

Trends Point to Increased Private Credit Transparency

I. OBSERVATIONS ON EMERGING REPORTING RULES

Private credit has experienced rapid growth over the past decade, often outside the scope of traditional regulatory frameworks. What began as a niche segment is now a mainstream asset class. Global AUM is projected to reach \$3 - \$3.5 trillion globally by 2028 (according to Moody's and BNY Mellon estimates), a trajectory that has drawn increasing attention from policymakers in the U.S., UK, and EU given the sector's increasing systemic relevance. And from what we have observed, this evolution is prompting a closer look at how risks within this market are monitored and disclosed.

II. SIGNS OF GREATER OVERSIGHT

Private credit has become an important source of financing for middle-market companies, real estate borrowers, and leveraged buyouts, often filling gaps left by banks constrained by post-crisis capital rules. However, its relative opacity and interconnectedness to the insurance and banking sectors have raised concerns among regulators.

Some core issues include: (i) the potential for regulatory arbitrage between heavily regulated banks versus non-bank financial institutions; and (ii) insurance companies' risk-based capital charges tied credit ratings agencies with different methodological and transparency standards.

III. SEC'S FORM PF AMENDMENTS: A CLOSER LOOK

In the U.S., the Securities and Exchange Commission (SEC) has taken notable steps toward enhancing transparency for private funds. One key development is the amendment to Form PF, which will require advisers, particularly those managing credit and debt funds, to report more detailed information on investments, counterparties, and portfolio exposures.

The compliance deadline, originally set for 2025, has been extended to October 1, 2026, allowing managers additional time to prepare. The outcome in our view is likely to entail better tools to monitor systemic risk and identify where leverage may be accumulating outside the banking sector.

IV. BANK EXPOSURE REPORTING: FILLING INFORMATION GAP

We view as net positive progress on rules addressing banks' reporting of exposures to nonbank financial entities, including private credit funds. These rules call for disaggregated reporting of loans, commitments, unused facilities, and risk concentrations tied to private credit counterparties.

MARKET COMMENT

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From what we have seen, this initiative aims to close a critical blind spot. Banks remain significant providers of credit lines and subscription facilities to private funds, and regulators appear focused on ensuring that interconnected risk does not create hidden leverage across the financial system.

V. EUROPEAN DEVELOPMENTS: MOVES TOWARDS HARMONIZATION

Across Europe, similar trends are emerging. Proposed amendments to the EU Securitization Regulation seek to improve transparency and standardize reporting for private securitizations, including revised templates for transaction disclosure. The UK's FCA is also reviewing reporting practices for private credit funds under AIFMD structures, signaling a broader push toward harmonization.

Overall, the direction seems clear: regulators on both sides of the Atlantic are moving toward structured, data-driven oversight to reduce blind spots in markets that now rival leveraged loans and high-yield bonds.

VI. INDUSTRY RESPONSE: NAVIGATING COMPLEXITY

Private credit managers appear to be responding in varied ways:

- Larger platforms are investing in technology, such as AI-driven reporting tools and automated data pipelines, to meet new requirements efficiently.
- Mid-sized and smaller firms, however, seem more challenged by rising compliance costs and operational demands.

Another theme we have observed is concern over data confidentiality. Many direct lending transactions involve bespoke terms among non-public borrowers, creating tension between transparency and privacy.

VII. IMPLICATIONS FOR INVESTORS

For institutional investors, these developments may offer reassurance through improved due diligence and benchmarking. At the same time, they could reveal differences in how managers value illiquid assets, handle defaults, and report leverage, potentially leading to short-term adjustments in NAVs as practices become more standardized. Retail investors may also feel indirect effects, particularly as private credit ETFs and interval funds become more popular. Regulators appear focused on ensuring that liquidity promises to align with the underlying assets' characteristics: a lesson reinforced by past stress episodes.

VIII. LOOKING AHEAD

The next few years will likely shape how private credit adapts to heightened regulatory attention. Compliance seems poised to become a core component of investor confidence rather than a peripheral obligation. From what we have seen, managers that embrace data-driven transparency early may position themselves as credible, trusted stewards of capital in an increasingly competitive market.