Financial Advisory Roundtable Meeting

April 25, 2025

Agenda

Financial Markets Evolution: Private Rooms, Private Credit, and Passive Investing

1. What are the risks and benefits associated with equity trading moving off traditional exchanges?

    a. What are the key drivers behind the growing use of dark pools and the emergence of even more exclusive private trading venues ("private rooms")?

    b. How does the increasing reliance on dark pools impact market liquidity and price discovery? To what extent does it create "phantom liquidity"?

    c. Why does fixed income trading exhibit opposite trends, e.g., increased electronic trading, enhanced transparency, etc? What does this divergence signal about market structure?

2. How does the rise of passive investment vehicles reshape market stability and risk transmission?

    a. To what extent does passive investing distort the price discovery process, particularly during periods of market stress?

    b. In what ways might the growth of passive investing affect the risk profiles of traditional financial institutions and NBFIs? Could this undermine diversification and innovation?

    c. What role does passive investing play in corporate governance? Does it weaken shareholders activism and long-term value creation?

3. What are the financial stability implications of the growth of private credit markets?

    a. In what ways could the growth of private credit lead to potential risks in liquidity and solvency for borrowers, particularly during economic downturns?

    b. What factors have driven the creation of passive funds for private credit markets? What risks arise from the increased participation of retail investors in these products?

4. To what extent do these trends reflect deeper structural shifts in market intermediation, risk-taking, and the role of traditional banks?

    a. How should financial institutions, investors, and regulators adapt to the evolving landscape?

    b. With increasing risk transfer and partnerships between banks and non-bank financial institutions, what potential stress scenarios could reveal vulnerabilities in their interconnectedness?

    c. Are existing regulatory frameworks equipped to handle these transformations? What measures could help mitigate systemic risks arising from these shifts?

    d. How might trading platforms, passive investment products, and private credit evolve in the coming years?