



TRV Risk Monitor No.1, 2026 Webinar

8 April 2026

ESMA Economics, Financial Stability and Risk Department

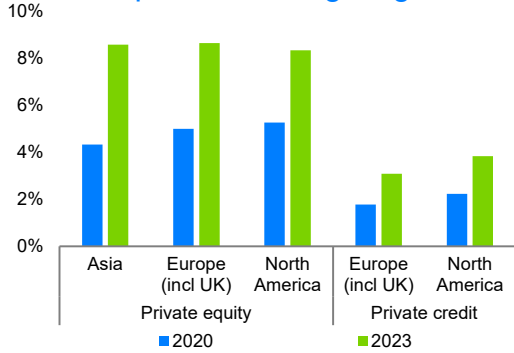
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Overview

1. Private Finance – links into asset management
2. Consumers – trends and risks

Private markets: fuel for growth or cause for concern?

Private capital markets gain ground 2020-23



Note: Private equity AuM as a percentage of total equity market capitalisation and private credit AuM as a percentage of total outstanding non-sovereign fixed income securities.
 Sources: Preqin data as presented in McKinsey 'Private markets: A slower era McKinsey Global Private Markets Review 2024' and Moonfare 'Private equity market size', SIFMA Capital market factbook 2024, Eurostat, US Treasury, ONS, ESMA calculations.

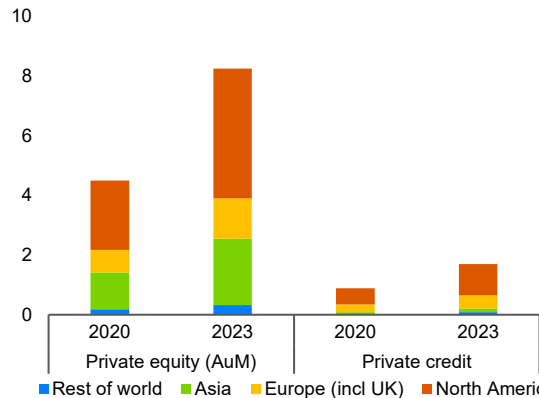
A fuel for growth...

- Part of SIU solution to EU underdeveloped capital markets
- Fuels innovation, consolidation and long-term growth, by providing financing where otherwise unavailable
- Could direct more finance to key sectors, tech, defence
- Can complement public finance, helps grow businesses pre-listing, private financing used in synergy with public

... with causes for concern

- Can compete with safer public markets: public firms can go private (e.g. USD 55bn buy-out of Electronic Arts announced in Sep 2025). Private credit can also compete with banks, bond markets
- Moves capital from highly regulated markets (CRR, MiFID II, UCITS, CRAR, EU law transparency requirements), while AIFMD main regulation for private equity and private credit funds
- Risks: Opacity of private markets, contagion risks, weaker standards than public markets

US largest share private market capital



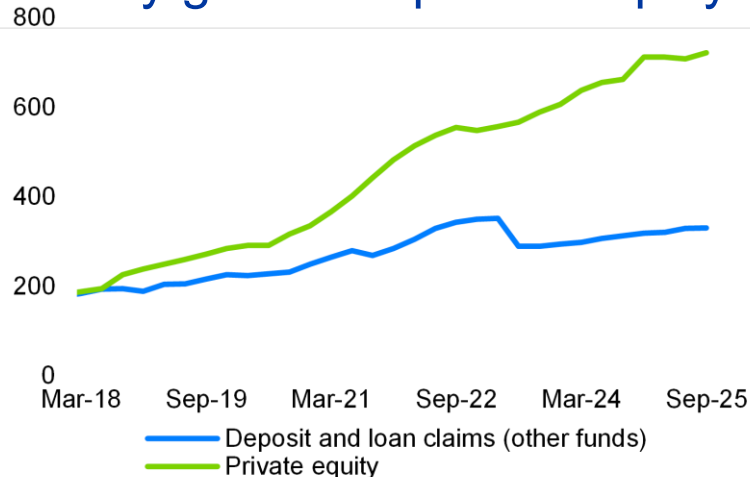
Note: Assets under management in private equity and credit in USD trillions by region.
 Sources: Preqin data as presented in McKinsey 'Private markets: A slower era McKinsey Global Private Markets Review 2024' and Moonfare 'Private equity market size', SIFMA Capital market factbook 2024, ESMA calculations.

Private finance risks: Complex layers across financial system

System-wide drivers	<ul style="list-style-type: none">• Interconnections involve banking, asset management, insurance, funds• Fast growth of private finance as complement to bank financing• “Indirect lending” by banks as funders of private equity and private credit firms• Potential procyclicality, wrong-way risk: bank-funding rises as private credit asset quality falls• High complexity of contracts
Bank roles are central	<ul style="list-style-type: none">• Capital sponsoring of vehicles• Direct lending (unsecured lending facilities, NAV and margin lending)• Counterparties in derivatives and SFT/repo transactions,• Advisory functions (IPO, M&A, LBO)
Investor risk drivers	<ul style="list-style-type: none">• Rising insurer/pension fund exposures (private capital asset management firms, FABNs)• Incentives for capital optimisation, search-for-yield• Ownership relations• Product complexity; long-term and illiquid investments
Regulation impacts	<ul style="list-style-type: none">• Private finance as arbitrage away from bank capital requirements• Less regulated than public capital markets• Low disclosure, reporting, transparency
Private equity and credit funds risks allegedly limited, but not transparent	<ul style="list-style-type: none">• Liquidity risk limited: Funds largely closed ended or with long notice periods, long investor horizons• Leverage risk offloaded: Relatively low leverage in funds but high credit and leverage risks in invested companies; contractual relations arms-length but covenant-lite• Incentives: Unless General Partners (GPs) have own stakes, limited incentives to manage risk (private credit vs bank credit risk)• Opacity: Low visibility of transaction conditions and risks; low valuation periodicity

EU fund exposures to private finance growing

Steady growth in private equity (PE)

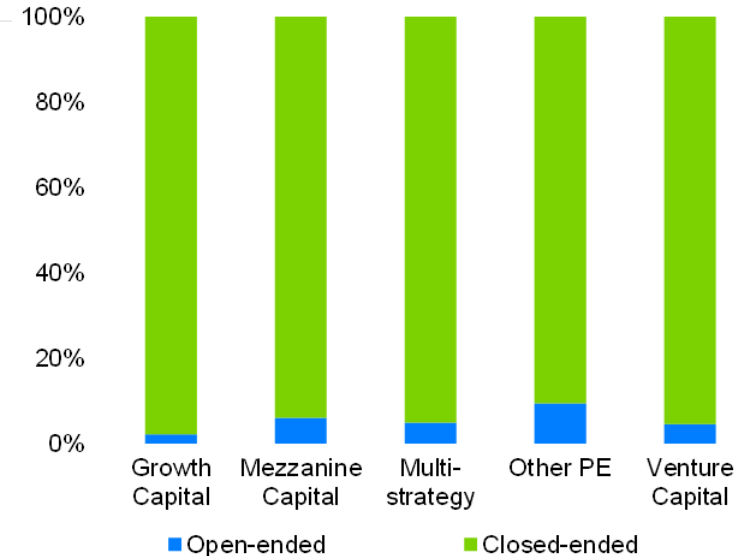


Note: Outstanding amount of equity held by EA private equity (PE) funds; outstanding amount of deposits and loan claims held by EA Other funds, in bn EUR.

Other funds include funds other than equity, bond, mixed, real estate, hedge funds. Deposits and loans claims held by other funds is larger than private debt as it also includes deposits.

Sources: ECB, ESMA.

PE funds mostly closed-ended



Note: Redemption rights provided in the ordinary course to investors in private equity funds managed and/or marketed by authorised AIFMs, end of 2023, in % of NAV. PE=Private equity fund. Data for the EEA30.

Sources: AIFMD Database, National Competent Authorities, ESMA.

Developments: Sustained PE fund growth in EU & US; total assets in PE funds in EA doubled to EUR 720bn since 2020. Private credit funds smaller, nascent growth, filling in for bank lending.

Leverage: Low at fund level. PE funds with subst. leverage manage only EUR 16bn assets in total (EUR 2.6bn NAV). But could be underestimate as leverage more with holding company.

Run risks limited: 95% PE funds closed ended, most open-ended have notice periods > 3m

Private credit risks: leverage limits with AIFMD II, layering of credit risks across structures, interconnectedness with financial institutions (US insurers); data gaps, valuation risks

Credit risk developments in private credit

Growing concerns on private credit

- Esp. in US market, where the market is larger than EU and has been expanding for many years.
- Reports indicate an upward trend in default rates in private credit and leveraged loans, when selective defaults considered (e.g. payments in kind where interest is added to loan)
- A lack of transparency, particularly regarding loan quality, could lead to unexpected losses and contagion risks, given high levels of interconnectedness with other markets.

Potential risks of contagion from US private credit markets

- In September, sudden unexpectedly large losses in two US firms, First Brands and Tricolor. In both, losses were tied to off-balance sheet exposures, triggering rapid credit rating downgrades as bankruptcy loomed. Both firms are now under investigation for fraud.
- Events caused significant losses for exposed banks, such as Jeffries, JP Morgan, and UBS.
- Following these, concerns have grown about increasing risks in private credit and potential parallels with securitised sub-prime mortgages in the 2008 financial crisis.
- Risks surprises could affect European firms (cf. First Brands contagion to UBS) particularly given lack of transparency on loan quality, private ratings and exposures.
- Since the TRV publication, further developments have also affected private credit funds in the US, particularly in semi-liquid Business Development Company (BDC) funds, whose software exposures prospects have been hit by AI, with investor redemption surges well above 5% limits seen in Q1 2026.

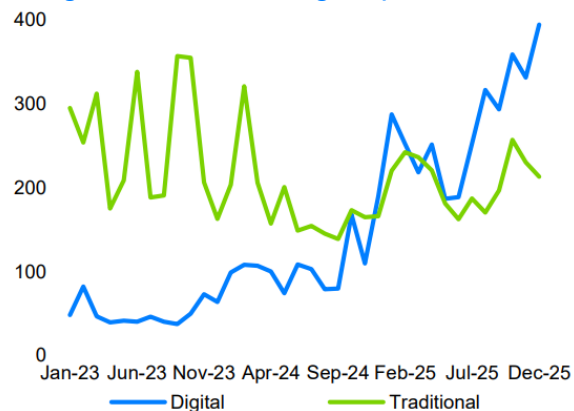
Overview

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2. Consumers – trends and risks

2. Consumers

Rapid growth of investing via digital platforms

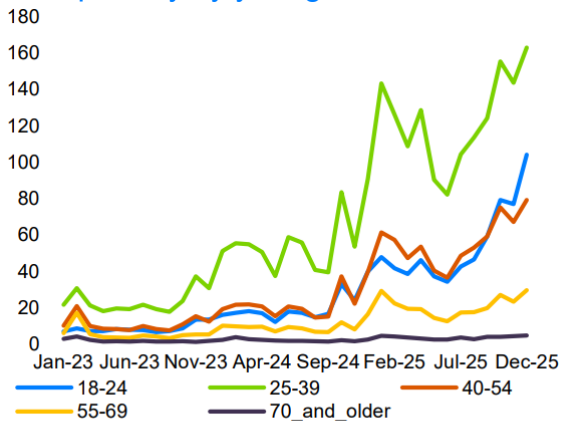
Surge in the use of digital platforms...



Note: Number of new investors in securities by type of executing entity, in thousands. Total includes individuals who transact in market securities (excluding non-listed fund shares) for the first time since January 2022 in a given month. Digital platforms include a sample of 235 entities.

Sources: MiFIR, ESMA.

...especially by younger investors



Note: Number of new investors on digital platforms by age bucket, in thousands. Digital includes a sample of 235 neo-brokers, neo-banks and other digital only investment platforms.

Sources: MiFIR, ESMA.

Consumers flock to digital-only brokers

- Digital-only platforms have grown in number and offer a range of products and services
- Large jump in new clients in 2025

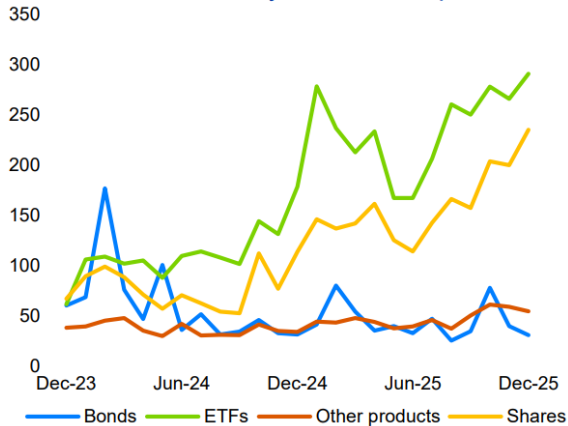
New digital clients tend to be relatively young

- 70% of new investors in 2025 were aged under 40, while a quarter were aged under 25

2. Consumers

Consumers tend to buy bonds domestically

New investors buy ETFs, equities



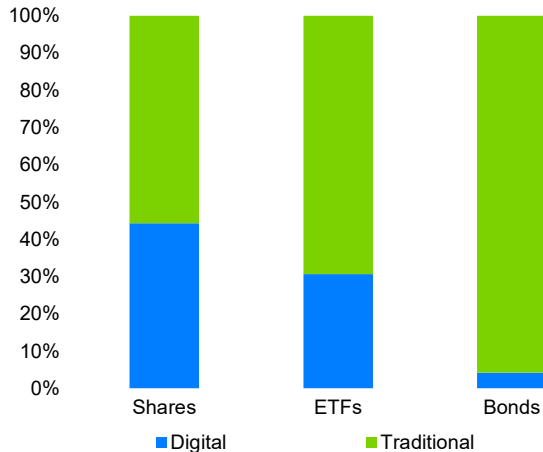
Note: Number of new investors by instrument type, in thousands. Baseline year = 2022.

Sources: MIFIR, ESMA.

New clients are tending to buy ETFs and equities

- Surge in new client purchases through 2025
- Occasional spikes in demand for bonds associated with sovereign issuances targeted at the retail market

Bonds mostly via traditional brokers



Note: Share of purchase volumes by type of intermediary and asset class, in %.

Digital includes a sample of 235 entities.

Sources: MIFIR, ESMA.

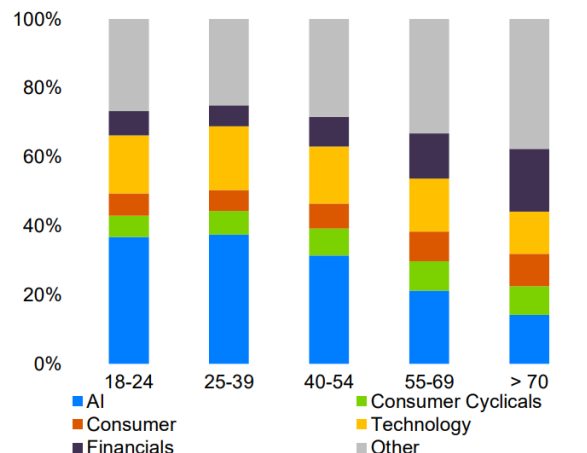
Unlike other asset classes, bonds are not widely distributed to retail investors via digital platforms

- Most bond purchases are via traditional brokers and are domestic, i.e. the retail investor and the issuer belong to the same country

2. Consumers

AI-related stocks popular with younger investors

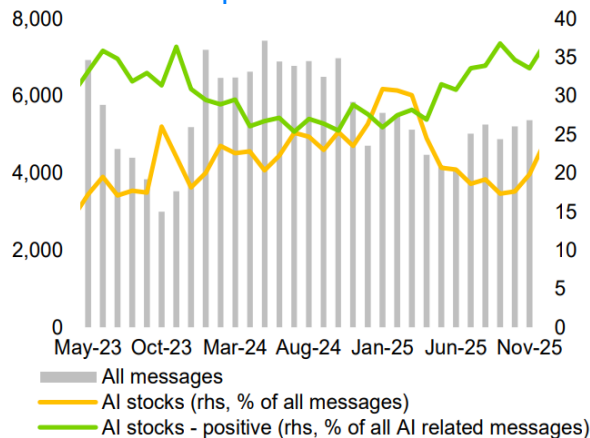
Younger investors seek AI exposure...



Note: Share of retail purchase volumes in 2025 by issuer sector and investor age bucket. in %.

Sources: MiFIR, Refinitiv Eikon, ESMA.

... as AI stocks promoted on social media



Note: Social media messages mentioning identified AI related stocks, both total number of messages (thousands, left hand side axis) and as a percentage of all social media messages (% right hand side axis).

Sources: Stockpulse, ESMA.

AI stocks are popular with younger investors

- In 2025, over 1/3 of equity invested by those aged 18-39 was in AI-related companies, vs 12% among over-70s.
- Almost half of equity purchases are in US firms, as AI and tech firms continued to drive up US valuations. Disorderly correction would be detrimental to EU investors and harm future participation

Social media messages on AI are mostly positive

- 20% of messages on stocks referred to AI-related companies in 4Q25.
- Over a third (35%) of messages on AI-related stocks had positive sentiment, while a quarter (25%) were negative.
- Potential risks linked to inaccurate information, unrealistic expectations

Turbo certificates have similar characteristics to CFDs

Background

Leverage limits are in place for the offer of CFDs to retail. Leverage barrier products (turbos / mini-futures) have similar characteristics; AFM introduced leverage limits in 2021

Leverage:

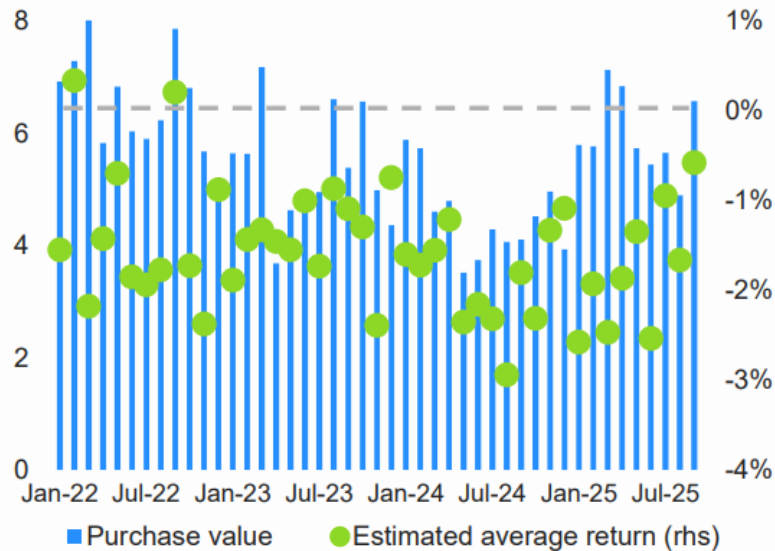
- (i) magnifies the costs of investment relative to the amount invested
- (ii) amplifies market risk
- (iii) increases the risk that an investor will be 'knocked out', in turn increasing potential costs via repeated entering and exiting of positions

Market summary

- Hundreds of thousand of EU retail clients invest in turbos each month, often via digital platforms
- Returns for turbos are on average negative
- Holdings tend to be very short-term (e.g. intra-day); negative expected return after embedded costs
- More volatile underlying asset classes associated with larger losses
- Loss profile broadly consistent with BaFin market study published June 2025

Turbo certificates associated with persistent losses

Average losses are persistent



Note: Total gross monthly value of purchases of products with CFI RF*T**, EUR bn, and estimated average return (rhs), %. Average returns estimated by subtracting gross purchases from gross sales and adding residual payments to investors estimated as 7% of this difference. Costs embedded in products and prices are included; distribution fees are excluded. Sources: MiFIR, ESMA.

Turbos on equities give larger losses

Monthly averages for January 2022 to September 2025

No. of investors	Amount, EUR mn	Under-lying	Long / short	Investor return, %
92,077	972	Equity	Long	-2.17%
35,821	311	Equity	Short	-1.91%
42,291	1,740	Index	Long	-0.36%
43,075	1,820	Index	Short	-1.26%

Note: Totals based on EU transactions by natural persons in products with CFI RF*T**, for selected underlying asset classes. Investor returns estimated by subtracting their total monthly purchases from total monthly sales and applying a correction factor to account for residual payments. Distribution costs are also excluded from the analysis; if included, they would increase the estimated losses

Sources: MiFIR, ESMA