



# FUNDS BENCHMARKING REPORT

## 2026

### Introduction

Basel 3.1 introduces an output floor which sets a 72.5% lower limit on a bank's risk-weighted assets calculated using internal models compared to the standardized approach. In the EU and UK, the majority of fund exposures are considered an unrated corporate exposure subject to a 65% risk weight (RW) if they are investment grade (or a 100% RW in the EU or 135% in the UK if sub-investment grade) for the purposes of the output floor. In Switzerland unrated corporates, including funds, receive 100% RW for the regulatory floor. This GCD report, initiated by AFME, aims to provide quantitative evidence to inform discussions with regulators on the riskiness of funds relative to the 65% regulatory RW applied for calculating the floor under CRR3.

### Data sets

The report draws on an ad hoc data collection supplemented by the fund-related segment of GCD's LGD and EAD Data Pool.

#### A. GCD special fund data collection

GCD conducted a bespoke data collection covering fund portfolios, spanning 2007-2025. As of 2025, the dataset covers more than 40,000 funds.

#### B. GCD LGD and EAD Data Pool

To complement the analysis with recovery rate information, the report draws on GCD's historical LGD data, comprising 182 defaulted facilities.

### Key regulatory observations

- Across all collected funds, the average IRB RW is approximately 22%, materially below the 65% standardized RW under CRR3.
- For mutual funds, pension funds, REITs and most non-hedge fund structures, observed default rates, TTC PDs, and recoveries are consistent with significantly lower credit risk, with typical IRB RWs of 10%–20%, and 30%–40% for funds of funds, private equity funds and private debt funds.
- Applying a uniform 65% RW floor therefore implies a conservatism multiple of around three times the estimated IRB RW for most funds.
- Hedge funds exhibit higher risk and are not representative of the broader fund population, with an average IRB RW of around 94%; the majority of hedge funds are sub-investment grade and would be subject to a 100% RW.



**13**  
Banks



**22%**  
Average Annual  
IRB Risk Weight

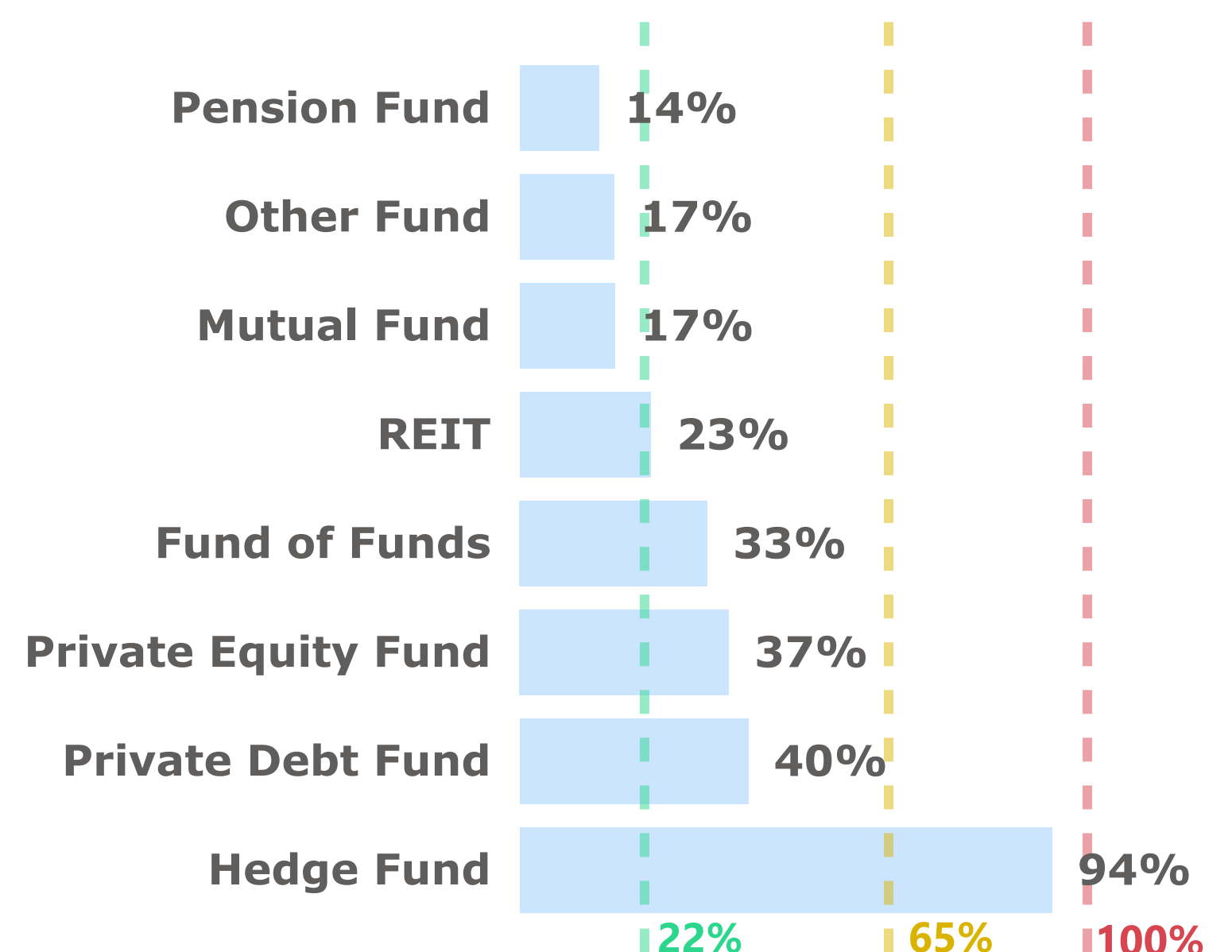


**41k+**  
Cohort Size in  
2025

### Obligors by fund type 2025

Mutual Fund	32,676
Hedge Fund	4,317
Other Fund	1,566
Private Equity Fund	1,505
Pension Fund	811
Fund of Funds	103
Private Debt Fund	84
REIT	54

### Average IRB risk weights by fund type for the 2007-2025 period



- Average IRB risk weight
- CRR3 floor for investment grade funds
- CRR3 floor for sub-investment grade funds



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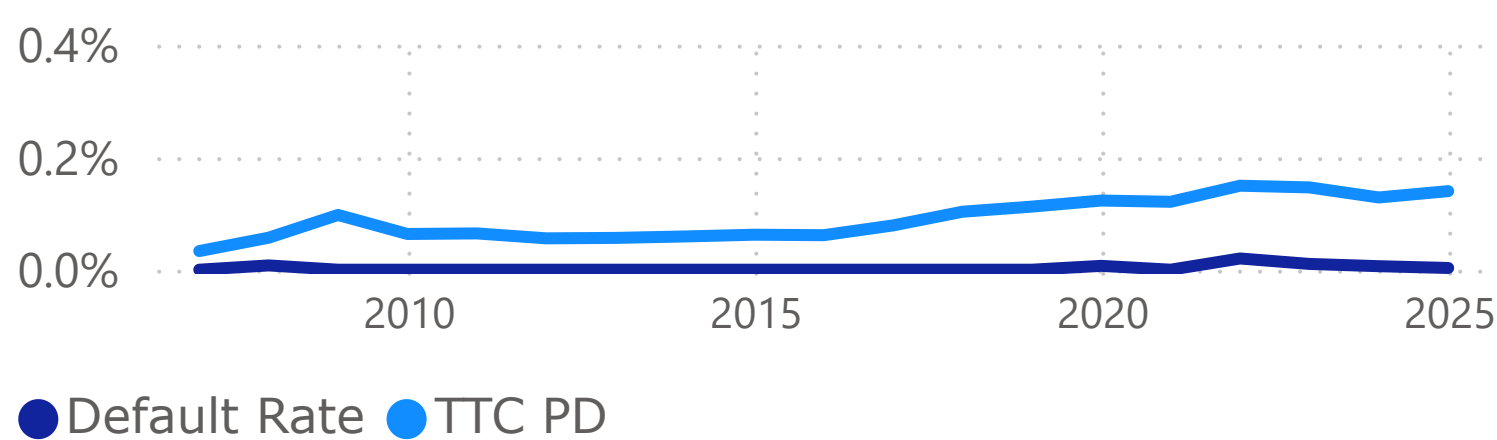
### PDs and observed default rates by fund type

Fund Type	Total Obligors 2025	Avg Annual Cohort Size	Total Defaults	Avg Annual TTC PD	Avg Annual Default Rate
Mutual Fund	32,676	22,952	11	0.09%	0.00%
Hedge Fund	4,317	3,305	6	1.56%	0.02%
Other Fund	1,620	612	6	0.97%	0.03%
Private Equity Fund	1,505	529	0	0.26%	0.00%
Pension Fund	811	285	0	0.11%	0.00%
Fund of Funds	103	59	0	0.44%	0.00%
Private Debt Fund	84	40	0	0.33%	0.00%
<b>Total</b>	<b>41,116</b>	<b>27,781</b>	<b>23</b>	<b>0.30%</b>	<b>0.01%</b>

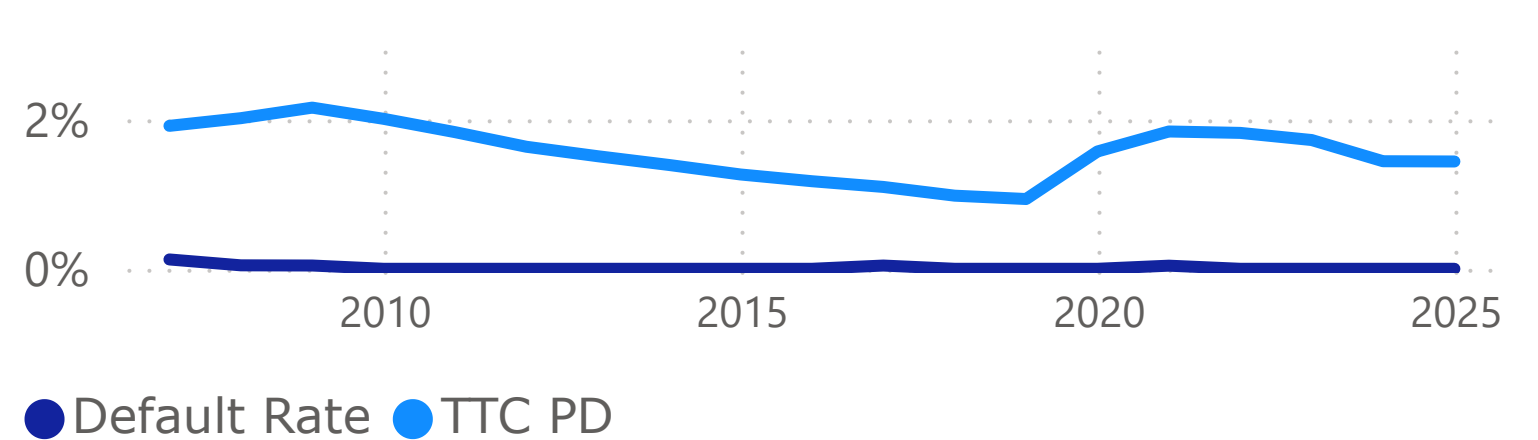
Default rates are low across all types of investment funds. The portfolio is concentrated in mutual funds, with hedge funds as the second largest type. Hedge funds show materially higher TTC PDs than mutual funds. Defaults occur mostly in lower rating grades. Averages and total defaults are calculated over the 2007-2025 period.

### Comparison of observed default rates and TTC PDs for mutual and hedge funds

#### Mutual Funds



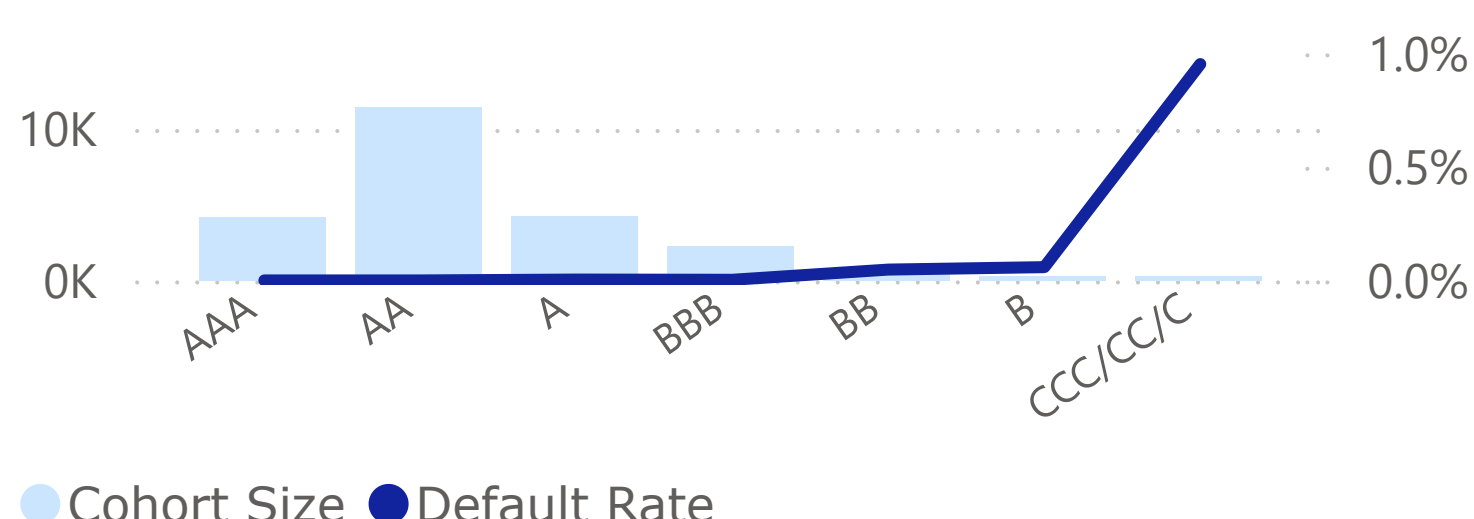
#### Hedge Funds



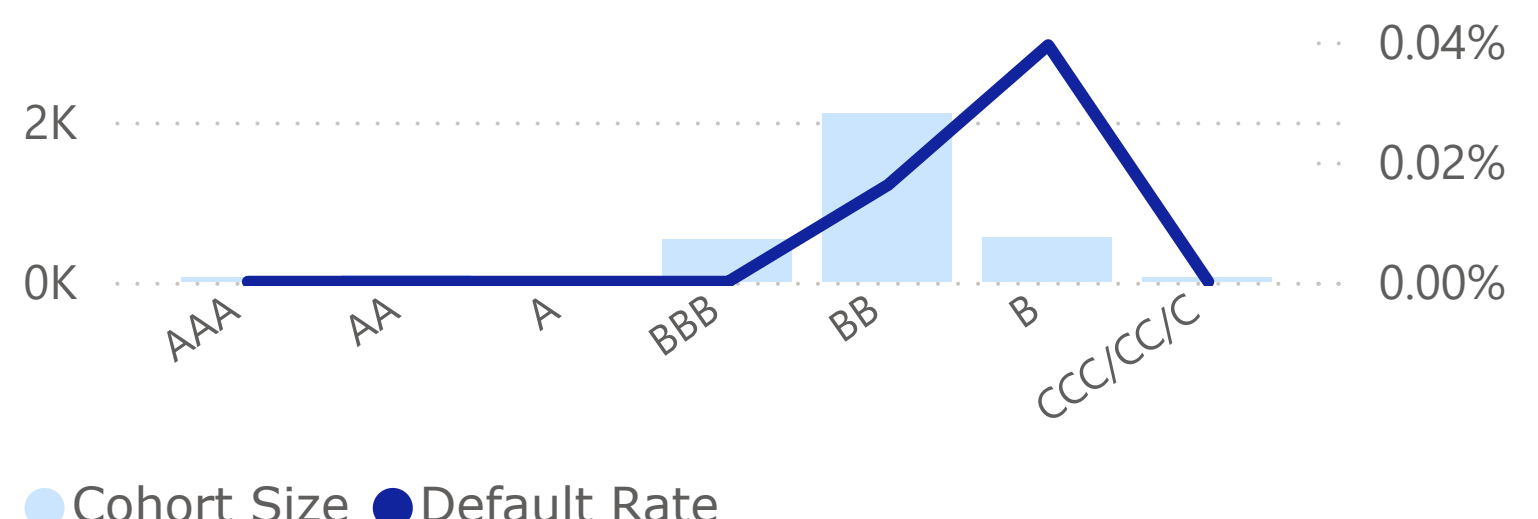
Banks estimate higher TTC PDs for hedge funds compared to mutual funds. The increase in TTC PD in recent years for both fund types reflects an expansion in portfolio coverage and heterogeneity of exposures. The default rate is close to zero across the entire time period.

### Comparison of observed default rates and ratings for mutual and hedge funds

#### Mutual Funds



#### Hedge Funds



Defaults are seen primarily within lower rating grades irrespective of fund type.



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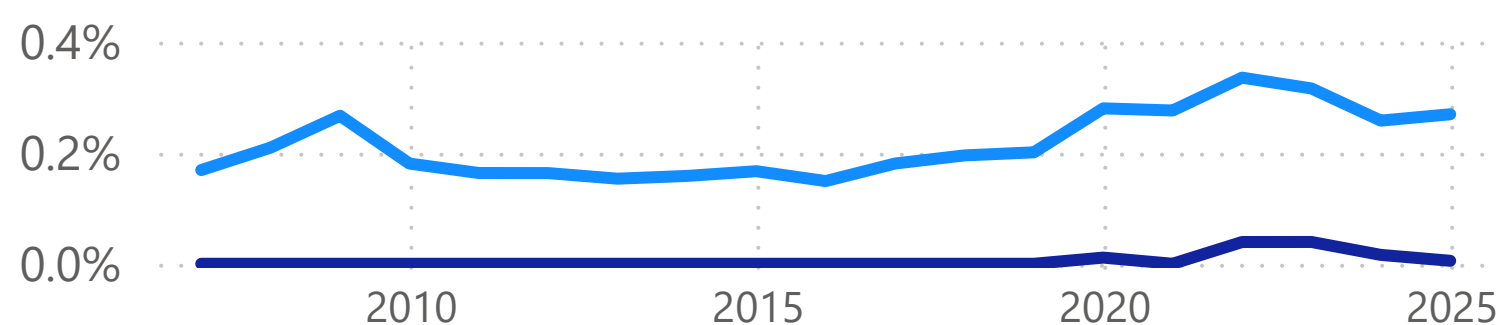
### PDs and observed default rates by region

Region*	Total Obligors 2025	Avg Annual Cohort Size	Total Defaults	Avg Annual TTC PD	Avg Annual Default Rate
America	18,836	14,566	8	0.35%	0.00%
Europe	18,545	11,531	15	0.22%	0.01%
Asia	1,849	740	0	0.30%	0.00%
Oceania	939	563	0	0.31%	0.00%
Middle East	196	50	0	0.42%	0.00%
Africa	26	73	0	1.52%	0.00%
<b>Total</b>	<b>40,391</b>	<b>27,522</b>	<b>23</b>	<b>0.30%</b>	<b>0.01%</b>

Low default rates are consistent across regions with lower average TTC PD observed for Europe driven by fund type mix. Data is concentrated in America and Europe, with visibly higher average TTC PD for American obligors. It reflects a higher proportion of hedge fund entities in the American sample. Averages and total defaults are calculated over the 2007-2025 period.

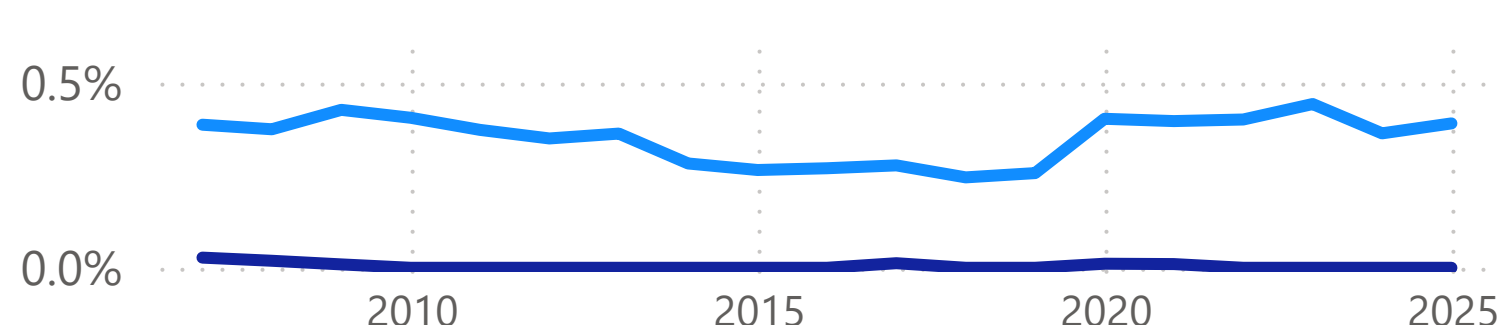
### Comparison of observed default rates and TTC PDs for Europe and America

#### Europe



● Default Rate ● TTC PD

#### America

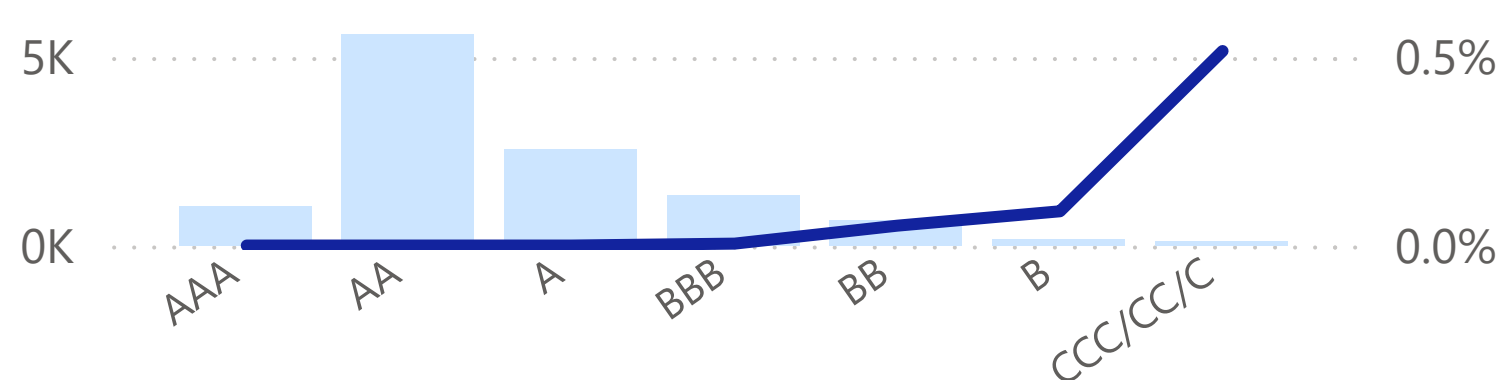


● Default Rate ● TTC PD

TTC PDs are consistently higher for American funds due to a higher proportion of hedge funds.

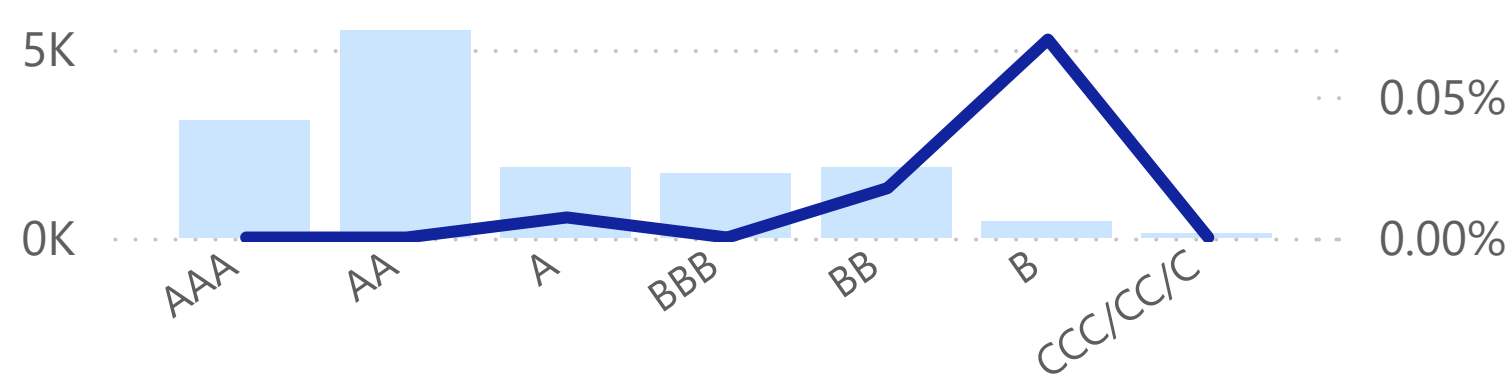
### Comparison of observed default rates and ratings for Europe and America

#### Europe



● Cohort Size ● Default Rate

#### America



● Cohort Size ● Default Rate

Most defaults are observed among the lowest rating grades irrespective of the region.

\* Unknown locations are excluded.



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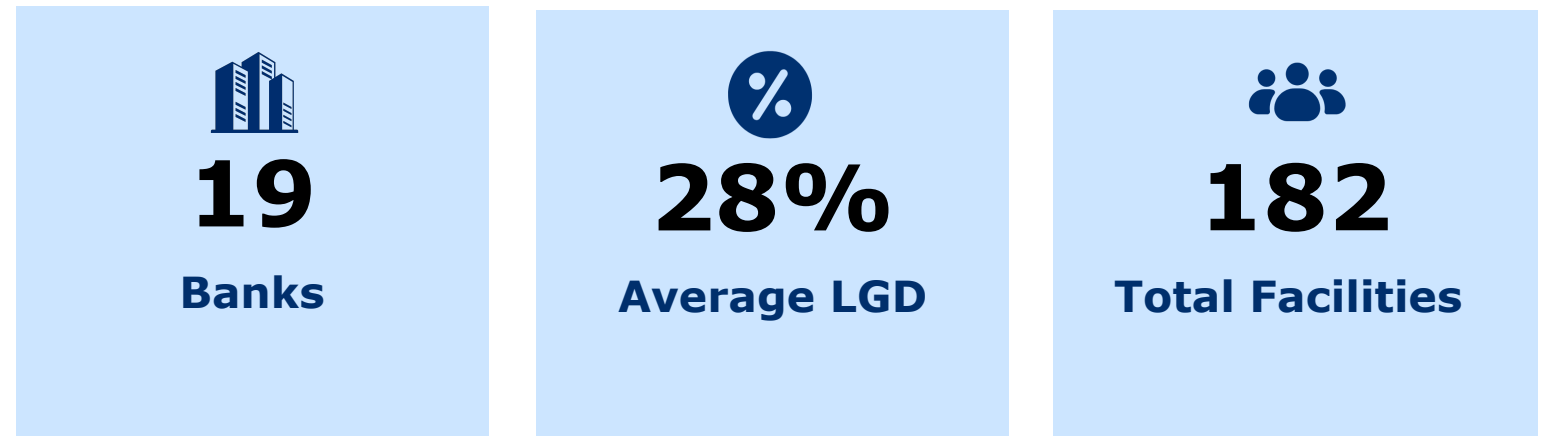
### Loss Given Default analysis

GCD's LGD and EAD Data Pool includes 182 facilities from defaulted funds. These defaults span the period from 2007 to 2024 and were contributed by 19 banks. The pool covers four fund types: mutual funds, pension funds, hedge funds, and REITs. Other fund types have not been collected to date.

The presented data is based on the Reference Data Set (RDS) enhanced by the exclusion of defaulted facilities with outstanding balances below 1 million EUR at the time of default.

### Loss and recovery profile

The average LGD discounted by 3-month Euribor plus 5% is 28%. Around 80% of defaults in the pool are mutual funds. Pension funds and REITs show lower LGDs, while hedge funds record higher LGDs. Most defaults occurred during the Global Financial Crisis (GFC), between 2008 and 2010. After 2015, default volumes are very limited and account for only 7% of the dataset.



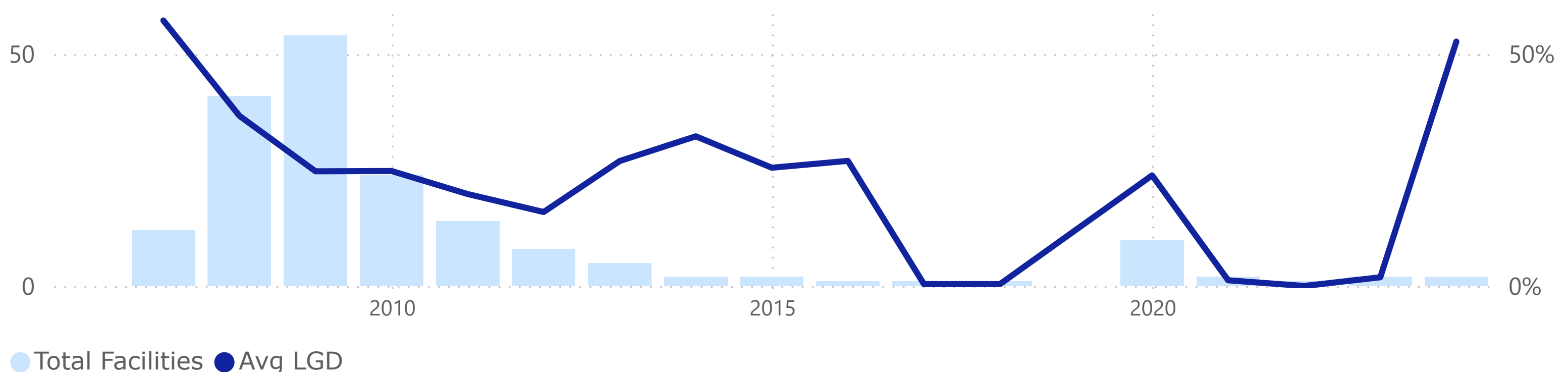
### Average observed LGD and facility count by fund type

Fund Type	Avg LGD	Total Facilities
Mutual Fund	29%	150
Hedge Fund	46%	15
Pension Fund	5%	11
REIT	20%	6
<b>Total</b>	<b>28%</b>	<b>182</b>

### Average observed LGD in crisis periods

Time Period	Avg LGD	Total Facilities
Covid 2020	24%	10
GFC 2008-2010	29%	119
Other Years	28%	53
<b>Total</b>	<b>28%</b>	<b>182</b>

### Loss pattern over time



The majority of default events occurred around the GFC but LGD levels during that period do not differ from long-run average. While default volumes are elevated during the 2008–2010 GFC, no corresponding increase in LGDs is observed. Losses during the Covid period in 2020 are also in line with the long-run average.



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### Data sources and terminology

#### GCD special fund data collection

We conducted a bespoke data collection for this report gathering data from 13 banks. It covers more than 40,000 funds and provides data on portfolio composition, ratings, PDs, and observed defaults. The collection includes a broader set of fund types than those shown in this report, including infrastructure funds, money market funds, natural resources funds, sovereign wealth funds, venture capital funds, and real estate investment trusts. We collected additional data fields and shared them with contributing members.

#### GCD LGD and EAD Data Pool

For this report, the analysis draws on the fund-related segment of GCD's LGD and EAD Data Pool. The broader database is the world's largest non-retail bank loan loss database, containing around 340,000 defaulted facility observations representing non-retail Basel asset classes. Built from submissions by more than 60 banks over a period of 20 years, the database provides detailed information on defaults, cash flows, collateral, and realized loss experience. For the purpose of this report, the relevant subset was used to analyze loss and recovery outcomes for fund exposures.

#### Name Benchmarking

We collected counterparty identifiers to enable participating banks to perform name benchmarking. Analysis at the individual name level is outside the scope of this report.

#### Banks in the fund data collection

ABN AMRO  
BBVA  
Deutsche Bank  
HSBC  
National Bank of Canada  
Nordea  
Raiffeisen Bank International  
Santander  
Scotiabank  
UBS

and others

#### Note on terms used (see appendix for more details)

**Cohort Size** is the count of performing borrowers on January 1st of each year of the dataset. The overall cohort size is calculated by averaging the yearly cohort sizes.

**Default:** the Basel definition of default is applied.

**Default rate** is the proportion of performing borrowers at the beginning of the year that experience a default event within a one-year period.

**LGD** is the observed Loss Given Default based on recoveries discounted by 3-month Euribor plus 5%.

#### Rating grade / Internal ratings:

TTC PDs and internal ratings are estimated by each participating Basel-compliant bank. To ensure comparability across different internal rating scales, banks map their internal ratings to equivalent S&P rating grades in line with their regulatory reporting framework.

**Reference Data Set (RDS)** refers to the data set after application of filters used for the analysis.

## About AFME

The Association for Financial Markets in Europe (AFME) is the voice of the leading banks in Europe's financial markets, providing expertise across a broad range of regulatory and capital markets issues.

We represent over 150 leading global and European banks and other significant market players. Our members play a vital role in Europe's financial ecosystem, underwriting around 90% of European corporate and sovereign debt, and 85% of European listed equity capital issuances. Importantly, AFME members are market makers, providing liquidity, which is essential for ensuring financial markets can function efficiently.

We also represent law firms and other associate members which advise market participants and support AFME's legal and regulatory initiatives.

**WWW.AFME.EU**

## About GCD

At GCD, our mission since 2004 has been to empower banks and the financial industry with a deep understanding of credit risk through a unique data source. As a non-profit organisation owned by 50+ member banks, we collect valuable data directly from banks' books.

Our activities revolve around pooling credit data, particularly from low default portfolios. Beyond data pooling we foster knowledge exchange, facilitate research and information sharing services, creating a dynamic environment for insights and collaboration.

Join our community to access exclusive data insights, gain market understanding, and benchmark your performance against industry peers.

**WWW.GLOBALCREDITDATA.ORG**



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