



**Bloomberg Forum Future of Finance – 12 March 2026**

**“Private markets:**

**Three conditions to get the Good without the Bad or the Ugly”**

**Speech by François Villeroy de Galhau**

**Governor of the Banque de France**

Ladies and Gentlemen,

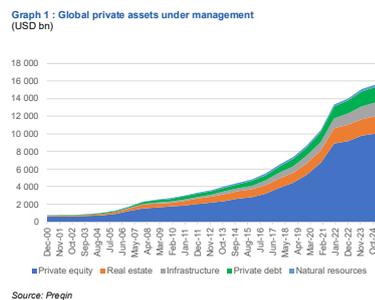
Three years after its inaugural edition, I am delighted to speak again at the *Bloomberg Forum – Future of Finance*. Your Forum underscores the interest of financial players in the Paris financial centre, which remains the leading centre in the European Union (EU) and the 4<sup>th</sup> largest worldwide<sup>i</sup>. Let me add that the recent political uncertainties have not dented France's attractiveness: the number of foreign investment projects, excluding retail outlets, slightly increased in 2025<sup>ii</sup>; French growth, French private savings and the leading position of French financial ecosystem remain solid. I will not make today any comment on monetary policy as I am in the so-called ECB "quiet period". But looking to the "future of finance", I would like to address today an important shift in the financial landscape: the rise of private markets, that is to say all non-bank intermediation that provides financing to NFCs through equity or credit, using instruments that are not publicly traded. This development has three main features: it is significant, it is risky, but it might also be welcome for the European economy (I). Balancing innovation with financial stability is therefore essential, and I will outline three conditions to get the Good without the Bad or the Ugly (II).

## **I. Three features of the rise of private markets: significant, risky... but welcome?**

### *1.1 Significant*

Over the past two decades, the rise of private markets has been significant: global assets under management (AUM) in private market funds more than tripled between 2004 and 2024 and reached USD 16.2 trillion in June 2025.

## THE SIGNIFICANT RISE OF PRIVATE MARKETS



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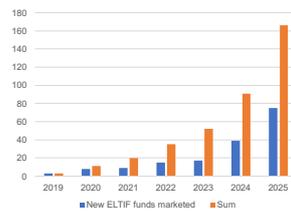
This rapid development has been fueled by numerous factors. First, during a period of relatively low interest rates and high valuation levels on public markets, investors seeking higher returns shifted towards unlisted, less liquid and often more risky assets. A decreasing interest for IPOs<sup>iii</sup> contributed to reinforce this trend as well as post-crisis regulatory developments that, while fully warranted, encouraged banks to focus on safer assets. Meanwhile private credit structures stepped in to offer alternative financing to highly leveraged companies with limited collateral. I shall focus today on two important unlisted asset classes: private equity<sup>iv</sup> – 65% of the global private AUM in June 2025 –, and private credit<sup>v</sup> – 11%.

### 1.2. Risky

Second, the development of private markets may give rise to two main types of vulnerabilities. First, the liquidity risk, is currently in the spotlight since Blue Owl Capital, Blackstone and BlackRock, recently faced significant redemptions requests from investors, BlackRock's flagship HPS fund activating its 5% gate in response to these very large withdrawals. The growing use of semi-liquid vehicles, aimed at attracting retail investors, may fuel liquidity risk for funds managers. Asset managers' responses to the current developments will show whether private credit can handle liquidity mismatch issues.

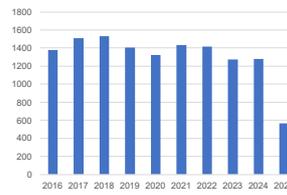
NEW VULNERABILITIES – LIQUIDITY ISSUES

Graph 2 : Evolution of the number of new ELTIF structures accessible to retail investors



Source: ESMA

Graph 3 : Evolution of the number of VC sales in France

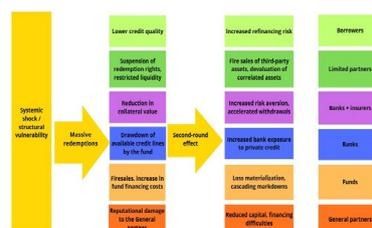


Source: France Invest, 2025 as of H1

Second, private markets are exposed to valuation risk, as shown by the large cap private equity deals of Kersia or Solina that failed in November 2025<sup>vi</sup>. But more importantly, we currently see some markdowns by banks on private credit investments, mostly to software companies, or declining trading prices of Business Development Companies on public markets, while funds maintain their stale valuations. Moreover, difficulties of some borrowers of private loans may be concealed by the use of bespoke arrangements such as payment-in-kind (PIK) or looser covenants. Debt strategies relying on complex, opaque and increasingly leveraged financing structures, notably in private credit, can also conceal the vulnerabilities of some borrowers, as shown by the collapse of First Brands and Tricolor in September 2025<sup>vii</sup>, or more recently Market Financial Solutions, accused of double-pledging of collateral on some private credit loans. These vulnerabilities may be amplified by the rising interconnectedness between private markets and other financial institutions.

NEW VULNERABILITIES - INTERCONNECTIONS

Diagram 1 : Transmission of a liquidity shock on the private credit market



Source: Banque de France

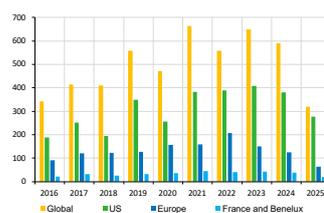
### 1.3. Welcome?

Yet, the development of private markets – and especially private equity – might be a welcome opportunity to boost economic activity and innovation in Europe. Private equity provides stable financing over long-term horizons and is better suited to high-growth companies in frontier technologies than the more volatile public markets. Among private equity strategies, venture capital (VC) is notably central to supporting the creation and scaling of young companies with strong growth potential<sup>viii</sup>.

At the same time, equity financing is one of the main levers to bridge our productivity gap with the United States (US)<sup>ix</sup>. Let me quote some figures.

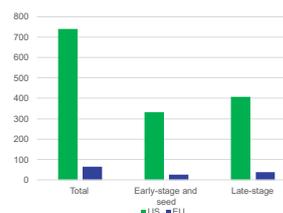
#### EUROPE IS LAGGING BEHIND, NOTABLY IN PRIVATE EQUITY

Graph 4 : Private equity fundraising activity by region (USD bn)



Sources: Pitchbook, Invest Europe

Graph 5 : Amounts invested in venture capital in the EU and the US (EUR bn, 2019-2023)

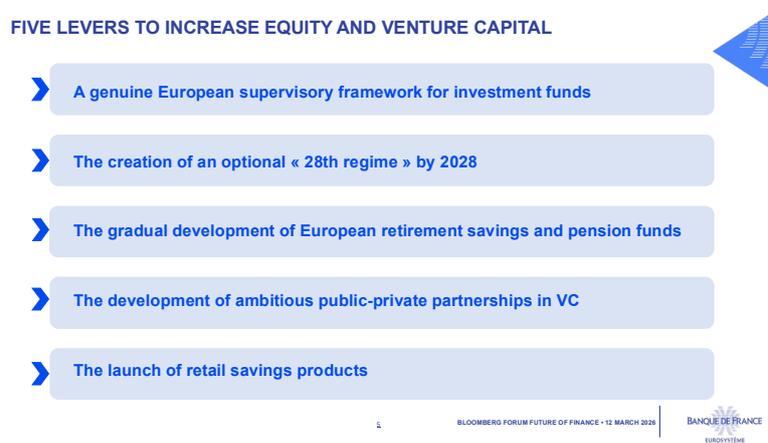


Sources: Invest Europe, NVCA, Banque de France calculations

In 2025, Europe accounted for only 20% of the private equity capital raised worldwide. Furthermore, Europe's VC market is smaller than that of the US in all segments, from early to late-stage funding. Between 2019 and 2023, VC investments amounted to EUR 65 billion in the EU, compared with EUR 739 billion in the US. In a fragmented European market, VC funds also struggle to exit their positions, especially their stakes in start-ups. This weighs on VC funds' performance, thereby reducing incentives to finance innovation. <sup>x</sup>

Faced with the US policy shift, Europe must now more than ever bolster its support for innovation in strategically important sectors – digital and artificial intelligence, energy and defence. We do not lack financial resources: for more than a decade, the euro area has had a net financial savings surplus – EUR 400

billion last year. It is therefore time, within the framework of the “Savings and Investments Union” (SIU), to prioritise five concrete levers<sup>xi</sup> with the central objective of increasing equity and venture capital:



(1) A genuine European supervision for investment funds, to accelerate the shift from national to “pan-European” funds.

(2) The creation of an optional “28<sup>th</sup> regime” by 2028, which could lower administrative costs for firms, especially the “cost of failure”<sup>xii</sup>.

(3) The gradual development of European retirement savings and pension funds that could provide long-term and patient savings in Europe.

(4) The development of ambitious public-private partnerships in VC.

(5) The launch of savings products that are accessible to households.

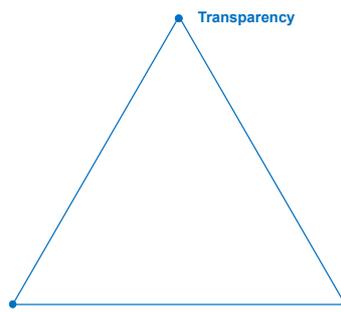
None of these levers is a “silver bullet”, but each can and must now be activated.

## **II) Three conditions to get the Good without the Bad or the Ugly**

That said, to get its possible benefits for the financing of the European economy, the rise of private markets must strike the right balance between innovation and financial stability, by getting the Good without the Bad or the Ugly. The solution is neither to deregulate the banking sector nor to transpose banking regulation to private markets... but rather to pursue three specific priorities: transparency, harmonisation and resilient liquidity.

### *2.1. From opacity to transparency*

## A TRIANGLE OF THREE CONDITIONS



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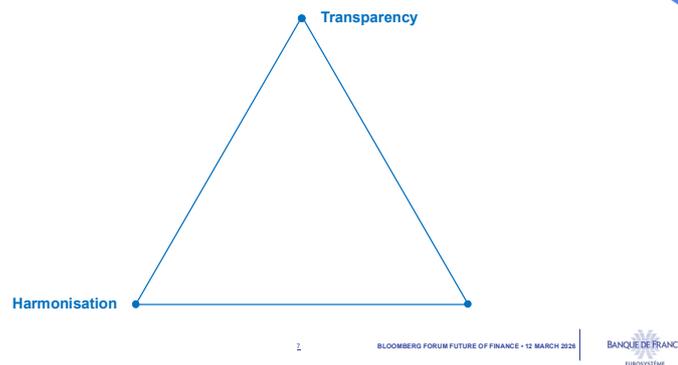
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First, we need greater transparency on two main fronts: the opacity of private market funds and their growing interconnections with the rest of the financial system. These have been illustrated by the “credit cockroaches” of the fall 2025, as diverse financial institutions, including banks, insurers and asset managers, have suffered losses across multiple jurisdictions. A substantial improvement in data availability for investors and authorities is therefore essential to reduce information asymmetries on credit quality and to better assess the full amount of leverage and aggregate exposures of other financial institutions to private assets<sup>xiii</sup>. European regulation is moving in the right direction<sup>xiv</sup>: the recent AIFMD II directive<sup>xv</sup> introduces enhanced transparency requirements regarding the reporting of funds to the supervisory authorities, that are already digging into the issue. The Bank of France, echoing the Bank of England (BoE), has also launched for the first time in the euro area a system-wide stress test exercise to assess the vulnerabilities of the financial system as a whole and better understand the interconnections between the various players. Another exercise of this kind, initiated by the BoE in December 2025, will focus on private markets.

## 2.2. From fragmentation to harmonization

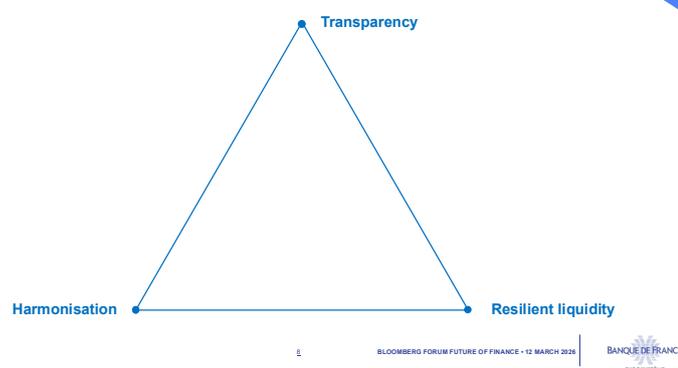
## A TRIANGLE OF THREE CONDITIONS



Second, we need greater harmonisation to promote a “European approach” to private markets, which are both concentrated and cross-border. This could involve establishing a macroprudential framework for funds at the European level, combining reciprocation rules between authorities, elaboration of common definitions, development of common indicators and improved data sharing. Valuation methods are another area where deeper standardisation would be particularly beneficial. This harmonisation can and must go hand in hand with simplification, which supports our competitiveness, and with strengthened international cooperation among supervisory authorities. At global level, the Financial Stability Board (FSB) has (modestly) started to work by conducting a deep dive into private credit.<sup>xvi</sup>

### 2.3. From benign neglect to resilient liquidity

## A TRIANGLE OF THREE CONDITIONS



Third, we must closely monitor the resilience of private market funds during periods of economic stress since their footprint in the financial system has only become significant over the past decade<sup>xvii</sup>. Particular attention should be paid

to the liquidity risk of funds, especially those intended for retail investors, to ensure their ability to meet redemption requests. The European ELTIF 2.0 regulation<sup>xviii</sup> sets out liquidity risk management requirements; but its implementation will need to be closely monitored to ensure that it remains fit for purpose. As credit quality and high indebtedness of non-financial agents are a matter of concern, default risk could increase in private credit portfolios.

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Let me conclude by borrowing a line from Sergio Leone's classic, "The Good, the Bad and the Ugly": "*You may run the risks, my friend, but I do the cutting*". The significant development of private markets might be a welcome opportunity for innovation and economic activity in Europe, especially through private equity. But, as supervisors, we must remain vigilant and ready to act when needed, so as to maintain the right balance between innovation and financial stability. Thank you for your attention.

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- <sup>i</sup> Institut Louis Bachelier (2025), [OFEX Ranking 2025](#)
- <sup>ii</sup> Business France (2026), [Investissements internationaux en France – Bilan 2025](#), 29 January
- <sup>iii</sup> Initial Public Offering
- <sup>iv</sup> Funds which acquire equity stakes in unlisted companies.
- <sup>v</sup> Funds which directly finance companies through non-bank, non-listed credit
- <sup>vi</sup> Pitchbook (2025), "[Kersia and Solina sale processes pulled amid valuation mismatches](#)", 27 November
- <sup>vii</sup> Banque de France (2026), "The reshaping of the credit landscape in light of the development of private debt and its implications for financial stability", *Financial Stability Report*, January
- <sup>viii</sup> Collet (L.), Gossé (J.-B.), Guével (F.), Jehle (C.) (2026), "[How can Europe scale up its venture capital market ?](#)", Eco Notepad 435, 18 February
- <sup>ix</sup> Draghi (M.) (2024), *The future of European competitiveness*, September
- <sup>x</sup> Collet (L.), Gossé (J.-B.), Guével (F.), Jehle (C.) (2026), "[How can Europe scale up its venture capital market ?](#)", Eco Notepad 435, 18 February
- <sup>xi</sup> Villeroy de Galhau (F.) (2025), "[The Savings and Investments Union : \(Finally\) turning an idea into actions](#)", speech at the AEFR/REF Conference "Where Do Savings Go ? Paris, 11 September.
- <sup>xii</sup> Coste, O. and Coatanlem, Y. (2024), "The Cost of Failure and the Quest for Competitiveness: Disruptive Innovation as a Catalyst". *IEP Policy Brief* No. 24, IEP Bocconi
- <sup>xiii</sup> Banque de France (2026), "The reshaping of the credit landscape in light of the development of private debt and its implications for financial stability", *Financial Stability Report*, January
- <sup>xiv</sup> Buch (C.) (2025), "[Hidden leverage and blind spots : addressing banks' exposures to private market funds](#)", The Supervision Blog, 3 June
- <sup>xv</sup> Directive (EU) 2024/927 AIFMD II
- <sup>xvi</sup> FSB (2025), [FSB publishes recommendations to address financial stability risks created by leverage in nonbank financial intermediation - Financial Stability Board](#), 9 July : "In parallel, the FSB has also decided to conduct an analytical deep dive on vulnerabilities in private credit, which will include the identification of data challenges in this area."
- <sup>xvii</sup> European Central Bank (2024), "[Private markets, public risk? Financial stability implications of alternative funding sources](#)", *Financial Stability Review*, May
- <sup>xviii</sup> Regulation (EU) 2023/606 ELTIF 2.0