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Reg Cap Recap

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

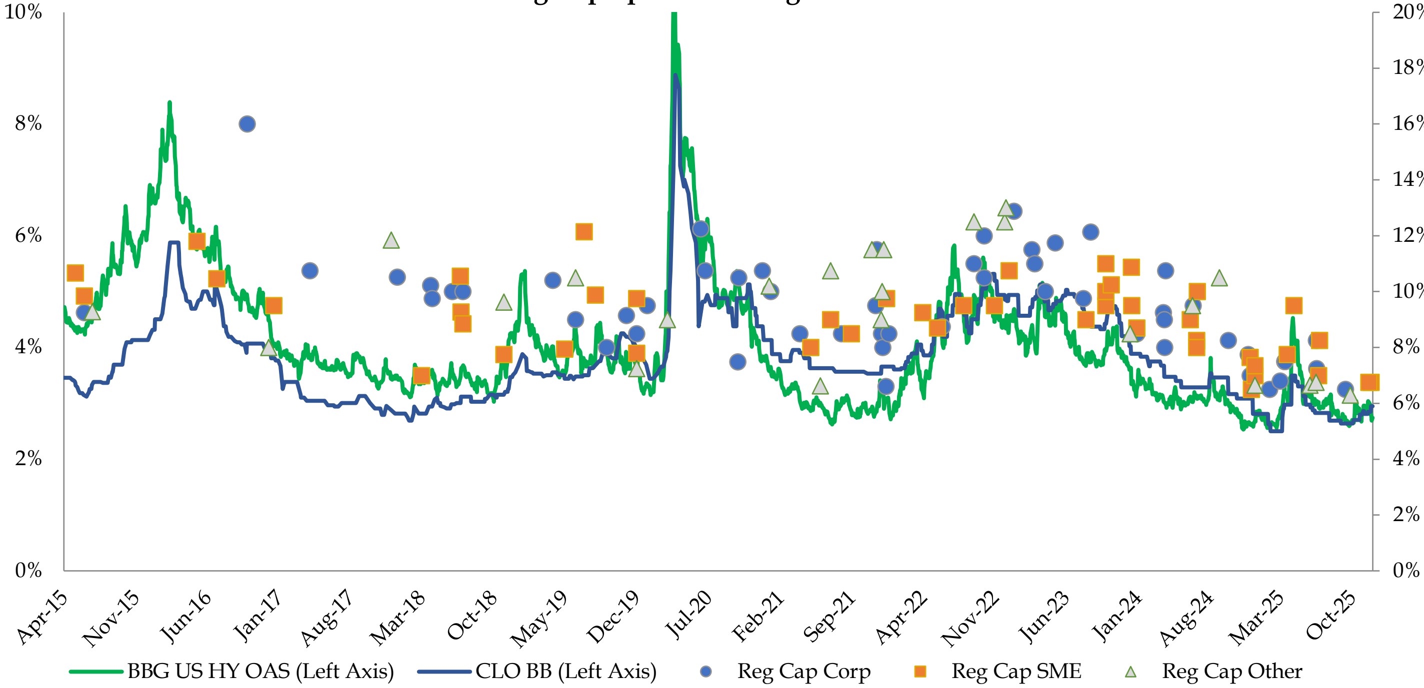
December 2, 2025

SEER CAPITAL

Reg Cap Spread Trends

November Reg Cap pricing ranged from 675 to 875bps, while HY spreads tightened by 12bps during the month of November.

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 Dec. 1, 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]
Nov-25	875	Auto	UK	No	GBP	0.6	No
Nov-25	675	SME	Portugal	No	EUR	2.1	No
Nov-25	675	SME	Spain	No	EUR	2.2	No
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

The fourth quarter wave is old news, notwithstanding the mounds of documents on our desk that we need to review and negotiate prior to closing, and we already have several trades in our pipeline for early 2026. The theme remains consistent across Europe, with already active issuers looking to expand their programs to new asset-classes and jurisdictions, and issuance laggards and banks in previously inactive jurisdictions looking to catch up. Meanwhile the US market continues to grow, supported by a constructive regulatory regime.

Pricing remains at or near the tights seen late in 2024, and in a handful of cases we see investors accepting significantly riskier assets in portfolios. If concerns around credit quality and illiquidity in the private credit space persist, Reg Cap fundraising is bound to be impacted. We continue to view Reg Cap as a very attractive asset class from an absolute and relative value perspective, but we are proceeding with increased caution.

Reg Cap News

New Issue News

ING Closes Two SRTs Tied to €10.5 Billion in Corporate Loans (Alliance News, 11/24/25)
Amsterdam-based banking and financial services company ING announced the successful completion of two inaugural significant risk transfer transactions (aka "SRT" or "Reg Cap") ING says the transactions grant first-loss protection on diversified portfolios of corporate loans with a total notional exposure of EUR10.5bn. The transactions will reduce its risk-weighted assets by EUR3.4 billion. ING says it plans to expand the use of SRTs to finance new growth opportunities. The bank has hired a number of knowledgeable and experienced professionals in Europe and the US toward that effort.

UniCredit Bank Austria, PGGM in €1.945bn Risk Sharing Transaction (Bloomberg News, aka "BN", 11/27/25)
UniCredit Bank Austria has entered into a €1.945bn risk sharing transaction referencing a corporate and SME loans portfolio. The bank noted that the transaction will allow them to boost lending.

Lloyds Plans SRT Tied to £1.8 Billion of Farmland Loans (BN, 11/28/25)
Lloyds is selling a significant risk transfer linked to ~£1.8bn ($2.4bn) of farmland loans, as part of the lender's Fontwell issuance program. The size of the SRT is ~10% of the reference portfolio. Lloyds, a regular issuer of SRTs, issued a deal referencing CRE loans earlier this year.

UK SRT issuance has tripled over the past decade, with underlying assets rising from ~£10bn annually in 2014 to £30bn annually in 2024. NatWest and Banco Santander are among banks in the UK recently discussing or finalizing SRT transactions.

Santander Prices Magdalena SRT Transaction at Euribor+6.75% (BN, 12/02/25)
Banco Santander priced €164.4mm of credit link notes out of its Magdalena significant risk transfer program at a spread of 675bps over Euribor. The SRT transaction references €2.16bn of loans to Spanish firms. This was the 14th deal issued under the Magdalena shelf, a benchmark in the SRT market. It nearly matched the tight print of 650 from late in 2024.

Reg Cap News

CFTC No-Action Relief for Operators of Certain Credit Risk Transfer Transactions (Letter No. 25-37) (U.S. Commodity Futures Trading Commission, 11/21/25)
On late November, the CFTC issued a "No-Action Letter" confirming that issuers of qualifying synthetic risk transfer (SRT) structures (where an SPV issues credit-linked notes and enters into a credit default swap) generally will not need to register as commodity pool operators. This clarification removes regulatory uncertainty tied to the use of swaps in SRTs. The letter confirms that SRT vehicles are distinct from commodity pools and reduces compliance burdens. The letter facilitates broader use of SRT transactions by lowering friction for bank issuers. Since the famous 2023 Fed FAQ, US Reg Cap issuers have faced tradeoffs between direct CLNs, which are subject to limits on total issuance, and SPVs, which bear more regulatory and operational complexity. Loosening the regulatory constraints on SPV deals will support continued growth of the market.

Insurers' SRT Risks to Face Fresh Scrutiny Under EU Proposals (BN, 11/24/25)
EU policymakers are considering new oversight measures targeting insurers investing in synthetic risk transfers (SRTs). At issue is the need to reconcile approaches across the region and address concerns that insurers' growing role in assuming early credit losses from banks could introduce new systemic risks. The proposal includes requiring the ESRB to publish a report three years after new securitization rules take effect, evaluating stability risks tied to SRT activity and the broader Simple, Transparent and Standardized securitization framework. These initiatives are part of broader EU efforts to expand securitization as a financing tool.

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Reg Cap News (continued)

CaixaBank Creates Credit Management Team to Speed SRT Deals (BN, 11/25/25)
Spain's CaixaBank has formed a dedicated team for their significant risk transfer (SRT) program, taking about a dozen bankers pulled from different areas across the firm. Caixa hopes to improve coordination, efficiency, and execution. The bank has already completed two SRT transactions this year tied to approximately €4 bn in loans and is currently working on two additional transactions of a similar size. With this momentum, CaixaBank expects to reach around €8 billion in total notional SRT volume for the year, up from €2 billion in the prior year. Other Spanish banks, including BBVA and now Caixa, are trying to emulate Santander, the leader in the space.

SRTs to Be Boosted by EU Securitisation Package: Banks' Use of SRTs to Grow, but Where Will Risks Shift To? (Fitch Ratings, 11/25/25)
Fitch notes that the upcoming EU securitisation-reform package will make SRTs more attractive for banks and investors across Europe. The reforms aim to simplify and harmonize the approval process under the EU's capital-regulation regime, reducing past inconsistencies and delays. As a result, banks are likely to accelerate use of SRTs to transfer credit risk off their books, freeing up capital for new lending or other uses. However, Fitch asks: if banks shed risk, where will that risk concentrate next and is SRT shifting rather than eliminating underlying exposure.

In our view, of course the underlying risk cannot be "eliminated." from the financial system, nor can that be a realistic goal. That said, we believe SRT can benefit the financial system in three ways. First, the due diligence of SRT investors adds a layer of scrutiny to bank lending practices. Two, SRT moves the risk outside of deposit-taking institutions. Regulators' primary concern is the health of deposit-taking institutions, because of their implied government backing. Lastly, the form of the risk is transformed though both structural leverage inherent in the deals themselves, and financial leverage often used by investors. In the case of financial leverage, borrowers often borrow against a portfolio, which helps dilute the risk.

Principles and Practices in Credit Portfolio Management 2025 (IACPM White Paper, 2025)
The 2025 white paper from the International Association of Credit Portfolio Managers underlines that credit portfolio managers globally are relying increasingly on credit-risk transfer tools (including SRTs) to optimize capital usage and support lending growth. The survey reports a rise in the importance of SRTs: between 2023 and 2025, with the average importance rating for SRT securitizations ring from 1.09 to 1.55 (on a 1–3 scale), reflecting growing adoption of the product.

The white paper suggests that, as regulatory, economic, and geopolitical pressures mount, banks have turned to SRTs to manage concentration risk, improve capital velocity, and support portfolio diversification; all while retaining the referenced assets and maintaining client relationships. SRTs have evolved to become a core component of mainstream credit-portfolio management rather than a niche strategy. However, regional preferences persist, with European institutions more active in SRT while US banks still rely more heavily on loan sales.

<u>Banking Industry News</u>

Bank of England Eases Bank Capital Requirements in Bid to Boost Growth (Reuters, 12/02/25)
The Bank of England announced its first reduction in bank capital requirements since the GFC, lowering the Tier 1 benchmark from 14% to 13%. The change follows a capital framework review and coincides with all seven of the UK's largest lenders passing recent stress tests showing they could well withstand significant economic shocks. Governor Bailey said the adjustment reflects the current economic environment and the "evolution of the banking system." Bailey emphasized that the reduction does not pose a threat to financial stability.

The move is intended to encourage banks to lend more and support economic growth. The BoE will also explore additional adjustments and could further ease regulatory pressure. Similar easing measures underway in the US have now ushered in a broader global shift toward lighter capital regulation, reversing the tightening trend seen since the GFC.

Fed's Miran Calls to Prioritize Reworking Bank Regulations (BN, 11/19/25)
Federal Reserve Governor Miran is urging regulators to overhaul existing banking rules before exploring broader policy discussions related to the Fed's balance sheet and market structure. He argued that regulation has become too restrictive and overly burdensome post-GFC, which has pushed traditional financial activities into less-regulated parts of the market. Miran noted that capital frameworks and supervisory standards need reassessment, cautioning against regulatory overreaction and emphasizing the importance of transparency and market-driven credit allocation driven by market forces rather than regulatory arbitrage. This news cycle includes a number of articles highlighting efforts to rationalize regulation to allow US banks to conduct their business more efficiently. Regulators face an eternal challenge to prevent excesses without imposing undue burdens. Streamlined regulation will pave the way for banks to lend more cost effectively, including changes such as the CFTC no-action letter highlighted above which will enable them to increase the use of Reg Cap. European regulators are under pressure to follow suit to avoid placing the institutions they supervise at a competitive disadvantage.

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Reg Cap News (continued)

Banks Get Extra $2.6 Trillion From Deregulation, Jefferies Says (BN, 11/21/25)
Loosening US banking regulations could free up as much as $2.6 trillion in additional lending capacity for major banks, according to Jefferies analysts. The report suggests that deregulation will support growth in lending, mergers and acquisitions, and technology investment through 2026, strengthening earnings and helping US lenders maintain higher valuations compared with European peers. The analysis follows ongoing efforts by the Trump administration and Federal Reserve to scale back post-2008 capital requirements in response to banks' raising concerns about business limitations.

The shift in regulatory policy is already reflected in rising risk-weighted assets and more ambitious lending and profitability targets at large institutions including JPMorgan, Goldman Sachs, Wells Fargo, and Bank of America. While the UK may see some benefit from lighter rules, the pace is expected to lag behind the US. Meanwhile, European and Swiss banks may be at a competitive disadvantage and are becoming more vocal about it.

Fed Deregulation Puts Big Banks' $192 Billion Extra CET1 in Play (Bloomberg Intelligence, 11/21/25)
The report highlights that deregulation could allow U.S. banks to deploy approximately $192 billion in surplus Common Equity Tier 1 capital, largely through an increase in share buybacks. Recent reductions to stress capital buffers and potential easing of supplementary leverage ratio requirements have lowered constraints on capital retention. This shift has already led major institutions, including JPMorgan, Bank of America, Goldman Sachs, and Wells Fargo, to announce sizable buyback programs. While the Basel Endgame, once finalized, could potentially offset some of this expected capital relief, it is widely assumed that these regulations will have a milder impact than originally proposed. In this new regulatory environment banks' capital strategy may increasingly prioritize return optimization rather than balance-sheet defense.

US Banks Show Across-the-Board Gains in FDIC Report (Bloomberg News, 11/24/25)
US banks posted a strong third quarter, with net income rising more than 13% to $79.3 billion, supported by both higher net interest income and lower provision. The number of problem banks fell to 57 from 59 in the prior quarter. Asset quality remained generally stable despite ongoing concerns linked to unrealized losses, which have declined but remain elevated. The report also noted consolidation across the industry and indicated the FDIC is preparing updated merger guidance.

US Leveraged Loans Under Strain as Buyers Yank Cash From Funds (BN, 11/24/25)
US leveraged loan borrowers are under pressure as investor demand declines, leading to deal cancellations and revised pricing. ManTech International withdrew a planned $2.3 billion loan, and transactions for American Auto Auction Group and Heidrick & Struggles have encountered resistance. Loan prices have slipped for several consecutive days, and capital outflows from leveraged loan funds have continued in recent weeks. Analysts cite policy uncertainty, slowing growth concerns, and unease around a potential artificial intelligence market bubble as drivers of negative market sentiment. And about a dozen pulled transactions since August, particularly following the high-profile failures in the subprime auto lending and auto parts sectors.

France Sees Scope to Scrap Some Bank Regulatory Capital Buffers (BN, 11/25/25)
France's central bank governor, Villeroy de Galhau, signaled that some regulatory capital buffers in Europe could be simplified or eliminated to maintain competitiveness with US banks. He argued that certain elements, such as the systemic risk buffer, add unnecessary complexity without clear benefit and suggested that consolidation or removal could reduce regulatory burden without compromising financial stability. European lenders currently face a multilayered regulatory structure that differs significantly from the clearer frameworks applied in the US. A task force working on this and related proposals is expected to present recommendations to the European Commission next month. Villeroy reinforced that stress tests demonstrate European banks are sufficiently capitalized and wants to support freer movement of capital and liquidity across borders to support stronger European banking competitiveness.

Revisiting the Regulatory Capital Stack (BIS FSI Briefs, 11/25/25)
The brief argues that while post-2008 reforms like Basel III have greatly strengthened banks' resilience, the current regulatory capital framework has not only become overly complex, but may not deliver real loss-absorbing capacity. The authors suggest simplifying the stacked requirements — from CET1 and Additional Tier 1 capital to buffers, TLAC, and leverage ratios — in a way that retains safety while making the rules clearer and more aligned with regulatory goals. The paper highlights that regulatory frameworks should ensure genuine loss-absorbency.

Trump Bank Exam Changes Spell Biggest Overhaul Since 2008 Crisis (BN, 11/28/25)
The Trump administration is preparing major changes to the banking regulatory framework, in what may be the largest shift since the 2008 financial crisis. The revisions would reshape how regulators assess risk management, liquidity, and capital strength and also streamline the oversight processes. Supporters argue the changes will modernize outdated rules and reduce unnecessary regulatory friction, particularly for regional and midsize banks. Critics worry the overhaul could weaken safeguards put in place after the financial crisis, and increase the risk of instability in the banking system. The proposal is expected to spark intense debate among policymakers, regulators, and the financial industry.

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Reg Cap News (continued)

Blue Owl Is the Sum of All Investor Fears (Bloomberg Opinion, 11/29/25)
Blue Owl Capital is under pressure as investors worry simultaneously about private credit risk, the sustainability of the artificial intelligence infrastructure boom, and the stability of high net worth inflows. The firm's attempt to give investors an easier exit from one of its private credit funds by merging it with a listed version heightened scrutiny, and its stock has sharply underperformed peers since mid-summer. While leadership argues that concerns are exaggerated, the lack of transparency inherent in private credit leaves room for speculation, especially after recent sudden corporate failures elsewhere in the sector. Blue Owl's exposure to large-scale data-center financing and its concentration in private credit have attracted short sellers and the shares have fallen by a third since July.

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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