THE LEAD
https://theleadleft.com/pdi-picks-10-21-2024/

Challenging notions of secrecy

Private Debt Investor | October 23, 2024

Read [*the column from Jiri Krol of the Alternative Credit Council* here]

The Managed Funds Association has defended private credit against claims that it is guilty of a lack of transparency.

One of the most contentious aspects of private credit is transparency – whether deserved or not, a perceived lack of it is something that has caught regulatory attention. However, a new white paper posted by Washington-based industry body the Managed Funds Association argues against the common notion that private credit, especially direct lending, is something that takes place in the shadows.

The paper begins with the observation that "policymakers have expressed concerns about the availability of data and a lack of transparency in the industry". It cites the recent International Monetary Fund report on financial stability, which claimed that the private debt sector's opacity makes it challenging for the IMF to evaluate the accumulation of risks.?(Although the main chapter of the IMF report is not yet available, the related analytical material was made public on 15 October.)

The gist of the MFA's response is that, to the contrary and especially in the US context, there is an extensive regulatory framework in place that produces "a wealth of data… available to regulators as they look to monitor this important and growing asset class".

The data includes BDC reports for the US Securities and Exchange Commission; Form PF, also for the SEC; Uniform Commercial Code filings with state officials; state insurance filings; and state lending license reports, often under the Nationwide Multistate Licensing System, a platform for managing applications, renewals and compliance requirements. Even aside from regulatory requirements, there are also numerous commercially available datasets.

In defence of the regulators, it may be that the sheer number of disparate sources of information is confusing. But that doesn't mean it isn't in the open and out of the shadows.

For an assessment of the regulatory scrutiny that the asset class is coming under, read [this recent column] from Jiri Krol of the Alternative Credit Council.