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Reg Cap Recap

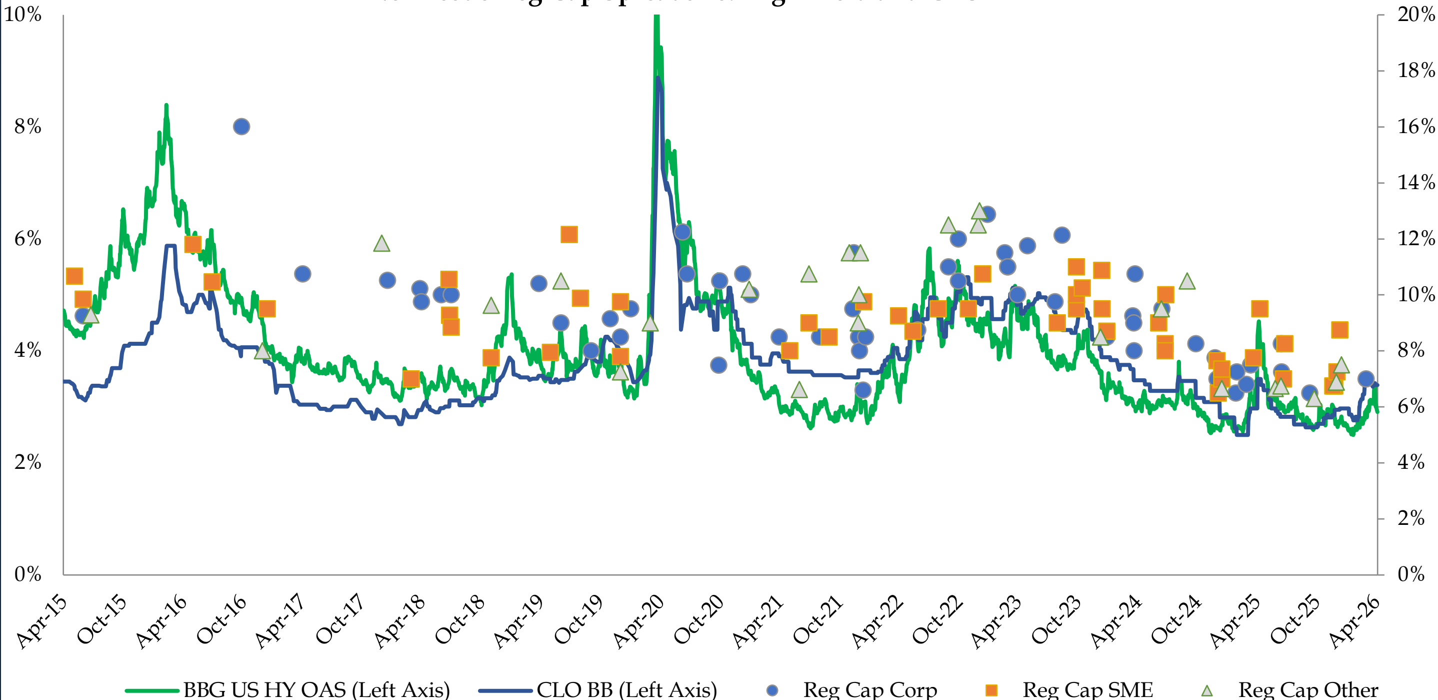
A bimonthly update on the Regulatory Capital Relief/ Significant Risk Transfer sector

April 7, 2026

Reg Cap Spread Trends

February Reg Cap pricing was in the low-700bps range (latest available), while HY spreads widened by 10bps during the month of March.

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 April 6, 2026.*

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]
Mar-26	650	Auto	US	No	USD	3.5	No
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

[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 Reg Cap market continues to exhibit significant resilience in the face of market volatility triggered by geopolitical turmoil, as well as concerns around private credit. A handful of deals which called for bids in March saw aggressive levels, although there were also reports of a few deals postponed. The market will be further tested in the coming weeks—as usual the pipeline of deals slated for completion in the second quarter is very heavy, as banks seek capital relief for their 1H financial statements.

We will not venture to predict (1) what actions the US, Iran, and other players will take, (2) how markets will react in the short term, or (3) how the global economy will react in the medium to long term. We also don't know what the impact of AI will be on society, or how many software or other companies will default on their debts. What we will predict is (1) if market volatility continues, Reg Cap spreads will widen. While dedicated SRT funds have raised a significant amount of capital, the marginal buyers driving the most recent tightening have been multi-strategy funds, which will turn to cheaper assets. (2) Continued volatility and uncertainty will trigger increased supply, as banks will look to build larger capital buffers and increase risk hedges. (3) In the event of an economic downturn, Reg Cap transactions referencing bank loans to core clients, originated with the intention of retention on balance sheet, will outperform other credit products. For more on why we see alignment of interest as a key differentiating factor for Reg Cap vs. other forms of private credit, see here: https://seercap.com/wp-content/uploads/2026/02/If-you-Cant-Beat-Em-Join-Em.pdf

Reg Cap News

New Issue News

BBVA Plans SRT Tied to €3 Billion of Mortgages Amid Mideast War (Bloomberg News, aka "BN," 3/20/26)
Spain's BBVA is working on an regulatory capital trade (aka "Reg Cap" aka "significant risk transfer " or "SRT") tied to roughly €3bn of high loan-to-value residential mortgages (e.g. 85-95% LTV ratios). The deal, still under discussion with investors, is expected to cover more than 10% of the reference portfolio and will be at least partly placed through unfunded credit protection obtained from insurers.

BBVA recently completed its largest Reg Cap deal to date, referencing a portfolio of €4.5 bn corporate loans. They noted that pricing was "comparable to similar transactions" last year, despite recent market volatility. In 2025, BBVA generated 35bps. of capital through SRT issuance. The bank is considering similar transactions in Mexico and Turkey. BBVA joins peers including ING, Deutsche Bank, and NatWest in remaining active in the SRT market. SRT issuance reached $41bn in 2025 and is expected to grow at a double-digit pace in 2026.

BNP Paribas Puts SRT Deal on Hold as Market Volatility Persists (BN, 3/23/26)
BNP Paribas paused a potential SRT tied to roughly €1 bn of so-called "Lombard loans" to high-net-worth clients. The decision was made after a risk-off shift driven by concerns around private credit valuations and the Middle East conflict, particularly given the more complex and less common nature of the reference assets. BNP is still in talks on at least two other SRTs this year.

BNP Sells SRTs Tied to €5 Billion of Loans Amid Volatility Spike (BNs, 3/24/26)
BNP Paribas completed two SRT transactions tied to €5 bn of loans. The bank priced a €4 bn SRT on large corporate loans through its Resonance program, transferring a 5% first-loss tranche at a spread of ~ 750 bps., moderately wider than initial pricing discussions, which were prior to the Middle East conflict. Paribas also executed a €1 bn SRT on high-yield corporate loans via its Echo program, transferring a mezzanine tranche on a blind pool basis, using unfunded credit protection.

Reg Cap News

Financial Times Live SRT Symposium (London, 3/18/26)
We attended the FT Live SRT Symposium in London. The topic at the front of people's minds was how the SRT market is reacting to geopolitical turmoil and private credit headlines. The consensus was that the market appears to be holding up strongly, although it will inevitably be impacted if broader market volatility persists. A handful of deals have priced at tight levels since the beginning of war in Iran, although one panelist surprised many conference participants by noting that a couple of deals have also been postponed. Some issuers may also be improving portfolios and terms to ensure pricing in line with prior trades. We participated in a lot of discussions about which investors and which sectors and jurisdictions are likely to be more or less affected by current market stresses. Dedicated SRT investors continue to bid aggressively to deploy their available capital, while larger credit funds may see better value elsewhere and/or may be distracted by other concerns. Insurers, who were well represented at the conference, also have appetite for SRT risk in various forms. Many banks have told us they are looking to be more programmatic and or expand to new asset classes. New ECB guidelines may make it more attractive for banks to reference lower risk assets such as residential mortgages. Meanwhile, participants seemed weary of regulatory discussions around SRT leverage, especially in light of much bigger issues facing banks in private credit and elsewhere.

Déjà Vu All Over Again? Impact of Reproposed US Basel III Regulatory Capital Rules on Significant Risk Transfer (SRT) and Credit Risk Transfer (CRT) Transactions (Clifford Chance, 3/20/26)
The re-proposed US Basel III rules, issued in March 2026, represent a reset of the earlier, more onerous rules which were drafted in the wake of Silicon Valley Bank's failure in 2023. The current proposal is generally more favorable for SRT markets, though some uncertainty remains.

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For example, the "p factor", which functions as a flat capital surcharge on all securitization exposures, will remain at the current 0.5 (50% surcharge), as opposed to the 1.0 (0% surcharge) that was proposed in the last round. Doubling the p factor would have increased the RWAs on the senior tranche retained by the issuing bank and also increased the thickness of the first-loss. That could have reduced the capital benefits of existing SRTS and made future trades uneconomic. The latest proposal also makes it easier for banks to exit deals that no longer provide the expected RWA relief or become punitive from a tax standpoint. Under the existing rules, a US Bank is prohibited from unwinding a Reg Cap trade other than an "eligible clean-up call", in which 10% or less of the principal amount of the reference assets. The updated framework also introduces new structures, to better recognize certain SRT formats. Even if adopted as proposed, however, changes to risk weights could still affect deal economics across asset classes: SRT activity remains subject to how final rules are implemented and interpreted by the regulators.

BNP Paribas Boosted SRT Exposure by More Than 40% Last Year (BN, 3/20/26)
BNP Paribas significantly increased its use of SRTs last year, with exposure to originated synthetic SRTs in its non-trading book rising to €66.7bn from €46.5bn in 2024 This highlights BNP's position as a leading issuer in a market that has been growing rapidly as banks continue to use SRTs to transfer risk, free up capital, support lending growth and/or boost returns. While Banco Santander reported higher overall securitization exposure (€74bn), its YOY growth was relatively flat by comparison. The expansion of the Reg Cap market continues to draw regulatory attention, with some regulators preferring solutions that fully remove loans from balance sheets, vs. SRTs.

ECB Asking Banks About Synthetic Risk Transfer Financing Practices (MT Newswires/ 3/24/26)
ECB Tells Banks to Identify the Leverage Providers on SRT Deals (BN, 3/24/26)
Readers of our research are familiar with some regulatory concerns about "SRT circularity in which banks are acting as both borrowers and lenders, potentially increasing systemic leverage. We have written on the subject extensively (see link below) to explain why we think this concern is overblown. We found it noteworthy that the ECB appears to agree, writing in their report that "...system-wide round-tripping risks are likely contained as observed leverage for these investors is 'modest' on average."

The ECB is now seeking details of bank SRT lending, part of an effort to understand who is ultimately holding the risk of the instruments. "We are conducting a new survey with a broad set of banks to analyze practices in synthetic risk transfer financing." In the same speech the ECB representative Machado argued that "Market growth should proceed in sync with investor demand," perhaps implying that the use of leverage means unlevered SRT yields are too low to attract sufficient investors. We do not agree with that conclusion. Investors employ leverage across many different types of investing, as it enables them to alter the risk-reward profiles of otherwise attractive investments to suit their particular yield targets.

On the whole, it seems that the ECB sees SRT as valuable, and while they do not believe the sector currently exacerbates systemic risk, they are looking to the future as the sector continues to grow. "With the adequate guardrails in place, securitisation, including synthetic risk transfers, can become part of Europe's solution to its investment challenge, rather than a source of future instability," Machado offered.

Synthetic, but how much risk transfer? (ECB Working Paper 3210, 3/27/26)
The authors' approach to SRT is clear from the opening quotation, in which they cite a 2024 Bloomberg editorial stating "If you're unfamiliar with synthetic risk transfers, there's a chance you'll hear all about them when the next financial crisis hits." Fortunately for the market, the paper bears a disclaimer clarifying that the views expressed do not necessarily reflect those of the ECB. Applying academic research methodologies to proprietary ECB lending data, the authors reach 3 broad conclusions: 1) banks tend to choose loans to reference in SRT based on high risk weights relative to their economic riskiness, 2) banks less frequently monitor companies whose loans are referenced in SRT, and 3) banks lend to non-bank SRT investors, increasing interconnectedness in the financial system.

As for the first conclusion, we already knew this without sophisticated econometric models and proprietary data. In this 2021 article, we explored the complexities of bank capital regulations and highlighted that SRTs are attractive investments because banks have the appetite to pay higher remuneration than commensurate with the credit risk on the loans: https://seercap.com/wp-content/uploads/2021/02/Seer-Capital-Bank-Regulatory-Capital-Relief-White-Paper-Feb-2021.pdf. The authors go on to argue that banks relying on SRT become less well capitalized overall, because they buy protection on loans with high capital charge relative to their risk profile, so will end up with less capital relative to the risk on their loans. We suggest the best way to address this concern would be to focus on improving the methodology for assigning risk weights to loans (even if it might reduce the incentive for some banks to issue SRT!)

As for point 2, SRT transactions generally include provisions in the documentation requiring the bank to service loans referenced in SRT transactions in the same way as loans remaining on their balance sheets. Most banks have Chinese Walls preventing credit officers from knowing whether loans are referenced in SRT. If indeed the authors are correct, the banks engaging in reduced monitoring are at risk of

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investor lawsuits. Whatever the difference in monitoring, several years ago the EBA cited a study demonstrating that assets referenced in SRT transactions experience significantly lower default rates than similar loans on the bank's balance sheet: https://www.eba.europa.eu/documents/10180/2963923/67358bc9-921d-49ec-86b6-144e90fa97b3/EBA%20Discussion%20Paper%20on%20STS%20syntehtic%20securitisation.pdf

On the topic of leverage, the authors estimate that 26% of the average SRT investments are financed with debt from banks. We produced a similar estimate relying on market intelligence rather than analysis of proprietary data here: https://seercap.com/wp-content/uploads/2025/01/Reg-Cap-Leverage-Clearing-Misconceptions.pdf The authors acknowledge that this level of leverage is low, but express concerns about interconnectedness between banks and non-bank investors. We agree that the financial system is extremely complex and interconnected, but we would suggest that regulators' limited resources might be better spent focusing on sectors which account for a much larger share of bank balance sheets, such as loans to BDCs and direct lending funds.

ECB Could End Up Imposing 'Soft' SRT Limits, JPMorgan Says (BN, 3/27/26)
Analysts at JPMorgan Chase & Co. wrote that, given European banking regulators have concerns around Reg Cap and their potential for systemic risk "the ECB may begin to impose soft limitations," such as caps on the percentage of loan books allowed to be transferred. Note that a recent BIS report estimated that less than 2% of banks' loan books are protected by SRT, so current usage of SRT is conservatively low. The ECB is also probing to what extent banks are financing investments in SRTs.

Repeat Issuance Reshapes SRT Market Dynamics (Structured Credit Investor, 3/27/26)
The Reg Cap market is increasingly shifting toward repeat, programmatic issuance as banks embed these transactions into their long-term capital management strategies. Rather than issuing one-off deals, issuers are trying to build programs with consistent documentation, regular investor engagement, and predictable issuance timelines/ This approach reflects growing maturity in the market, where ongoing issuance helps justify the upfront complexity and costs. Repeat issuance is also appealing to Reg Cap investors, as familiarity with structures and data allows them to reuse prior analysis. While 2025 saw more syndicated, multi-investor deals, SRT remains relationship-driven with a relatively concentrated investor base.

Banking Industry News

Fed Proposal on Regulatory Capital for Banks – Impact on Securitized Products (Bank of America Research, 3/20/26)
This research report from the bank of America's securitized products research group noted that under the proposal, Risk Weighted Assets (RWAs) would be lowered for a wide range of asset types including both residential and commercial mortgages, mortgage servicing, CRE, consumer loans, corporate loans and securitizations. The report notes that there were two sets of proposals–one for Category I/II banks (using the expanded risk-based approach) and the other standardized risk-based approach for Category III/IV banks. The Fed estimates CET1 ratios will decline by 4% for the largest banks, and lending capacity could increase by $1.2trn.

The result should be increased bank lending activity and/or adding securitization exposure. Coupled with other regulatory changes, this could "...mark the beginning of an increase in bank lending for mortgages, and both consumer and corporate debt. The authors also argue that this may adversely affect SRT issuance, lower RWAs and lower capital requirements could make Reg Cap issuance less compelling for banks, all else equal.

TD Regulatory Update: Analysis of Agencies' Proposals to Adopt the Basel Endgame, a New Standardized Approach, and Amendments to the GSIB Surcharge Framework (TD Securities, 3/23/26)
TD Securities' analysis of the Basel Endgame proposals reviews the latest proposed regulatory framework that recalibrates capital requirements, including updates to the "standardized approach" and changes to the GSIB surcharge imposed on the largest banks. The stated aim is to refine risk sensitivity while easing some of the more stringent elements from earlier drafts, particularly for large banks. From an SRT perspective, the evolving capital framework will influence deal economics and structuring, and choice of reference assets, as banks assess how changes to risk weights and capital floors, etc. will affect the benefits of transferring credit risk. While SRTs will remain a key tool for capital optimization, their attractiveness will depend in part on how the final rules shape capital relief and execution costs under the updated Basel regime.

Fed Aims to Speed Up Bank Merger Reviews With Better Tracking (BN, 3/24/26)
The Federal Reserve is aiming to speed up bank merger reviews by improving how it tracks applications and timelines, addressing longstanding concerns that the approval process has become slow and unpredictable. For example, median processing times on merger reviews for deals involving small community banks (less than $1 bn in assets) increased by 40% from 2021 to 2024, according to a report from the Fed. The effort reflects a broader trend of pressure on regulators to streamline processes, ostensibly without loosening standards. Delays in merger approvals have been a point of frustration for banks.

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Meanwhile the Comptroller of the Currency has focused on speeding up licensing and merger reviews at his agency, and both the FDIC and OCC have rolled back Biden-era rules that called for stricter reviews of some bank mergers.

Citi Eyes Regional Bank Deal as Fraser Gears Up for Next Chapter (BN, 3/27/26)
Citigroup executives have been exploring the possibility of acquiring a major US regional bank as the firm nears the end of its regulatory "remediation." Buying a regional bank would transform Citigroup, which almost collapsed during the GFC. A big takeover, however "would risk stoking the long-running US debate over 'too big to fail' banks." Since the GFC, Citi's retail banking footprint shrank and they also exited retail banking businesses in more than a dozen countries. As a result, in terms of branches and deposits, Citi is only about 10% the size of rival JP Morgan.

Cit is aiming to significantly boost deposits and strengthen its lending and trading capabilities, and/or acquiring a brokerage to expand access to affluent clients and generate fee income. Discussions are still preliminary, and Citigroup "remains under a pair of consent orders that require it to seek regulatory approval before attempting to make an acquisition."

Private Credit's Cracks Open Door for Wall Street Banks' Comeback: 'The Tug of War Is Just Starting' (CNBC, 3/27/26)
The troubles that continue to emerge in private credit markets may present an opportunity for Wall Street banks to regain ground after losing share over the past decade. Banks' share of buyout financings above $1 billion fell to just 39% in 2023, down from about 80% in the five years prior. That share has since recovered to just over 50% in 2025.

Signs of stress in private credit, coupled with a loosening of bank regulations, could shift the momentum. "This is an opportune time for banks to regain market share from private credit funds…Interest rates have declined and banking regulation has eased. Private credit lenders are also struggling with the fallout from their previously aggressive lending" Moody's chief economist Zandi told CNBC. Deregulation that the likely weakening of the "Basel III Endgame" is in part "explicitly aimed to redirect business lending back into the banking sector."

While banks are likely to make inroad, private credit still offers speed, certainty of execution and more flexible conditions. Moreover, uncertainty around tariffs, the Fed and now geopolitics has slowed activity. And demand for financing, from both banks and private credit, has suffered.

ECB Speeds Up Approvals for Risk Models That Anchor Bank Capital (BN, 3/30/26)
The European Central Bank will accelerate approvals for changes to banks' internal credit risk models starting in October. This will remove the need to run old and new models in parallel while awaiting approval, addressing longstanding industry concerns that regulatory delays have constrained capital management. The streamlined process will include safeguards to preserve resilience, including a floor on capital benefits from model changes until a full ECB review is completed, with the option to revert to standard approval procedures in what the ECB called "sensitive cases." Regulators have also promised to reduce the number of model changes requiring ECB approval.

Warren Buffett Warns He's Watching Stability of Banking System (BN, 3/31/26)
Warren Buffett warned of growing fragility in the banking system as links between banks and non-bank players deepen, raising the risk that problems in one area could spread more broadly. He emphasized the importance of financial stability for the Federal Reserve, noting the central role large banks play in the economy, and cautioned that recent credit market disruptions have unsettled investors. Buffett joked that if panic sweeps through markets, many investors head for the exits. "If people yell fire in a crowded theater, everybody runs still — it still pays to beat people to the door," Buffett said. "I will stand back there and say, 'Everybody stay calm,' but that's because I can't run fast."

US Banks' Private-Credit Zeal Fuels $348 Billion Pile of Loans (BN, 3/31/26)
Wall Street banks have significantly expanded lending to non-depository financial institutions (NDFIs). Moody's defines NDFIs to include loans to finance companies, business development companies, collateralized debt or loan obligations, asset-backed commercial paper conduits, small-business investment companies and special purpose entities with more than 50% of their assets dedicated to businesses.

According to a recent Moody's report NDFI exposure nearly quadrupled over the past decade to about $1.4trn (FYE 2025) and comprise ~11% of total loans. Moody's makes the point that with such rapid growth, the book is de facto less seasoned, which also means it is less predictable than a seasoned book of business. The rapid growth is raising concerns about credit quality, underwriting standards, and concentration risk. Recent credit market disruptions and fraud allegations have added to caution.

Wells Fargo leads in this area with about $70bn in exposure, followed by Bank of America at ~$35bn with capital call facilities representing a sizable share of activity. Private funds use capital call facilities to borrow money, using their investors' committed capital as collateral. This allows fund managers to invest more quickly and repay the loan once they have actually called the capital from investors.

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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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