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Implications of Private Credit Markets and Nonbank Financial Intermediation for the Federal Reserve and Financial Stability

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Shadow Open Market Committee meeting

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Good morning… and welcome to the panel on the "Implications of Private Credit Markets and Nonbank Financial Intermediation for the Federal Reserve and Financial Stability."

Private credit is an extraordinarily interesting and increasingly impactful asset class. It's growth since the Global Financial Crisis has been nothing short of phenomenal. For instance, private credit loans to U.S. businesses have demonstrated a 12 time increase between 2012 and 2025, according to a just released paper by the Federal Reserve Board. It is an outstanding piece of work. **As of the fourth quarter of 2025, private credit accounted for 6% of total nonfinancial business sector debt in the U.S. or half the contribution of depository loans and twice the contribution of syndicated loans.**[1]

This growth is part of a broader mosaic with rapid shifts from banking toward NBF institution activity.

Benefits are clear. Private credit provided critical access to funding after bank lending shriveled in the wake of post GFC regulation. Lending and support to economic activity continues to this day … especially for small and medium sized companies. Financial structures are tailor made to the needs of borrowers – providing an attractive alternative to bank, equity, bond, and syndicated financing. And, there is a shorter time to close deals and fund loans.

This is part of the U.S. growth and market outperformance story over the last decade and one-half.

Yet, risks remain. Loans are often unrated or marked to model. The risk of stale valuations is real. Borrowers often exhibit lower credit quality – relative to syndicated lending. Some retail investors are continuing their attempts to redeem holdings in excess of permitted thresholds – albeit at a much-reduced rate. Significantly, at a time of rising interest rates, private credit loans are largely tied to SOFR and float. In contrast, corporate bond debt is largely fixed.

The expansion of private credit has deep implications for the Fed's strategic mission to meet its 2% inflation target and safeguard the financial system. For the institution's role as a setter of monetary policy, private credit and other nonbank financial institutions impact the transmission of monetary policy from the central bank – through markets – back to the real

[1] Introducing Private Credit into the Financial Accounts of the United States, Board of Governors of the Federal Reserve System, April 28, 2023.

economy. For the Fed's role as a financial stability regulator, risks from leverage to interconnectedness among PE sponsors, insurance companies, banks and pension funds, present. Sarah Breeden, at the Bank of England, refers to the latter as … a leverage layer cake.[2]

There is plenty for the panel and our SOMC meeting participants to address and discuss.

With us, we are fortunate to have spectacular panelists. I am thrilled to introduce:

- **Ken Kencel, Founder, President, and CEO and of Churchill Asset Management**.
- **Howard Marks, Co-Chair and Co-Founder of Oaktree.**
- **Tomasz Piskorski, Professor of Finance and the Edward S. Gordon Professor of Real Estate at Columbia Business School.**

For more, their impressive bios are available online. Each panelist will speak for 12 minutes. Questions and discussion will follow… let's get right into it.

[2] Sarah Breeden, This time is different?, Bank of England, HLS-PIFS Symposium, April 17, 2026.



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