THE SYNARCHY EDGE

A monthly thought-leadership series on structural shifts

#005
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Capital Changed. Governance Didn't.

The source of capital has shifted from banks to private and non-bank sources, faster than the governance of it has caught up.

~80%
of emerging-market capital is now non-bank

Roughly 80% of the capital now flowing to emerging markets comes from non-banks, not banks (IMF, 2026). The money is no longer mostly the bank's, yet few balance sheets are governed as if that were true.

THE SIGNAL

A decade ago, capital in the region meant a bank. Today it means a fund, a family office, a sovereign-linked vehicle or a private-credit manager, and the source of capital has changed faster than the way institutions govern it. The UAE built this architecture deliberately, and Dubai and Abu Dhabi's financial centres now host hundreds of asset managers alongside a fast-growing private-credit industry. The depth is real, and it is an achievement. Yet non-bank capital is more lightly regulated, less visible and quicker to move, so the shift that is rightly celebrated as access is also, quietly, a new kind of risk

WHY IT MATTERS HERE

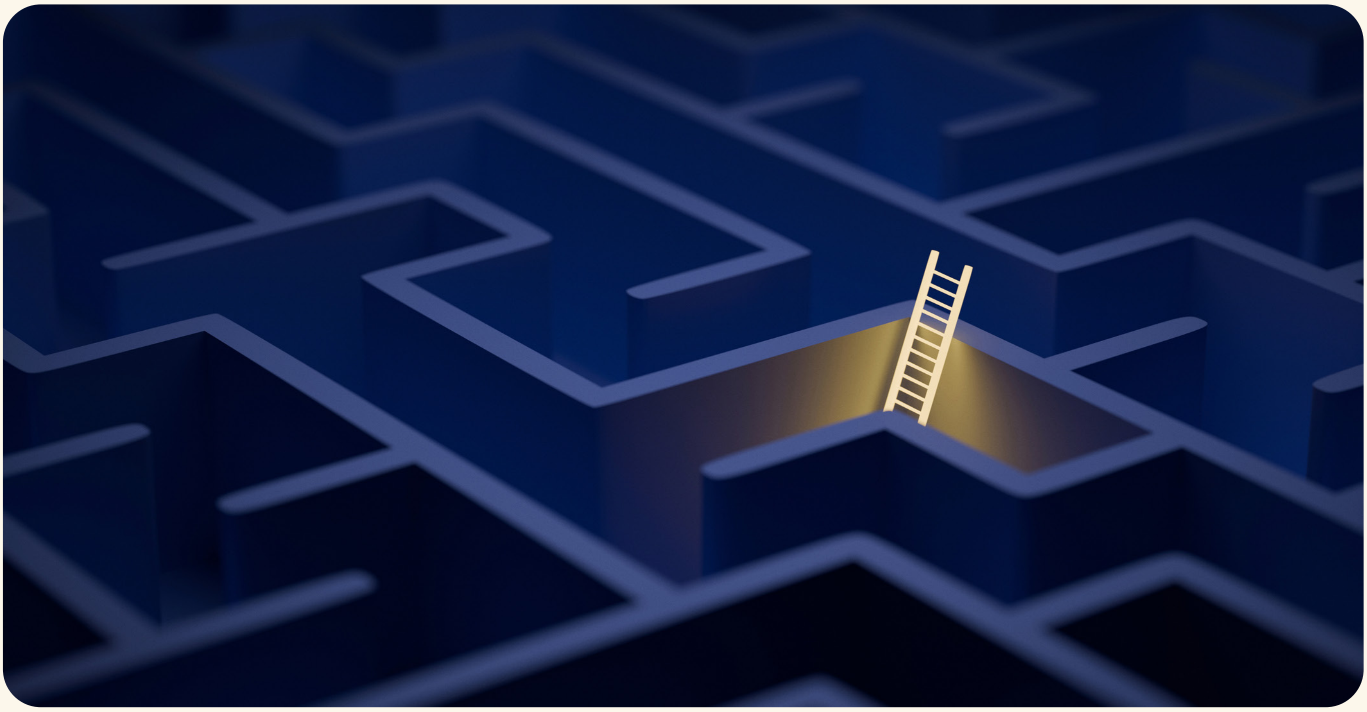
The danger is not the cost of capital but the behaviour of capital, which is patient until it is not. For a government or sovereign-linked entity, financing that once came from relationship banks now comes partly from global funds that can reprice or withdraw on a shock originating thousands of miles away, and the gap shows up not in the term sheet but in a refinancing window two years out. For a family enterprise, fund and private-credit money arrives faster and with fewer questions than a bank loan ever did, until a downturn arrives and the new lender, with no decades-long relationship to protect, simply enforces the terms a house bank would have quietly renegotiated. For an African sovereign the shift is sharpest of all, because private creditors now hold a far larger share of external debt than a decade ago, at higher rates and shorter maturities, so that a global risk-off moment lands as a debt-service spike rather than a polite conversation. It is the same capital in three exposures: cheaper and faster to raise, and harder to hold when the weather turns.

THE SYNARCHY READ

The conventional story is that deeper capital markets are an unalloyed win: more funds, more hubs, more private credit, more sovereign capital, all of it evidence of arrival. That story is half true, and therefore dangerous, because what has actually happened is subtler. The source of capital has changed, and the governance of capital has not kept pace with it.

Bank capital came wrapped in a governance system built over a century,

in the form of prudential regulation, disclosure, and a lender with a relationship and a reason to work things out. Non-bank capital often arrives without that wrapper. None of this happened by accident, and the mechanism is worth naming: after the 2008 crisis the Basel III reforms required banks to hold more capital against riskier lending,



the banks duly retreated from precisely the credit those rules now penalised, and through a long decade of low yields investors searching for return found their way to the non-bank lenders, private-credit funds chief among them, that moved into the space the banks had vacated. The capital did not disappear; it changed hands, passing from a heavily regulated balance sheet to a lightly governed one. The pattern is an old one, in that new forms of capital have repeatedly outgrown the governance built around them, and the gap between the two tends to become visible only in hindsight. The IMF's present warning is blunt: non-banks now hold around half the world's financial assets, much of it under lighter regulation and limited disclosure. None of this makes non-bank capital bad. It makes it different, and difference that goes ungoverned becomes fragility.

The region has authored the access side brilliantly, building the centres, the frameworks and the sovereign-linked vehicles, and convening the capital. The unfinished half is authoring the governance of reversal: knowing, before the shock, which funding can leave, how fast, and what happens to the balance sheet when it does. The better template is close at hand, because financial centres such as ADGM and DIFC, much as Luxembourg did in building its cross-border fund industry, can establish their governance alongside the capital they attract rather than scrambling to construct it afterwards. This is strategic authorship applied to finance: not importing a bank-era risk model onto a non-bank capital base, but building a resilience framework fitted to how this capital actually behaves.

The institutions that hold their footing will not be the ones that raised the most capital. They will be the ones that mapped its exits before they needed to.

**Access to capital isn't the achievement.
Governing its reversal is.**

THE EVIDENCE

80%

of capital flowing

The source has flipped.

Roughly 80% of capital flowing to emerging markets now comes from non-banks, with cumulative portfolio flows near $4 trillion, an eightfold rise since the global financial crisis.

(IMF, Global Financial Stability Report, 2026)

half

of the world's financial assets

And it is lightly governed.

Non-banks hold around half of the world's financial assets, mostly under lighter regulation and limited disclosure; the Financial Stability Board flagged the specific vulnerabilities of private credit in May 2026.

(IMF, 2025; FSB, 2026)

ADGM's assets rose

36%

The UAE built the architecture deliberately.

ADGM's assets under management rose 36% in 2025, and DIFC ended the year with more than 500 wealth and asset-management firms.

(ADGM; DIFC, 2025–26)

external debt

nearly doubled

For African sovereigns the shift is sharpest.

The private-creditor share of least-developed-country external debt nearly doubled, from 14% to 25%, between 2010 and 2023, at higher rates and shorter maturities.

(UNCTAD, A World of Debt 2025)

THREE MOVES

01

Map your capital by behaviour, not just cost.
List every funding source and mark how each behaves under stress: who can reprice, who can withdraw, how fast, on what trigger. A balance sheet sorted by cost hides the risk; one sorted by exit behaviour reveals it.

02

Stress-test the reversal, not just the rate.
Model the funding window that matters, the refinancing or redemption point two years out, against a global risk-off shock rather than today's calm. The question is not "can we service this?" but "what happens if this capital is gone when we need to roll it?"

03

Author the governance to match the source.
Build a financing-resilience framework fitted to non-bank capital: covenant discipline, diversified maturities, committed liquidity lines, and a named owner for funding risk. Don't run a non-bank capital base on a bank-era risk model.

THE EDGE

The capital will keep flowing, and the centres will keep growing. But in the next downturn, access to capital will not be the achievement; governing its reversal will be.

Sources: International Monetary Fund, Global Financial Stability Report (2026) and Oct 2025; Financial Stability Board, Report on Vulnerabilities in Private Credit (May 2026); ADGM and DIFC annual results (2025–26); UN Trade and Development (UNCTAD).