FSB FINANCIAL STABILITY BOARD

Report on Vulnerabilities in Private Credit

6 May 2026

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Executive Summary

Private credit has expanded significantly, especially in the United States, the euro area and the United Kingdom. While definitions may vary, this report refers to private credit as nonbank direct lending to medium-sized companies negotiated on a bilateral basis. Such total private credit lending is estimated at between $1.5 trillion and $2 trillion (as at the end of 2024). The United States has the largest market, followed by the euro area and the United Kingdom, all of which have seen the most growth globally. Growth in private credit is driven by several factors. These include changes to post-crisis bank regulation, borrower demand for (and the ability of private lenders to offer) tailored financing solutions and fast execution, as well as attractive yields and diversification opportunities for investors.

Private credit can support economic activity by offering alternative credit solutions to borrowers, though it also presents potential vulnerabilities. It can provide financing to underserved sectors and more tailored credit solutions and can help diversify lending across the financial system. Investment portfolios may benefit from private credit allocations. This report focuses on potential vulnerabilities around bank interlinkages and lenders' credit exposures, and highlights data challenges for effective monitoring. Private credit remains untested to a prolonged economic downturn and so warrants close attention.

The private credit ecosystem involves a range of intertwined bank and nonbank participants. Asset managers undertake lending and manage private credit funds and operate alongside banks, institutional investors, and private equity firms. Asset managers typically act as general partners that are responsible for making lending decisions with a fiduciary obligation to investors, such as insurance companies and pension funds. Some asset managers may also own insurers, who act as limited partners. General partners may allocate a portion of their own balance sheet to lending and/or co-invest alongside limited partners.

Banks and private credit funds are interconnected through financing arrangements and strategic partnerships between banks and asset managers. Direct credit exposures from banks to private credit funds are mostly in the form of credit lines. The available data suggests that direct bank lending to private credit funds is relatively small, but uncertainty around the magnitude of these exposures is relatively large: member data captures around $220 billion of drawn and undrawn credit lines, while estimates from commercial data suggest the amounts could be more than twice as large. Both estimates represent a relatively small share of banks' total assets and CET1 capital. However, the report identifies other sources of linkages which could heighten credit vulnerabilities. This includes riskier fund portfolio financing (a form of securitised lending allowing funds to take on leverage), banks providing revolving credit facilities to companies that are simultaneously borrowing from private credit funds, and private credit-focused partnerships between banks and asset managers becoming more common.

Credit-related vulnerabilities warrant ongoing monitoring. While private credit borrowers are often smaller companies, some larger companies are also borrowing from private credit alongside their access to other segments of corporate markets (e.g. public markets). Borrowers that are predominantly in private credit typically lack public ratings. While this an intrinsic feature of private markets, it tends to create transparency challenges for broader monitoring of the credit market. Where rated, external research finds borrowers are often rated around single B- and

typically have higher leverage compared to the broadly syndicated loan market. Certain lending practices may obscure true leverage. Default rates of private credit borrowers are low but are showing an upward trend when using broader measures, such as selective defaults and distressed exchanges. Some private credit borrowers also appear to be relying more on payment-in-kind loans, which can also signal deteriorating credit conditions

Valuation practices and limited data transparency pose challenges. Valuations are often conducted less frequently and may involve significant discretion, which can amplify uncertainty during times of stress. Private credit ratings, sometimes provided by smaller lesser-known agencies, may be used to attract insurers who rely on ratings for regulatory purposes. While robust governance arrangements may help address some of these concerns, the relative opacity of private credit cannot be easily resolved.

Other identified potential vulnerabilities include interlinkages with insurers, multiple layers of leverage across the ecosystem and liquidity mismatches in private credit funds. Insurers and pension funds are significant investors in private credit, attracted by the illiquidity premia and long maturity of the loans – features that are typically consistent with their investment mandates. Insurers are also establishing indirect connections through participation in asset-intensive or funded reinsurance arrangements. Private equity firms are also acquiring stakes in or direct ownership of insurance companies, which in turn engage in private credit lending. This can potentially lead to difficult-to-detect pockets of risks. Leverage in private credit exists at multiple and varying levels, including within the portfolio companies, private credit funds, at the sponsor level, and investor financing. This layering effect may amplify losses during market stress. While private credit funds traditionally operate as closed-end structures, which can help mitigate liquidity mismatches, vehicles with redemption options are increasingly being offered to investors in certain jurisdictions. In parallel, retail investors are increasingly participating in private credit entities.

Investors and other stakeholders may only have partial information and understanding of correlations and concentrations, which could hamper the effective pricing of risk. Some lenders and other stakeholders may have only partial information about borrowers, as illustrated by recent corporate bankruptcies and failings. Leverage, interconnectedness, and illiquidity can result in spillovers, including by impacting investor sentiment in the asset class. Private credit remains untested at its current size, scope, and concentration in a few economic sectors, and a severe economic downturn could expose this range of potential vulnerabilities.

Data challenges currently hinder effective monitoring. Authorities rely on regulatory, public, and commercial datasets, as well as ad hoc surveys, with significant jurisdictional variations. Key challenges include the lack of harmonised private credit definitions, and limited granular fund- and loan-level data, which is available for other corporate lending activities.

Looking ahead, there are four main areas where further work will be considered: (i) assessing vulnerabilities related to interlinkages between a range of nonbanks within the private finance ecosystem, as well as potential vulnerabilities related to liquidity mismatches in private credit funds, (ii) mapping and defining the components of the ecosystem, (iii) considering facilitating supervisory discussions to enhance authorities' ability to assess and supervise vulnerabilities and risks, and (iv) exploring addressing data challenges to improve authorities' ability to monitor and address vulnerabilities.

Introduction

Nonbank financial intermediation (NBFI) in general, and private finance in particular, plays an increasingly significant role in the global financial system.[1] Private finance is understood as an activity conducted by nonbank financial entities (nonbanks), whereby financing terms are negotiated 'privately' on a bilateral basis, or among a small group of nonbanks, with borrowers. For purposes of this report, the private finance ecosystem includes venture capital, growth capital, private equity, real asset financing, and private credit. Private credit can be seen as a component of such an ecosystem. While there is no common definition, this report refers to a narrower definition of private credit as nonbank direct lending to medium-sized companies negotiated on a bilateral basis.[2]

Private credit is essential for supporting real economic activity, particularly in underserved sectors, helping to bridge the financing gap that can exist when banks are unable or unwilling to lend. Moreover, by offering different types of financial products and services, private credit may reduce the concentration of risk within the banking sector, enhancing the resilience of the financial system. Private credit lenders may also foster healthy competition, which may lead to better pricing, improved services, and more innovative financial products for borrowers.

Investment portfolios may benefit from private credit allocations. Private credit loans often feature contractual protections for the lender such as senior status, collateral (often over collateralised), and covenants. Among other potential positive attributes, private credit typically is characterised as having relatively low expected sensitivity to interest rates and expected correlation with equity valuations, protection from inflation, and longer maturity and higher yields than other credit. These attributes facilitate diversification when held in a portfolio and cashflow matching with long-term liabilities. Transactions that are originated by private credit funds are sometimes pooled and securitised for further potential benefits.

While the growth of private credit may offer benefits, it also brings potential vulnerabilities. This report focuses on potential vulnerabilities related to the interlinkages between banks and private credit, the underlying credit quality of private credit borrowers, and the challenges related to valuations of private credit assets. It also briefly discusses other potential vulnerabilities, such as interconnectedness with insurers and private equity, cross-border interlinkages, leverage, liquidity mismatches, and concentration. Private credit remains untested to a prolonged economic downturn and so warrants close attention.

The analysis brings together information shared by member jurisdictions involved in this assessment and insights from previous research undertaken.[3] The report also draws upon external sources including research from commercial data providers and academics, as well as discussions with a range of market participants and academics. The rest of the report is structured as follows. Section 2 briefly lays out the private credit ecosystem. Section 3 covers the role of

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1 FSB (2024), *Promoting Global Financial Stability: 2024 FSB Annual Report*, November; and Bank of England (2025), Non-bank risks, financial stability and the role of private credit – speech by Lee Foulger, January.

2 The definition is in line with IMF (2024), *The rise and risks of private credit*, April.

3 Jurisdictions represented in the workstream are Canada, the euro area, Hong Kong, South Africa, Switzerland, United Kingdom, United States, alongside international organisations – BCBS, BIS, IMF and IOSCO. Information was collected from jurisdictions in the workstream as well as Japan, through responses to a qualitative survey and a quantitative data template.

banks and their interlinkages with private credit. Section 4 takes a deeper look at the credit quality of private credit borrowers and the roles of rating agencies and valuations. Section 5 describes other potential vulnerabilities across private credit. Section 6 describes data challenges as well as suggestions on metrics to enhance surveillance of private credit. Section 7 provides the conclusions of this report including areas to explore regarding further work by authorities. The report also contains two annexes covering (i) data sources and challenges by jurisdiction and (ii) surveillance additional metrics.

1. Private credit ecosystem

The private credit market has grown significantly across jurisdictions, with the aggregate size estimated to be between $1.5 trillion and $2 trillion based on data from members in the assessment as of the end of 2024. This estimate suggests private credit is of similar size to the institutional leveraged loan market (approximately $1.5 - $1.7 trillion),[4] and as well as the approximately $2 trillion high yield public debt market.[5] Estimates for private credit are primarily derived from regulatory reporting data submitted by members. The United States has the largest market, with an estimated size of around $1 trillion, followed by the euro area and the United Kingdom, with much smaller but still sizeable markets.[6] Other jurisdictions with existing but modest markets include Canada, Hong Kong, Japan, Switzerland and South Africa. While specific definitions and market size estimates may differ (see Box 1) and there are significant data challenges preventing an accurate assessment of the total outstanding size of private credit markets (see Section 6), the figures are consistent with other global estimates.

Private credit is growing quickly. Over the past 5 years, members' survey responses indicate the average annual growth rate was 16% in Canada and 17% in the United Kingdom. The average annual growth in the euro area was 13% over the past decade from a low base. The United States has also seen a threefold increase since 2019, though it represents a small share of financing to the US non-financial corporate sector. Activity is also growing (albeit from a smaller base) in South Africa and Switzerland. This rapid growth was also confirmed in the discussions with stakeholders. In several jurisdictions, the private credit market is undergoing significant changes, including consolidation among private credit providers and the entry of more traditional asset managers into private credit. For example, in the United Kingdom, the top five asset managers providing private credit account for over 50% of gross assets in UK-managed private credit funds.

The growth of private credit has been attributed to several factors. These include the prolonged low-interest rate environment, changes in post-crisis bank regulation, and the expansion of private equity, which have increased demand for high-yield and tailored credit. Growth may also be attributed by companies seeking to borrow more including those who are seeking quicker financing, more flexible terms and/or are embarking on significant capital expenditure. Market participants also point to similar reasons including the scale effects of established portfolios, strong borrower relationships, changes in bank capital requirements and sustained investor

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4 See FRB (2025), *Financial Stability Report*, November and Financial Times (2026), *What the leveraged loan market can tell us about the software sell-off*, February.

5 See PIMCO (2024) *Understanding High Yield Bonds* and IMF (2024), *The rise and risks of private credit*, April.

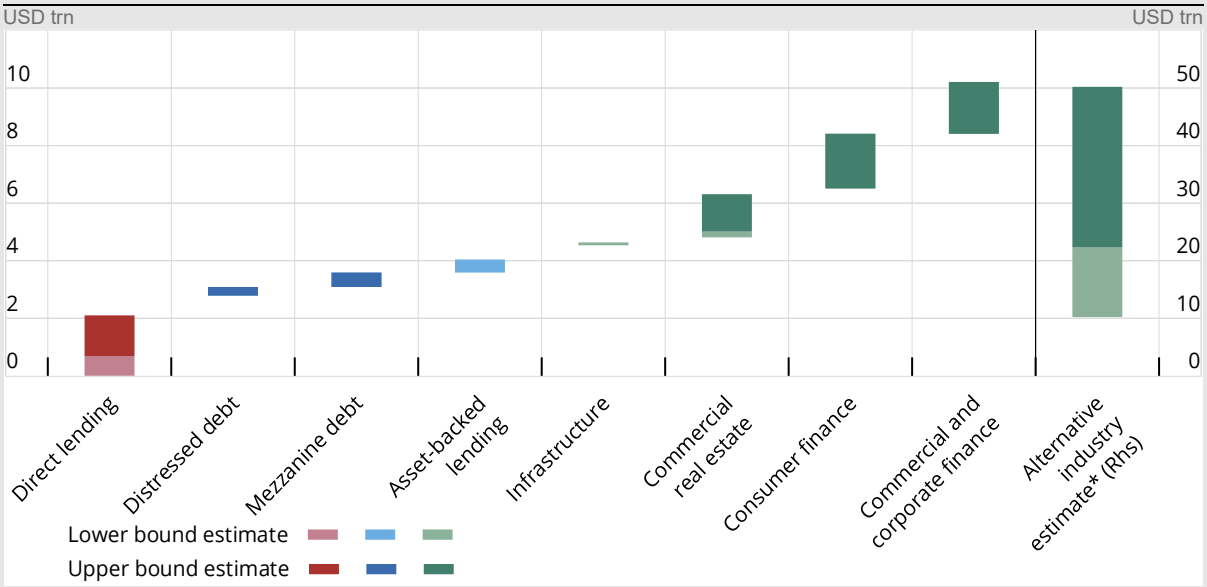
6 For example, the ESRB estimates private debt funds with a NAV of €337 billion, see ESRB (2024), NBFI monitor, June.

appetite for yield and diversification as key contributors to ongoing growth. Some stakeholders highlighted a specific point on how professional receivables management created value by improving cash flow for businesses.[7] This has increased valuation multiples and increased private credit's role in financing private equity-backed companies. Regulatory factors, such as the capital treatment under Solvency II in the EU, seem to be influencing market growth.

Box 1: Private credit definitions

There is no common definition of private credit; instead, there are currently different taxonomies used by market participants and authorities. Private credit is understood through several overlapping categories of definitions, partially reflecting its diverse and evolving nature, as noted below. The lack of a harmonised definition of private credit among market participants and authorities hinders the ability to effectively assess the market at a global level. For example, the scope and size of private credit can vary significantly as different asset classes are considered including uncertainty even when the same asset class parameters are applied (Graph 1.1).

Illustration of the range of private credit market size estimates **Graph 1.1**



Estimates of assets under management (AUM) in USD trillions across a variety of sources (see below) with underlying data between 2023-2025. Where a range of estimates exist, the lower bound is in a lighter shade while the higher bound estimate is darker. The left y-axis displays the size of all activity types except "other" while the right y-axis corresponds only to the "other" activity type. The ranges in the figure illustrate the differences in estimates across sources. The different colours in the chart represent expanding different definitions of private credit. Colours in the chart reflect expanding definitions of private credit: red (direct lending) represents the narrowest scope, with blue and green activity types progressively broadening the definition.

* The alternative industry estimate builds on the categories displayed to the left and also adds additional types of private credit such as agricultural lending, residential mortgage lending, and supply chain financing,

Sources: Pitchbook, McKinsey, AIMA, Goldman Sachs, S&P Global, Apollo, OeNB and FSB calculations.

- **Narrow definition:** For the purposes of this report, private credit is defined[8] as nonbank direct lending to medium-sized companies negotiated on a bilateral basis (in most cases, private

7 Professional receivables refer to the amounts owed to a business for goods or services it has provided, typically in a professional or service-based industry. These receivables are recorded as assets on the company's balance sheet until they are paid by the customers or clients.

8 This definition is also consistent with previous publications on the topic such as IMF (2024), The Rise and Risks of Private Credit, *Global Financial Stability Report* Chapter 2, April and Berrospide et al. (2025), Bank Lending to Private Credit: Size, Characteristics, and Financial Stability Implications, *FED Notes*, May

equity-sponsored).[9] These loans are typically long maturity with low liquidity. This is consistent with the findings from FSB members' definitions of private credit, though jurisdictions reported challenges in identifying private credit entities in regulatory and statistical reports, especially when entities engage in multiple activities, such as private equity and private credit.[10]

- **Ecosystem definition:** Private credit is defined as an interconnected ecosystem of financing vehicles, instruments, and intermediation channels. This includes a range of vehicles like private investment funds, Business Development Companies (BDCs), and private credit collateralised loan obligation (CLOs), among others, funded by institutional investors such as insurers and pension funds, and retail investors. Activities of banks through synthetic risk transfer also may be captured under this approach.
- **Origination-centric definition:** Private credit is defined by its origination infrastructure, where asset managers play a central role in originating loans. These exposures may be held on asset managers' balance sheets, and/or by other institutions, such as insurers, particularly in cases of privately placed, investment-grade debt.
- **Legacy definition:** Private credit may include sub-asset classes, such as distressed debt, venture debt or mezzanine debt.

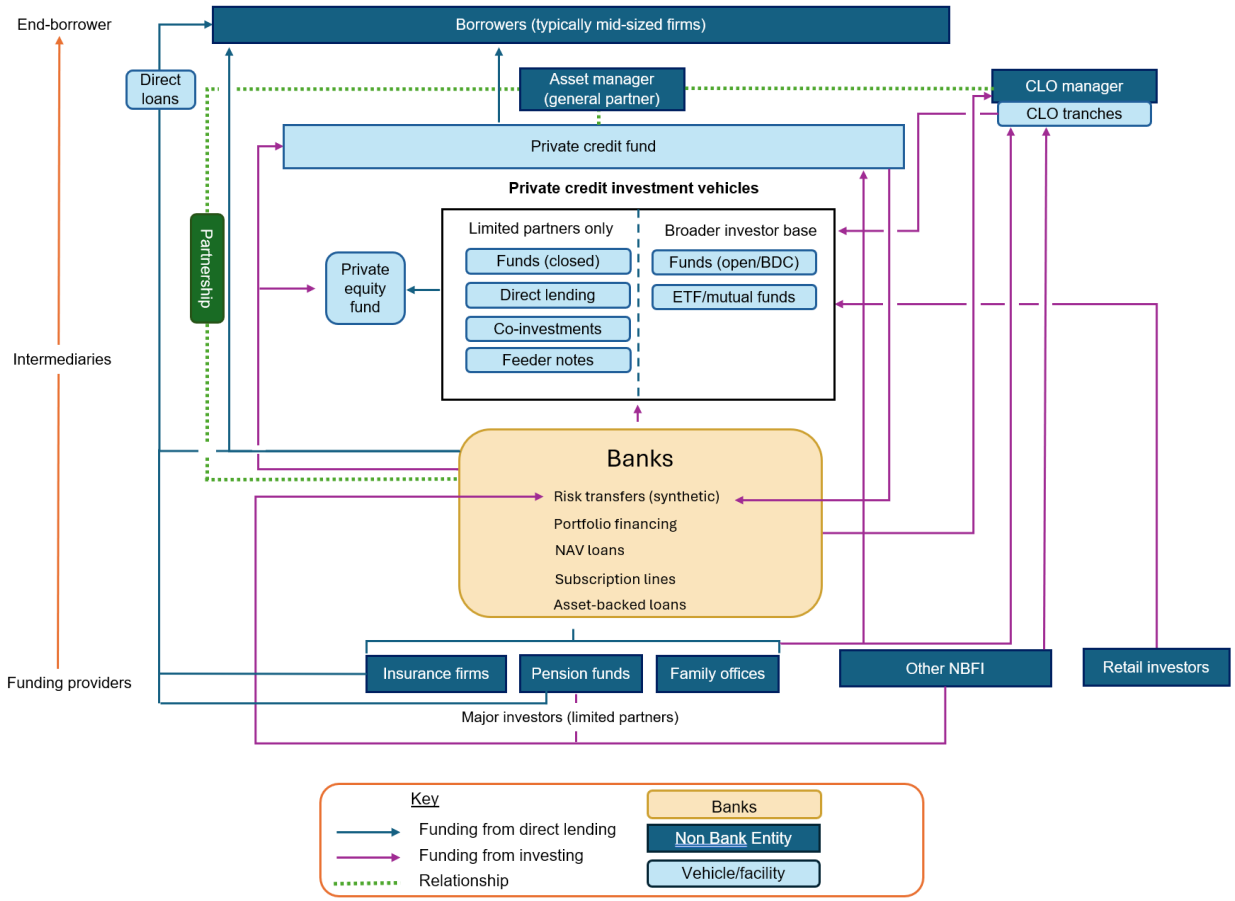
Private credit provides alternative financing opportunities to companies that may seek customised and flexible solutions and/or face difficulties in securing affordable funding from banks and public markets. Private credit lending has historically focused on unrated businesses that have credit fundamentals that would place them in the high yield part of the corporate credit spectrum, including highly indebted medium-sized companies. By reducing reliance on banks and public markets, private credit plays a critical role in supporting economic growth, particularly in sectors and borrowers underserved by traditional lenders, such as highly innovative firms that might lack adequate collateral but have significant growth potential and longer-term financing needs. Attractive yields, diversification opportunities, access to asset classes difficult to gain exposure to via public markets, and stable cash flows (in normal times) make private credit appealing to a broad range of investors.

The private credit ecosystem is centred on asset managers that manage private credit funds. There are a range of financial institution types present in the private credit market (Schematic 1 and Table 1). At the centre, the asset managers typically act as general partners or investment advisers that are responsible for making lending decisions with a fiduciary obligation to their investors. Asset managers may allocate private credit lending across their own balance sheet and/or their managed funds indirectly allocating private credit exposures to different types of underlying investors. The asset manager may also run a private equity business, with equity stakes in companies that receive private credit or in the investors themselves (e.g. insurers).

9 Due to data challenges, some figures and graphs included in the report follow a different definition.

10 See FSB (2025), *Global Monitoring Report on Nonbank Financial Intermediation 2025*, December

Schematic 1: Stylised private credit ecosystem



Source: FSB.

Private credit funds are a type of investment fund whose strategy focuses on providing loans or credit to private (or, sometimes, public) companies. Private credit funds are part of the broader alternative investment category and are often managed by specialised asset management firms or private equity firms. These firms typically raise capital from investors who are seeking higher yields compared to traditional fixed-income investments such as government or corporate bonds. These include institutional investors (such as pension funds, insurance companies, or endowments), high-net-worth individuals and, increasingly, retail investors.

Larger investors, commit capital in advance for the general partner/investment adviser to draw on to make loans. For example, investors often participate via closed-ended funds, whereby they provide long-term, locked-up capital to the general partner to on-lend. Investors can also provide funding via co-investments, whereby they participate alongside the private credit fund in specific loans. Co-investments typically occur for larger deals and attract lower fees and higher returns for limited partners. Certain types of private credit funds do not utilise a drawdown structure where investors pre-commit capital and instead rely on real-time funding.

Private credit collateralised loan obligation (CLO) managers also provide funding to private credit borrowers. They do so by purchasing loans from the originating asset manager to package into CLOs to be on-sold to various investors, such as other funds, banks, and other institutional investors. These loans may move off the balance sheet of the private credit fund as they are held in a special purpose vehicle.

Banks provide financing to private credit funds, lend to corporates that also receive private credit, and may also operate partnerships with asset managers that manage private credit funds (see Section 3). In the latter two arrangements, banks provide revolving loan facilities directly to end-borrowers, alongside the main loan from the private credit fund. Banks provide warehouse financing to CLOs and can also invest in private credit CLOs. Banks also undertake synthetic risk transfers (SRTs) to manage credit risk on their balance sheet, whilst concurrently allowing private credit funds (and other investors) to take on this credit risk e.g. through credit-linked notes or credit default swaps.[11]

Private credit funds may utilise an 'instant funding' structure, rather than a capital drawdown model. Certain private credit fund structures, such as CLOs, certain types of business development companies (BDCs), and feeder funds require investors to fund their committed capital at once, rather than via an over-time drawdown.[12] Investors may choose to participate in private credit through such funds, though fees may be higher, thus affecting returns. Some of these products may be 'evergreen' (i.e. open-end, with no finite end-term, and available for periodic redemptions), exchange-traded and available to retail investors.

Table 1: Private credit: main providers, recipients and investors

Jurisdiction	Providers	Recipients	Investors
Canada	Pension funds, insurers, domestic asset managers	Infrastructure, CRE, asset-backed loans (e.g. aircraft leases, equipment)	Pension funds, insurers, high-net-worth investors.
Hong Kong	Non-HK-domiciled funds		Professional investors, insurers
Euro area	Private credit funds, special purpose entities	Healthcare, IT, industrial goods, energy, manufacturing	Pension funds, insurers, investment funds
South Africa	Alternative/traditional asset managers, private debt funds, pension funds, insurers	Mid-market corporates and SMEs, infrastructure, real estate, private equity, consumer finance	Pension funds, insurers, development finance institutions, high net worth individuals and family offices, offshore investors
Switzerland	Investment funds, pension funds, insurers, family offices, high-net-worth individuals	Real estate, fund investments, startups	Insurers, pension funds, family offices, high-net worth individuals

[11] See BCBS (2026), Synthetic risk transfers, February Babu et al. (2026), The rise and risks of synthetic risk transfers, March, and FSB (2025), Evaluation of the Effects of the G20 Financial Regulatory Reforms on Securitisation, January.

[12] BDCs are a type of fund that provides capital to small and medium-sized private businesses. BDCs are typically closed end and offer investors a way to invest in private credit assets, though they can also invest in public companies. A feeder fund is an investment vehicle that pools capital from investors and directs it into a larger master fund which handles all portfolio management.

United Kingdom	Alternative investment fund managers, entities providing portfolio management services and entities providing investment advisory services	Healthcare, technology, industrials, infrastructure, energy transition	Pension funds, insurers, banks, other financial institutions
United States	Alternative/traditional asset managers, private credit funds, BDCs, CLOs	IT, healthcare, services, business and professional services, financials, manufacturing	Pension plans, insurers, foundations, family offices, endowments, asset managers, high-net-worth investors and some retail participation in certain structures

Source: FSB member jurisdictions.

1.1. Emerging trends

Larger loans, traditionally underwritten by banks and distributed in the high-yield and leveraged loan markets, are increasingly common in private credit. With more investors attracted by private credit's ability to provide appealing, stable and long-term returns, anecdotal evidence suggests that the sector has expanded into segments that were traditionally dominated by banks or public markets, such as larger loans and investment-grade financing.[13] Rapid growth and the need to deploy capital has also led to spread compression over recent years. This may also reflect tighter credit spreads in public markets, such as high-yield bonds or leveraged loans.

In addition, the market structure of private credit is evolving. The private credit landscape is experiencing some consolidation via mergers among established players. For example, in the United Kingdom, the top five asset managers providing private credit account for over 50% of gross assets in UK-managed private credit funds. In addition, more traditional asset managers are expanding into private credit to chase higher yields, add alternative capabilities to their portfolios, and increase their offerings to their investors.

Retail investors play a growing role in the United States through BDCs and registered investment companies. The share of assets under management accounted for by retail investors climbed from virtually zero to around 13% in the past decade.[14] While the main investors in public BDCs appear to be retail investors, the main investors in non-traded perpetual BDCs are a mix of high net worth investors and institutional investors. Meanwhile, private BDCs are only offered to accredited investors and are often held by pension funds, insurance companies and sovereign wealth funds. Retail investors are also significant investors in registered investment companies, directly (e.g. retail investors can purchase ETFs and other registered investment companies that invest in private credit,[15]) and via institutions, such as retirement plans (which may invest in

[13] Some analysis suggests private credit lending to borrowers with EBITDA from $75 million to $1 billion, see Prudential Global Investment Management (2026), *Underwriting Large Cap Private Credit: A Case Study in Attractive Economics, Tighter Documentation, and Favorable Fundamentals*, January and Deutsche Bank (2024), *Private Credit – a rising asset class explained*, October.

[14] Aldasoro et al. (2025), Retail investors in private credit, *BIS Bulletin*, July.

[15] Although the portion of such companies compared to the entire registered investment company sector is small.

private credit funds). In the euro area and the United Kingdom, anecdotal evidence suggests that retail investor presence is still very low but has very recently started to pick up.

2. Interlinkages with banks

Banks are a critical node within the private credit ecosystem. They provide multiple types of financing for working capital and leverage purposes to private credit funds, corporate borrowers, and to investors in private credit, such as insurers and pension funds (see Schematic 1). Banks also engage in synthetic risk transfers, enabling them to manage credit risk on their balance sheet while allowing nonbanks, including private credit funds, to take on this credit risk, e.g. through credit-linked notes or credit default swaps.[16] Additionally, banks may invest in private credit CLOs and provide warehouse financing to CLO managers.

This web of interlinkages may create challenges for banks in effectively managing their direct and indirect risks. Fragmented oversight increases the difficulty of identifying and addressing risks that may arise from these interlinkages. As such, the growing complexity of these relationships highlights the need for effective risk management frameworks and adequate transparency to ensure banks can effectively monitor and mitigate vulnerabilities across the broader financial system.[17]

2.1. Sizing bank lending to private credit funds

Member analysis indicates that banks' lending to private credit funds is relatively limited, although data is not directly comparable across jurisdictions, underscoring significant data challenges. Data from five jurisdictions – representing the bulk of private credit funds' assets globally – suggest that banks' direct lending to private credit funds is limited, both in absolute terms and relative to banks' total assets (Graph 1). In aggregate, bank exposures reported by members are less than 0.5% of total bank assets, where private credit lending could be separately identified. Member insights further reveal that loans are typically provided by larger commercial banks to major private credit funds.

16 See BCBS (2026), *Synthetic risk transfers*, February, and FSB (2025), *Evaluation of the Effects of the G20 Financial Regulatory Reforms on Securitisation: Final report*,, January.

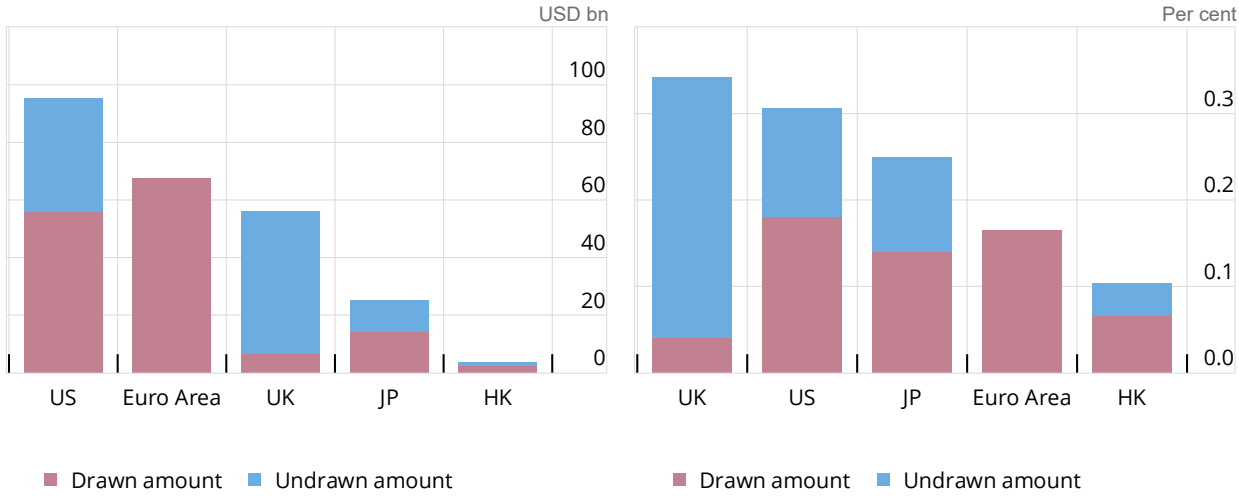
17 On the issue of bank leverage provision to nonbanks, see also FSB (2023*), The Financial Stability Implications of Leverage in Non-Bank Financial Intermediation*, September, and FSB (2025), *Leverage in Nonbank Financial Intermediation: Final report*, July.

Total commitments of bank lending to private credit funds

Graph 1

A. Bank lending to private credit funds – 2024

B. Bank lending to private credit funds – Share of bank assets



Data in several jurisdictions is based on ad-hoc 'best efforts' collections or a sub-sample of banks, so may not necessarily be comparable due to different levels of coverage and reporting definitions.; Euro area data is based on a sample of 12 banks, includes only drawn amounts; UK data is based on an ad hoc collection with manual staff classification of private credit exposures; likely an underestimate; HK data is estimate using data collected from a representative sample of banks; US data based on Federal Reserve Board analysis. Other data shown is based on all reporting banks in the jurisdiction.

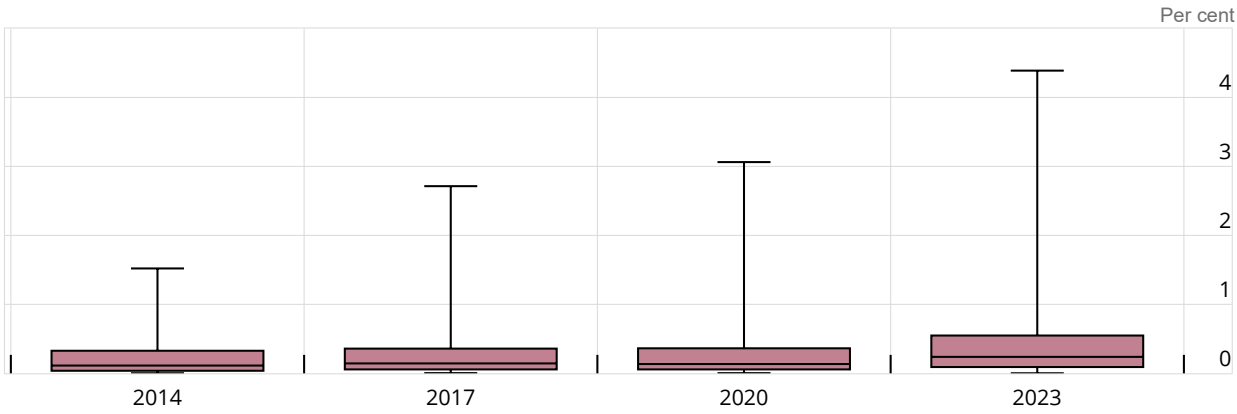
Source: FSB workstream members and FSB calculations.

Commercial data indicate banks have around $270 billion to $500 billion of credit exposures to private credit funds, representing a small share of their total assets and CET1 capital. Estimates from HKMA analysis, based on commercial data, place global bank lending to private credit funds at approximately $268 billion as of end-2023; with the distribution of banking groups in the sample accounting for a median of 0.2% and a maximum of 4.4% of total bank assets (Graph 2).[18] While loans are typically provided by the larger commercial banks (which on average have higher capital requirements and CET1 capital ratios), there is a growing trend of smaller banks increasing their involvement in lending to private credit funds. Private sector analysis, using a slightly broader definition of private lending based on public filings in the United States, indicates higher figures. The largest banks reportedly hold around $300 billion of drawn loans, a further $155 billion in undrawn commitments, and $91 billion in lending by US branches of European banks.[19]

[18] For further details including the data methodologies, see HKMA (2025), *Assessing The Role Of Banks In The Private Credit Sector: Evidence From Bank Loans Provided To Private Credit Lenders*, January.

[19] See Berg and Lee (2026), Measuring Counterparty Exposures to Private Credit, *OFR Brief Series*, March, JP Morgan (2025), Global Banks, NDFI exposure analysis: Lack of disclosure drives higher implied CoE, *Europe Equity Research*, October and Moody's (2025), *US banks' private credit loan exposure nears $300 billion*, October.

Distribution of bank loans to private credit lenders as percentage of bank assets as of end-2023[1] **Graph 2**



[1] Boxes span the interquartile range, with the median marked by a line inside each box. Whiskers extend to the minimum and maximum values.

Source: HKMA.

Some cross-border activity occurs in bank lending to private credit funds, though information is limited. Some banks based in Asia-Pacific jurisdictions, including those that are based in Japan, have increased their lending to private credit lenders across regions particularly towards private credit lenders based in North America.[20] In the euro area, member data suggests that approximately 70% of "fund portfolio finance" directed towards non-EU borrowers, most of whom are domiciled in, or exposed to, the United States.

Bank lending to private credit funds can generate higher returns compared to direct lending to mid-sized companies typically targeted by private credit. Some academic analysis on bank lending to middle-market firms versus lending to BDCs in the United States shows that this advantage may be largely driven by lower risk weights, historically low default rates, and reduced operating expenses, as private credit funds are typically larger and require less intensive screening and monitoring. [21]

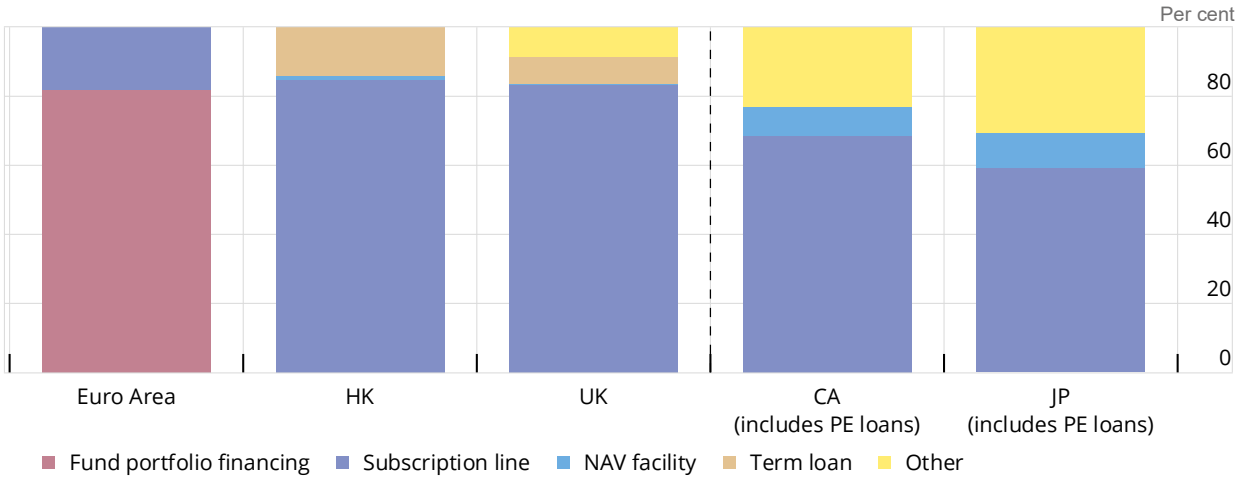
2.2. Banks' facility types to private credit funds

Subscription lines are the most common form of bank financing to private credit funds (Graph 3). These are typically short-term bridge or working capital loans that private credit funds use to originate loans prior to calling capital from their investors. The loans are secured by (i) interest in the uncalled capital commitments of limited partners, (ii) general partners' rights to call capital from the limited partners, and (iii) interests in the accounts where capital call proceeds are deposited. The loans may have covenants, such as specifying investor eligibility (e.g. minimum credit rating), requirements to notify bank lenders of capital calls or changes to commitments, and a minimum capital coverage ratio (i.e. the ratio of adjusted total uncalled capital to total financial indebtedness).

20 See HKMA (2025).

21 See Chernenko et al. (2025), *Bank Capital and the Growth of Private Credit*, March.

Drawn commitments of bank lending by facility type **Graph 3**



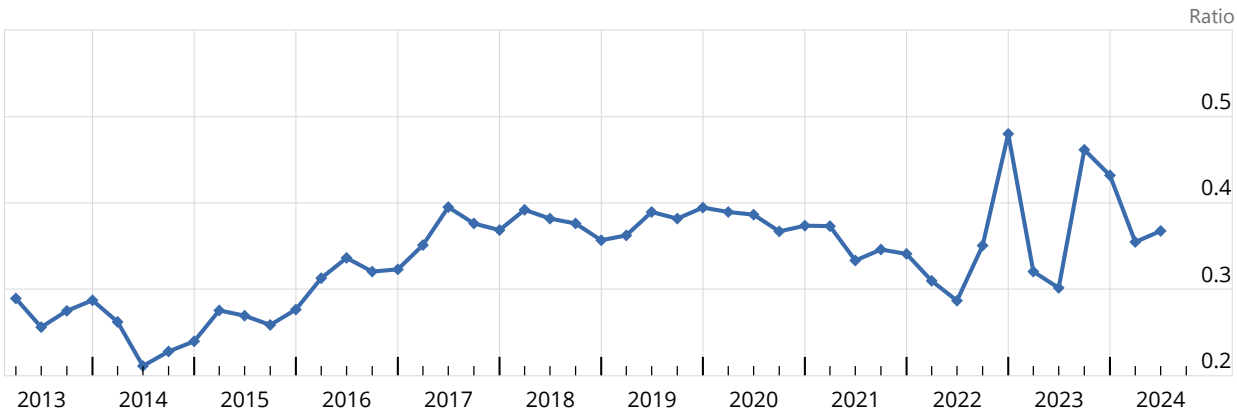
Source: FSB member data and calculations

Fund portfolio financing is the largest segment for the euro area. While different legal structures exist (e.g. repurchase agreements or loan-on-loan financing), fund portfolio financing often takes the form of a 'borrowing base facility'. In this arrangement, fund managers can dynamically against a borrowing base determined by eligible loans, adjusted for haircuts based on loan riskiness and concentration limits. If the drawn amount exceeds the borrowing base, a 'borrowing base deficiency' must be resolved to avoid default. To that extent, this financing is economically equivalent to NAV or asset-based facilities discussed below. Rating agencies also play a role in monitoring the borrowing base throughout the life of the loan. They assign and update private credit estimates to individual obligors, which ultimately determine how much a bank will advance against the loan pool. These facilities differ between funds investing in middle-market loans (MMLs) and broadly syndicated loans, primarily due to differences in the liquidity of the underlying loans. For MML funds, loans are provided from banks to the private credit funds through a separate investment vehicle, which holds the loans. These loans are often structured as investments in senior tranches of securitisations, featuring mechanisms such as waterfall structures, private credit estimates, and collateral agents to ensure compliance with borrowing base requirements. Typically, these structures feature fewer tranches than traditional CLOs (e.g. AA and equity tranches), with the equity tranche usually around 30-40%. These structures offer benefits to banks not only from a risk perspective (overcollateralisation and seniority) but also from a capital perspective. Some banks treat these loans as investment in securitisations, which allows for lower risk weights compared to credit risk weights.

Banks provide financing to US BDCs often through borrowing-base facilities. In direct lending arrangements, banks typically hold first-lien senior secured positions against the BDCs' assets or occupy senior tranches for securitisation-type lending. Studies shows up to 90% of bank lending to BDCs takes the form of credit lines, which BDCs frequently utilise.[22] The average ratio of bank loan commitments to total debt for BDCs has risen over time (Graph 4).

[22] Haque and Wang (2025), *Indirect Credit Supply: How Bank Lending to Private Credit Shapes Monetary Policy Transmission*, July.

Bank loan commitments over BDC debt **Graph 4**



Source: Haque et al (2025).

Other facility types appear to be limited in nature across jurisdictions (see Table 2). These include:

- NAV facilities: Present in Canada and Japan, and growing in the United Kingdom, these are typically term loans that enable funds to build leverage. The loans are collateralised against a fair value estimate of the fund's assets. However, some member data suggests that loan-to-value ratios are generally limited to 30% and that this facility is more commonly used for lending to private equity or commercial real estate funds.

- Asset based lending: Collateralised with specific credit assets of the funds, this type of lending is observed in the euro area and the United States. It allows funds to take on more leverage than NAV facilities, with loan-to-value ratios up to 65%.

- Repo/collateralised financing: In this arrangement, a credit fund pledges a purchased credit-linked note as collateral to borrow from a bank (usually different from the originating bank) and uses the funds to invest in other synthetic risk transfer transactions. Due to the relatively high illiquidity and credit risk of the collateral, these funds can only borrow a fraction of the value of the credit-linked note, as high haircuts are applied.[23]

- Private credit CLOs: Banks may purchase tranches, typically AAA-rated, issued by private credit CLOs. Banks also engage in market-making activities for private credit CLO managers, such as providing CLO warehousing financing and other underwriting services. See Box 2 for further details on private credit CLOs.

Banks' interconnections with private credit funds also arise through the loans they extend to companies financed by these funds, such as through revolving credit facilities. According to an external study, approximately half of the companies borrowing from private credit funds also maintain financing relationships with banks, typically through revolving credit lines, while private

[23] See IMF (2024), *Global Financial Stability Report*, October, Risk.net (2025), *SRT markets kick US banks' caution to the kerb*, March and Bloomberg (2025), *Deutsche Bank Raises Bar for SRT Leverage Amid ECB Inquiry*, February.

credit lenders primarily provide term financing.[24] This suggests a degree of commonality in credit exposures and risks between banks and private credit funds, which may contribute to increased concentration of credit risk. Additionally, borrowers from private credit fund lending are often firms owned by private equity funds, which adds to the commonalities in private markets.

Table 2: Bank lending facilities to private credit funds

Facility type	Description	Tenor	Pricing over benchmark rates[1]	Main credit protection features
Subscription line	Bridge loans for funds to acquire assets	Short-term, 1-3 years	Around 200 bps	Lent against uncalled capital commitments of a fund's Limited Partners
Fund portfolio financing	Fund can draw against a borrowing base in a dynamic manner		Around 225 bps	Structured as investments into senior tranches of a securitisation, where a fund vehicle is declared the "originator"
Net Asset Value (NAV) financing	Term loans and/or revolving facilities	3 to 5 years	Around 200 to 400 bps	Cash flows and the value of the fund's underlying assets serve as collateral for the loan
Asset-based lending (ABLs)	Term loans and/or revolving facilities via a special purpose vehicle to the fund	5 to 6 years for term loans		Collateralized with specific credit assets of the funds
Repo financing	Term financing			Pledging credit-linked note as collateral to borrow for onward investment/lending in corporate debt
Investments in private credit CLOs	Capital investments typically in the senior tranches	2-5 years	Around 350bps[25]	Cashflow priority and credit losses absorbed first by junior tranches, followed by first lien on CLO assets
Loans to BDCs	Revolving credit lines		Around 230 bps[26]	BDCs assets, usually first lien charge

[1] Based on member responses to the survey questions on pricing as of Q3 2025, unless specified with an additional footnote.

Source: FSB member survey responses

[24] See Haque et al., (2025), Private Debt versus Bank Debt in Corporate Borrowing, *Working Paper*, July.

[25] Simple average based on daily observations November 2024 to November 2025 from Ice Data Indices, LLC, ICE BofA AAA US Corporate Index Option-Adjusted Spread (BAMLC0A1CAAA), retrieved from FRED, Federal Reserve Bank of St. Louis; November 11, 2025.

[26] Chernenko et al. (2024), *Bank Capital and the Growth of Private Credit*, June.

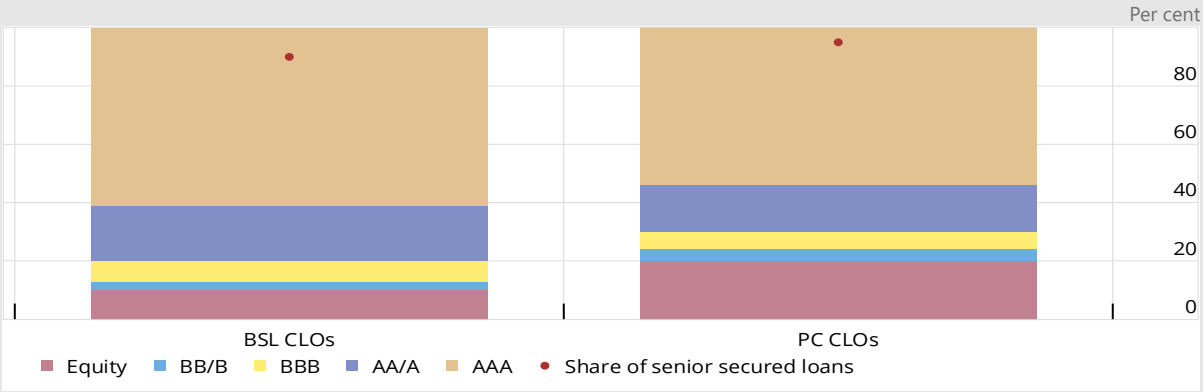
Box 2: Private credit CLOs

Private credit securitisation structures, known as private credit CLOs, have grown significantly, though there is mixed evidence on their resilience compared to traditional CLOs. These structures involve securities backed by a pool of private loans, which are divided into tranches with varying levels of credit quality. The private credit CLO market (also referred to as middle market CLOs) has experienced rapid growth, with total amount outstanding estimated at $155 billion as of October 2025.[27] This represents around 16% of the $977 billion US CLO market.

Some studies suggest that underlying loans in private credit CLOs are weaker than traditional 'balance sheet' CLOs. [28] External analysis finds that private credit CLOs tend to include a higher proportion of CCC-rated loans, a lower weighted average portfolio rating, and weaker recovery rates. Additionally, these CLOs are relatively illiquid due to a significant lack of transparency in pricing and ongoing credit performance.[29]

Member analysis of US CLOs reveals that private credit CLOs exhibit greater loss absorbing capacity than traditional CLOs for senior investors due to greater equity tranches in the capital structure (Graph 1.1). Additionally, they typically contain a slightly higher share of senior secured loans compared to traditional CLOs, while having a significantly lower share of covenant-lite loans.[30] Furthermore, unlike in traditional CLOs, private credit CLO issuers often retain the entirety of the equity tranche. This suggests limited contagion of losses to other market participants and some alignment of risk and returns for the issuer compared to traditional CLOs.

Role and features of private credit CLOs **Graph 1.1**



[1] Bonds issued by the Small Business Administration (SBA) to finance a type of long-term fixed-rate loan called SBA 504 loan.
Sources: ECB.

27 See Bank of America Global Research (2025), CLO Weekly, CLO Manager performance: Focus on CCC – Chems, Cars & ChatGPT risks, November.

28 With balance sheet CLOs, the issuer securitises the bank loans (middle market or broadly syndicated) off its balance sheet into an SPV, for the purpose of raising capital, and it typically retains the equity tranche.

29 See Moody's (2024), *Comparing BSLs and private credit/middle-market CLOs*, November.

30 See ECB (2024), *Private markets, public risk? Financial stability implications of alternative funding sources*, May.

2.3. Strategic partnerships

In various jurisdictions banks have partnered with asset managers that manage private equity and credit funds.[31] These arrangements include collaborations with asset managers to provide private market investment solutions to high-net-worth clients and the establishment of joint platforms to distribute assets and share resources. In some cases, these partnerships involve banks taking on senior risk, while private credit funds assume junior risk. Some members have noted, anecdotally, that strategic partnership often take the form of forward flow agreements, where asset managers continuously purchase newly originated loans from originating bank platforms. Additionally, asset managers have been acquiring origination platforms themselves, including those in the consumer and residential mortgage space.[32] While these arrangements may offer some benefits, such as faster financing compared to standard asset backed securitisation, the extent to which incentives are aligned between originators or sponsors and investors, as well as how effectively the risks are managed across the intermediation chain, remains uncertain.

2.4. Risk management and synthetic risk transfers

Insights from members suggest that banks capture lending to private credit funds through existing credit and securitisation risk management frameworks. Members have noted that while some banks have advanced risk management frameworks to capture these activities, some bank lenders face challenges in aggregating exposures and conducting effective stress testing, particularly for complex or interconnected operations involving private credit funds. Similarly, supervisory stress tests cover lending to private credit funds through stresses on banks' credit books; however, data limitations and aggregation challenges hinder the ability to conduct more detailed stress test exercises.

Lending to private credit funds is addressed in the Basel Framework along with other credit exposures. Among other elements, the framework includes risk-based minimum capital requirements, which incorporate additional considerations for credit risk mitigation and securitisations. The framework also sets requirements related to large exposures.[33] More broadly, the Basel Core Principles for Effective Banking Supervision outline minimum standards for credit risk management, among other topics. [34]

Banks also sell a significant share of their synthetic risk transfer instruments to private credit funds. Under a synthetic risk transfer (SRT), banks transfer the credit risks associated with a pool of assets to investors through a financial guarantee or credit-linked notes, while retaining the loans on their balance sheets. Studies indicate that private credit funds are the primary buyers of SRTs in Europe, followed by pension funds and insurance companies (see Graph 5).[35]

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31 For example, for a list of announced partnerships, see Pitchbook (2025), Fifth Third, Eldridge join forces in private credit partnership, July.

32 See S&P Global (2024), *The Opportunity Of Asset-Based Finance Draws In Private Credit*, November, and Private Capital Solutions (2025), *The growth of asset-based finance in private credit markets*, January.

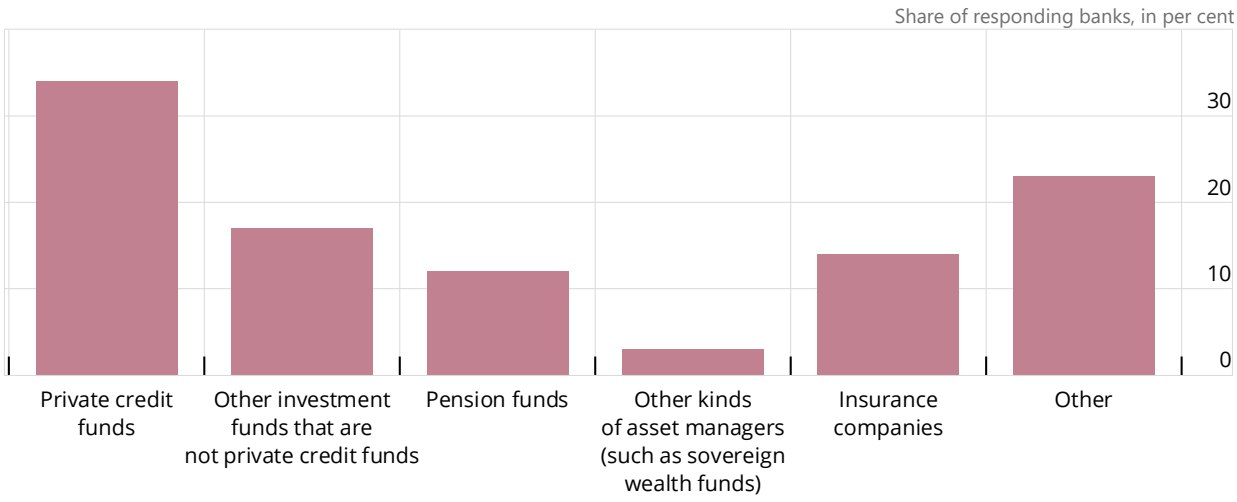
33 The credit risk and large exposures requirements are described in the CRE and LEX chapters of the Basel Framework, respectively.

34 See BCBS (2025), *Principles for the management of credit risk*, April.

35 See EBA (2025), *Risk Assessment Report Spring 2025*, June and IMF (2024), *Global Financial Stability Report*, October.

While dominated by European and UK assets, accounting for around two-thirds of the assets, the SRT market is growing in the United States, Canada and other jurisdictions.[36] In Europe, the main asset class used in SRTs is corporate loans, of which a small proportion comprises SME loans. Issuers of SRTs include global systemically important banks and other large banks. In the United States, recent transactions have focused on retail loans (which are typically considered as less risky than corporate loans), particularly automobile loans, with regional banks also issuing SRTs. There is a question to what extent banks are investing in private credit funds or other NBFIs that, in turn, invest in banks' SRTs. Banks may provide funding to these funds or NBFIs, such as loans or repos, which could increase their leverage. This could create 'circles of risks,' where a private credit fund's SRT investment ultimately becomes a risk for the bank providing the funding. [37]

Main investor groups of EU banks' SRTs, as of Q2 2024 **Graph 5**



Source: Box 3 from the EBA Risk Assessment Report, June 2025.

3. Profile of private credit borrowers

3.1. Measures of borrower credit quality

In private credit, measures available to authorities of credit quality are scarce and limited to a subset of borrowers. Many jurisdictions do not collect detailed information, and the available data cover only a portion of the market. Consequently, this section largely infers the credit quality of private credit borrowers from external reports on rated private credit borrowers, as well as insights from CLOs and BDCs. This limited data availability ties in with the reliance on private ratings or private estimates in the market, which are often provided by smaller lesser-known rating agencies. Opacity in credit quality can lead to informational contagion, which in turn can amplify credit related vulnerabilities (see Section 5).

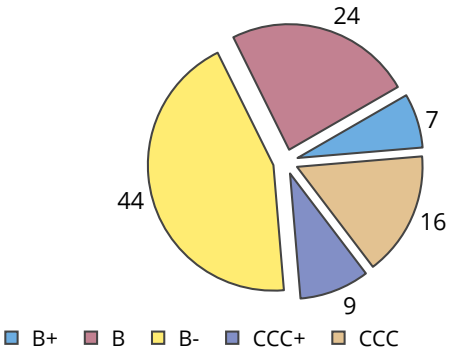
36 See FSB (2025), *Evaluation of the Effects of the G20 Financial Regulatory Reforms on Securitisation: Final report*. January.

37 See EBA (2025), *Risk Assessment Report Spring 2025*, June.

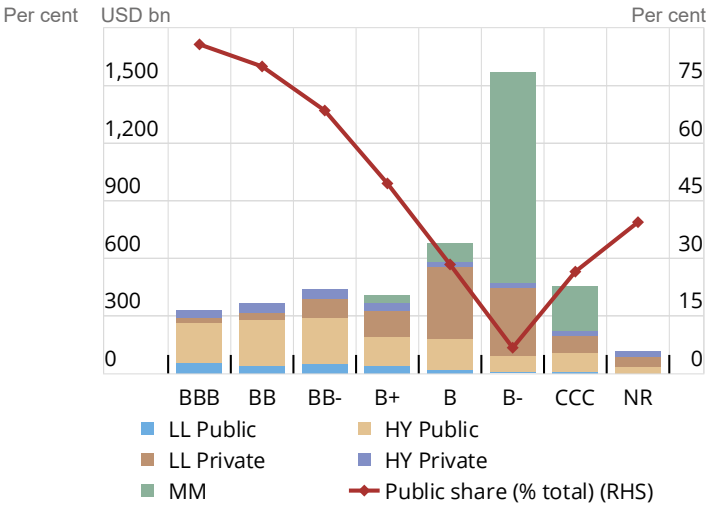
Private credit issuers appear to be concentrated around the single B credit rating bucket (Graph 6). This contrasts with the leveraged loan and high-yield bond markets which exhibit a broader range of credit ratings. Borrowers tend to be smaller than in public debt markets, with some estimates indicating approximately 75% of borrowers having EBITDA less than 100 million USD.[38] The largest borrowing sectors in private credit are services, technology, and healthcare; some stakeholders, however, highlighted that in private credit markets there was wide heterogeneity at sectors level, owing to the niche and smaller nature of borrowers compared to public markets. Other commentators note concerns on the concentration, particularly in technology and its exposure to AI bust or AI disruption scenarios.

Distribution of credit ratings of private credit borrowers **Graph 6**

A. Private credit rating distribution as of Q3 2025



B. Breakdown of public vs. private issuers in US leveraged credit markets (high yield, leveraged loans and private credit)



Source: Fitch ratings, Bloomberg, UBS Credit Research

Some estimates indicate leverage has been rising for private credit borrowers since the global financial crisis. External sources indicate levels at 5-6x debt-to-EBITDA (Graph 7). This is higher than the approximately 4x leverage observed in leveraged loans.[39] This more elevated leverage may also contribute to growing investor demand, as it is often accompanied by higher yields.[40] In addition, there has been a growing use of EBITDA adjustments,[41] which may result in headline leverage being understated and the typical 'true' leverage in private credit could be closer to 7x debt-to-EBITDA.[42] The use of adjustments is not unique to private credit and has been observed in other corporate lending such as in the leveraged market. While some cases of these adjustments may be warranted to reflect cost savings or future synergies from a merger, previous research in the leveraged loan market has shown most of the time these adjustments

38 See Fitch (2025), *U.S. Private Credit and Middle Market Performance Monitor: 3Q25*, October

39 See FRB (2025) and S&P (2026), *U.S. Leveraged Finance Q4 2025 Update*, January.

40 IMF (2025), *Global Financial Stability Report: Shifting Ground Beneath the Calm: Stability Challenges Amid Changes in Financial Markets*, Chapter 1, October.

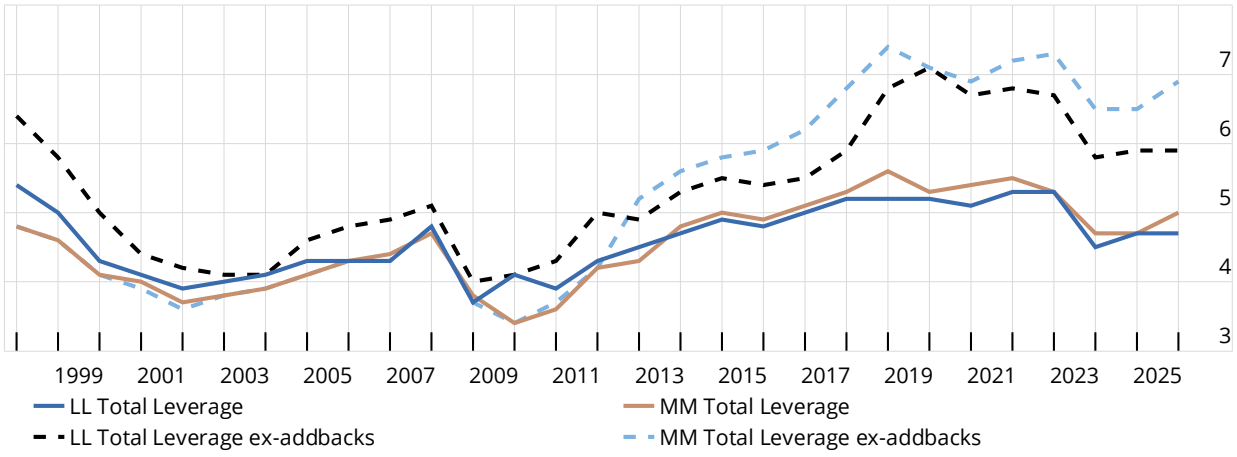
41 For example, the rationale for M&A and private equity buyouts often includes synergies or operational improvements, and it is standard practice to recognise these as adjustments (add-backs) to EBITDA, which is used to measure compliance with incurrence covenants.

42 See UBS (2025), *Global Strategy 2026 Outlook: AI Debt Boom meets Credit Risk*, November.

are uncertain, as projected EBITDA miss their targets.[43] This raises concern on the level of risk in the market and the misalignment with pricing.

Leverage trends in US private credit and broadly syndicated loan leverages (with and without EBITDA adjustments)

Debt to EBITDA multiple **Graph 7**



The dashed lines reflect leverage excluding the structural use of EBITDA adjustments.

Source: UBS Credit Research

Borrowers facing negative cash flows may turn to private equity cash injections and short-term liquidity measures for temporary relief. Common tools to improve liquidity in the short term include payment-in-kind (PIK) loans, bank revolving credit facilities, and loan restructures.[44] However, these measures can also signal deteriorating credit conditions, particularly for weaker borrowers. In addition, while postponing essential expenditures might temporarily preserve liquidity, it can jeopardise a company's long-term viability and increase the risk of credit defaults.

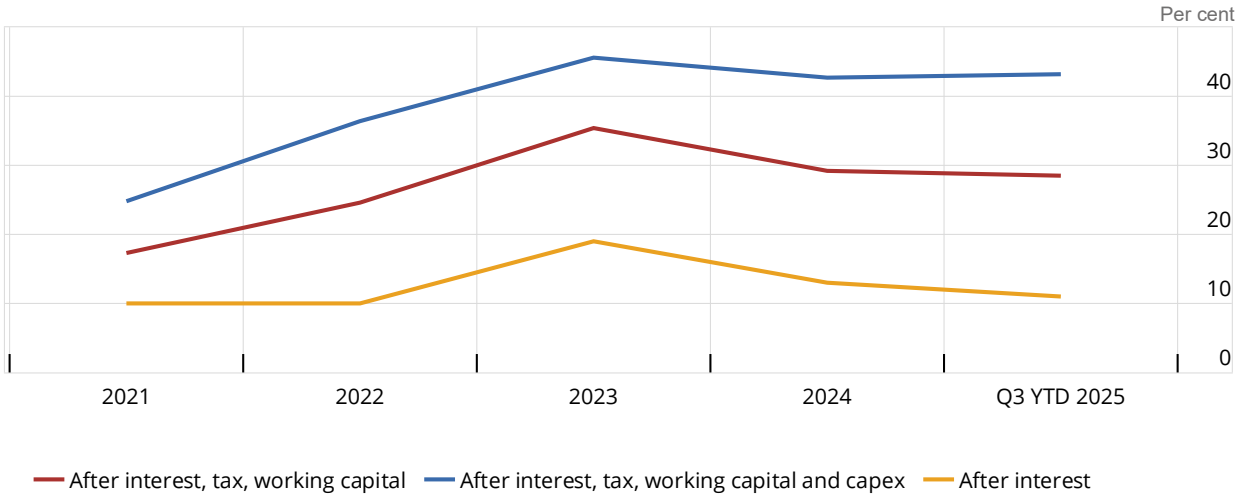
In an environment of rising interest rates, refinancing challenges may become more severe, and persistently negative cash flows often lead to escalating debt and heightened financial stress. A study of middle-market CLO borrowers found that 10% lacked sufficient cash flow to cover interest payments, with many carrying high debt-to-EBITDA ratios and rated B- (Graph 8).[45] This proportion increases further when accounting for tax obligations, working capital needs, and capital expenditures.

43 See S&P (2024), *Leveraged Finance: Adding Up: EBITDA Addback Study Shows Moderate Improvement In Earnings Projection Accuracy*, March, and FSB (2019), *Vulnerabilities associated with leveraged loans and collateralised loan obligations*, December.

44 PIK loans in private credit allow borrowers to defer cash interest payments by adding them to the loan's principal instead. This provides companies with liquidity but increases their total debt, which can raise long-term credit risk. PIK loans are used to help borrowers navigate high interest rates or temporary cash flow issues.

45 See also S&P (2025), *Private Credit and Middle-Market CLO quarterly: A tale of two markets*, October.

Negative cash earnings - share of credit estimates in middle-market CLOs **Graph 8**



Source: S&P Global Ratings.

The use of certain PIK arrangements is positively correlated with borrower stress, unless the company has a private equity sponsor. Two types of PIK arrangements are generally used: 'PIK notes', where deferred interest is an embedded feature of the loan that borrowers can draw down on immediately from origination, and 'PIK toggles', whereby borrowers can exercise an option to defer interests later in the loan term (colloquially referred to by some as 'bad' PIK). A study on loans in US BDCs found that the use of PIK toggles is associated with a 1 to 2 percentage point increase in the likelihood of a loan becoming delinquent in the following quarter, in addition to an unconditional probability of 3%.[46] This is often accompanied by a deterioration in the loan's valuation. Loans to companies backed by private equity sponsors show a positive correlation with the use of PIK arrangements and are less likely to progress from delinquency to outright default. This may be due to private equity sponsors being able to provide liquidity injections to support the company during periods of financial stress.

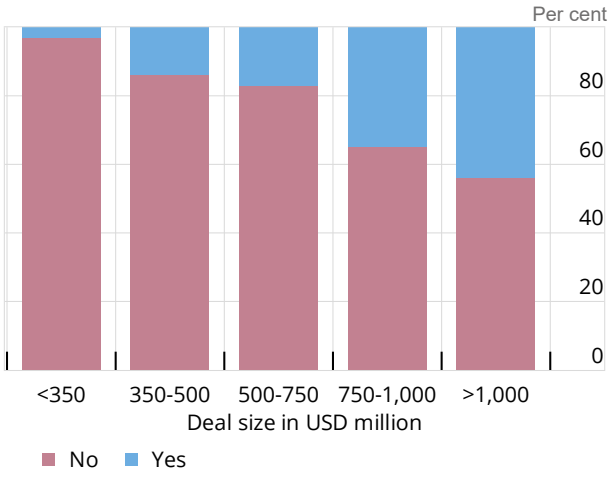
PIK is utilised in approximately 12% of loans, with toggles accounting for about half of those cases. The inclusion of PIK toggles in credit agreements is particularly a feature for larger loans (Graph 9, panel A). The use of both PIK notes and PIK toggles has risen significantly since 2022, coinciding with the period of rising interest rates and has not shown signs of decline (Graph 9, panel B). During periods of stress, the broader availability of PIK suggests considerable potential for its increased utilisation. Borrowers frequently rely on PIK toggles as a substitute for revolving credit lines.

[46] See Rintamaki and Steffen (2025): *PIK now and pay later: how deferred interest reshapes private credit*, August.

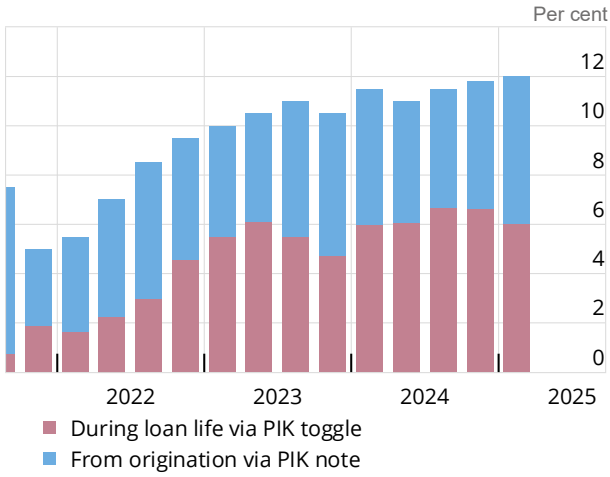
Usage of PIK arrangements

Graph 9

A. Share of credit estimates with PIK toggle included in agreement



B. Share of credit estimates accessing PIK arrangements



Sources: Bloomberg; Lincoln International; S&P Global Ratings.

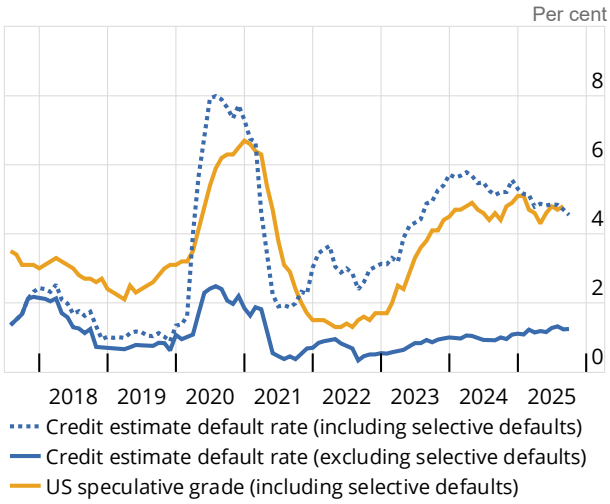
There are some preliminary signs of rising defaults in private credit (Graph 10). There has been a growing trend in borrowers being downgraded. Relatedly, there has been increases in some measures of reported credit default rates. One study shows outright defaults for loans remain low at approximately 1%, but this figure rises to around 5% when certain restructuring transactions, known as 'selective defaults', are included; comparable to the selective defaults observed in the US high-yield debt market (Graph 10, panel A).[47] Other proxy measures of default, such as those incorporating distressed exchanges of loans, indicate a higher default rate (Graph 10, panel B).[48]

[47] Selective defaults occur when loan restructures are executed on non-arm's-length terms, meaning the lender effectively 'bails out' the borrower to help them avoid default.

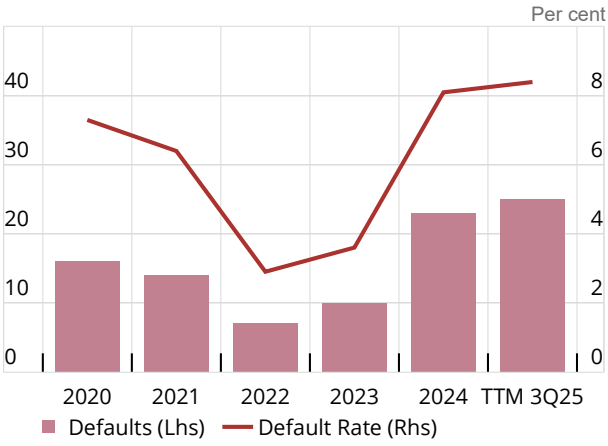
[48] See also Bermuda Monetary Authority (2024), *Private Credit Deep-dive*, September.

Default rates on private credit **Graph 10**

A. Default rates with and without selected defaults[1]



B. Default rates in credit rated portfolios



[1] Twelve-month trailing default rates.

Source: IMF, S&P Global, Fitch ratings

3.2. Role of credit rating agencies

Managers of private credit funds seek private credit ratings to facilitate co-investments with other investors, namely insurers. Private credit ratings are not publicly disclosed. This is different to the practice of public markets whereby the issuer of debt typically seeks and pays for the credit rating services, and the credit rating agencies publish the ratings and include them in data feeds provided on a subscription basis. Some stakeholders indicated that private ratings are determined through a process similar to that for public ratings, e.g. through financial and credit analysis, peer comparisons, and committee oversight. Some stakeholders indicated access to information sometimes took longer for private ratings compared to assessing public companies as the asset manager acted as an intermediary (versus having direct access to management as is typically the case for public company ratings); though no concerns were raised about receiving the information itself. Additional credit rating research seems to suggest that private debt transactions appear to feature stronger structural protections, such as lower advance rates and tighter covenants compared to publicly rated debt.[49]

Credit rating agencies also undertake a lighter-touch assessment of private credit estimates, typically used for rating structured finance products, including private credit CLOs. Credit estimates are used in the credit rating process to assess the creditworthiness of individual loans in CLOs (or other pooled investment vehicles) when loans do not already have credit ratings and generally involve relatively less detailed analysis. Using credit estimates to assess the creditworthiness of the underlying collateral is part of the process for determining credit ratings on CLOs (or other pooled investment vehicles) for use by investors.

[49] For example, see KBRA (2025), *Private Credit SF: How KBRA Ratings Stack Up*, July.

3.3. Valuation practices

Private credit valuations are typically based on two approaches, an income approach and a market approach based on comparable peers. To understand how valuations are undertaken, there was engagement with market participants as well as a review of selected public information.[50] The primary approach for performing loans is the discounted cash flow (DCF) or yield analysis, which considers projected cash flows over the loan's holding period under a specified discount rate. Additionally, valuers used public market proxies, such as leveraged loan indices or the high yield bond market to serve as benchmarks for comparable peer companies or to reflect wider credit market sentiment. Valuations are calibrated at origination of the loan, with adjustments made over time based on changes in credit quality, borrower performance, and market conditions.[51]

Frequencies of valuations may differ, and a question remains as to whether stakeholders in private credit markets can access timely data to update valuations quickly enough in times of stress. Valuations are updated infrequently, often on a quarterly basis, which may be adequate in normal market conditions but less so under stress. The illiquidity of private credit assets, and the associated costs to make valuations, seem to make more frequent revaluations impractical. However, certain asset managers or private credit funds may update their valuations more frequently, depending on, for example, frequency of capital contributions and redemptions. Stakeholders highlighted that valuations in private credit are less volatile than public markets due to protective features in loans, such as interest rate floors and tighter covenants. Further, some stakeholders explained lenders and investors may work closer towards a resolution in private credit compared to public markets, pointing towards the greater relationship-focussed activity in private credit.

Investors and other stakeholders may only have limited information and understanding of correlations and concentrations from a systemic view, which may affect efficient pricing. While high customisation and bespoke loan terms benefit borrowers and managers, they could pose challenges for current and prospective investors in private credit who may only have limited access to granular information for loans they are not invested into. This in turn may affect pricing efficiency and increase dispersion of valuation and related marks.[52]

Perceived or actual stale valuations may create a first-mover incentive during stress events, leading investors to exit a fund before asset values are potentially marked down. For example, managers may have potential incentives to manage valuations of their funds in a way that minimises the appearance of volatility, such as by delaying or spreading out the impact of negative shocks that could reduce asset values. In some jurisdictions, the reliance on smaller

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50 See ELAF (2021), *Valuation of Private Debt Investments*, December and ELAF (2022), *Technical Guide For Valuation Of Private Debt Investments*, February; IOSCO (2025), *Valuing Collective Investment Schemes (CIS): Consultation Report*, November, SEC (2025), *SIFMA's Private Markets Valuation Roundtable*, speech by Commissioner Mark T. Uyeda, September; Dechert (2025), *State of the Private Credit Market and Valuation Best Practices*, December; KPMG and ALFI (2025), *Private debt fund survey 2025: Adapting to Change—Strategic Evolution of Private Debt in Luxembourg*; BlackRock (2025), *What does the growth in private credit mean for investors?*, November; Blackstone (2025), *Private Credit: Beyond The Noise*, October; Blackstone (2025), *BCRED Today: Resilience and Outperformance*, December, Apollo Global Management (2025), *Private Credit: Fact vs. Fiction*, December; Super Review (2025), *Apollo urges ASIC to clarify private asset valuation standards*, June.

51 See Houlihan Lokey (2023), *A Focus on Valuation: Private Credit vs. Public Credit*

52 See Jang and Kim (2025),

lesser-known agencies to provide private ratings for private credit assets has grown significantly, accompanied by reports of ratings inflation.[53]

Robust governance may help address concerns around valuation subjectivity. Stakeholders highlighted robust valuation practices with frequent use of independent third-party valuation firms and oversight committees. This includes engaging on a regular basis with external experts, including audit firms, to value private credit portfolios, ensuring transparency and rigorous analysis and multi-layered valuation processes, leveraging internal committees, third-party agents, and market mechanisms like syndications to validate valuations. However, some stakeholders did note that discrepancies in valuations can arise due to subjective judgment, with examples made in comparable cases having different valuations across managers.[54] Some members have also identified practices where the income-based approach grants managers significant discretion.[55] This highlights the importance of consistent methodologies and transparency to address valuation subjectivity.

4. Other potential vulnerabilities

Members identified several other potential vulnerabilities in private credit. Based on responses to an internal FSB member survey, these include interconnectedness with other nonbanks and cross-border interlinkages, leverage, liquidity mismatches, and concentration. These may interact and reinforce each other, especially during stress, and could be amplified by opacity and complexity. This section provides a high-level description of member-highlighted vulnerabilities.

Interconnectedness with other nonbanks

Interconnectedness between private credit and insurers has increased in recent years. Private equity firms appear to be increasingly developing ownership or control relationships with insurance companies that then invest in private credit funds (see Box 3). In some jurisdictions, life insurers invest in high-yield corporate bonds and leveraged loans, which may expose them to risk factors that are common to private credit assets.[56] Partnerships between life insurers and private credit investment firms have created more complex and opaque structures that seek to shift portfolio allocations towards riskier corporate debt and may exploit flexibility and opacity in valuations, as well as potential regulatory arbitrage and the use of offshore reinsurance jurisdictions.

Private equity and private credit are also deeply interconnected, with private credit often playing a vital role in financing private equity transactions. While private equity and private credit funds invest in different parts of a nonfinancial company's capital structure, they often work together. The most prominent interlinkage is through private credit providing the debt financing for private equity transactions, particularly leveraged buyouts. Additionally, many large alternative asset

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53 See IAIS (2025), *Issues Paper on structural shifts in the life insurance sector*, November and S&P Global (2025), *The Rise of Private Credit in Insurers' Investment Portfolios*, October.

54 For example see Bloomberg (2025), *Apollo, KKR See Record-Wide Gap on Valuing Stressed Private Loan*, November.

55 See FCA (2025), *Private Market Valuation Practices*, March. The survey covered firms operating in the United Kingdom, but which had significant global footprint and indicated valuation practices were similar across jurisdictions.

56 For example this development has been observed in the United States, see FRB (2025), *Life Insurers' Role in the Intermediation Chain of Public and Private Credit to Risky Firms*, March.

managers operate both private equity and private credit strategies under the same roof, leading to further integration and potential synergies, while potentially raising conflict-of-interest concerns. Private credit and private equity funds often draw capital from the same limited partners, such as pension funds and insurance companies.

Box 3: Links between private credit, private equity and insurers

Private credit is playing an increasing role in the life insurance industry as insurers shift their investment strategies to adapt to a changing financial landscape. This box sets out the links between private credit and insurers. Further work may be required by various authorities and international organisations to further understand the materiality of financial stability concerns.

With prolonged low interest rates pressuring profitability, insurers have increasingly turned to private credit and other higher-yielding assets to boost returns.[57] These investments, which include private loans and structured credit like collateralised loan obligations (CLOs), offer higher yields compared to traditional bonds and stable cashflows (in normal times). However, they may come with significant trade-offs, such as reduced liquidity and increased valuation challenges. Private equity-linked insurers have been particularly aggressive in this area, with structured securities accounting for approximately 27% of their portfolios by the end of 2024, compared to around 12% for other large insurers.[58] In some cases involving private equity owned insurers, the structured securities are managed by the private equity sponsor itself.

Estimating insurers' private credit exposures is challenging, but proxies confirm that, as expected, life insurers hold a higher share of private credit exposures than non-life insurers. Analysis of filings for North American life insurers highlights some challenges in estimating insurers' private credit exposures specifically, as these could appear in either corporate or non-mortgage structured finance investment categories in public filings.[59] Applying a proxy of private placements and private ratings suggests that, in aggregate, around 10% of life insurers portfolios may be private credit, against around 3% for non-life insurers. The credit quality largely mirrors those on other corporate bonds, likely driven by regulatory and capital charge considerations.

In its 2025 Global Insurance Market Report, the IAIS conducted a deep dive on private credit exposures, outlining key risks, drivers and measures insurers and supervisors are taking.[60] Although data challenges remain, preliminary analyses highlight that private credit exposures remain relatively low on aggregate, despite its growing prominence. IAIS data indicates that insurers' exposures to private credit differs across regions. However, this data varies based on different definitions of private credit. Supervisors were asked to provide their qualitative assessment of private credit and a quantification estimate. For most jurisdictions, the estimates were below 5% of insurance sector total assets. With the objective of gathering more complete data, the IAIS is refining both the definition it uses to measure private credit and its data requests from supervisors.

There has also been a related growing trend of private equity firms increasingly acquiring life insurers and reinsurers or engaging in funded reinsurance arrangements.[61] In the United States, private equity-backed insurers now control nearly $900 billion in insurance liabilities, a significant rise from $67 billion in 2012, with 35% of new US annuity sales in 2023 going to private equity-backed insurers. This trend is also expanding globally, with funded reinsurance gaining traction in the United Kingdom and Asia, where insurance liabilities transferred through funded reinsurance are projected to

57 See IAIS (2025), *Issues Paper on structural shifts in the life insurance sector*, November.

58 See BIS (2025), *The transformation of the life insurance industry: systemic risks and policy challenges*, October.

59 See S&P (2025), *The Rise Of Private Credit In Insurers' Investment Portfolios*, October.

60 See IAIS (2025) *Global Insurance Market Report 2025*, December

61 See Bank of England (2024), *Financial Stability Report*, November.

grow significantly in the coming decade. Private equity firms are leveraging life insurance liabilities as a stable, long-term funding source to invest in private credit and structured products, while insurers benefit from fresh capital and access to high-yield assets, enabling competitive product offerings and supporting the growth of the retirement market. This evolving business model reflects the increasing integration of the private equity and life insurance sectors.

Cross-border interlinkages

Private credit lending can involve cross-border activities through involvement of foreign investors, fund managers, and lenders across jurisdictions. Cross-border interlinkages can span multiple dimensions, such as where the private credit fund is managed and domiciled, where the investments of the fund are managed from, where the corporates the fund lends to are located, and where the fund's investors are domiciled.

Several authorities highlighted cross-border linkages, although comprehensive data are lacking. Most of the private credit business conducted by Canadian pension funds and insurers is in the United States and Europe, while large international private credit managers actively lend to Canadian corporates. In the euro area, cross-border lending is an inherent feature of private credit markets, with only around 20% of the volume borrowed by euro area companies being lent by euro area lenders.[62] In Switzerland, foreign investors seem to be often involved in larger private credit transactions and Swiss family offices are reported to actively participate in cross-border investments.[63]

Cross-border activity highlights the interconnected nature of private credit markets and their reliance on global capital flows. The UK and the US private credit markets are highly international, with fund management entities, borrowers and investors often located in different jurisdictions. In the United Kingdom, this structure allows for greater diversification and access to expertise while enabling corporates to secure funding from a wide range of sources. In the United States, foreign investors play a key role in private debt funds and non-traded BDCs, while US fund managers maintain globally focused strategies with local offices in Europe and Asia. Foreign entities also provide leverage to and co-invest alongside US private credit funds. In South Africa, foreign investors are involved in regional infrastructure and trade finance, supporting broader pan-African integration.

Leverage

Multiple layers of leverage, particularly when it is obscured by complex funding/deal structures, can represent a vulnerability (see also Section 3). Leverage can be present at the level of the portfolio company (the company that receives private credit, typically highly leveraged firms) and at the private credit fund. In some cases, additional leverage is introduced when investors of private credit funds take on leverage to fund their investments. Additionally, private credit funds often play a critical role in financing leveraged buyouts by private equity firms. This layering

62 ECB (2024), *Financial stability review*, May.

63 See PWC (2025), *Insights from PwC's Global Family Office Deals Study 2025 for Switzerland*, February and UBS (2025), *UBS Global Family Office Report 2025: all eyes on the global trade war*, May.

effect, which is often obscured or hidden by complexity in funding/deal structures and arrangements, can present an additional vulnerability.

Leverage at the borrower company level is the most direct form of leverage and it is often driven by private equity sponsors. In such an arrangement, private equity sponsors acquire nonfinancial companies using a high proportion of debt to boost the return on their equity investment. The private credit funds lend directly to these highly leveraged companies. In addition, many private credit corporate borrowers have revolving lines of credit with private credit lenders or banks, which can be drawn at any point, subject to contractual conditions.

Liquidity mismatches

Private credit funds traditionally operate as closed-end structures, which mitigates liquidity mismatches, although there is some variation across jurisdictions. Most funds lock in capital for their entire life cycle and do not trade on exchanges.[64] In the United States, most private credit funds have a closed-end structure and typically lock up the capital of their limited partners for extended periods.[65]

However, while most private credit entities continue to be closed-ended, some open-end structures and more frequent redemption windows are increasingly offered to investors. In the United States, while semiliquid funds such as perpetual non-traded BDCs constitute only a small part of the US private credit market, they increasingly offer periodic and partial liquidity windows (Graph 11, panel A).[66] In the euro area, around 20% of private credit funds are open-ended, with around 75% of these funds allowing monthly or more frequent investor redemptions (see Graph 11, panel B).[67] The trend is also visible in the United Kingdom where, while most funds continue to be closed-ended, there has been growth in ‘semi-liquid’ and ‘evergreen’ funds that offer redemptions to investors.[68]

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64 See Avalos et al. (2025), The global drivers of private credit, *BIS Quarterly Review*, March and Bank of England (2024), *Financial Stability Report, Financial Policy Committee*, November.

65 FSOC (2024), *2024 Annual Report*, December.

66 However, these BDCs have disclosure requirements similar to those of mutual funds, usually maintain leverage meaningfully below the regulatory maximum, and hold larger portfolios of traded leveraged loans, which may serve as a liquidity cushion.

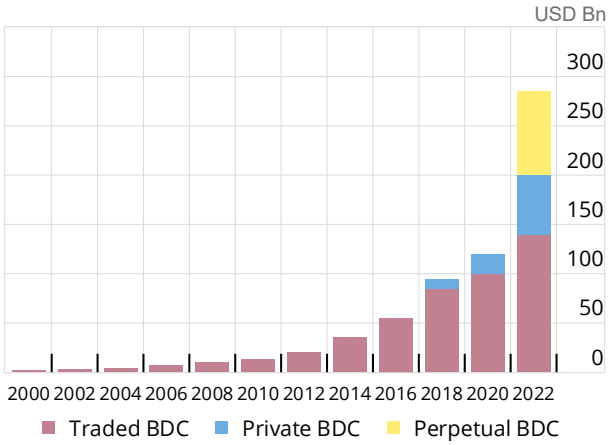
67 NBFI Monitor (2024), *EU Non-bank Financial Intermediation Risk Monitor 2024*, No. 9, June ; and ECB (2024), *Private markets, public risk? Financial stability implications of alternative funding sources*, May. Liquidity mismatch may be mitigated by inflows from loan repayments, the predominance of institutional investors with longer investment horizons (e.g. only 2% of investors in euro area private debt funds are households, against 43% of insurance companies and pension plans/funds combined), and the use of appropriate liquidity management tools.

68 For UK-managed private credit funds, liquidity mismatches are limited to a small number of funds, as most funds structure the redemption terms (notice periods, redemption frequency etc.) to match the liquidity of the underlying assets.

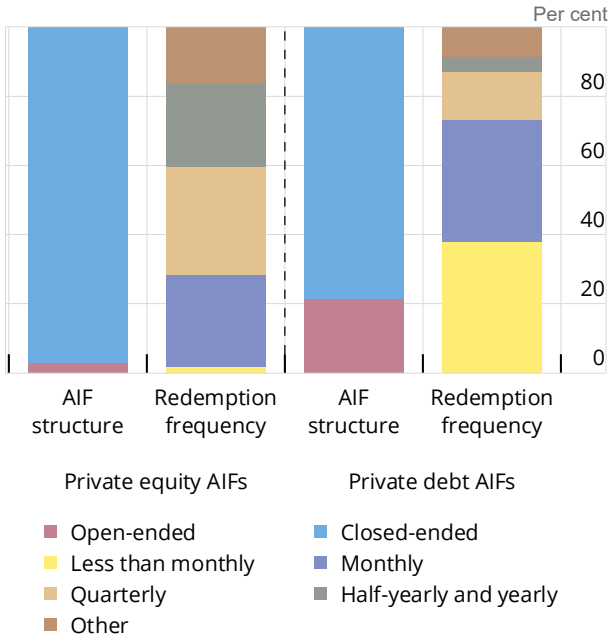
US BDCs and EU private credit funds

Graph 11

A. US BDCs assets under management



B. Structure and redemption frequency of private funds in the Euro area (Dec 2024)



Sources: ESRB; IMF; FSB. Notes: the growing shift towards semiliquid structures holds the potential to enhance liquidity transformation within the private credit industry. This is evident in the increasing establishment of semiliquid funds, including perpetual nontraded BDCs.

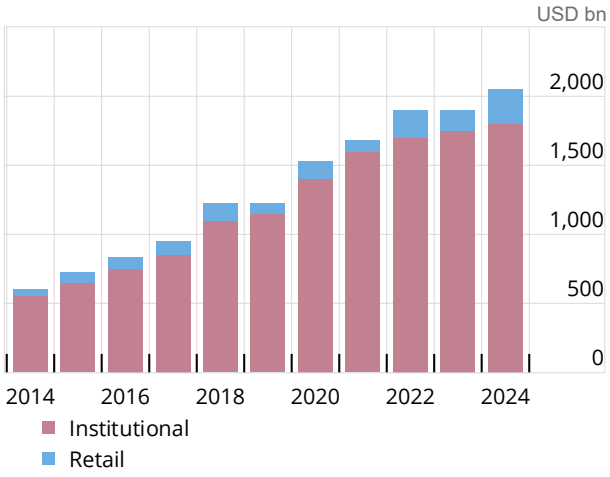
Liquidity mismatches may increase going forward if managers continue offering more flexible redemption terms to attract investors, particularly retail investors. Retail investors increasingly contribute to new funds for the expansion of private credit, albeit from a low base (Graph 12).[69] The expansion to retail investors is associated with the growth of semiliquid investment vehicles that offer periodic windows of liquidity, ranging from quarterly redemptions (regular or discretionary) to exchange-traded funds with daily liquidity (which generally may also contain features to manage liquidity pressure). The growth of retail participation in private credit markets ('retailisation') may be associated with more flexible redemption terms and could increase potential vulnerabilities related to liquidity mismatches. Additionally, despite comprehensive investment disclosures, retail investors may not fully understand the illiquidity of the asset class, which may amplify redemption requests during stress episodes.

69 See IMF (2025), *Global Financial Stability Report*, October.

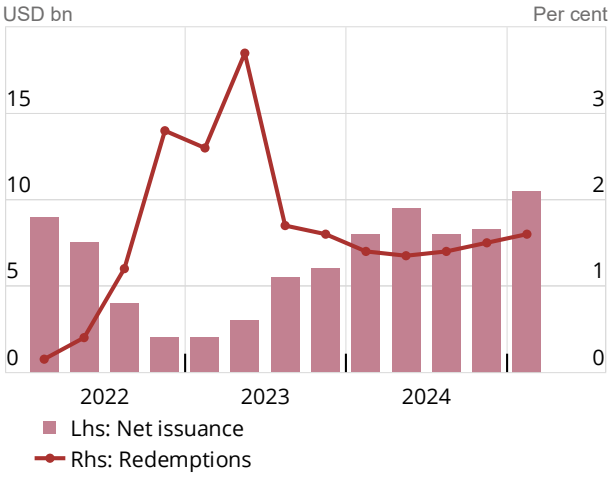
Retail investors in private credit

Graph 12

A. Asset under Management for Private Credit Funds



B. Perpetual Nontraded Business Development Companies' Quarterly New Issuance and Redemptions



Sources: Capital IQ, Pitchbook.

The recent events involving semi-liquid private credit funds highlight potential vulnerabilities related to liquidity mismatches. Over the last few months, several private credit funds were reported to have received large redemption requests (e.g. in excess of applicable stated withdrawal limits, which for some funds is reported to be 5% of NAV) particularly from high net worth investors.[70] Some fund managers decided to meet these redemption requests according to their stated withdrawal limits. While this helped manage fund liquidity, it may also have stimulated further redemption pressures. This may be reflective of challenges related to potential liquidity mismatch vulnerabilities faced by semi-liquid fund structures, which provide periodic liquidity to investors while holding illiquid, long-dated loans. Tensions can particularly arise if retail investors do not fully understand the underlying risks and illiquidity characteristics of private credit assets.

Concentration

Private credit loan originations remain concentrated in a few industries, highlighting the trade-offs between specialisation and diversification.[71] As noted in Section 2 Table 1 and Section 4, industries receiving significant private credit include technology, healthcare, and services companies, underscoring the tendency of private credit to specialise in certain sectors. Private credit is also contributing to fund the recent boom in AI-related investments (see Box 4). Specialisation could be associated with a deeper understanding of borrower characteristics and enhance private credit lenders' ability to monitor and manage loans effectively. However, this focus on specific sectors may leave private credit funds exposed to idiosyncratic risks. By reducing diversification, pronounced specialisation may increase exposure to region- or industry-specific shocks.

[70] See Bloomberg (2026), *Redemption Requests Surge, Leaving Billions Locked in Private Credit Funds*, March, and FT (2026), *Retail investors pull billions from private capital's credit gold mine*, March.

[71] See BIS (2025), *The global drivers of private credit*, March.

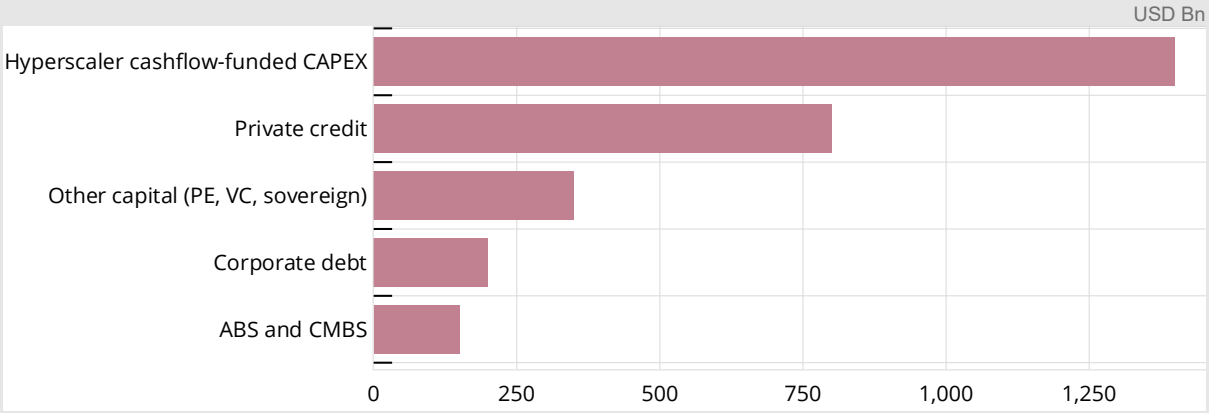
Should the share of retail investors continue to rise, achieving a balance between specialisation and diversification may become increasingly challenging. The purported advantages of private credit relative to bank lending, such as superior screening and monitoring capabilities, as well as bespoke loan terms, may necessitate a certain degree of specialisation. However, as private credit managers explore strategies to attract retail investors, funds may adopt greater portfolio diversification to accommodate retail investors' preferences, and in certain jurisdictions may be subject to regulations requiring them to comply with certain diversification requirements, which could reduce potential concentration risks but potentially dilute their competitive advantage. Alternatively, if private credit funds choose not to diversify, retail investors may face potential portfolio concentration risk.

Box 4: Private credit and funding of recent AI-related investments

Private credit is playing a critical role in addressing the financing needs of data centre investments, particularly those driven by the rapid expansion of generative artificial intelligence (GenAI). As the demand for high-performance computing infrastructure such as data centres grows, internal cash flows from technology companies are proving insufficient to meet the substantial capital requirements. Private finance, and specifically asset-based finance (ABF), has proved a key source of funding. According to private sector research, AI Infrastructure capital expenditure (capex) between 2025 and 2028 is projected be $2.9 trillion, with $1.5 trillion expected to be met by external capital, including $800 billion from private credit (see Graph 4.1).[72] According to other estimates, data centres will require $5.2 trillion in capital expenditures by 2030.[73]

Funding of AI-related capital expenditure

Estimates for 2025-28 **Graph 4.1**



Hyperscalers are large cloud service providers that use massive, globally distributed data centres to offer highly scalable and flexible computing infrastructure, storage, and services.

Sources: Bank of England and Morgan Stanley.

Private credit lending to AI-related sectors has expanded considerably, both in absolute terms and as a proportion of total private credit activity.[74] The terms of private credit loans to AI-related firms are broadly aligned with those offered in other sectors, featuring similar maturities and rate spreads. However, loans to AI companies are generally larger in scale. While exposure to AI-related sectors remains relatively small for the average private credit fund, interest and activity in this area have

72 See Morgan Stanley (2025), *How Credit Markets Could Finance AI's Trillion Dollar Gap*, August and BoE (2025), *All chips in! Would a fall in AI-related asset valuations have financial stability consequences?*, October.

73 McKinsey & Company (2025), *The cost of compute: A $7 trillion race to scale data centers*, April.

74 See BIS (2026), *Financing the AI boom: from cash flows to debt*, January.

been steadily growing over time, with the sector's share of private credit deals reaching 34% in 2025, up from an average of 17% over the previous five years.[75]

Asset-based finance is well-suited to the complexities of data centre financing. It allows developers to secure funding by leveraging predictable and stable cash flows, such as long-term lease agreements with highly creditworthy tenants. This financing structure enables technology companies to access critical infrastructure without significantly impacting their balance sheets, while investors benefit from stable and attractive returns. The flexibility of private credit makes it ideal for supporting data centre projects at different stages of development, from land acquisition to construction and operation.

However, risks and challenges could impact private credit lenders' ability to fully meet the financing needs of data centre investments. One vulnerability relates to being impacted by wider changes in financial markets and macroeconomic conditions. A sharp correction in asset valuations, which have increased rapidly, could lead to sizeable credit losses to private credit investors. This could be triggered by any significant shortfall in the supply of electricity, a critical factor in the construction and operation of data centres, which could lead to delays or cancellations of projects. In addition, valuations and credit losses could also be driven from any overcapacity in the data centre market, if development outpaces demand for AI related services thereby leading to lower-than-expected returns for investors.

The concentration of risks and the complexity of bank exposures to private credit merit continued attention. Banks may encounter challenges in aggregating exposures across business lines or counterparty types, especially if counterparty disclosures are limited. This can hinder their ability to identify risks from concentrations and correlations, potentially influencing transmission channels under stress.[76] In adverse conditions, exposures that seem manageable on a standalone basis may exhibit higher-than-expected correlations, complicating efforts to effectively manage and mitigate risks.[77]

Where data exist, private credit seems to show substantial concentration among bank lenders. For example, external research finds the market for bank lending to BDCs in the United States to be highly concentrated, and the level of concentration surpasses that observed in non-BDC lending.[78] Only a subset of banks engages in this specialised activity. On average, BDCs maintain borrowing relationships with 5.5 banks. At any given time, slightly over half of the banks in the sample participate in BDC lending.[79] The distribution of this lending is markedly skewed: the top 5 banks account for 63% of the total committed loan amount to BDCs, while the top 10 banks represent about 84%.

Concentration among private equity and private credit lenders is increasing. At the global level, five large asset management groups account for about one-third of the aggregate loan commitments of the entire private credit and equity industry.[80] However, potential contagion effects for funds within the same asset management group may be limited by the fact that loans

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75 OECD (2026), *Global Debt Report 2026: Sustaining Debt Market Resilience Under Growing Pressure*, March.

76 BoE Prudential Regulatory Authority (2024), *Thematic review of private equity related financing activities*, April.

77 ECB Banking Supervision (2025), *Hidden leverage and blind spots: addressing banks' exposures to private market funds*, June.

78 FRB (2025), *Indirect Credit Supply: How Bank Lending to Private Credit Shapes Monetary Policy Transmission*, July, and BoJ (2026), *Evolving Trends in Business Development Companies (BDCs) in the U.S. Direct Lending Market*, April.

79 The paper considers Federal Reserve's FR Y-14Q H.1 schedule on commercial loans. This dataset covers detailed information on the universe of bilateral and syndicated loan facilities over $1 million in committed amounts held by Bank Holding Companies (BHCs) that are subject to the Federal Reserve's Stress Tests. These reporting banks hold over 85% of total assets in the U.S. banking sector and account for roughly 70–75% of all Commercial & Industrial lending.

80 See IMF (2025), *Global Financial Stability Report*, October.

are spread across numerous ring-fenced funds. Data gaps often hinder the monitoring of concentration in private credit and interconnectedness among private equity firms, insurance companies, and pension funds. Concentration and interconnectedness may also be motivated by regulatory arbitrage across sectors and borders.[81]

Potential stress scenarios

While no system-wide stress has been reported by members in their jurisdictions, isolated cases of liquidity pressures or borrower defaults have recently occurred, which also impacted some private credit lenders and investors. In the United States, BDCs have faced episodes of stress during previous financial crises, resulting in some acquisitions and downgrades. Private credit remained active during the pandemic alongside extraordinary government support deployed as borrowers sought additional financing to cover the effect of lockdown policies.

Corporate credit came into focus in late 2025, when some corporates defaulted over a two-month period. The most prominent among these defaults were First Brands and Tricolor.[82] The market reaction to the defaults was both contained and short-lived. While several financial institution lenders disclosed losses on their exposures to the failed companies, these were digested by markets without any major strains.

The cases highlight potential vulnerabilities in corporate credit. While fraud appears to have played some role, a lack of transparency and hidden leverage characterised these failed companies, leaving lenders with insufficient or poor information about their clients prior to bankruptcy. This is best illustrated by the use of off-balance sheet financing at some of the defaulted companies, which rendered an ex-ante assessment of total indebtedness and overall financial health difficult for individual lenders. Lender reliance on overly optimistic credit ratings may have also contributed to a flawed assessment of underlying risks. More generally, the number of institutions that had lent to the failed companies shows that weak underwriting spanned across corporate credit markets, not just confined to private credit funds.

The cases highlight interlinkages among lenders of different types, several of which only became fully apparent upon default. Such interconnections could induce spillovers, including across-borders, in prolonged periods of stress. The events show how tightly integrated banks can be in the intricate web of exposures in corporate credit. In some of these cases, banks lent to private credit funds exposed to the defaulted firms, directly to the failed companies, and to other investors that had exposures to the failed firms. In addition, there was evidence of links within the private finance ecosystem as two of the failed companies were backed by private equity funds. There were also interconnections with insurance companies, as some insurers had written credit insurance on the defaulted companies. The bankruptcies also revealed the extent of international interlinkages, with creditors to the defaulted firms located in 11 different jurisdictions.

Private credit remains untested at its current size and scope, and a severe economic downturn could expose leverage and borrower credit quality vulnerabilities. Private credit has demonstrated

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81 See IMF (2024), *Global Financial Stability Report*, February.

82 See Kroll (2025), First Brands Group, LLC Case No. 25-90399, September and Verita (2025*), Tricolor Holdings, LLC, et al.Case Number: 25-33487*, September

some resilience during the COVID-19 pandemic, when private credit lending remained stable, while high-yield bond and leveraged-loan issuance contracted sharply.[83] Opinions within the market are divided. Some remain optimistic, suggesting that a significant economic downturn would be required to generate meaningful credit losses, while the impact would be unlikely to be systemic.[84] Others view private credit as the most likely source of a systemic credit event.[85]

Growing reliance on private credit may pose risks during economic downturns. While the close relationship between private credit and private equity sponsors may help reduce defaults by providing additional capital to portfolio companies, severe economic downturns could weaken borrowers' debt service capacity and increase corporate defaults, particularly among weaker and highly leveraged corporates, two common characteristics of private credit borrowers. Such conditions could result in losses for private credit funds, forcing them to scale back lending and reduce access to credit for certain types of borrowers, particularly in the mid-sized and higher-risk corporate segments. These segments, which have become increasingly reliant on private credit, could face heightened funding pressures, amplifying the broader economic impact. In addition, over the past decade, secured lending in private credit has grown substantially, surpassing unsecured lending. This increased reliance on secured lending may have implications during downturns, as secured loans, which are highly sensitive to collateral values, could experience sharp contractions, further exacerbating market stress.[86]

Opacity in valuations and asset illiquidity could accelerate these dynamics during periods of stress. Private credit assets are generally illiquid, making it challenging for funds to sell assets quickly without incurring price discounts. Private credit funds with redemption features, in particular, may face some challenges in liquidating assets to meet redemption requests, particularly when market conditions are deteriorating. Although redemptions are often capped to 5% per quarter, redemption pressure could be further accelerated by concerns over potential unrecognised losses. In early 2026, fund managers used existing structural redemption limits to help manage the reportedly large redemption requests in private credit funds.[87] Private ratings and bespoke valuation methods that complicate risk assessment may raise concerns regarding delayed recognition of losses. This dynamic could trigger a downward spiral, where forced asset sales depress valuations further, amplifying losses and eroding investor confidence even further, especially if private managers are determined to gate or suspend redemptions further. The growing involvement of retail investors and the continued shift towards redemption-enabled structures could exacerbate this type of dynamics.

Vulnerabilities arising from complexity and interconnectedness within the private credit ecosystem could also be exposed during stress. The complexity of funding structures may create spillover risks to the banking system during stress events. For example, private credit funds' reliance on bank credit lines for liquidity could shift pressures to banks, especially when corporate borrowers draw on revolving credit lines. High leverage in private equity deals could

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83 See IMF (2024).

84 See JP Morgan (2025), *Private credit: Promising or problematic?*, July.

85 See Bank of America Global Research (2025), *Global Fund Manager survey*, November.

86 See BIS (2025), *Collateralized lending in private credit*, March.

87 For example, see Bloomberg (2026), *Cliffwater $33 Billion Private Credit Fund Redemptions Reach 14%*, March, Reuters (2026), *BlackRock fund limits withdrawals as redemptions rattle private credit*, March; Reuters (2026), *Morgan Stanley restricts redemptions at private credit fund after withdrawals surge*, March.

magnify losses, placing additional strain on private credit funds that finance these transactions. Investors, such as insurers and pension funds, with exposures to both asset classes may face capital calls, potentially forcing them to sell liquid public assets. Significant interlinkages and market opacity could increase the risk of correlated stresses.

5. Data and metrics

5.1. Data challenges

While authorities use various data sources and metrics, they face significant challenges in monitoring private credit markets. In several jurisdictions, a lack of granular fund- and loan-level data available to FSB member authorities limits those authorities' ability to monitor sectoral exposures, borrower credit quality and other vulnerabilities effectively. Another common issue is the insufficient data on liquidity mismatches in open-ended or semi-liquid funds. The fragmented nature of data collection and (in certain cases) limited access to subscription-based commercial services further constrain authorities' ability to monitor vulnerabilities effectively. Even where data is available, certain assumptions may need to be applied. For example, estimating private credit exposures of insurers is challenging, as these investments are often categorised under broader asset classes, such as corporate bonds or structured finance.

Members have highlighted that regulatory reporting frameworks do not specifically identify private credit funds. Variations in data availability and reporting frameworks highlight the challenges in comprehensively identifying and tracking private credit activities across jurisdictions.[88] In the euro area, authorities use data from the Alternative Investment Fund Managers Directive (AIFMD) to track leverage and liquidity, though private credit is not a specifically defined category (see also Box 5). The United Kingdom also leverages AIFMD data but supplements it with internal methodologies to identify private credit activities. In the United States, regulatory filings like the SEC Form PF for private funds and publicly filed disclosure and financial statements for registered funds are used to monitor private credit funds and their holdings. Beyond regulatory reporting, sources include public, commercial datasets, and ad hoc supervisory surveys. Annex 1 further sets out the data sources available to members.

Box 5: Private credit and data challenges in the EU[89]

In the EU, private credit flows through a variety of entities and activities. Regarding private credit funds, the primary source of harmonised data at the EU level is the reporting framework established under the Alternative Investment Fund Management Directive (AIFMD). Data on key areas is collected, including investment strategies, investor concentration, instruments held, aggregated exposures, market risks, leverage, as well as investor and portfolio liquidity profiles.

Data is generally available on an aggregate basis, segmented by asset typology and geographical focus, providing insights into the concentration of large exposures. However, at the granular level (e.g. single positions held by a fund), only the top five instruments in which the fund is trading are reported.

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88 For instance, Switzerland lacks a dedicated data collection framework for private credit, relying instead on fragmented sources, and South Africa faces similar challenges as its regulatory reporting does not include specific qualifiers to identify private credit funds, limiting the ability to monitor this segment effectively. Canada and Hong Kong rely on jurisdictional financial data and transaction-level reporting to monitor private credit activities.

89 See Eurosystem (2026), *Strengthening the macroprudential lens in the regulation of non-bank financial intermediation*, May.

Additionally, national authorities have access to supplementary data through local reporting arrangements.

Despite this, EU-harmonised data face several limitations that hinder a detailed assessment of private credit exposures, including:

- **Identification and quantification of private credit.** The current categories in AIFMD reporting constrain the ability to identify and quantify private credit, both at the entity (i.e. fund) and activity levels:
  - Entity-level: there is no specific category for private credit funds. Instead, these funds are typically included in a residual category.
  - Activity-level: identifying private credit activities within non-specialised funds is challenging. Current reporting primarily supports aggregate portfolio analysis, with loan exposures classified as either 'leveraged loans' or 'other loans', with only limited information on more granular classifications on the loan type (e.g. co-lending, syndicated loans, trade financing, leasing) or credit quality (e.g. performing vs. nonperforming).
- **Granularity of exposures.** Even when the top five instruments are reported, the absence of standard identifiers, such as ISINs or LEIs, for many private credit fund instruments limits the ability to analyse the characteristics of underlying financial instruments or borrowers. This also affects the ability to assess the total leverage obtained by single borrowers from multiple lenders. For example, a significant proportion of loan positions (e.g. 'other loans') and many asset-backed securities (ABS) lack ISINs or other identifiers. In addition, even when identifiers are available, authorities may not have full access to relevant information.
- **Indirect exposures.** The reporting framework does not capture indirect exposures. Reporting is generally limited to the first layer of investments, with no requirement for a 'look-through' approach. This creates challenges in assessing risks from multi-layered investment structures, such as stakes in multiple layers of funds or Special Purpose Vehicles (SPVs). Indirect leverage is particularly difficult to measure due to the narrow legal definition of 'exposure,' which excludes certain types of leverage, such as those associated with leveraged buyouts (LBOs).
- **Leverage reporting:** The lack of comprehensive reporting on leverage, particularly in private credit, may prevent the effective monitoring of risks at the macro level.

These data challenges could hinder the ability of authorities to assess and address financial stability risks, particularly in a market characterised by significant cross-border and cross-sector activity.

Available data on bank lending to private credit funds seems very limited at FSB member authorities, and where it may be available could not be shared with the FSB. Most members were able to provide point-in-time data and estimates on the aggregate bank exposures to private credit funds. Only some provided more granular information (such as by facility type and/or as a time series) and some relied on recent ad hoc collections, and/or for a limited sample of banks (Graph 13). While data is not generally comparable across jurisdictions, efforts have been made in this report to display comparative analysis where possible (e.g. in aggregated forms). In some cases, legal impediments may restrict the sharing of data collected from regulatory reports with the FSB.

Heatmap of data available to authorities, by jurisdiction **Graph 13**

Bank lending to private credit	Canada	Euro Area	Hong Kong	Switzerland	UK	US
1) Aggregate: drawn amount	*(Incl. PE lending)*	*(Ad hoc data)*				
1) Aggregate: total commitment	*(Incl. PE lending)*		*(Ad hoc data)*			
Subsets:						
2) Facility type (sub line, NAV, SRT, term loan, etc.)	*(Incl. PE lending)*	*(Drawn only)*	*(Ad hoc data)*		*(Ad hoc data)*	*(Sharing restrictions)*
3) Subscription line type (limited/gen partners)			*(Ad hoc data)*			
4) Revolving facilities	*(Incl. PE lending)*				*(Ad hoc data)*	
5b) Lending to offshore funds	*(To US BDCs only)*				*(Ad hoc data)*	
Time series (for available data)		*2023-2024*				

■ = Available ■ = Partial/incomplete ■ = Not available

Source: FSB member data.

5.2. Metrics to enhancing surveillance

Private credit has grown significantly across jurisdictions in recent years, necessitating enhanced monitoring of potential vulnerabilities. While approaches may vary, for example reflecting the specific characteristics of private credit and the materiality of vulnerabilities in different jurisdictions, some level of global harmonisation in the metrics used could be beneficial. Such harmonisation would facilitate the assessment of vulnerabilities arising from cross-border private credit activities. Additionally, if these harmonised metrics are based on comparable regulatory reporting data, they could help reduce reporting burdens for private credit funds operating across multiple jurisdictions.

Key considerations for metric development include proportionality and comparability across borders. Monitoring efforts, including on metrics calculation, should be tailored to the size of private credit in a jurisdiction, the materiality of associated vulnerabilities, and jurisdiction-specific financial stability risks. In addition, calculating metrics with comparable approaches across jurisdictions may facilitate cross-border assessments and reduce reporting burdens for private credit entities operating internationally.

Workstream members have identified an initial list of ‘core’ metrics (see Table 3). These metrics have been identified to be most beneficial and important to monitor potential vulnerabilities. It includes consideration of information available across authorities and/or are relatively easier to obtain, with variability across jurisdictions and funds within those jurisdictions. Additional work would be needed to determine which metrics may be prioritised further, specify calculation methodologies, thresholds, and jurisdictional remits for certain metrics.

Annex 2 includes a list of 'additional' metrics, i.e. those that are still useful but may be currently less available or harder to calculate. Some of these metrics are more sophisticated and could be seen as complementary to core metrics. Both lists are organised by the vulnerabilities they aim to capture, though some metrics may address multiple vulnerabilities.

Table 3: Core metrics identified to enhance surveillance of private credit

Category	Metric	Description
Size and trends	NAV or AUM of private credit funds	Total Net Asset Value (NAV) or Assets Under Management (AUM) of private credit funds.
	NAV or AUM by strategy	Segmented by (i) direct lending, (ii) asset-based finance, (iii) NAV/fund finance, (iv) special situations/distressed.
	Private credit issuance	Issuance as a percentage of GDP or total lending to nonfinancial companies.
	SRT holdings	Private credit funds' holdings of Significant Risk Transfer (SRT) instruments over total NAV.
Interconnectedness	Bank lending to private credit funds	As a percentage of total bank assets, categorized by facility types (e.g., subscription lines, NAV, ABL).
	Insurer investments	Share of insurer investments allocated to private credit.
	PE ownership of insurers	Share of insurance companies owned by private equity (PE) firms.
	Committed vs drawn capital	Committed vs drawn capital by banks to private credit funds.
Leverage	Private credit funds' leverage ratio	Debt to NAV and debt to equity ratios of private credit funds.
	Borrowers' debt-to-EBITDA	Leverage ratio of private credit borrowers.
Liquidity mismatch	Open-ended fund NAV	NAV of open-ended private credit funds as a proportion of total private credit funds' NAV.
	Redemptions	Redemptions frequency
	Investor base	NAV or AUM of private credit funds held by retail vs institutional investors.
Concentration	Fund concentration	NAV or AUM of top N (e.g. 3, 5, or 10) private credit funds divided by total NAV or AUM.
	Sector concentration	Private credit exposure to top N (e.g. 3, 5, or 10) economic sectors divided by total exposures.
Cross-border activities	International exposures	Total exposures of funds with at least X% of borrowers domiciled outside the fund manager's jurisdiction.
	Geographic concentration	Private credit exposure to top N (e.g. 3, 5, or 10) geographies divided by total exposures.

Category	Metric	Description
Borrower credit quality	Loan-to-value (LTV) ratio	Average and distribution of borrower loan-to-value ratios.
	Interest coverage ratio (ICR)	Average and distribution of borrower interest coverage ratios.
	Debt service coverage ratio (DSCR)	Average and distribution of borrower debt service coverage ratios.
	Default rate	Default rate on private credit loans.
	Negative free cash flows	Share of borrowers with negative free cash flows.
	Credit spreads	Private credit spreads or interest rate spreads over the risk-free rate.

6. Conclusions

Private credit is estimated to be between $1.5 trillion and $2 trillion (as at end 2024) and has grown rapidly. This was driven by its ability to provide tailored financing options for companies, including those with higher credit risks or limited collateral. While traditionally targeting medium-sized enterprises and open to institutional investors, private credit is increasingly providing financing to larger firms and accessed by retail investors. The ecosystem revolves around asset managers, insurers, pension funds, and banks, with asset managers acting as general partners. However, challenges in monitoring private credit arise due to a lack of harmonised definitions and granular data, as well as opacity, complex valuation practices, and intricate and varied funding structures.

Interconnections between private credit funds and banks, insurers, and private equity firms are deepening, raising potential vulnerabilities. While closed-end structures have traditionally mitigated liquidity mismatches, the growing use of fund structures that provide some investor liquidity and retail investor involvement may increase risks. Borrowers in private credit markets are often highly leveraged, making them susceptible to economic downturns, while reliance on opaque valuations and private ratings heightens vulnerabilities. The sector's complexity, leverage, and interconnectedness could amplify stress in adverse scenarios, posing broader risks to financial stability.

Looking ahead, the FSB's continued efforts will be considered in four main areas. The first area will involve continuing the assessment of vulnerabilities related to interlinkages between a range of nonbanks within the private finance ecosystem, as well as potential vulnerabilities related to liquidity mismatches in private credit funds. Second, work is underway to map and define the components of the complex and evolving ecosystem. Third, facilitating supervisory discussions will be considered to enhance authorities' ability to assess and supervise vulnerabilities and risks. Finally, the potential to address data challenges will be explored, to improve authorities' ability to monitor and address vulnerabilities.

Annex 1: Data sources and challenges by jurisdiction

Jurisdiction	Data Sources	Regulatory reporting for private credit funds	Metrics	Main data challenges
Canada	**Financial Accounts (Statistics Canada):** Tracks asset-and-liability exposures between financial entities and sectors. Covers 64% of the financial sector's assets but lacks granularity on foreign locations, entity types, and instruments. **Interbank and Major Exposures Return** (**OSFI**): Documents claims and liabilities of SIBs with respect to non-resident NBFIs. Comprehensive but lacks collateral information. **IRB Wholesale Transaction Data** (**OSFI**): Contains bank loan-level data on corporate exposures over $10 million but requires significant manipulation to extract insights. **Public Financial and Research Reports**: Used for supplementary analysis.	Loans by SIBs to private credit funds can be estimated based on regulatory reporting data. OSC's Investment Fund Survey data is used to estimate private credit fund size.	Banks' exposure at default to private credit funds, including securities financing transactions, loans, and derivatives. Drawn and undrawn amounts associated with the credit facilities at banks.	Limited data on leverage practices and valuations at domestic managers. Lack of standardisation in valuations, making comparisons difficult.
Hong Kong	**Granular Data Reporting (HKMA):** Contains transaction-level data of wholesale loans to nonbanks reported by authorized institutions. **AUM Data (SFC-Licensed Asset Managers)**: Collected semi-annually to monitor market developments and trends. Includes leverage, counterparty exposure, and liquidity profiles for funds with large AUM. Most data are quantitative and supports trend analysis.	Loans by authorized institutions to private credit funds can be estimated based on Granular Data Reporting and other regulatory data. AUM data is collected at the fund manager level by strategy. No Hong Kong-domiciled SFC-authorized	Metrics not explicitly detailed but AUM data and risk-related information (e.g. leverage, counterparty exposure, liquidity profiles) are collected.	Insufficient data on primary recipients of private credit.

		retail funds invest primarily in private credit, and combined exposure to such assets is minimal.		
Euro Area	**Commercial Data (PitchBook)**: Used by the ECB due to lack of access to AIFMD data. **AIFMD Data (ESRB)**: Provides leverage and liquidity monitoring. **Bundesbank's Investment Fund Statistics (Germany)**: High-quality monthly balance sheet data for securities holdings but limited granularity for loans. **Supervisory reports (Netherlands)**: Solvency II and FTK data for insurers and pension funds, reported quarterly, with limited granularity. **Supervisory reports and Central Credit Register (Italy)**: the latter is a comprehensive database on debts of households and firms. **Supplementary Data Sources**: Morningstar data	Private credit funds are identifiable based on asset holdings (e.g. AIFs where loans represent more than 50% of assets). However, private credit is not a defined category, and activities like loan origination and loan acquisition cannot be distinguished.	Trends in growth and borrower metrics (e.g., ICR, debt/assets). Liquidity risks using public data on investment funds. Bank exposures to private credit funds. NAV of private credit funds, share of open-ended funds, leverage ratios, and insurer exposures (ad-hoc surveys). Total assets, net leverage, and investor base for closed-end funds.	Lack of granular fund- and loan-level data to monitor sectoral exposures and vulnerabilities. Hidden leverage at fund and investor levels limits visibility into actual risks. Insufficient data on liquidity mismatches in open-ended funds. Absence of standardised classification frameworks for private credit in supervisory reporting.
South Africa	**Fundraising and Deal Activity Databases (SAVCA, AVCA, Preqin, Pitchbook):** Provide estimates of capital raised, sectors financed, and geographic flows. Coverage is improving but remains incomplete. Authorities typically lack direct access to subscription-based commercial services like Preqin and Pitchbook. **Credit Bureau Data:** Offers borrower-level repayment and default information. Data is provided quarterly but with a lag. Coverage is	No specific field in regulatory reporting explicitly identifies private credit funds in South Africa. Supervisory authorities rely on external fundraising and deal activity databases (e.g., SAVCA, AVCA, Pitchbook) to estimate private credit activity, but coverage is incomplete, and access to subscription-based	The private credit market in South Africa is not systematically monitored, and metrics are limited.	No specific regulatory reporting exists to identify private credit funds, leading to reliance on fragmented and incomplete data sources. There is limited granularity on fund- and loan-level data, including borrower-level metrics such as debt-to-EBITDA ratios and interest coverage. The

	high for regulated institutions but weaker for private funds and cross-border activity. **Credit Rating Agencies**: Provide borrower ratings, but authorities have limited access to subscription-based services. **Unlisted Debt Instruments (Local Commercial Bank):** Tracks R325 billion in unlisted debt instruments, 63% tied to banks' securitisation or repackaging programmes. Limited granularity on private credit activities. **Due Diligence and Risk Management Data:** Authorities monitor borrower financial strength, accounting standards, fund leverage, credit enhancements, and borrower concentration.	services is limited. Unlisted debt instruments are tracked through local commercial banks, but distinguishing private credit from other forms of unlisted debt remains challenging.		lack of standardisation in valuations complicates comparisons and risk assessment. Market opacity and the absence of a standard classification framework make it difficult to detect risks related to credit quality, leverage practices, and sectoral exposures. Additionally, there is insufficient data on liquidity mismatches in unlisted debt instruments and private credit funds.
Switzerland	No dedicated data collection on private credit markets. Data is sourced from fragmented public (including surveys from industry and universities) and confidential datasets, which may overlap and vary in reference dates. Authorities are exploring the use of commercial data in the future.	The supervisory authority FINMA identified likely private credit funds based on internal lists and reporting on collective investment schemes based in or managed in Switzerland. Some funds invest in mortgage loans, and borrower details are limited.	The private credit market is currently not systematically monitored.	No official data collection on private credit markets; reliance on fragmented sources. Lack of detailed data on private credit fund investors. Limited understanding of private credit's role in the real economy.
United Kingdom	**AIFMD Returns**: Regulatory data submitted annually, half-yearly, or quarterly by AIFMs for funds domiciled, managed, or marketed in the United Kingdom. **Commercial Data (PitchBook, Preqin, Bloomberg)**: Used for loan-level, fund-level,	No specific field in AIFMD data categorizes private credit. The FCA uses internal methodologies (e.g., keyword searches, PitchBook data, machine learning) to identify private credit funds.	Market size and growth (e.g., number of funds, NAV, AUM). Liquidity metrics (e.g., redemption terms, liquidity mismatch). Asset class exposures. Leverage	Incomplete reporting from private credit funds on investor breakdowns and other key metrics. Limited data on liquidity mismatches in semi-liquid or evergreen funds.

	and market-size data. Coverage varies, with incomplete information on loans and deals. **Bloomberg**: Increasingly used for loan-level issuance data (e.g., spreads).		(e.g., gross and commitment method). Investor base and geographical exposures. Market activity (issuance, spreads, maturity walls).	
United States	**Vendor Data (PitchBook, Preqin, KBRA DLD, BDC Collateral, Lincoln International)**: Provides deal characteristics, portfolio borrower information, and investor composition. Voluntary reporting leads to selection issues. **Public Filings (SEC 10K/Q, Form N-PORT, Form ADV)**: As applicable, contains portfolio holdings and liabilities for BDCs and registered investment companies, and other qualitative and quantitative information regarding funds and advisers. **Supervisory Data (FR Y-14Q, SEC Form PF)**: As applicable by form, tracks bank loans to private credit firms, as well as certain other fund/adviser information, though private credit funds are not explicitly identified (other than by name matching).	Certain (but not all) private credit funds can be identified through regulatory filings (e.g., public filings for BDCs and interval funds). Algorithms (e.g., name matching) may be used to identify private credit firms in supervisory data (FR Y-14Q, Form PF, Form ADV). However, it may not represent a complete picture of the private credit landscape. (*"The data for banks available to regulators in the US do not explicitly identify private credit funds."*) Distinguishing private credit from other credit investments (e.g., broadly syndicated loans) is challenging.	Among others, and depending on data source: Fund net and gross asset values, investment fair value, cost, interest rate and maturity schedules. Leverage for newly issued and existing loans. ICRs for newly issued and existing loans. Non-accrual rates for BDCs and realized/unrealized losses. PIK income and share of loans in PIK status. Amendments to private credit loans. EBITDA adjustments. Rating upgrades/downgrades. Default rates.	Market opacity complicates detection of risks related to credit quality and interconnectedness. Uncertainty about the accuracy and consistency of loan valuations. Difficulty estimating the investor base in private credit funds. Difficulty identifying private credit funds and private credit investments. Insufficient borrower-level data on key metrics like debt-to-EBITDA ratios.

Annex 2: Additional metrics

Category	Metric	Description
Interconnectedness	Share of private credit borrowers with bank revolving credit lines	Percentage of borrowers in private credit with access to bank revolving credit lines.
	Bank-private credit fund overlaps in corporate portfolios	Extent of overlapping exposures between banks and private credit funds in corporate portfolios.
	Borrowers financed by both private credit funds and banks	Number (or total borrowing) of borrowers financed by both private credit funds and banks, as a share of total borrowers (or borrowing) of the private credit fund.
	Share of private credit funds (NAV) managed by dual-role asset managers	NAV of private credit funds managed by asset managers who also run private equity and/or private credit funds.
	Affiliated private credit investments/total assets held by PE-linked insurers	Ratio of affiliated private credit investments to total assets of insurers linked to private equity firms.
	Aggregate size of capital call subscription facilities	Total size of capital call subscription facilities used by private credit funds.
	NAV of SRT initiated by banks over total private credit funds NAV	Ratio of Significant Risk Transfer (SRT) initiated by banks financing private credit to total NAV.
Leverage	Private credit fund assets over drawn investor capital	Ratio of fund assets to drawn investor capital.
	Subscription line utilization	Subscription line utilization as a percentage of committed capital or NAV.
	Share of borrowers with leverage ratio above threshold	Proportion of borrowers in each private credit fund exceeding a defined leverage ratio threshold.
Liquidity Mismatch	Open-ended funds with redemption frequencies (daily/weekly/monthly/quarterly)	NAV of open-ended private credit funds with specific redemption frequencies over total NAV.
	Unencumbered cash and liquid assets over stressed redemption requests	For each private credit fund, ratio of unencumbered cash and liquid assets to stressed redemption requests.
	NAV of private credit funds with liquidity management tools	NAV of funds with tools like redemption gates, notice periods, side pockets, etc.
	Share of assets managed by semi-liquid private credit funds	Percentage of private credit fund assets classified as semi-liquid.
	Semi-liquid funds imposing penalties on <1 year redemptions	Share of semi-liquid private credit funds with penalties for redemptions within one year.

Category	Metric	Description
	Redemption requests for semi-liquid and perpetual funds	Volume of redemption requests and redemptions met by semi-liquid and perpetual/evergreen funds.
	Drawn amount of private credit funds over total NAV	Ratio of drawn amounts to total NAV of private credit funds.
	Unfunded commitments to private credit funds over unencumbered cash and liquid assets	Ratio of total unfunded commitments to liquid resources available.
	Share of investments classified as Level 2 assets	Percentage of private credit fund investments classified as Level 2 assets under fair value hierarchy.
	Undrawn funds from secured funding facilities	Total undrawn amounts from secured funding facilities.
	Balance of unfunded commitments to borrowers	Total unfunded commitments owed to borrowers.
Concentration	Exposure to top N issuers	Private credit exposure to top N (e.g., 3, 5, 10) issuers divided by total private credit exposures.
	Bank exposure to top N private credit funds	Bank exposure to top N (e.g., 3, 5, 10) private credit funds divided by total bank exposure to private credit funds.
Borrower Credit Quality	Share of loans with PIK features	Percentage of private credit loans with Payment-In-Kind (PIK) features or PIK toggles.
	Borrower financial metrics	Metrics like borrower cash interest coverage ratio, fixed charge coverage ratio, net leverage, share of companies with negative FFO (funds from operations) or CFO (cash flow from operations), and value of non-accrual loans over total investments.
	Share of borrowers with negative cash earnings	Percentage of borrowers with negative cash earnings.
	Covenant breaches and distressed loans	Share of loans with covenant breaches, waivers, restructurings, amend-extends, distressed exchanges, payment deferrals, PIK activations, or defaults (e.g., payment, bankruptcy, covenant defaults) in the last 12 months.
	Percentage of loans with maintenance covenants	Share of private credit loans with maintenance covenants.
	Exposure-weighted share of loans by type	Distribution of exposure across first-lien senior secured, second-lien, mezzanine, unsecured, and preferred/hybrid loans.