MEDIA RELEASE

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FSC RELEASES INDUSTRY STANDARD FOR PRIVATE MARKETS

The Financial Services Council (FSC) has released a new industry standard for the private markets and private credit sectors, designed to strengthen investor confidence and lift industry practices in the growing market.

Developed in collaboration with leading domestic and global private market operators and superannuation funds, the FSC standard will be mandatory for the FSC's funds management and superannuation fund member companies.

Private markets and private credit as investments play an important role in Australia's financial system, providing long-term capital for businesses and the opportunity for investors to gain exposure to assets that underpin our nation's future economic growth. When prudently managed, private markets investments can contribute strong investment returns and income for investors, including for Australians' retirement through their superannuation.

The significant growth in the private markets sector, however, has given rise to inconsistent practices that create risk for investors. This was identified by ASIC in its *Advancing Australia's evolving capital markets* Report in 2025, and more recently its statement of expectation that private credit managers will lift valuation practices in the lead up to the end of the financial year.

ASIC recommended to industry bodies in its Report released in 2025 that practices be strengthened through industry standards that should be established within 18 months.[1] The new FSC Standard and Guidance Note reflect the industry's commitment to respond and meet this recommendation.

The FSC today issued two resources for industry:

1. Mandatory *FSC Standard No. 30: Private Markets Best Practice Principles* for funds management and superannuation fund members; and

[1] ASIC Report: REP 823: Advancing Australia's evolving capital markets: Discussion paper response report, pages 30-31

2. Supporting *[FSC Guidance Note No. 57: Private Markets Best Practice Guidance](#)*, which provides practical examples of how managers can meet these expectations.

The Standard sets expectations across governance and accountability, valuations, liquidity and leverage, conflicts of interest, fee and income transparency and investor disclosure, with additional credit risk management requirements for private credit managers.

The Standard requires:

- documented and consistently applied valuation policies that include independence and effective challenge, and clear triggers for re-valuation when material market events occur;
- complex fund structures, interposed vehicles, confidentiality constraints or differences in terminology are not be used to obscure material risks, exposures, fees, conflicts or economic benefits to the investor, including the material fees, costs and economic benefits accruing to the investor and to the fund manager;
- redemption arrangements to reflect the liquidity profile of the fund, that there is a clear liquidity risk management policy including liquidity stress testing and monitoring, and that investors clearly understand their liquidity position; and
- perceived and material conflict of interests to be identified, managed and disclosed, including related-party transactions, with consideration of independent review for transactions with an elevated conflict risk.

For managers of private credit specifically, the Standard also requires:

- using clear consistent terminology for key indicators such as arrears, defaults, impairments, watchlist exposures and loan -to-value ratios, and clearly explaining the basis of those measures to investors where different approaches are used; and
- good governance of credit risks such as identifying, disclosing to investors, and escalation governance around deteriorating credit exposures, including impairments or negative revaluations, on a timely basis.

The supporting Guidance Note is voluntary for FSC members, but provides practical examples of how managers can meet the expectations in the Standard. Examples of good practice include:

- valuing private market assets at least quarterly in most circumstances, with any lower valuation frequency to be supported by a documented rationale;
- using defined triggers to reassess valuations following events such as covenant breaches, restructures, deteriorating asset performance or increased refinancing risk, and documenting the rationale where those events do not result in a valuation adjustment;
- using model definitions for key private credit metrics, including model definitions for default, loan to value ratio, arrears, and impairment;
- providing transparent reporting of manager remuneration, including aggregated economic remuneration, borrower-paid fees and net interest margins retained outside the fund; and

- applying independent oversight, benchmarking or valuation input to related-party lending, cross-fund transactions, asset transfers and special purpose vehicle arrangements where conflict risk is elevated.

CEO of the FSC Blake Briggs said: “The FSC’s new Standard and Guidance Note for private markets and private credit set out a clear framework for good industry practice, supporting greater consistency, transparency and confidence in the sector.

“The FSC recognises that rapid growth in the private markets sector has created inconsistent practices, which creates risk for consumers, however industry adherence to the Standard will reduce these risks.

“The FSC’s industry standard will be mandatory for funds management and superannuation members, but will also be a publicly available resource for all market participations. We encourage all fund managers and superannuation funds to apply the Standard and related Guidance Note in their businesses, and for ratings agencies to consider the principles when they are rating investment and private credit products.

“The FSC acknowledges ASIC’s ongoing supervisory work and its collaborative approach to uplifting private credit sector practices. The FSC and our members have responded in good faith to ASIC’s call for enhanced industry standards, to help address the legitimate concerns ASIC and the Reserve Bank of Australia have towards the private credit market,” Mr Briggs said.

The publication of the FSC Standard is not a set and forget exercise. The FSC intends to review both the Standard and Guidance Note as practice across the sector evolves and supervisory concerns arise.

The Standard and Guidance Note come into effect on 1 July 2027, providing industry with a transition period to implement the new obligations. The FSC encourages its full members to apply the Standard earlier where practicable.

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