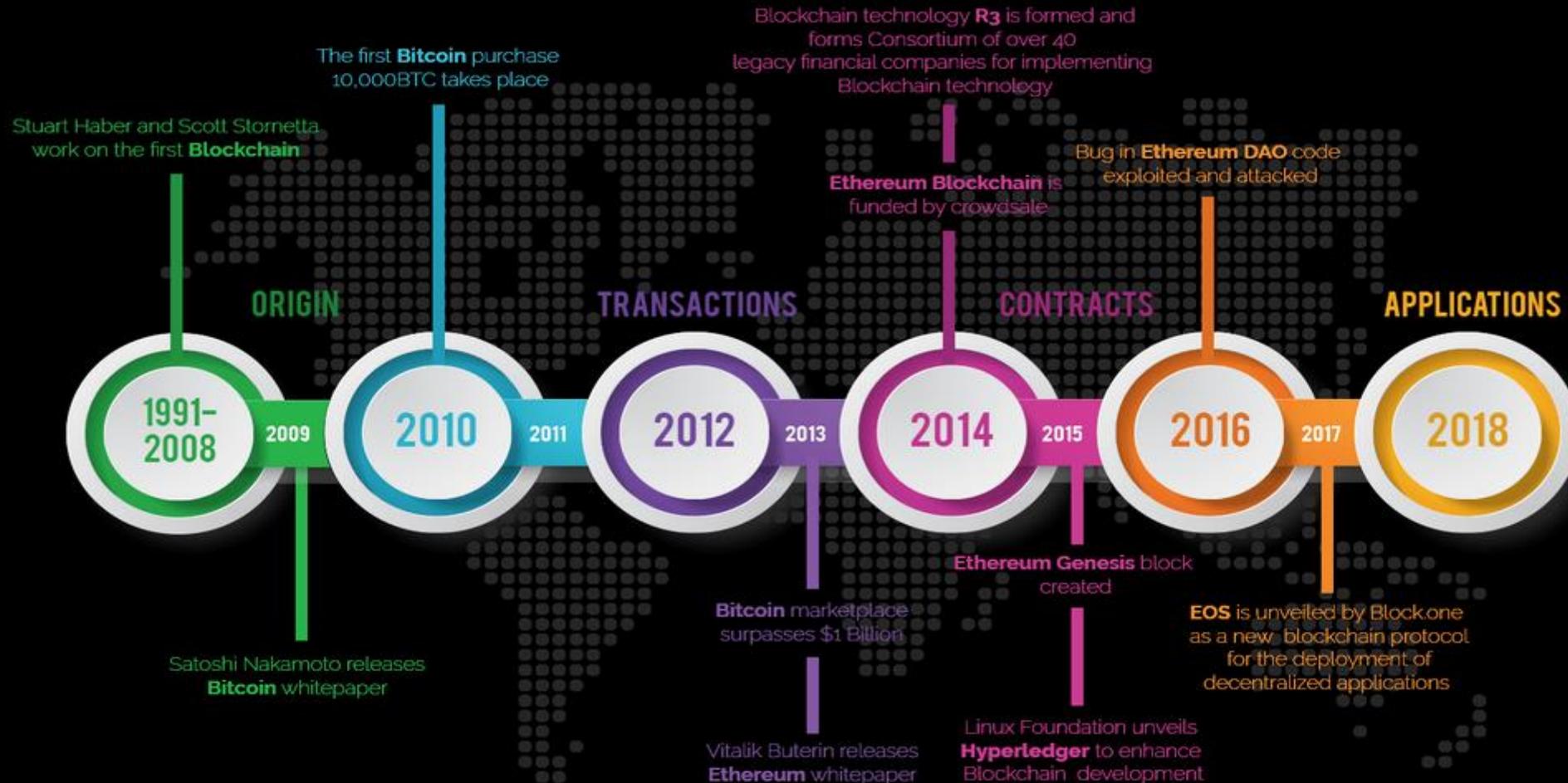
[liquidity](#) transformation (converting cash or similar assets into investments that are harder to sell),

[credit risk](#) transfer (relocating the risk of default on a loan from the lender to another party), and

[leverage](#) (using borrowed money to increase potential returns).

Cryptos – the timeline of blockchain

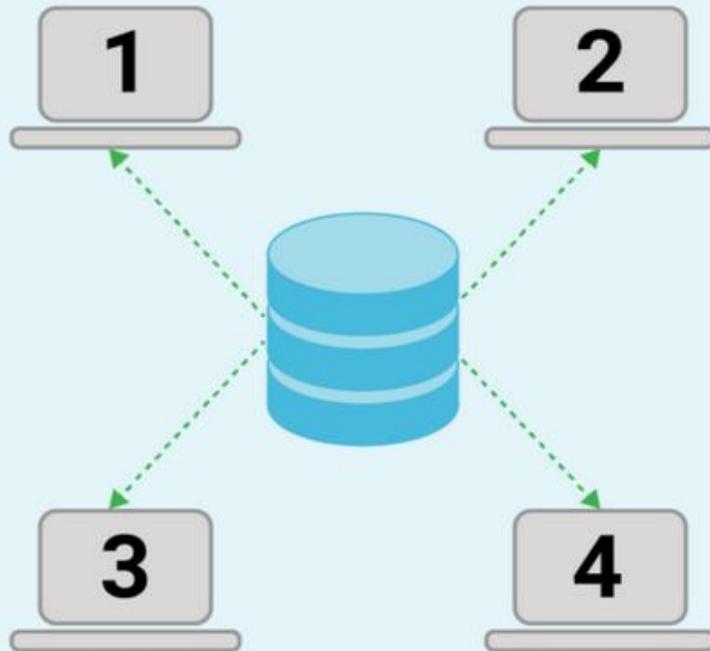
THE HISTORY OF BLOCKCHAIN TECHNOLOGY



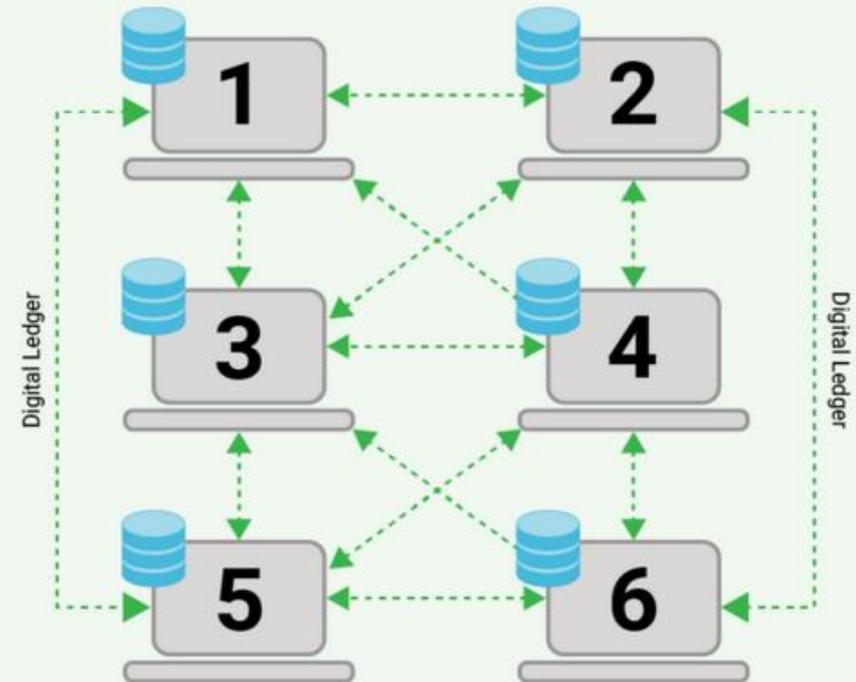
Decentralised ledgers – and transaction recording

CENTRALIZED DATABASE vs BLOCKCHAIN

Centralized Database



Blockchain Database



Bitcoin



Bitcoin logos made by Satoshi Nakamoto in 2009 (left) and 2010 (right).

The “[White Paper](#)” by Satoshi Nakamoto published August 2008

21 million Bitcoin created

Total number in circulation 19.9 million, value of \$2.2 trillion (16 October 2025)

“Miners” collect pending transactions, verify them and group them into blocks of the chain.

To validate a block, they compete to solve a complex cryptographic puzzle, known as the hash function.

Successful miners receive Bitcoin as payment

The historical value of Bitcoin – major fluctuations, and a “random walk” in short term??

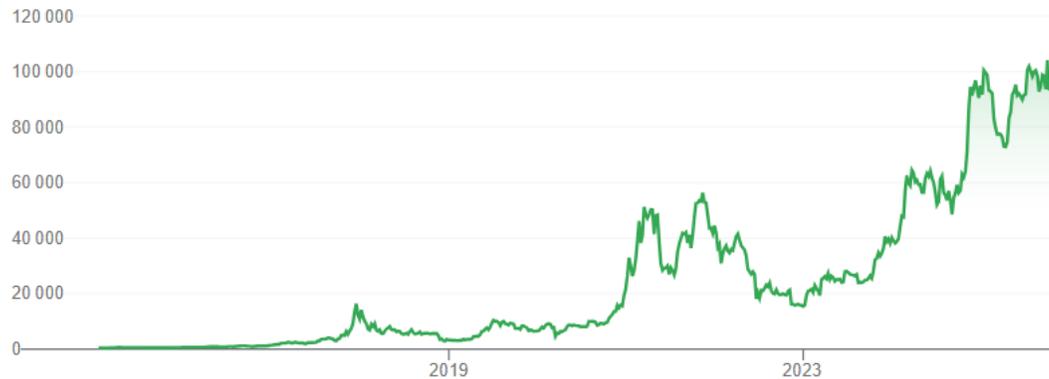
Récapitulatif des marchés > Bitcoin

95 377,06 EUR

+94 980,50 (23 951,36 %) ↑ depuis le début

16 oct., 10:11 UTC · [Clause de non-responsabilité](#)

1 j | 5 j | 1 m | 6 m | YTD | 1 a | 5 a | Max.



1

BTC ▾

95377,06

EUR ▾

Récapitulatif des marchés > Bitcoin

95 377,06 EUR

+5 091,00 (5,64 %) ↑ début de l'année

16 oct., 10:11 UTC · [Clause de non-responsabilité](#)

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BTC ▾

95377,06

EUR ▾

The Trumps – since January 2025



Source: Financial Times, 16 October 2025

The Trump administration has:

- Deregulated crypto markets and promoted blockchain adoption.
- Created a national Bitcoin reserve.
- Banned CBDC development.
- Advanced pro-industry legislation through the GENIUS Act.
- Sought to make the U.S. the global center for digital assets.

Total market (October 2025)

There are approximately 22,000 to 25,000 crypto assets, worth \$4.2 to \$4.5 trillion

including:

Bitcoin (45%) and Ethereum (17%-20%)

Stablecoins

Tokens representing assets (NFTs)

Utility tokens

Governance tokens

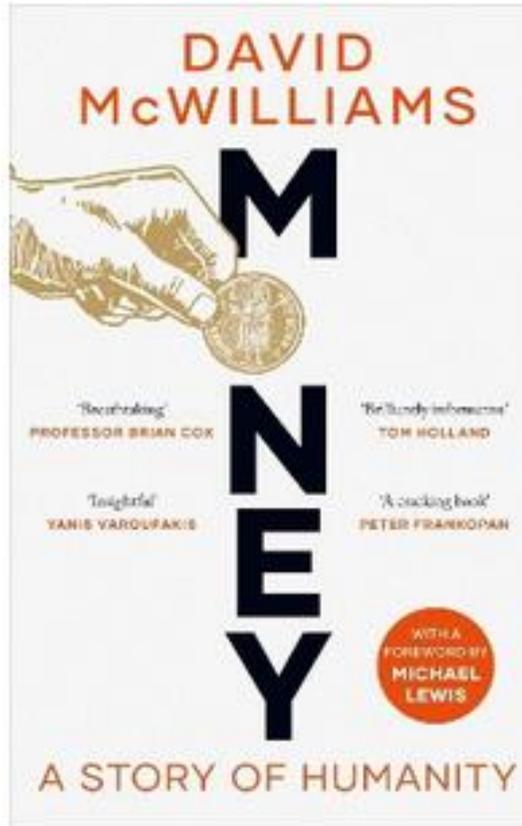
(see: [Saturday Night Live video on NFTs](#), inspired by Eminem)



Beeple

Sold at Christies in 2021 for \$69.3 million

Cryptos are a scam (David McWilliams, 2024)



Economists don't really understand money
– its lure – its sexiness

Cryptos cannot be used as a payment
because of volatility

They are not a real asset because there is
no underlying income stream

A pure speculative gamble

The crypto world, having decried
government, is now seeking official
recognition of cryptos.

Fintech – at best, new, cheaper services



- Metal card**
€16 per month:
- Financial Times
 - Perplexity Pro
 - Masterclass
 - WeWork

Fintech in Africa

Top 11 African Fintechs to Watch in 2025



John Haule, Founder/CEO at Swahilies – 14 September 2025 ⌚ 6 Mins Read

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Closing the “digital gap” and supporting “financial inclusion”.

“In 2022, the whole of Africa (including North Africa) accounted for more than two-thirds of global mobile financial transactions in volume and value.”

“the share of people with a mobile money account in [SSA...] almost tripled in [...] 7 years”: from 12% in 2014 to 33% in 2021

European Investment Bank, [Ch 5 Digital services in Africa](#), 2024.

What are the main areas... of fintech today?

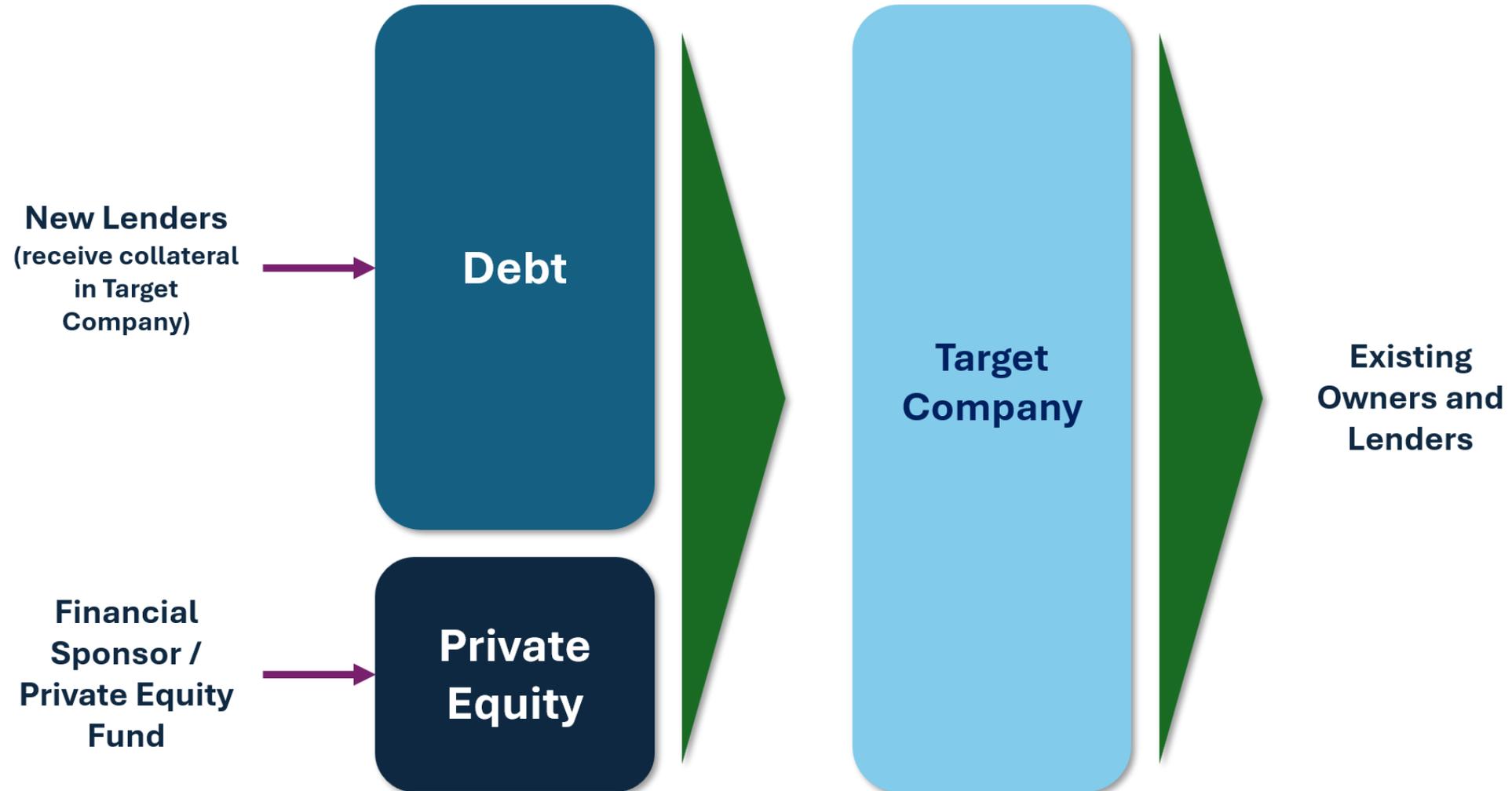
(Perplexity Pro query, 16 October 2025)

- **Payments and Digital Wallets:** Fintech is revolutionizing payments with diverse options including instant payments, peer-to-peer transfers, direct-carrier billing, and the growing use of stablecoins as payment methods. There's a strong focus on "glocal" payment solutions that blend global reach with local preferences (e.g., WeChat Pay, UPI, Pix).
- **AI and Machine Learning (ML):** AI drives personalization, credit scoring, fraud detection, underwriting, and automation of workflows. Advanced ML models analyze big data to provide smarter financial products and decisions.
- **Embedded Finance and APIs (application programming interfaces):** Fintech uses open banking APIs to integrate financial services like budgeting, lending, insurance, and payments directly into non-financial platforms, increasing accessibility and convenience.
- **Blockchain and Decentralized Finance (DeFi):** Blockchain technologies enable smart contracts, decentralized lending, and tokenization beyond cryptocurrencies, reshaping traditional financial mechanisms.
- **RegTech and Compliance Automation:** AI-powered real-time compliance and regulatory reporting are increasing, responding to evolving legal frameworks such as PSD3 in the EU.
- **Biometrics and Cybersecurity:** Behavioral biometrics and continuous identity verification improve security while enhancing user experience. Cybersecurity innovations are critical to protecting sensitive data.

... and the main characteristics (ibid)

- **Customer-Centric and Personalized:** Fintech extends hyper-personalized financial products based on individual behavior and preferences using AI-driven insights.
- **Real-Time and Seamless:** Instant transactions and frictionless payment experiences are standard, reshaping customer expectations for speed and convenience.
- **Digital-First and Interactive:** Fintech platforms offer highly engaging digital interfaces that encourage active financial management and literacy.
- **Sustainability and Ethical Focus:** ESG integration and green finance solutions are becoming embedded in product design, aligning financial services with broader sustainability goals.
- **Security and Trust:** Elevated security measures around data protection and fraud prevention engender higher customer trust.

“Private Equity” began in 1980s with LBOs



Tax avoidance – evasion - fraud

- Large companies relocate profits to low-tax jurisdictions
- “Double Irish and Dutch sandwich”

“At least 55 of the largest corporations in America paid no federal corporate income taxes in their most recent fiscal year...”

[Matthew Gardner and Steve Wamhoff](#)

“For many decades now London has been rolling out the red carpet to corrupt and criminal individuals from around the world. “

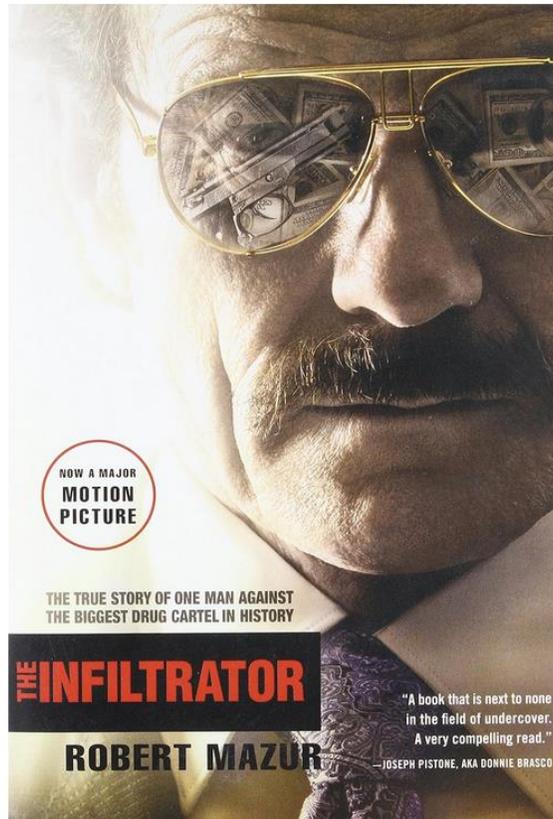


FT Film: “[How London became the dirty money capital of the world](#)”,
22 April 2022

Mafia links with finance

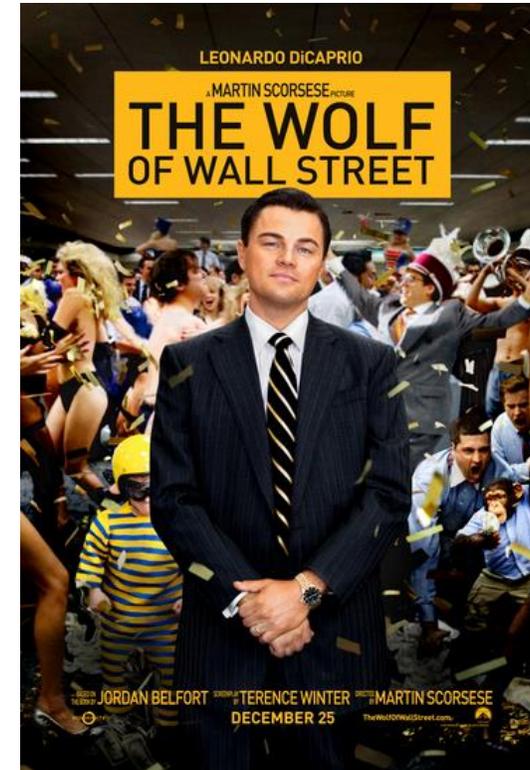
A supplier of services

Money laundering



Consumer of products

Drugs and prostitution



Takeouts

- New forms of finance are permanently emerging
- For **David McWilliams, 2024**, the regulators are chasing the private agents and the markets in controlling money
- Cryptos are not money, but they can be a form of asset
- The availability of capital is one key factor driving growth
- Banking inclusion is bringing more and more people into global capitalism
- Will there be a fragmentation of global capital markets?
- Finance and the Mafia have a symbiotic relationship