Private credit in focus: Observations on the FSB's report

What's driving regulatory expectations and how firms can respond

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Executive summary

The Financial Stability Board (FSB) recently highlighted vulnerabilities arising from the rapid growth of private credit. The market has expanded from approximately US$40 billion in 2000 to around $2.3 trillion by the end of 2025 – an average annual growth rate of approximately 18% – and is projected to exceed $4 trillion by 2030.[1] The governance, transparency and risk management frameworks underpinning its growth are under increasing regulatory scrutiny. The FSB, the International Organization of Securities Commissions (IOSCO), and national supervisors have shifted their focus from monitoring market developments to reinforcing market resilience. The central regulatory question is not whether private credit should keep growing but whether firms can scale it in a way that is transparent, resilient and suitable for a broader investor base. This paper sets out regulatory concerns shaping supervisory agendas and practical actions that firms can consider in response.

The regulatory agenda

Globally, regulatory authorities have coalesced around eight core areas of concern: transparency, valuation discipline, credit risk, related-party conflicts, concentration risk, liquidity management, retail investor protection and systemic interconnectedness. Transparency is the overarching priority – limited borrower-level disclosure and inconsistent reporting make it difficult for regulators to assess leverage, counterparty interconnectedness and emerging concentrations of risk. The FSB's proposed monitoring metrics signal that formal reporting obligations will follow.

Recent market developments have moved these concerns from theoretical to tangible. Recent defaults within parts of the sector have raised questions about underwriting standards, collateral quality, the reliability of model-driven valuations and the robustness of credit risk assessment processes – particularly where borrowers lack public ratings or comparable market benchmarks. At the same time, redemption pressures affecting certain semiliquid funds have raised regulatory concerns about potential liquidity mismatch at the heart of evergreen structures. Together, these events are accelerating regulatory attention, where authorities are examining the case for enhanced governance and oversight across the private credit ecosystem.

Systemic risk now sits at the heart of supervisory attention, with regulators increasingly focused on the interconnection between private credit, banks, insurers, and private equity firms, and the potential for those linkages to transmit stress across the wider financial system. The FSB notes that US backed insurers now control nearly US$900 billion in insurance liabilities – up from US$67 billion in 2012.[2] Related-party transactions between PE firms and affiliated insurers are drawing close attention, as regulators focus on risk transfer, valuation discipline or concentrated exposures. Sector concentration in industries such as software, healthcare and business services – combined with the potential effects of artificial intelligence (AI) disruptions – adds a further layer of vulnerability. Importantly, the sector has not yet been tested through a complete credit cycle, a point that regulators are acutely aware of.

The regulatory response

Globally, regulatory responses are accelerating. The Bank of England (BoE) has recently launched the scenario analysis phase of its second system-wide exploratory scenario (SWES) exercise focused on the systemic interconnectedness of private credit markets.[3] The European Union's Alternative Investment Fund Managers Directive (AIFMD) II has introduced harmonized leverage caps and expanded transparency requirements.[4]

While US regulators are considering further opening of retirement channels to alternative investments, with continued monitoring over funds with private credit strategies – particularly where these are funded through PE-backed insurers, linking insurance balance sheets more directly to private credit markets. Meanwhile, Australia's Securities and Investments Commission (ASIC) has published supervisory expectations following its review of private credit funds. The direction of travel is clear: more reporting, greater transparency, and increased oversight of how private credit products are designed, distributed, valued and monitored.

Regulatory concerns about private credit

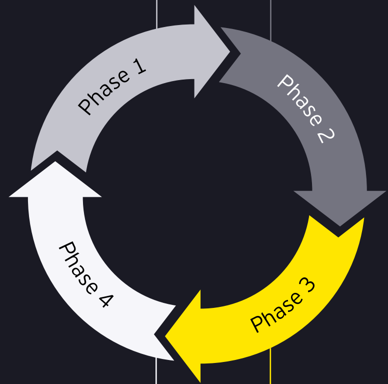
The Financial Stability Board (FSB) recently published a report on vulnerabilities in private credit, clarifying the concerns that the global regulatory community has voiced in recent years about this market segment. Private credit has grown in size and importance over the past decade, providing an additional source of financing to companies and support to the real economy. Private credit's growth in scale, complexity and importance to the financial system has attracted increased attention from regulators and supervisors. Recent high-profile bankruptcies have contributed to ongoing discussions about potential financial stability implications and have led to greater regulatory engagement with the sector. The FSB's report warns that private credit's complexity, leverage and interconnectedness could amplify stress in adverse scenarios, posing broader risks to financial stability. In this report, we examine the evolving regulatory landscape and provide considerations on how firms can seek to address emerging regulatory and supervisory expectations.

For background, as shown in image 1, private credit has developed through four phases of growth into a significant component of the global capital markets, evolving from a niche

Image 1: Phases of private credit

Initial stages (pre-2008)

- Private credit could be considered a niche strategy, primarily focused on mezzanine financing and distressed debt.
- Access was limited to institutional investors and specialized funds; retail participation was virtually nonexistent.
- The market was relatively small and lacked the infrastructure and scale seen today.



Post-crisis expansion (2008-2015)

- Following the global financial crisis, banks reduced lending due to tighter regulations such as Basel III.
- Private credit stepped in to fill the gap, especially in direct lending to middle-market companies.
- Fund managers began raising larger pools of capital, and the asset class gained traction as a reliable source of yield in a low interest rate environment.

Mainstream adoption (2016-2020)

- Private credit became a core allocation for institutional investors such as pension funds, insurance companies and endowments.
- The market saw rapid growth in fund structures (e.g., interval funds and BDCs in the U.S.), broadening access and promising greater liquidity to investors.
- Borrowers increasingly turned to private lenders for flexible, customized financing solutions, bypassing traditional banks.

Diversification and innovation (2021-present)

- The asset class expanded beyond direct lending into asset-based financing (ABF), commercial real estate debt, specialty finance and structured credit.
- Partnerships between banks and private credit managers reflect a blurring of lines between traditional and alternative lending.
- Investors are drawn to contractual cash flows, collateral-backed structures and inflation-resistant returns, especially in volatile markets.

financing strategy into a widely used source of capital for businesses and investors. Following the global financial crisis, tighter banking regulations and changes in bank lending practices created opportunities for non-bank lenders to expand, particularly in direct lending to middle-market companies. Over time, the asset class gained broader institutional adoption as investors sought additional sources of yield and diversified income streams.

Today, private credit is a varied asset class[5] that can be complex and also interconnected with the broader financial system. It encompasses a wider range of strategies beyond direct lending, including asset-based finance, commercial real estate debt, specialty finance and structured credit. The market has also experienced innovation in fund structures and greater participation from a diverse range of investors. Its growth has been supported by a combination of investor demand, changing financing needs and shifts in the traditional banking sector. As private credit has matured, borrowers have increasingly turned to private lenders for flexible and customised financing solutions, while partnerships between banks and private credit managers have become more common, reflecting the evolving relationship between traditional and alternative sources of capital. By reducing reliance on banks and public markets, private credit has grown to play an important role in supporting economic growth, by funding businesses that may otherwise struggle to secure financing through traditional channels.

Image 2: Types of private credit

1 Direct Lending

- Direct lending funds provide senior secured, illiquid loans to middle-market companies, typically with five to seven year terms and floating rates.
- Fund managers raise capital from investors and operate outside bank regulations, allowing them to pursue higher-risk, higher-return deals.

2 Mezzanine financing

- Mezzanine financing is a hybrid of debt and equity, sitting between senior debt and equity in risk and repayment priority.
- Offers interest payments with potential equity upside and is commonly used in buyouts, growth capital or recapitalizations to avoid immediate dilution.

3 Distressed debt

- Investing in deeply discounted securities of financially troubled or distressed entities, often rated below investment grade.
- Investors pursue high-return opportunities through restructurings or recoveries but face elevated risk and complexity.

4 Asset-based financing

- Lending backed by collateral such as mortgages, receivables or physical assets.
- Providing stable, lower-risk returns and supports liquidity for businesses and consumers across industries.

5 Special situations

- Event-driven credit opportunities (e.g., restructurings or turnarounds) targeting value creation and capital appreciation.
- Customized financing structures, often negotiated directly with borrowers and stakeholders.

6 Venture debt

- Provided by specialized lenders focused on high-risk startups with strong growth and venture capital (VC) backing.
- Venture debt offers non-dilutive funding for founders post-VC raise, complementing equity while preserving ownership.

The FSB's view of the private credit ecosystem

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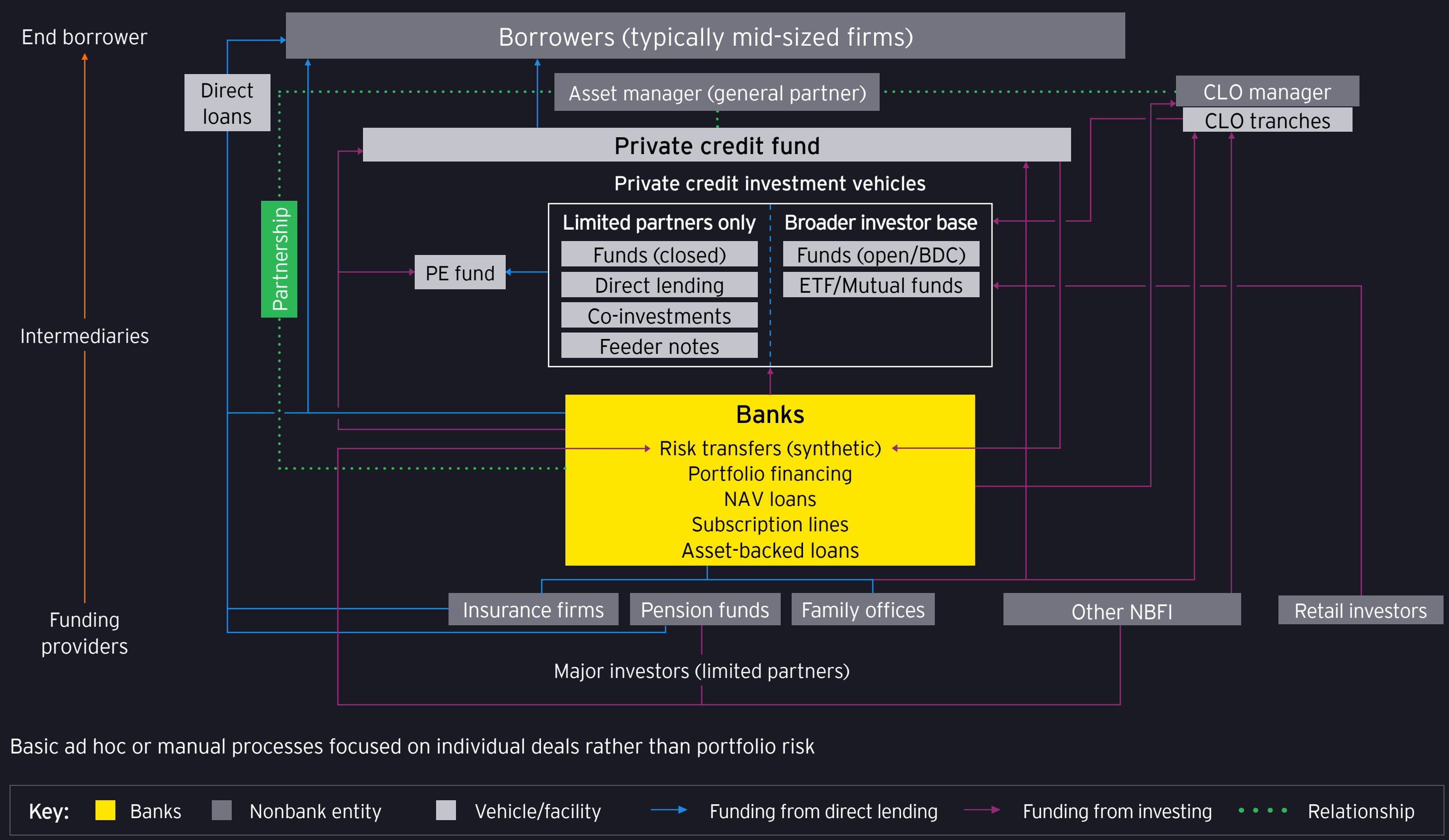
The FSB's report describes the interconnectivity of the private credit ecosystem with the schematic diagram reproduced below (image 3). In the schematic, funds flow from the investors shown at the bottom of the diagram, through a variety of intermediaries and investment vehicles in the middle of diagram, to borrowers shown at the top of the diagram.

The schematic depicts the multiple points of contact between institutional and retail investors, insurers, banks, private credit funds, private equity funds, and asset managers associated with the flow of funds through the private credit ecosystem. This complexity, coupled with strong growth in the size of the private credit market, has prompted questioning by regulatory authorities of private credit funds' transparency, liquidity safeguards and general levels of investor understanding across the market.

Image 3: Stylized private credit ecosystem



Source: *FSB, Report on Vulnerabilities in Private Credit.*

Regulatory focus on risk transmission in private credit

Holder of risk	Exposure and role in risk transmission
Banks	Private credit funds interact with banks in several roles, including as clients, competitors, borrowers and partners. Banks are mainly exposed through the leverage they provide, such as subscription lines, NAV loans, revolving credit facilities, warehouse financing and repo arrangements.
Insurance companies	Insurance companies may be exposed to private credit directly through investments or indirectly through collateralized reinsurance, unitized funds or externally managed credit funds.
Pension holders	Globally, many pension funds invest heavily in private credit funds to diversify their portfolios, with expanded opportunities for investment on the horizon.
Retail investors	Retail and high-net-worth investors can access private credit through listed vehicles including a variety of closed end/hybrid structures and newer structures such as European Long-Term Investment Funds (ELTIFs), across strategies including collateralized loan obligations (CLOs).
Real economy	As private credit continues to gain significance, but increased dependence on private funding may intensify procyclical effects during a downturn.

These interconnections, alongside private credit's growth, are attracting closer attention from supervisors and regulators, driven by several factors:

Limited disclosures	Fewer disclosures are required of private credit providers, compared with banks.
Bank linkages	Links between banks and private credit providers may have the potential to transmit systemic risks from the nonbank sector into the banking sector.
Retail distribution	Increasing distribution of private credit products to retail investors who may be unfamiliar with the risks of the asset class.
Redemption pressure	Redemption requests in semiliquid vehicles and potential liquidity challenges.
Sector concentration	Lending to sectors, such as software and healthcare, that may be adversely impacted by AI and current economic conditions.

Key regulatory and supervisory considerations for private credit

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Regulatory and supervisory attention on private credit can be summed up in eight key themes:

1 Transparency

Private credit markets often involve limited borrower-level disclosure, bespoke contractual terms, and reporting approaches that differ from those commonly seen in public markets and can vary across managers, products, and jurisdictions. These features create distinct monitoring and oversight considerations while also supporting capital formation and broadening access to financing. IOSCO has indicated that private credit will remain an area of focus in 2026, with planned work including:

- Exploring increasing linkages between private equity activities and the audit sector.
- Contributing to the FSB's work on private credit.
- Research work on the functioning of equity public markets, including vis-vis alternative markets for the same equity instruments and private secondary markets for shares issued by unlisted issuers.

Supervisors are concerned that this limits their ability to assess leverage, risk concentration, valuation methodologies, and interconnectedness across the sector. The FSB has proposed a common set of metrics to support more consistent monitoring across jurisdictions, including market size and growth, leverage, liquidity, concentrations, interconnectedness, cross-border activity and borrower credit quality.[6] This suggests that authorities will ask for more data from firms in the future.

2 Valuation

Valuation practices remain an important area of regulatory focus. Authorities continue to examine model-based valuation approaches used for private credit assets, particularly where valuations rely on significant judgement or unobservable inputs. This area may receive additional attention during periods of market stress or when investor redemptions from private credit funds give rise to observable transactions at potentially different prices.

3 Credit risk

Supervisors are closely monitoring credit risk developments within private credit markets. Given that many private credit borrowers tend to lack public credit ratings, assessing borrower creditworthiness can present unique challenges. The FSB has drawn attention to the sector's increasing reliance on credit ratings from less established providers.

Regulators are additionally examining collateral quality, recovery outcomes and trends in borrower restructurings, as recent defaults have surprised the market.[7] Market practices such as payment in kind interest, covenant resets and equity for debt swaps are increasingly being evaluated in the context of how borrower performance, credit deterioration and loss recognition are assessed.

4 Underwriting standards and concentration risk

Regulators continue to monitor underwriting practices, particularly given the concentrated nature of many private credit portfolios.[8] The concentration of exposures within certain industries, including software, healthcare and business services following years of sponsor-backed buyouts, has also attracted interest as supervisors assess how portfolios may perform under different economic conditions and market cycles.

5 Related-party links (insurance and PE)

Regulators are examining the growing connections between private equity firms and captive insurance companies. The FSB notes that US PE-backed insurers control nearly US$900 billion in liabilities, up from US$67 billion in 2012, and that 35% of new US annuity sales in 2023 were made by these insurers. Regulators are concerned about situations where PE-owned insurers invest in the debt of the PE firm's portfolio and have noted that these related-party transactions can be hard to assess when there are limited transparency and little independent validation of pricing. Regulators are likely to focus on governance, conflicts of interest and the evidence supporting fair-value assessments.

In addition, some authorities are assessing how risk-based capital frameworks interact with private credit assets, including the role of external credit ratings and the extent to which ratings methodologies appropriately reflect underlying credit risk characteristics.

6 Liquidity

Private credit assets are generally less liquid than publicly traded instruments and are often financed through long-term investor commitments. However, regulators have noted the recent growth in fund structures to enable wider distribution (e.g., "semiliquid" or "evergreen"), particularly to retail investors. Several such funds have used redemption limits or "gates" to manage redemption pressures. As private credit products continue to evolve and become accessible to a broader investor base, regulators are evaluating whether liquidity management tools, fund design and redemption arrangements remain aligned with underlying asset characteristics.

7 Systemic risk monitoring

Supervisors are monitoring the growth of private credit, its connections with banks and other financial institutions, and how the market may perform under periods of stress. The FSB has identified several channels through which risks could potentially be transmitted across the financial system, including:

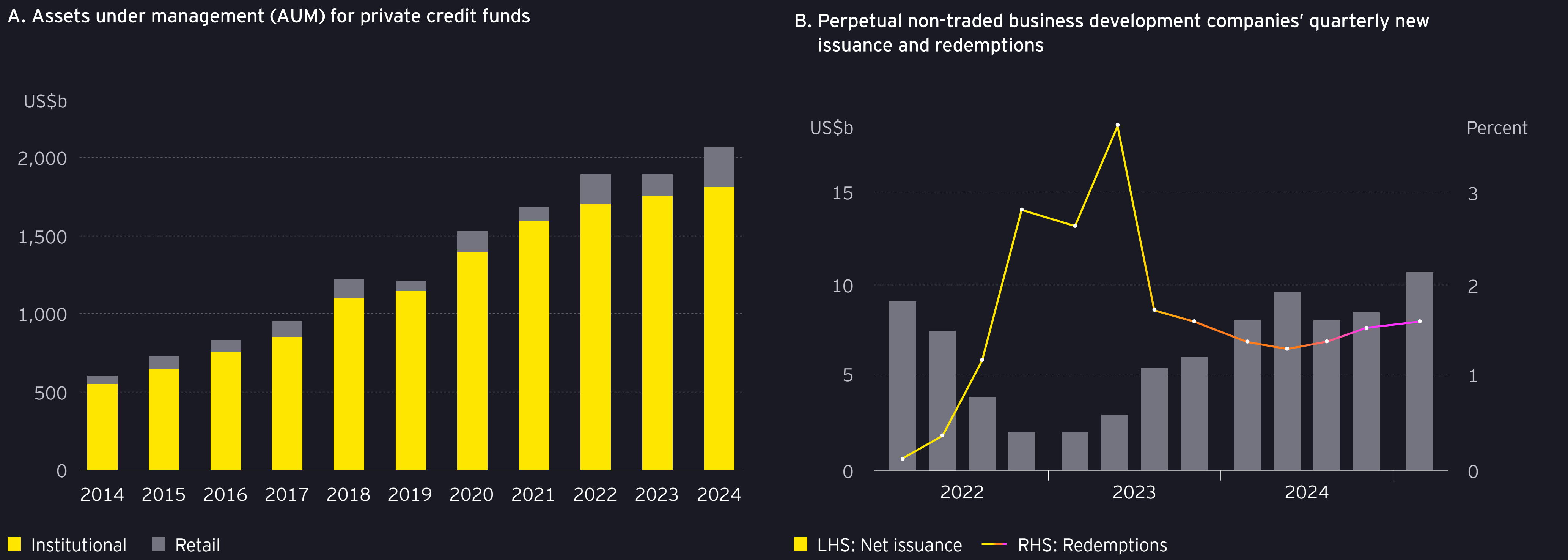
1. The use of bank credit facilities by private credit funds for liquidity management;
2. Corporate borrowers accessing both revolving bank facilities and private credit financing;
3. Losses associated with highly leveraged private equity transactions financed through private credit; and
4. common investors, such as insurers and pension funds, facing liquidity demands or capital calls that could influence investment decisions across other asset classes.

The overarching supervisory message is that complexity, opacity and interconnectedness all increase the risk of correlated stresses and make it harder to detect and contain vulnerabilities early.

8 Retail investor protection and education gap

As access to private credit expands via wealth management platforms, retirement channels and other semi-retail distribution routes, regulators are assessing whether disclosure frameworks, suitability assessments and investor education arrangements remain appropriate. While broader participation may increase investment opportunities and portfolio diversification options, authorities continue to evaluate whether investors have sufficient information to understand product features, risks, liquidity characteristics and expected investment horizons.

Retail investors in private credit



Source: *FSB, Report on Vulnerabilities in Private Credit.*

Regulatory approaches to private credit risk

A few clear themes are emerging:

- Continued focus on core market practices: Regulators are maintaining a consistent focus, while others are tightening oversight of private credit funds, especially around valuation, liquidity, and disclosure. Reflecting the continued growth and evolution of private credit markets and the increasing diversity of market participants and structures.
- Enhanced market monitoring and data collection: There is a global push to close data gaps and bring previously exempt or lightly regulated funds (especially wholesale/private vehicles) under more formal reporting.
- Increased international coordination: International standard- setters like IOSCO and the FSB are coordinating efforts to monitor systemic risks from non-bank credit and private markets, with a focus on market monitoring, financial stability considerations and cross-border consistency.
- Broader investor access alongside enhanced safeguards: Several jurisdictions are cautiously expanding retail access to private credit, while considering disclosure, governance suitability and investor protection measures appropriate to the characteristics of these investments.

Further details on approaches across international jurisdictions are detailed in the section below.

Approaches across international jurisdictions

Summary of regulatory stance, direction of travel and key regulatory or supervisory focus by market.

Market	Retail access	Direction of travel	Key regulatory or supervisory areas
US *US Securities and Exchange Commission; Department of Labor; US Treasury; Federal Reserve Board; State insurance regulators*	■ Largest private credit market globally. ■ Under new government leadership, stance has shifted toward more permissive retail access with emphasis on retirement-channel proposals.[9]	■ Continued monitoring and fraud investigations.[10] ■ Accounting standard-setters are developing disclosure requirements for private credit held by investment companies and will be adding a project to address private credit disclosures.[11] ■ Rising cross-regulator engagement and collaboration.[12] ■ The recent FRB Financial Stability Report highlighted developments in private credit – viewing it as a growing, though currently manageable, systemic vulnerability.[13] ■ The Department of Labor has proposed a rule allowing 401(k) plans to include alternative assets, following a presidential executive order on democratizing access to alternatives for retirement savers.[14]	■ Retail investor protection and conflicts of interest. ■ Scrutiny of reliance on credit ratings outside the more established rating agencies. ■ Oversight of liquidity management and valuation transparency.[15]

Market	Retail access	Direction of travel	Key regulatory or supervisory areas
Canada *Office of the Superintendent of Financial Institutions (OSFI); Bank of Canada*	■ Institution led: insurers and pension funds are driving funding growth. ■ Regulators view private credit as a significant supervisory risk area.	■ Increasing scrutiny of bank and NBFI exposures to private credit. ■ Greater focus on underwriting and counterparty risks; more stress testing and global coordination.[16] ■ No separate regulatory regime for private credit planned. ■ OSFI consulting on a Credit Risk Management Guideline to strengthen credit-risk practices across federally regulated institutions, including nonbank firms.[17]	■ Investor protection, transparency and systemic risk management. ■ Bank-private credit links, fund financing, liquidity lines and synthetic risk transfers seen as key transmission channels.
Australia *Australian Securities and Investments Commission (ASIC); Australian Prudential Regulation Authority (APRA)*	■ Mix of wholesale and retail investors. ■ Regulatory concern grows as distribution broadens and retail exposure rises.	■ ASIC proactive, broadly aligned with the UK approach.[18] ■ Standards raised via guidance and industry-led improvements rather than legislation, drawing on a review of 28 private credit funds.	■ Credit risk, valuation, governance, fees and liquidity.[19] ■ Proposed (not finalized) quarterly third-party valuations. ■ Closing data gaps to monitor conduct and conflicts of interest.
Hong Kong SAR *Securities & Futures Commission (SFC); Hong Kong Stock Exchange (HKEX)*	■ Access is limited. ■ Potential listed pathways subject to regulatory approval.	■ SFC adopting a cautious supervisory approach. ■ Selective frameworks emerging that could allow private credit products to list on HKEX and, with SFC and HKEX approval, to be offered to retail.[20]	■ Ongoing oversight of independent valuation and timely disclosure, especially for underperforming or restructured deals.[20] ■ Strong emphasis on retail investor education.
Singapore *Monetary Authority of Singapore (MAS)*	■ Well-established regime supported by favorable tax treaties and structures. ■ Retail investor access to private investments remains limited.	■ MAS consulting on a retail framework. ■ Continues to supervise the sector via a broader fund risk lens. ■ Proposed retail access via long-term investment funds (LIFs), offering direct funds and fund of funds structures; consultation outcome pending.[22]	■ Guidelines on Liquidity Risk Management Practices for Fund Management Companies.[23] ■ Growing interest in valuation techniques, monitoring mechanisms and stress testing.
Japan *Japan Financial Services Agency (JFSA); Bank of Japan (BoJ)*	■ JFSA reported to be positioning private credit as a potential core pillar to meet M&A-driven corporate funding demand.[24] ■ Market remains in the early stage and still relies heavily on traditional bank lending.	■ Oversight via multiple existing frameworks (Financial Instruments and Exchange Act, Money Lending Act, Banking Act and Trust Business Act) rather than a dedicated regime. ■ JFSA reviewing major financial institutions' offshore private credit exposure to mitigate spillover risk.	■ Portfolio quality. ■ Monitoring of redemption events. ■ Supervisory review of risk management practices.

Market	Retail access	Direction of travel	Key regulatory or supervisory areas
UK *Bank of England (BoE); Prudential Regulation Authority (PRA); Financial Conduct Authority (FCA)*	■ Retail access remains controlled, mainly through semiliquid fund structures, and further safeguards expected. ■ Pension schemes becoming significant investors given focus on long-term illiquid assets.	■ Rising supervisory intensity. ■ Bank of England's SWES interim findings due in 2026, with a final report in early 2027;[25] FCA to report on conflicts of interest in private markets[26] and is working with HM Treasury on reforms to the UK Alternative Investment Fund Managers (AIFM) regime (expected in Q3 2026).[27]	■ SWES, valuation practices, conflicts of interest, overall resilience and links to life insurance.
EU *European Commission; European Supervisory Authorities; National Competent Authorities*	■ Approaches vary by Member State: Luxembourg and Ireland lead fund domiciles, France and Germany lead transactions. ■ European AUM around €400b, driven by higher rates, constrained bank balance sheets and refinancing needs. ■ EU also wants to channel capital via the capital markets union, though overall stance remains cautious.	■ Gradual harmonization through specific structures and compliance guardrails. ■ European Insurance and Occupational Pensions Authority (EIOPA) flags €514b EU insurance exposure plus €128b via occupational pensions; concerns over opacity and risk management.[28] ■ The European Central Bank (ECB) does not see private credit in isolation as a threat to financial stability. It argues for more data to better assess interconnectedness risks while noting that stable private credit funding could serve political investment objectives under the Savings and Investment Union.[29] ■ In the absence of an EU-wide system-wide stress test, national authorities (e.g., Banque de France) examine interconnections and concentrations.[30] ■ AIFMD II (national transposition due April 2026) harmonizes loan-origination rules with leverage caps, risk retention and expanded transparency; technical standards delayed.[31]	■ Robust liquidity risk management, credible stress scenarios and transparent explanations of redemption handling in stress. ■ Enquiries are to be pursued via existing regimes – Solvency II, Investment Firms Directive and AIFMD. ■ The ECB monitors systemic risks in market-based finance without applying bank-style regulation. It focuses on banks' risk management practices regarding exposures, including identification and monitoring, concentration limits and stress- testing.
UAE *Abu Dhabi's International Financial Centre (ADGM); Dubai International Financial Centre (DIFC); Dubai Financial Services Authority (DFSA)*	■ Niche market; sovereign wealth funds invest mainly abroad. ■ Strict regulation, but private credit encouraged for institutional investors and businesses through specialized free zones. ■ Domestic activity concentrated in FinTech and real estate; deal sizes modest.	■ Building regimes to support controlled growth. ■ ADGM and DIFC emerging as regional hubs with new private credit regimes.	■ Licensing frameworks. ■ Enforcement and insolvency realities. ■ Structuring constraints and Sharia law considerations.

Considerations for firms in light of the increased regulatory scrutiny of private credit

6

Applicable to groups of market participants

1 Asset managers

For asset managers operating private credit funds across jurisdictions, the imperative is to build robust risk management frameworks tailored to local legal and regulatory realities. This includes stress-tested liquidity governance, transparent investor communication, and deep understanding of borrower credit quality and underwriting standards. Valuation and workout expertise will also be increasingly important, as well as scalable processes in the face of demand for more frequent information about portfolio values.

2 Banks

For banks that lend to private credit managers or funds, robust risk management should encompass due diligence, risk appetite and risk limits. Comprehensive aggregation of exposures across product types and business lines will help the industry address systemic risk concerns about the connections between banks and private credit. Regulators expect firms to look beyond initial checks and maintain continuous oversight, including monitoring of governance, valuation practices and real-time risk indicators.

3 Insurers

Insurers should conduct a comprehensive review of private credit portfolios by re-evaluating ratings, stress testing exposures and reviewing underwriting standards.

Firms should proactively engage with at-risk borrowers to gain deeper insight into their financial position and challenges, while maintaining prudent capital and liquidity management through enhanced due diligence and regular recalibration of segment exposures.

Firms should continuously horizon scan and monitor the focus areas of regulators both domestically and abroad.

4 Institutional investors

For institutional investors that invest in private credit funds, ongoing due diligence and valuation are essential, especially for large pension funds, sovereign funds and funds of funds.

Applicable to all financial services firms:

- Products should be designed for a clear target market, with regular reviews of how and to whom they are distributed. As more products are offered to retail channels, firms will be asked to show ongoing oversight. Recent market pressures highlight the importance of transparency around redemption processes and the potential for suspensions.
- Investor education is critical. Firms must ensure all investors, especially the less experienced, understand the risks and features of their investments, specifically related to investment horizons and access to liquidity.
- Since the private credit market may lack a robust secondary market, liquidity needs to be thoroughly monitored in funds that offer redemption opportunities to investors; clearly defined monetization channels, access to repo markets, and having contingency funding plans will help funds avoid potential mismatches in duration (in assets vs. liabilities) and needing to gate investors.
- Participants in private credit markets should address data quality or availability challenges and evaluate existing reporting capabilities, as a prerequisite for effective risk management and to prepare for a potential regulatory push toward heightened monitoring.

7 Conclusion

The FSB's recent report has highlighted regulatory concerns about risks in private credit. As the market grows — particularly through wealth and retirement channels — transparency will be critical to sustaining resilience, trust, and long-term growth. Regulators and supervisors are therefore increasing their focus on potential vulnerabilities. The FSB has highlighted these risks for more than a decade, while central banks in key markets, including the European Central Bank and the Bank of England, have recently intensified their scrutiny. Across jurisdictions, regulatory and supervisory priorities are converging around a common set of themes:

- greater transparency
- disciplined valuation practices
- robust liquidity and redemption frameworks and
- closer attention to leverage and interconnections with banks

Private credit remains a diverse asset class, spanning a wide range of participants and risk profiles — from senior, collateralized exposures to higher-risk strategies. Participants include asset managers, banks, institutional investors, PE firms, insurers and, increasingly, retail investors. The diversity of local legal and regulatory frameworks means oversight of private credit is evolving at varying speeds and a fully harmonized global regime is unlikely in the near term. However, initiatives such as the FSB's proposed principles and an increasing focus on data gaps signal a clear supervisory direction toward stronger transparency, enhanced controls and more consistent risk oversight across the sector.

Financial services firms should translate this regulatory direction into action by embedding transparency at the core of their private credit strategy to support resilience and trust. Boards and senior management should set a clear risk appetite and support it with robust governance frameworks.

Transparency should be treated as a strategic discipline, integral to risk management, market confidence, and growth, with firms prepared to communicate their approach clearly to investors, counterparties, and regulators alike.

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Acknowledgments

We would like to thank the following individuals from the EY organization for their contributions to this work:

- Axe Ali
- Jason Boggs
- Annabelle Capstick
- Rita Da Silva
- Chris Evren
- Chong Yi Goh
- Jane Hayward-Green
- Sarfaraz Janmohamed
- Vladimir Krasnoglazov
- Christine Lin
- Chris Nadarajah
- Brady Nixon
- Kentaro Ogata
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- Zhi Hui Soh
- Anthony O'Sullivan
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- Swee Yen Yeoh
- Anthony Yazitzis

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- European national central banks
- Federal Reserve Bank of New York, Commodity Futures Trading Commission and U.S. Office of the Comptroller of the Currency
- Hong Kong Securities and Futures Commission
- UK Financial Conduct Authority and Bank of England

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