



THE OPERATIONAL REALITY BEHIND PRIVATE CREDIT'S ATTRACTIVE YIELDS

Private credit has exploded from roughly \$500 billion in 2008 to \$3 trillion by early 2025. The buy-side players—Apollo, Blackstone, Ares, and KKR—are directly underwriting credit at unprecedented scale. Goldman Sachs plans to expand its private credit portfolio to \$300 billion over the next five years. JPMorgan has earmarked at least \$10 billion. Wells Fargo and Citigroup established partnerships to capture market share. Banks are lending to private credit funds while building their own capabilities.

This growth reveals compelling economics: borrowers get speed and flexibility, and lenders earn substantial premiums. Private credit portfolios at the seven largest managers produced a median gross return of 16.4% in 2023, with Apollo posting the highest at 19.8%. These returns explain why capital continued to flood in despite mounting operational challenges.

These attractive returns are driving a surge of new entrants into the market—from established banks building their own direct lending capabilities to emerging fund managers seeking to capture alpha in middle-market opportunities. This competitive expansion is testing whether the operational infrastructure can support a market projected to reach \$5 trillion by 2029.

While the syndicated loan market offers a structural parallel, both involve institutional credit, covenant packages, and loan lifecycle management, the operational differences between the two segments are fundamental. The syndicated loan market developed around sell-side dealers who underwrite, distribute, and trade loans through established networks. Private credit inverts this relationship: asset managers act as direct lenders, with banks serving as capital providers rather than loan distributors. The key is to distinguish between asset-class similarities and subtle differences in how these are transacted, processed, and serviced. Private credit's emphasis on bespoke terms, illiquid positions, and bilateral relationships drives the need for a purpose-built operational ecosystem rather than simply adapting syndicated loan infrastructure.

The question facing the industry is whether sustainable growth can occur while building this infrastructure in real time, or whether operational limitations will constrain the market's expansion before the necessary systems mature.

THE MARKET GAP AND ITS REQUIREMENTS

Private credit fills the gap left behind by banks retreating from the 2008 financial crisis. [Basel III](#) and stricter capital requirements made it uneconomical for banks to hold highly leveraged loans on their balance sheets. Private credit funds stepped in to finance companies that were too large or risky for commercial banks, yet too small to access public debt markets efficiently.

This origin story determines everything about how private credit operates. The borrowers who need private credit—middle-market companies, highly leveraged buyouts, special situations—aren't the easy ones. They require custom underwriting and flexible structures because their varied circumstances don't fit standard templates. As a result, they accept higher rates and restrictive covenants in exchange for speed and certainty of execution.

While private credit shares structural similarities with the syndicated loan market, there are fundamental differences. The syndicated loan market is dominated by sell-side dealers who underwrite, distribute, and trade loans through established networks of institutional investors. Private credit operates differently: asset managers act as direct lenders, while banks increasingly serve as capital providers to those asset managers rather than as loan distributors. This inverted relationship changes everything about workflow and operations.

The operational distinctions run deeper than market structure. Private credit underwriting processes, rights to cure defaults in credit agreements, inflexible assignment provisions, and intra-fund allocation procedures create workflows that are incompatible with syndicated loan infrastructure. Unlike syndicated loans, which can be assigned and traded relatively easily through market-accepted processes and procedures, private credit positions are intentionally illiquid and difficult to transport. Syndicated loans also sit inside a mature securitization ecosystem, where collateralized loan obligations (CLOs) provide an additional liquidity mechanism that enables capital recycling and risk distribution at scale. Private credit lacks this established securitization pathway, further constraining liquidity and making each position harder to exit or rebalance. The bespoke nature of each deal—custom collateral packages, negotiated covenants, bilateral relationships—means these loans don't fit cleanly into the operational frameworks built for instruments that are relatively more liquid and traded.

This creates a technology challenge: traditional software vendors that dominate the syndicated loan market are attempting to extend their platforms into private credit, but newcomers are challenging them with purpose-built connectivity to "stitch together" the plumbing required for private credit workflows. The question isn't whether private credit can adopt syndicated loan technology, but whether the industry will take the opportunity to look beyond existing stakeholders and processes to support the development of platforms that utilize and integrate new technologies to innovate a market with its own operational structures.

The operational complexity justifies the 2-4% premium that direct loans historically earn over broadly syndicated loans. Most private loans carry maintenance covenants that require quarterly monitoring. Loan terms are negotiated bilaterally with bespoke collateral packages, fees, and equity kickers. There's no Bloomberg terminal for private loans yet, and creating one would first require extensive data extraction, transformation, and standardization to enable true market interoperability. Key deal-structure data is scattered across PDF credit agreements, Excel trackers, and portfolio management systems that often don't integrate with one another.

TECHNOLOGY, INCENTIVES, AND THE COST OF TRANSPARENCY

If operational gaps create breaks, inefficiencies, and prevent lenders from scaling, the apparent response is to address them. But the challenge extends beyond implementation cost—it's that private credit's core value proposition is its

customization of terms and conditions, in a market that is too young to have developed the comprehensive infrastructure it needs.

Major players like Blackstone emphasize that "technology is at the core of everything we do." Victoria Chant at Blackstone Credit notes that "managers are no longer sitting in meetings doing private credit 101 lessons." Apollo has built infrastructure supporting its \$250 billion origination ambition. The tools exist, and sophisticated infrastructure is becoming table stakes for firms managing hundreds of loans across multiple vehicles.

The question is: who builds them, and who gets to use them? True operational overhaul requires upgrading systems, hiring specialized talent, and reengineering workflows—all of which costs significant money and time, with payoffs that may take years to materialize. Smaller managers rightly question whether the investment makes sense, especially when LPs aren't explicitly paying higher fees for better infrastructure. While the immediate ROI may not be explicitly quantifiable, the implicit necessity is becoming clear. Without a robust operational infrastructure, private credit cannot scale beyond institutional portfolios into broader distribution channels, particularly retail investors. Equally important, regulators are unlikely to provide the clarity and comfort needed for market expansion without demonstrable transparency and risk-management capabilities that only a systematic infrastructure can deliver.

But unlike more mature asset classes, where established players might benefit from maintaining high barriers to entry, private credit's infrastructure challenge stems from the market's nascency. The technology, regulatory frameworks, and operational standards required for efficient operation at scale are still being developed. Regardless of the regulations that exist or might emerge, asset managers aren't choosing to avoid efficiency—they're navigating a market where regulatory clarity, technological capabilities, and operational best practices remain incomplete and evolving.

The lack of standardization compounds these challenges. When every loan agreement uses different language for similar or equivalent concepts, when covenant calculations vary by deal, when collateral monitoring requires custom processes, the very heterogeneity that enables flexibility also prevents the economies of scale that standardization delivers. This reflects the operational reality of a market that grew faster than its infrastructure could keep pace.

Perhaps more fundamentally, sophisticated operational systems can't substitute for the judgment to act on the warnings they provide—but they can surface red flags early enough to prevent deployment. First Brands Group's September 2025 bankruptcy filing illustrated this principle. The auto parts supplier collapsed under \$10 billion in liabilities after tariffs imposed approximately \$220 million in costs between April and August 2025, accelerating stress in a capital structure already burdened by \$2.3 billion in undisclosed off-balance-sheet factoring obligations.

The signals were visible, but Apollo's experience demonstrates how robust evaluation processes minimize exposure before external shocks materialize. When invited to participate in a First Brands financing, Apollo's due diligence flagged the same structural concerns about the company's capital structure and off-balance sheet arrangements. Instead of proceeding, they declined to participate and took a short position—a decision that proved prescient. Ultimately, reinforcing the point that there are no substitutes for disciplined risk management, but having a robust data footprint and automated infrastructure for transacting and processing private credit could reduce friction and drive more scale and participation.

Whether fraud occurred remains under investigation, but the combination of external shocks, operational complexity in invoice-based financing, rapid debt-fueled expansion, and potential governance breakdowns created conditions where even sophisticated monitoring infrastructure might have struggled to provide early warning—especially if the fundamental premise of the lending relationship was flawed from the start.

Tricolor Holdings demonstrates different dynamics. The subprime auto lender's collapse amid allegations of "double-pledging" auto loans pointed to oversights in the due diligence and underwriting process—failures that occurred before any monitoring system was engaged. JPMorgan took a \$170 million loss, and CEO Jamie Dimon called it "not our finest moment."

Here, the technology question is whether better data verification at origination could have caught the duplicate collateral pledges. The answer is probably yes—if someone was specifically looking for that type of fraud and had systems designed to detect it. This clarity about where technology adds value—and where it falls short—is drawing a wave of providers to address the structural gaps exposed by recent failures.

TECHNOLOGY AS NECESSARY BUT INSUFFICIENT

At the foundation level, [Nammu21](#) is tackling data interoperability head-on by transforming syndicated loan and private credit documents into programmatic data structures that are both human and machine-readable. Founded by [Someera Khokhar](#), a 25-year veteran of the credit markets, Nammu21 has secured strategic investments from Galaxy Digital, Circle, Nasdaq Ventures, State Street, UBS, and Citi. The platform transforms text and text structures into digital data elements and maps the structural connectivity of those elements to create digital abstractions of credit instruments. This enables multiple workflow efficiencies, including, at its simplest, the elimination of manual data entry across legacy systems. By automatically ingesting and normalizing unstructured data from PDFs and credit agreements, Nammu21 is building the foundational interoperable data layer - a data protocol that private credit needs to scale.

On the settlement side, HashLynx is challenging the established ClearPar platform with a modern SaaS approach explicitly built for private credit and broadly syndicated loan settlement. Founded by Paul Zappier— the original inventor of ClearPar's settlement engine — and Pat Loret de Mola, HashLynx offers institutional-scale capabilities with blockchain-secured workflows, positioning itself as a cost-effective alternative for primary and secondary loan trading. This matters because settlement inefficiencies create operational drag and increase counterparty risk—problems that compound as trading volumes grow.

For reconciliation and data transparency, both AccessFintech and Saphyre are addressing the chronic challenges of manual data verification and exception handling. AccessFintech's Synergy Network connects over 250 financial institutions across the post-trade lifecycle, automating loan lifecycle management through real-time data collaboration that enables all counterparties to work from normalized, synchronized data. This mutualized approach reduces operational discrepancies by allowing market participants to identify and resolve exceptions collaboratively rather than through bilateral reconciliation. Saphyre takes a different approach, using AI to digitize pre-trade data and remember it across the trade lifecycle, reducing manual paperwork and helping institutions become ready to trade faster. Both platforms recognize the same fundamental problem: when data must be entered multiple times across disconnected systems, errors multiply and inefficiencies compound.

Meanwhile, Barclays and Citi backed [Claira](#), a deal intelligence platform integrating private credit research workflows with internal data rooms and third-party sources. Claira claims 85% efficiency improvement and scalable pathways to institutional knowledge management. CEO [Eric Chang](#) emphasizes that "the future of credit analysis" focuses on "equipping credit professionals with faster access to the firm's collective knowledge—so they can make better decisions with confidence and precision."

Percent tackles a similar challenge from the sell side. After underwriting their own lower mid-market deals on their platform for years, they are now also allowing interested parties to benefit from using their SaaS platform, helping underwriters launch and scale private credit operations. Their goal is to make smaller deals economically viable. Early adopters highlight the Percent platform's ability to enable "a replicable, systematic, and data-driven underwriting process coupled with cost-efficient legal documentation and near real-time key collateral performance monitoring."

The systems are arriving. Many startups are working to address genuine bottlenecks across the ecosystem. Technology makes information accessible and analysis efficient. It creates the infrastructure for better decision-making. When firms deploy capital to meet LP targets, when teams are paid for volume, and when economics depend on keeping money at work, better monitoring provides more explicit warnings. The incentives that favor ignoring warnings require different solutions.

What's becoming clear is that technology is part and parcel of private credit's standardization and maturation. The question centers on how quickly the industry can build the data infrastructure, operational workflows, and systematic processes needed to support sustainable growth. The firms investing in this infrastructure now—whether through purpose-built platforms or integrated systems that handle the unique complexity of private credit workflows—are positioning themselves for a market where operational excellence becomes a prerequisite rather than a differentiator.

This article was co-authored by members of the [OPCO Advisory](#) team along with [Oliver King](#), CEO of [Mythmaker.io](#). We want to thank our clients, collaborators, and partners for their contributions.