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Reg Cap Recap

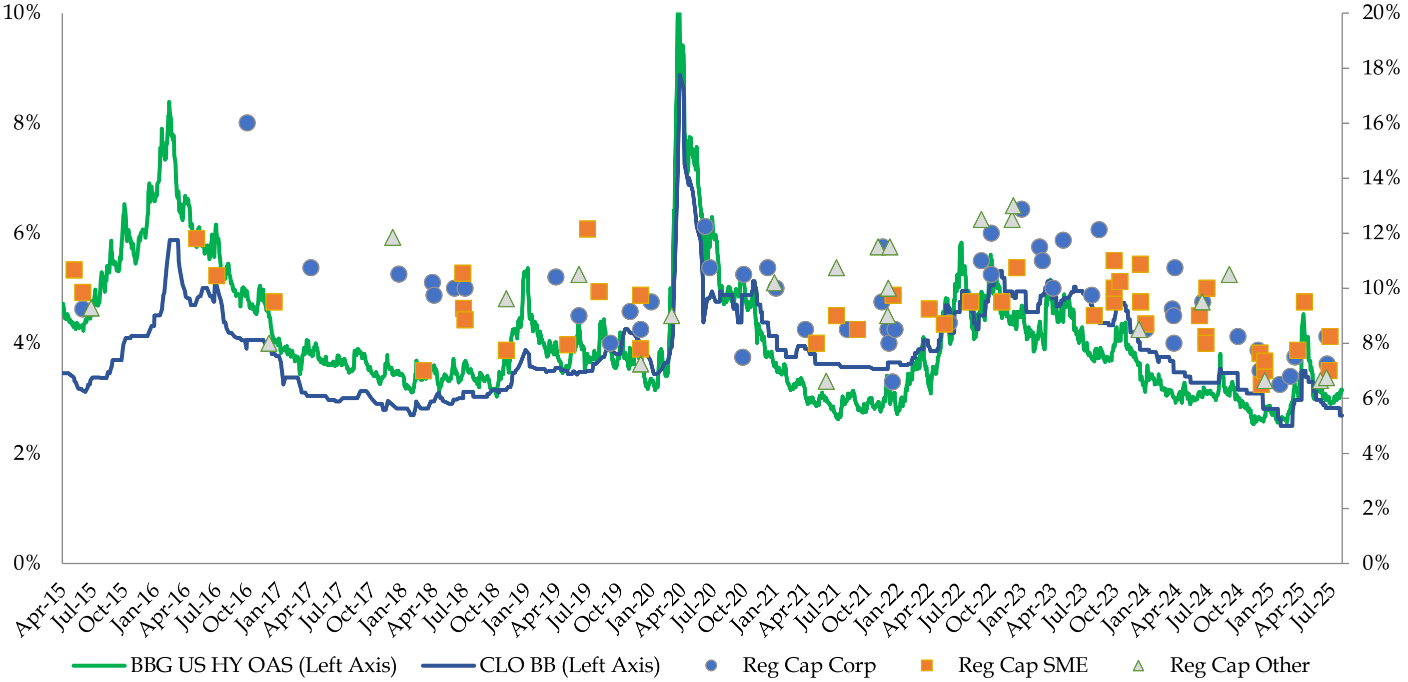
A bimonthly update on the Regulatory Capital Relief/Significant Risk Transfer sector

August 5, 2025

Reg Cap Spread Trends

June Reg Cap pricing ranged from 675 to 825bps, while HY spreads widened by 23bps during the month of July.

New Issue Reg Cap Spreads vs. High Yield and CLO BB*



** Source: Seer Capital Research / Bloomberg. Reflects selected first and second loss tranches but excludes mezzanine and thick (i.e. 0-12.5%) tranches. As of July 31, 2025.*

Recent New Issue Activity

The following is a representative listing of recent new issue activity.

		ASSET			PORTFOLIO SIZE		
Closing Date	Spread (bp) [1]	Type	Jurisdiction [2]	Disclosure [3]	Currency	Amount (bn)	First Loss [4]
Jun-25	825	SME	UK	No	GBP	1.5	No
Jun-25	700	SME	Spain	No	EUR	3.9	No
Jun-25	725	Corporate	Global	Yes	USD	6.9	Yes
Jun-25	825	Corporate	Global	No	EUR	9.3	Yes
Jun-25	675	Auto	US	No	USD	2.0	No
May-25	665	Auto	Denmark	No	DKK	5.7	No
Apr-25	950	SME	Germany	No	EUR	2.5	Yes
Mar-25	715	Auto	US	No	USD	3.5	No
Mar-25	775	SME	Italy	No	EUR	2.1	No
Mar-25	750	Corporate	Global	Yes	USD	7.0	Yes
Mar-25	750	Corporate	US	No	USD	5.0	Yes
Jan-25	650	Corporate	Canada	Yes	USD	7.0	Yes
Dec-24	765	SME	Germany	No	EUR	3.1	No
Dec-24	700	Corporate	Global	Yes	EUR	6.4	Yes
Dec-24	700	SME	Spain	No	EUR	2.2	No
Dec-24	735	SME	UK	No	GBP	1.6	Yes
Dec-24	840	Auto	US	No	USD	2.6	No
Dec-24	650	SME	Spain	No	EUR	2.8	No

[1] Spread to SOFR
[2] Asset jurisdiction and issuer jurisdiction may vary
[3] Disclosure of obligors in the reference pool of assets by name
[4] Indicates whether the Reg Cap issue is in the first loss position

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Market Commentary

We, like most of the market, will be on summer holidays later in August, so the next Recap will be published on September 2. In the meantime we will have our laptops along on holidays, and beach reading will have to include CDS docs alongside romance novels, as the march of deals continues unrelenting. The IACPM has quantified the increase in SRT issuance by European banks at 37% for 2024 (see below), and we seem to be on a similar, if not higher, trajectory for 2025. Large European banks remain hyper focused on velocity of capital, smaller banks are looking to keep pace, and some across the size spectrum are looking to bolster capital in preparation for M&A activity. Meanwhile there seems to be some impetus to clarify US banking regulations (also see below), which will trigger more issuance from this side of the pond.

Broader financial markets continue to struggle to make sense of the tariffs and geopolitical risks. If we knew what was going to happen here, we would not be bringing our laptop to the beach. We will go out on a limb and predict i) significant issuance volume, coupled with fewer aggressive new entrants on the investor side will put pressure on Reg Cap spreads, ii) in a downturn, which will come at some point, assets carefully originated and selected by banks for Reg Cap deals will tend to outperform other credit assets.

Reg Cap News

New Issue News

SMBC Plans SRT Tied to $8 Billion of Loans Made to Private Funds (Bloomberg News, aka "BN", 7/28/25)
Sumitomo Mitsui Banking Corp. is working on a new Reg Cap (i.e. Regulatory Capital relief aka "SRT" or Significant Risk Transfer) issue. The transaction will be tied to a portfolio of about $8bn of subscription lines, a type of credit that is typically extended to private market funds to help them manage liquidity. The size of the SRT would be around $1 billion, or ~12.5% of the portfolio. In April, SMBC sold a smaller SRT tied to debt extended to BDC's or business development companies. JPMorgan Chase and Citigroup are also reportedly considering new SRT issues.

BBVA Plans 30-40Bps of CET1 Capital Via Risk Transfers This Year (BN, 7/31/25)
BBVA estimates that SRT deals will add 30-40bps to its CET1 ratio this year, its CFO said on a recent earnings call. Last month BBVA announced plans for an upcoming SRT linked to €4bn of corporate loans.

Natixis Nears SRT Deal Tied to €1 Billion of Leveraged Loans (BN, 7/31/25)
Natixis is planning an SRT referencing a leveraged-loan portfolio worth about €1bn euros ($1.1 bn), with the SRT sized at around €100 mn. The transaction is reportedly to be priced in the coming weeks. Natixis's latest SRT issue comes on the heels of its parent company, Groupe BPCE, agreeing to buy a 75% stake in Portugal's Novo Banco. The ~$5bn transaction is the largest cross-border banking takeover in the euro area in more than a decade.

Erste Group Plans SRT Deals in 2H and 2026 to Help Poland Deal (BN, 8/1/25)
Erste Group Banks' CFO said in a BBG interview that they are in talks with investors to complete synthetic risk transfers in the second half of the year and into 2026, aimed at freeing up regulatory capital for its planned Polish acquisition.

UBS Plans SRT Deal Out of Program Inherited From Credit Suisse (BN, 8/4/25)
UBS Group is contemplating a new SRT deal as it explores ways to mitigate the impact of higher capital requirements. The deal is reportedly sized at ~3% of a CHF2 bn reference portfolio. The transaction may be issued through J-Elvetia, a vehicle previously used by Credit Suisse to issue SRT notes before UBS took over the bank. UBS CEO Ermotti recently explained "We use SRTs to manage risk and … (for) optimizing risk-weighted assets and capital …We have a fairly defined framework of how we want to use them in respect of not only the size but also the maturity of SRTs and the counterparties we pick for doing these kind of transactions." UBS also recently raised $2 bn of Additional Tier 1 bonds to help bolster solvency ratios.

Reg Cap News

Unlocking Capital – Growth of SRTs: €20 Bn Bank Benefit (Bloomberg Intelligence, aka "BI", 7/21/25)
This webinar covered the results of a recent survey of investors and issuers about the state of the Reg Cap/SRT market. Bloomberg Intelligence, aka "BI", noted that the market is "booming," with double-digit growth momentum expected to continue. The capital benefit to banks via these transactions could be as much as €20 billion per year in Europe, while in the US volumes are still small but increasing. Investors report 10%-plus returns on average, keeping demand high.

Based on SCI research, BI reports that ~$US26bn of protected tranches across US$300bn of securitized portfolios were issued in 2023. For 2024, that figure reached $US29bn (includes only first loss tranches). Transactions referencing large corporates were an estimated 60% of issuance, followed by SME loans (13%) and consumer loans (10%).

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Reg Cap News (continued)

The market's strong momentum reflects attractive capital benefits for banks, attractive returns for investors, and a relatively friendly regulatory environment. Survey market participants, both investors and issuers, expect an expansion in the definition of permissible assets, more favorable capital benefits, and an easier regulatory process, though investors were more upbeat than banks. The vast majority of those surveyed do not believe that interconnectedness between SRT issuer and investors is material risk.

EU banks solely responsible for 2024 SRT market growth (9fin.com, 7/22/25)
and
Private Risk Sharing through securitization increased by 37% in the EU and 16% globally (IACPM.org, July 2025)
In 2024, European banks drove most of the growth in Reg Cap issuance, according to the International Association of Portfolio Managers (IACPM) global survey of 51 banking institutions. EU banks issued SRTs protecting €41bn more underlying loan pools than in 2023, while global SRT issuance only increased by €36bn. US banks have been holding off due to regulatory uncertainty. Most deals focused on corporate and SME loans, but there's rising interest in areas like auto loans, mortgages, and niche lending. Investor demand has been strong, pushing prices tighter, and insurers are getting more involved through unfunded protections, especially in Europe. With over 650 synthetic SRT deals issued since 2016 and clearer rules on the way, the market is poised for continued growth.

UK regulator overhauls SRT rules, opens unfunded door (9fin.com. 7/23/25)
The UK's Prudential Regulatory Authority (PRA) has clarified its approach to managing Significant Risk Transfer (SRT) transactions. The PRA also addresses the use of unfunded deals, where credit protection is provided by insurers through contracts or guarantees rather than paid-in collateral. While the PRA allows these unfunded protections, it classifies them as "complex features" that require discussion with the regulator. For funded transactions, the PRA may grant banks permission to assess SRT treatment themselves, provided they demonstrate that the capital relief is proportionate to the risk transfer, employ robust risk-sensitive methodologies, and recognize the transfer in both their internal risk management and capital allocation. The PRA may approve multiple transactions under a single permission if they meet defined size limits, with separate approvals required for larger deals. Additionally, senior management—particularly CFOs—are expected to oversee and approve these transactions.

Deutsche Bank Touts Capital Relief from SRTs as Basel Rules Loom (BN, 7/24/25)
Deutsche Bank claims it is well positioned to meet stricter capital standards in coming years, in no small part due to the use of Reg Cap relief trades. Deutsche freed up capital with two Q2 securitizations and doing so helped lift key financial metrics. Deutsche Bank's CEO told analysts the bank's expert to deliver further capital efficiencies in the second half of 2025." Deutsche Bank has more than doubled the size of its SRT program.

SRTs: A place in the sun (Barclays Research, 7/28/25)
With new EC securitization proposals and given BIS's recent focus, Barclays Research issued a new report on SRT exposures for banks in their coverage, incorporating research views from both the credit and equity sides of the house. The report starts by noting that new EC proposals should further facilitate the growth of this market and that Barclays foresees greater take up of the tool by banks. Highlights included the following:

- They estimate that 650 synthetic SRT transactions were issued between 2016 and 2024 (of which 70% in Europe), referencing in more than € 1.3 trillion of underlying loans.
- The recent growth reflects the use of SRTs for bank balance sheet optimization strategies, as opposed to (defensive) capital raising efforts conducted previously. SRTs help banks to optimize concentration risks and are useful for regulatory stress-testing as well as improving capital metrics from a credit rating perspective.
- The recent EC proposals could help more banks, particularly less sophisticated banks, to access the SRT markets as well as a change in mix of underlying asset pools, which have typically been corporate or wholesale loans.
- SRTs remain small relative to overall European banks' balance sheets. They are useful for balance sheet optimization but do not pose a threat to financial stability.

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Reg Cap News (continued)

Banking Industry News

The Growth of NDFI Is Not as Risky as You Might Think (Linkedin.com, 6/20/25)
Glenn Blasius, the Founder of Sacagawea Peak Consulting, argues that recent headlines about rising bank lending to Non-Depository Financial Institutions (NDFIs) have exaggerated the risks. By analyzing Call Report data, one can show that most of this lending is tied to structured loans backed by private credit portfolios run by firms like private credit managers and BDCs. These loans are usually over-collateralized, and so banks can use a 20% risk weight instead of the 100%. The author makes the point that "What we are witnessing is not regulatory avoidance but regulatory adaptation." By using on-balance-sheet securitization, banks lower costs, reduce risk, and boost returns on capital. Far from being a hidden danger, this strategy shows how banks can work with private credit lenders in a smarter, more efficient way.

Resilient by design: why strong rules still matter (Remarks by Erik Thedeen, Chair of the Basel Committee on Banking Supervision in Seville, Spain, 7/1/25)
In Thedeen's speech, he noted that the financial world is changing fast, with new technology, shifting market structures, and growing geopolitical tensions. This raises the question of how or if banking regulations need to evolve. He warns against weakening safeguards in the name of efficiency or innovation and argues that regulation must build resilience by preparing for future risks. Thedeen further notes that the Basel Committee has spent decades adapting rules based on lessons from past crises, and he argues that they make evidence-based adjustments, when needed. He argues that a key lesson from Basel III is that strong, well-capitalized banks create stability, which in turn supports economic growth.

Big Banks Notch Record Quarter: Banking Industry Monitor (BN, 7/17/25)
The five biggest US banks set a new record for trading revenue in the first half of 2025, boosted by market volatility from uncertainty over tariffs. This surge helped them exceed second-quarter revenue expectations. Heavy market activity drove record-breaking Q2 earnings for Goldman Sachs, Morgan Stanley, and Bank of America, surprising analysts across the board.

Position Paper: AFME comments on the European Commission's package of securitisation reforms (AFME.eu, 7/17/25)
AFME, the Association for Financial Markets in Europe, supports the European Commission's securitization reform package, calling it a positive first step toward more proportionate conduct rules and capital requirements that better match actual risks. The association believes these changes are key to responsibly revitalizing Europe's securitization markets and provided detailed comments on the proposals.

Treasury Secretary Scott Bessent Remarks at the Federal Reserve Capital Conference (Treasury.gov, 7/21/25)
In remarks at a recent banking conference, the Treasury Secretary called for an urgent "fundamental reset of financial regulation," emphasizing the need to move away from "regulation by reflex" and toward a strategic, long-term vision for the financial system that supports "both Wall Street and Main Street." He argued that "excessive capitalization… reduces bank lending. This stymies growth and distorts market structure in ways that increase risk. How? By driving lending out of the regulated banking system to nonbank intermediaries." Capital reform remains a key focus, as Treasury is urging regulators to simplify and rationalize requirements that it says "impose unnecessary burdens. " Bessent went on to say that reforms should prioritize practicality and competitiveness over rigid, outdated frameworks

AT1 Yield Hunters Are Skewing the Arcane Math of Risky Bank Debt (BN, 7/22/25)
Like SRT, AT-1s are a form of regulatory capital. They are perpetual bonds that can absorb losses in times of stress. If a bank's capital ratio drops below a set threshold, AT1s can be written down or converted to equity. According to the article, yield-hungry investors are pouring into this risky market for its high yields, but experts warn they're ignoring a key risk factor: the reset spread. If an issuing bank skips its first call option, the new coupon is based on the reset spread, which experts say has been getting narrower and narrower. Seasoned investors are shifting toward older AT1 bonds to avoid getting trapped in a low yield investment if banks choose not to call their bonds.

Bank M&A Percolates as Risks Recede (BN, 7/31/25)
Bank merger activity is picking up again, driven by rising stock prices, Trump-era deregulation, and mounting pressure on smaller lenders. Higher valuations are also making deals easier to justify by easing dilution concerns, while quicker regulatory approvals are also pushing consolidation. This new wave of M&A is also about scale, as banks look for ways to handle compliance and technology costs in the face of growing competition from larger players, nonbanks, and fintech firms as well. Even though integration costs can be high, the potential for cost savings, revenue growth, and geographic expansion suggests bank consolidation isn't slowing down anytime soon. Increased M&A activity is a positive for the development of the SRT market in the US, as it will mean more banks have the scale required in terms of assets and operational ability to take advantage of SRT.

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Reg Cap News (continued)

Banks Ready Fresh Push Against Tighter US Capital Rules (BN, 8/1/25)
Top Wall Street banks are urged the Federal Reserve to avoid tougher capital rules during a first-of-its kind banking conference led by Vice Chair Michelle Bowman, who has long favored a more industry-friendly approach. Banks are pushing for changes to the Basel III "endgame," stress tests, and capital surcharges, while the Fed is already considering easing some requirements. Although Fed Chair Powell stressed the need for strong capitalization and risk management, critics warn the event may be a cover for deregulation disguised as "efficiency," rolling back protections put in place under Biden-era rules. Some fear the final rules might significantly weaken standards. As one critic put it, talk of "tailoring" and "efficiency" is just code for looser capital rules, lighter stress testing, and weaker oversight.

Fed Starts Talks on a Relaxed Version of Basel III Endgame (BN, 8/1/25)
The Federal Reserve has begun drafting a new risk-based capital rule that is expected to be significantly less stringent for the largest U.S. banks than the Biden-era proposals. The so-called "Basel III Endgame" is the final piece of an international overhaul of bank capital rules that began in the wake of the GFC. Regulators have scrapped the original 1,087-page plan and are targeting a streamlined version by early 2026. Bowman, who has long criticized the original (19%) capital hike, is said to support a proposal that may involve a smaller capital increase than the 9% most recently floated by her predecessor. Discussions are still in early stages, but Bowman's recent conference on capital rules and ongoing talks with FDIC officials signal that regulators are moving quickly toward a new framework. Mechanically, any new measure would need to be proposed by the Fed, FDIC and the OCC. Next regulators will take feedback from the public and then vote to finalize the regulations. Implementation of the Basel III Endgame, with clarifications of key points around SRT, such as the "p-factor" which determines the thickness of tranches that banks need to issue, will likely pave the way for significant growth in US SRT.

About Seer

Seer Capital Management LP is a diversified, credit-focused investment firm founded by Phil Weingord in 2008 that primarily invests in structured credit and loans. We allocate capital opportunistically across all major asset classes within structured credit in the U.S. and Europe, including: bank regulatory capital risk transfer (SRT), residential and commercial mortgages, syndicated and SME loans, and a variety of consumer loans (personal, auto, credit card, student, housing). These investments are executed through active trading in both legacy and new issue securitizations, purchase and securitization of whole loans, and direct lending joint ventures.

Seer Capital believes it is well positioned to capitalize on opportunities in structured credit as a result of our highly experienced senior investment team, which has on average more than two decades of experience working in structured credit.

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