

Private Credit & Infrastructure Intelligence

GP & Market News

Edition #006 Covering 2026-09-21 to 2026-09-28 Article 5 of 8

REGULATORY RADAR · PRIVATE CREDIT & INFRASTRUCTURE INTELLIGENCE #006

Regulators judge the sales process and trace who holds the risk

Australia: ASIC stops a private credit product over its sales documents, not its loans

>>> ASIC's first action after its "beyond warnings" speech hit a small fund's target-market documents, not its loans. In this case, the distribution process was the first thing the regulator judged.

What changed. Australia's ASIC made interim stop orders on 22 September against three private credit products offered by Melbourne Securities under the Remara Cash Management Fund. The orders stop the firm from selling the products or giving general advice recommending them to retail clients, for 21 days unless revoked. The fund held A\$39.856m at 31 December 2025. It invests in notes linked to Australian credit, including AAA-rated and investment-grade securitised loans.

ASIC did not say the loans were bad. Its grounds were the target market determination, the document that says who a product is for. The documents allowed the products as a "major component" (up to 75%) or "core component" (up to 50%) of a retail portfolio. They also pitched them to investors seeking capital preservation, set inappropriate access periods and carried a "low risk" label. ASIC has issued 99 interim and two final stop orders since the regime began.

The same day, Commissioner Simone Constant said: "We are now well beyond warnings." and "We have multiple enforcement investigations underway." She said ASIC is examining a further 24 private credit funds. On product design: "Offering regular redemptions to investors while holding illiquid, multi-year property loans creates a fragile product design that breaks down under pressure". The benchmark is the 10 principles in ASIC's Report 820, a review of 28 funds published in November 2025. In it, only four of 28 funds published borrower interest rates, and only two wholesale funds stress-tested liquidity.

The backdrop is the collapse of developer Bathla Group, which entered voluntary administration on 25 August. It owes about A\$3.4bn, A\$3.08bn of it to secured lenders. About 40 private credit funds are exposed, and CVS Lane suspended redemptions in two funds.

A contrast, not a private credit event: Turkey's markets board ordered 130 funds of seven managers liquidated on 17 September. They held TRY 809.1bn, over \$18bn, for 517,503 investors. They were money-market, equity-heavy hedge-style and participation funds holding thinly traded related-party shares and repo positions. It is a liquidity-mismatch and alleged valuation story.

Impact Assessment. Affected first: retail-facing and advised-channel private credit products in Australia, especially those labelled "cash management" or "at call" that hold credit. Next: wholesale funds on fees, valuation and conflicts, where ASIC's enforcement track runs. Small property-development lenders relying on retail inflows face redemption pressure and regulatory attention at once. No UK or EU regulator has linked the case to FCA Consumer Duty or MiFID product governance. On our reading, the test is the same in structure: does the target market match the product's liquidity and risk?

Timeline. The stop orders run 21 days from 22 September. ASIC challenged the sector "to lift standards by 2027 – and that's only three months away". The principles are a self-assessment benchmark, not a rule with a legal compliance date.

Sources: note 8.

For Wealth Managers: Check your own target-market file against ASIC's four named failings (allocation size, capital-preservation positioning, access period, risk label) before you check the manager's loan book. In the Remara case, that is where ASIC looked first.

For Fund Managers: ASIC now runs two tracks: fast, routine stop orders on distribution, and slower investigations on valuation, fees and conflicts. Managers who can show written credit policies, independent valuation, liquidity stress tests and published borrower rates can sell that as a feature.

→ The week's sharpest regulatory action targeted how a credit product was labelled and to whom it was sold; on our reading, distributors outside Australia face a similar test under their own product-governance rules.

EU and US: supervisors try to see who holds private credit risk through banks and insurers

>>> Supervisors are tracing private credit risk through banks and insurers. Capital-efficient wrappers such as rated-note feeders and insured credit are where their new questions land first.

What changed — EU. The European Supervisory Authorities (EBA, EIOPA, ESMA) published their autumn risk update on 23 September. EU and EEA banks' exposures to private credit funds and related managers reached nearly €150bn in June 2025, 0.6% of bank assets. For around half of it, banks did not report where the counterparty is based. The US accounts for 37.9% of the total, the largest identified domicile. The ESAs say "Substantial risks more likely from US exposures". They propose no new rule. Their recommendation is to "Proactively monitor and risk manage exposures to non-EEA entities, with a focus on private credit". They also flag insurers' growing private credit holdings as a further channel to banks.

What changed — US. The NAIC, the body of US state insurance regulators, answered Senator Warren on 24 September. Her letter followed disclosures by Mark Walter's insurers that more than \$20bn of loans should have been labelled as affiliated. The NAIC says about 13% of insurer invested assets are private credit on a broad definition, and the newer forms under scrutiny are under 6%. It listed its tools: a 45% capital charge on residual tranches of structured securities, a stricter bond definition, a way to challenge private ratings, and a rating-provider review now being revised with PwC. From year-end 2026, insurers must report private investments in a standard format, including deferred PIK interest (payment-in-kind: interest paid with more debt instead of cash) and reliance on private letter ratings.

The products in the crosshairs. Diameter filed Form Ds for Diameter Lending Fund II and a parallel "RNF" vehicle, onshore and offshore. RNF usually means rated-note feeder: a vehicle that issues rated notes so insurers can hold fund exposure at a lower capital charge. The filings tick equity, not debt, so they do not confirm a note issue. Aegon Asset Management launched an evergreen Luxembourg RAIF holding credit fully insured by A and AA-rated insurers, for European and UK institutions. It shows an indicative 4.9% in euros, six-month EURIBOR plus 215bp.

UK. The PRA's proposed 30 September cut-off for funded reinsurance is still a proposal; no policy statement had been published by 25 September. Under the proposal, capital on an average existing deal would rise from 2–4% of the underlying annuity liabilities to about 10%.

Impact Assessment. EU banks' fund-finance books (subscription lines, NAV loans, back leverage) face closer monitoring of non-EEA fund exposure. US insurers and the managers who sell them rated or capital-efficient private credit face new disclosure from year-end 2026. UK insurers using funded reinsurance await the PRA's decision.

Timeline. NAIC's revised CLO capital factors and the new private-investment disclosure apply from year-end 2026. The PRA proposes its rules apply from 1 July 2027, sparing deals fully transferred by 30 September 2026.

Sources: note 9.

For Wealth Managers: If you allocate to levered direct-lending funds, ask who the fund's lenders are, what share of return comes from fund-level leverage, and how facility terms change if a bank is told to cut non-EEA fund exposure. For insurance or pension clients buying capital-efficient wrappers, check the treatment will survive the NAIC's rating-provider review and new disclosure.

For Fund Managers: A manager launching a rated-note feeder now should expect insurer buyers to ask for rating rationale and look-through data up front. Aegon's RAIF can launch quickly because it is supervised indirectly, through its manager, not approved by the Luxembourg regulator. That speeds launch; it does not change how bank or insurer supervisors look down the chain. Expect bank lenders to ask more about fund domicile and investor base at facility renewal.

→ Neither the ESAs nor the NAIC wrote a new rule this week; both are building the data to see who holds private credit risk, and insurer-oriented wrappers are the first place that data will be read.

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From Private Credit & Infrastructure Intelligence, edition #006 (2026-09-28). [All articles in this edition](#)

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