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Reg Cap Recap

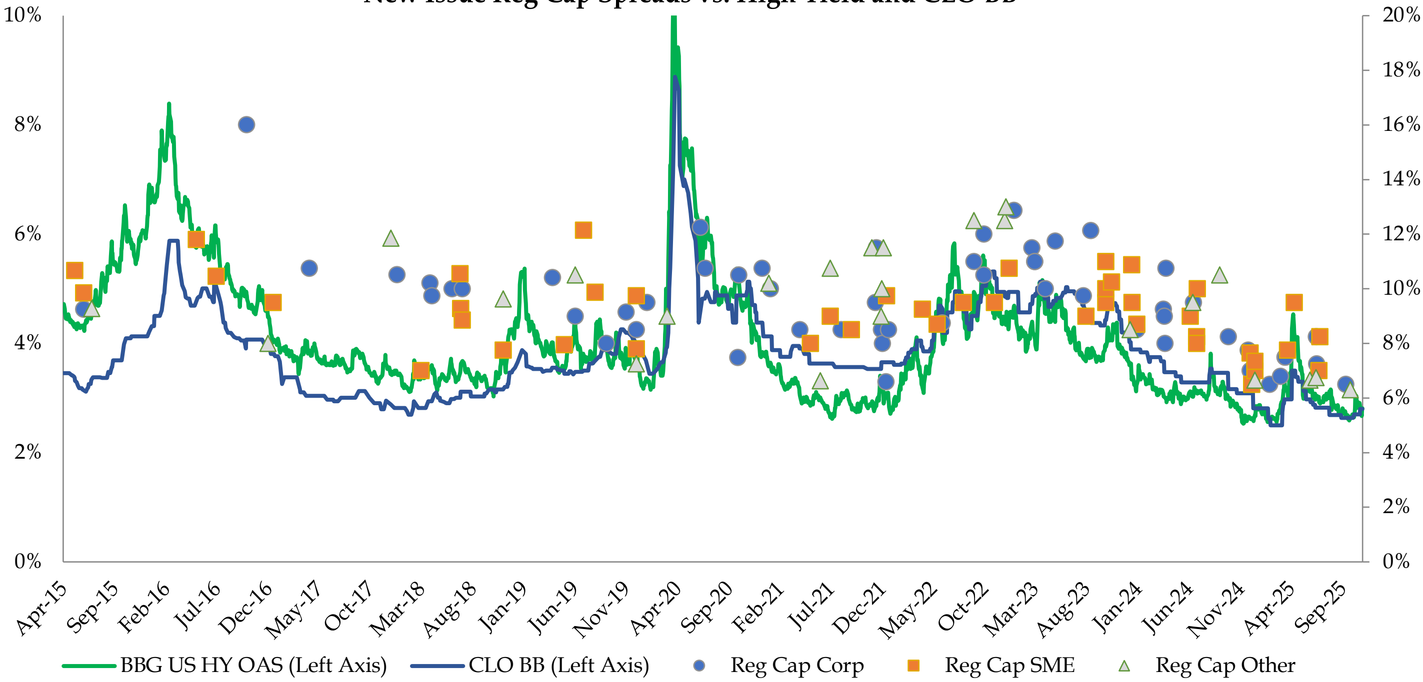
A bimonthly update on the Regulatory Capital Relief/Significant Risk Transfer sector

November 4, 2025

Reg Cap Spread Trends

September Reg Cap pricing ranged from 630 to 650bps, while HY spreads widened by 11bps during the month of October.

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 October 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]
Sep-25	630	Auto	US	No	USD	5.0	No
Sep-25	650	Corporate	US	No	USD	5.0	Yes
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

[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

Fourth quarter deluge continues, two bids due last week, three more next week, one new dataroom opening today, etc. We are seeing a range of asset classes, jurisdictions and issuers, all within our investment parameters, and we are sure there are many other transactions occurring that do not fit within our parameters. We had wondered whether the heightened level of SRT issuance in the first three quarters of this year reflected efforts by banks to smooth issuance through the year and implied lower activity in the fourth quarter. The answer is no. According to IACPM, SRT issuance by European banks was up 37% in 2024 vs. 2023 and we would not be surprised if the figure was similar if not higher for 2025 vs 2024.

The market seems set to absorb all of the issuance at or near the tights seen at this time in 2024. The debate continues as to whether a number of high-profile defaults in the private credit space are idiosyncratic or suggestive of a trend. So far there has been no feed through to the SRT market, either in terms of fundamental performance or trading. We continue to hold the view that careful SRT investors gain exposure to better quality assets, originated by banks to their core clients for their balance sheet, compared to private credit lenders who often compete with banks and lend to borrowers shunned by banks.

Reg Cap News

New Issue News

NatWest Follows Morgan Stanley with SRT Tied to Private Markets (Bloomberg News, aka "BN," 10/21/25)
NatWest is planning to issue an SRT ("Significant Risk Transfer" aka Regulatory Capital trade or "Reg Cap") referencing a £2bn ($2.7bn) pool of private market fund loans (subscriptions lines) after similar deals from Morgan Stanley and Bank of America Corp. Subscription lines are credit facilities extended to private market funds to help them manage liquidity and bolster returns. They are secured by the undrawn capital commitments of the funds' investors.

Abu Dhabi Banks Lay Groundwork for Potential Risk Transfer Deals (BN, 10/24/25)
Two of Abu Dhabi's biggest commercial banks, First Abu Dhabi and Abu Dhabi Commercial, are reportedly contemplating issuing SRTs. Like much of the globe, lenders across the United Arab Emirates are facing higher capital requirements. SRT could boost their ratios, avoiding the need for less shareholder-friendly options like issuing new equity or cutting dividends. UAE banks will face a 50bps increase in capital requirements to accommodate for countercyclical buffers starting in 2026. Any SRT transaction would require approval from the UAE's central bank, as is the case in other jurisdictions as well.

Aareal Completes Debut SRT Tied to Commercial Real Estate Loans (BN, 10/28/25)
Germany's Aareal Bank completed its first SRT, referencing a €2 billion portfolio of European commercial real estate loans. The transaction was reportedly oversubscribed, with asset managers purchasing a CLN alongside an insurance company participating through a financial guarantee.

Reg Cap News

ECB Urges Caution on Synthetic SRTs in Securitization Overhaul (BN, 11/03/25)
The European Central Bank is signaling caution over banks' heavy use of synthetic significant risk transfers. According to the article, the ECB is preparing to advise banks to rely more on cash securitizations, which involve selling the actual loans. The regulator fears that synthetic SRTs could leave banks vulnerable to refinancing risks during periods of market stress, because of concern that SRTs typically mature sooner than the loans they reference. "A freeze in the synthetic securitization market would expose banks to higher capital requirements than they had anticipated when originating the loans," according to a May report from the European Systemic Risk Board.

However, the majority of SRT transactions in which we invest don't allow loans that mature beyond the maturity date of the transaction. Indeed, in most cases, the regulatory benefit of an SRT transaction is significantly diminished for loans maturing beyond the deal maturity date. We note that time call options can be beneficial here, offering investors a measure of confidence in the maturity of transactions assuming all is going well, and offering issuers the ability to manage loan vs. deal maturities while maintaining protection in downside cases. We find it unfortunate that some regulators, including those in the UK and the US, do not afford issuers this valuable option.

While the ECB broadly supports the European Commission's upcoming securitization reforms aimed at stimulating lending, it cautions against practices that it fears might amplify risk in a downturn. Regulators are concerned that a freeze in the synthetic SRT market could force banks to curtail lending to maintain balance sheet strength. Meanwhile, the majority of firms surveyed by Bloomberg Intelligence earlier this year also hinted at concerns around the overuse of SRT, with respondents supporting the idea of limits on banks' use of SRTs, such as caps tied to the size of their loan books. For us, the devil is in the details—a cap on SRTs struck too low would deprive the banks of the ability to apply a product that enables them to lend to consumers and businesses more cheaply and efficiently. We also note that other instruments that provide banks capital and support lending, such as AT1s and particularly equity shares, are subject to market volatility.

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Reg Cap News (continued)

Banking Industry News

Fed Floats Plan with Much Smaller Capital Hikes for Big Banks (BN, 10/22/25)
The Federal Reserve is circulating a revised version of its bank capital plan that would significantly scale back the increases proposed under the Biden administration's 2023 "Basel III Endgame" rules. According to the article the new proposal could result in capital hikes of only 3% to 7% for most large banks, well below the original 19% proposal, and even less than the 9% floated in a later compromise. Lenders with substantial trading portfolios might see even smaller increases, or potentially none at all. Regulators are also discussing a possible opt-out mechanism for midsize banks that agree to alternative capital measures. The proposal, still in draft form, is being led by Fed Vice Chair Bowman and could be finalized as early as the first quarter of 2026. Bowman has conferred with the heads of the Federal Deposit Insurance Corp. and the Office of the Comptroller of the Currency, who also must sign off on new regulations.

The plan reflects a lighter-touch regulatory approach after heavy pushback against the Biden-era proposal from Wall Street, on the basis that steep capital hikes would stifle lending and competitiveness. Meanwhile supporters of the original Basel III Endgame argued it was needed for financial stability. The revised framework would also ease market risk requirements, particularly for trading, wealth management, and investment banking operations, all areas banks said were penalized under the 2023 proposal.

The original Basel Endgame proposal, together with the famous Fed FAQ released shortly thereafter, triggered a wave of Reg Cap issuance by US banks and predictions of significantly more as banks reacted to significantly higher anticipated capital requirements. The revised plan will not require nearly as much capital; however, we remain optimistic about continued growth in the US Reg Cap market. As detailed below, the revised capital proposal is part of a move toward a regulatory approach that is designed to be better coordinated and more responsive to the needs of industry. We believe that Reg Cap is a product that makes sense for banks and investors in the ordinary course of business, and a more constructive regulatory approach will pave the way for market growth.

Matt Levine's Money Stuff: Banks Make Loans to Non-Banks (Bloomberg Opinion, 10/22/25)
In his October 22, 2025 "Money Stuff" column, Levine talks about how traditional banks are lending more to non-banks, like private credit funds and other financial firms that are not deposit-taking institutions. He points out that after the 2008 crisis, regulations made it harder and more expensive for banks to lend directly to businesses, so many of them now lend to these non-bank lenders instead. Those non-banks then turn around and make loans themselves. The result is that banks are still part of the same lending chain, albeit one step removed.

Levine notes that this setup isn't necessarily new or deceitful, but it does blur the lines between regulated banking and less-regulated finance arenas. When banks lend to non-banks, they're still taking on some of that underlying risk of the end borrower. He suggests that the growing web of connections between banks and non-banks could matter a lot if the economy turns, since problems in one part of the system could easily spill over into another. We would argue that it is not possible to eradicate interconnectedness, but that arrangements like this do transform the risk that banks are taking and thus are beneficial in a world where we cannot entirely excise risks. We view Reg Cap as a particularly attractive way for private credit investors to partner with banks. Instead of banks making loans to private credit lenders to support financing which the banks would not otherwise undertake themselves, in Reg Cap, private credit investors take a share in banks' core lending to their key clients. See further discussion here: https://seercap.com/wp-content/uploads/2024/07/Reg-Cap-A-Better-Way-for-Private-Credit-to-Partner-With-Banks.pdf

Posted by International Association of Credit Portfolio Managers (IACPM) (LinkedIn, 10/22/25)
The IACPM co-signed, along with other industry associations, a response to the Financial Times' recent unfavorable and poorly received article on securitization "So much of credit securitization still relies on magical thinking", dated October 20. The associations argue that comparing current practices to those before 2008 ignores the extensive reforms that have been put in place, and that SRT are legitimate tools for managing credit risk and freeing up capital for real-economy lending. The response also went on to make a clear distinction between risk, motivation and regulatory scrutiny in the SRT market and the CLO market.

The IACPM further noted that SRT investors have access to detailed performance data and that banks retain first-loss exposures, ensuring prudent risk management. Policymakers, they went on to note, increasingly recognize securitization's role in risk-sharing and balance sheet strength, and continue to refine regulations that support the market. The statement concluded that "outdated" skepticism risks undermining one of Europe's most effective financing tools at a time when revitalizing securitization in all forms is crucial for building a stronger and more resilient EU bloc. We raised similar objections to the FT article in our previous Reg Cap Recap, see here: https://seercap.com/wp-content/uploads/2025/10/Reg-Cap-Recap-102125.pdf

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Reg Cap News (continued)

Blackstone, KKR Blast Private Credit Critics: Going Private (BN, 10/24/25)
Private credit managers are pushing back against recent criticism linking recent credit blowups like First Brands and Tricolor to private lending. Blackstone argues that these cases were wrongly tied to private credit and involved fraud rather than structural flaws in the market, and highlighted its own long-term record of minimal losses and steady returns. KKR dismissed fears of systemic risk, noting that firms like KKR don't take deposits and hence do not present the same risk of contagion. Some in the sector, including Sixth Street's CEO, warned investors to brace for lower returns.

Meanwhile, the Federal Reserve's revised Basel III plan could restore traditional banks' competitive edge by easing capital requirements. The new proposal, by Vice Chair Bowman, would significantly reduce the scale of capital hikes initially proposed under the Biden administration. Analysts suggested this could allow large banks to reenter areas like leveraged lending and middle-market financing, though it is an open question where banks will want to take on more balance sheet risk.

Private capital performance improved in the second quarter, marking its best stretch since 2021 with gains across venture, buyout, and debt strategies. However, fundraising remains below last year's levels, with stiff competition from equities. Separately, Jefferies' Point Bonita fund suffered heavy investor withdrawals after losses tied to First Brands, and short sellers are profiting from declining valuations in U.S. business development companies. Despite turbulence in parts of the market, overall private capital remains robust with continued global investor interest.

Federal Reserve Lifts Veil on Stress Test Models (Bank Policy Institute, LinkedIn, 10/25/25)
The Federal Reserve released a proposal aimed at improving transparency and accuracy in stress testing. This proposal addressed longstanding industry concerns about unpredictability and opacity. Stress tests are a key component in determining how much capital banks must hold and thus indirectly influence credit availability. The proposal would, for the first time, disclose the Fed's modeling methods and stress test scenarios for public comment. Industry associations including the Bank Policy Institute, the American Bankers Association, and others—who previously sued the Fed over its opaque process—welcomed the move as a positive step toward transparency and consistency. According to the BPI, "Erratic stress test results based on opaque and confusing methodologies damage the banking system without making it safer." They hailed the proposal as a boon to economic growth in that it ensures more predictable regulation and thus less volatile capital requirements.

Europe's Banks Are Finally Merging. Just Not as You Think (BBG, 10/26/25)
Europe's long-anticipated wave of banking consolidation has had several false starts, with many of the high-profile cross-border mergers failing to materialize. For example, UniCredit's designs on both Commerzbank and Banco BPM have been stymied by political and regulatory hurdles. Other deals have progressed only where governments have supported them, such as Monte dei Paschi's acquisition of Mediobanca in Italy. In the Netherlands, the state's plan to reduce its stake in ABN Amro has renewed speculation about potential takeovers.

In Spain, consolidation efforts have focused on domestic and regional opportunities. BBVA's failed bid for Sabadell set off a chain reaction that included Sabadell's agreement to sell its UK subsidiary to Santander and restructure its operations in Poland. Caixa Bank's pursuit of Portugal's Novo Banco raised concerns in Lisbon about Spanish dominance of its financial sector. Italy has seen even more intense activity, led by UniCredit's aggressive but sometimes thwarted expansion strategy. The bank's abandoned offer for Banco BPM and successful move into Greece through Alpha Bank make it clear that government influence shapes outcomes.

Germany remains resistant to foreign takeovers, with officials unwilling to lose Commerzbank. Both Commerzbank and Deutsche Bank are focusing on smaller acquisitions and organic growth. In France, banks are pursuing targeted deals: Société Générale is shedding smaller units to boost capital, BNP Paribas is investing in asset management, and BPCE and Crédit Agricole are exploring strategic stakes abroad. The UK, by contrast, has seen domestic consolidation, led by Nationwide's acquisition of Virgin Money and other strategic purchases by HSBC, Lloyds, NatWest, and Barclays. Overall, while the European Union continues to discuss creating a true single banking market, most current transactions remain local or regional, reflecting the political and structural obstacles that still remain.

Huntington Strikes $7.4 Billion Deal to Expand in the South (BN, 10/27/25)
Huntington Bancshares is buying Cadence Bank for $7.4bn, its second major acquisition this year and part of a trend of consolidation in the US regional banking industry, with a string of deals among US regional lenders. The acquisition will allow Huntington to expand in the southern and southeastern US and raise its footprint to 21 states. Large regional banks have been buying up competitors as the Trump administration eases regulatory obstacles to consolidation. Activity has included Fifth Third's acquisition of Comerica, PNC's acquisition of FirstBank, and an earlier Huntington acquisition of Veritex. Consolidation among US regional banks bodes well for the development of the Reg Cap market, as it will mean more institutions have the critical mass of both assets and skills required to justify the investment in establishing a Reg Cap issuance program.

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Reg Cap News (continued)

UBS Leaving Switzerland Is Edging Toward Reality: Paul J. Davies (BBO, 10/27/25)
Nearly three years ago UBS took over Credit Suisse in a state-brokered emergency takeover acquisition intended to stabilize the Swiss banking system. "Its reward has been government plans to whack it with punishing new capital rules, and a lagging stock price." The bank is under pressure from new Swiss government proposals that would significantly raise its capital requirements, among a few credit hiccups in their portfolio. Perhaps most concerning is a Swiss court ruling that declared the government's decision to write down $16.5bn of Credit Suisse bonds unlawful, and the possibility that UBS could be on the hook for those obligations.

These pressures have led to wild speculation that Switzerland's tightening regulatory stance could force UBS to relocate abroad. Options such as moving to the United States or merging with a Wall Street institution have been floated, but clearly this would be logistically complex and disruptive. However, both UBS and the Swiss government have compelling reasons to support the status quo, and that is our expectation.

U.S. Banks' Regulatory Framework Moving Toward De Facto Consolidation (Fitch Ratings, 10/27/25)
In 2025, U.S. bank regulation moved toward greater consolidation and centralization. Fitch Ratings noted that while formal consolidation among federal regulators requires congressional approval, coordination has already deepened. According to Fitch, this centralization trend could make oversight more efficient by eliminating redundant examinations, clarifying regulation, and reducing compliance costs for banks operating across different charters. However, the ratings agency also cautioned that stronger executive influence and reduced headcount could weaken independence and supervisory capacity. Fitch noted that the regulatory environment is a key factor in its ongoing assessment of the U.S. banking sector.

Fed's Bowman Moves to Reduce Bank-Supervision Unit by About 30% (BN, 10/30/25)
Federal Reserve Vice Chair Bowman announced plans to reorganize the Fed's supervision and regulation division, cutting its staff by up to 30%, from roughly 500 to about 350 employees. This restructuring is part of a broader push under the Trump administration to reduce staffing and streamline regulatory oversight. The article reports that the "Fed plans to reduce its system-wide workforce by about 10% over the next couple of years." Bowman is looking to make supervision more efficient and risk-focused by eliminating duplicative reviews and concentrating resources on areas that directly affect banks' safety and soundness. Bowman has been a leading voice for easing regulations and scaling back several Biden-era rules on capital and supervision. Her approach has been welcomed by the industry but has drawn criticism from officials including her predecessor in the role.

By The Editors (Bloomberg Opinion, 11/03/25)
Federal regulators are proposing to remove the concept of "reputation risk" from their supervisory responsibilities. The idea of policing reputation risk dates to the 1990s, when it became an explicit element of regulatory oversight. The author points out that the Federal Reserve's examination manual mentions "reputation" 160 times! The author argues that "trying to judge the potential harm that new products, practices or even customers might pose to a bank's good name is at best inexact and at worst counterproductive… (and) has failed." The concept of reputational risks, they argue, has been a needless distraction and is so subjective that it can quickly turn political. Regulators should focus instead on "concrete risks and objective criteria" that affect safety and soundness. In general, we are sympathetic to efforts to make bank regulation more streamlined and targeted, provided that it is predictable and free from undue political influence. "Reputational risk" is a vague concept that regulators can be tempted to apply for political or other reasons.

We are confident that at some point there will be another significant downturn that will impact the financial health of banks, and that some politicians and regulators will point fingers at other politicians and regulators blaming them for enabling the crisis. We can only hope for knowledgeable, sensible, and impartial regulators contributing to a financial system which is more resilient to a downturn.

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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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