

May 19, 2026

## Reg Cap Fundamental Credit Trends

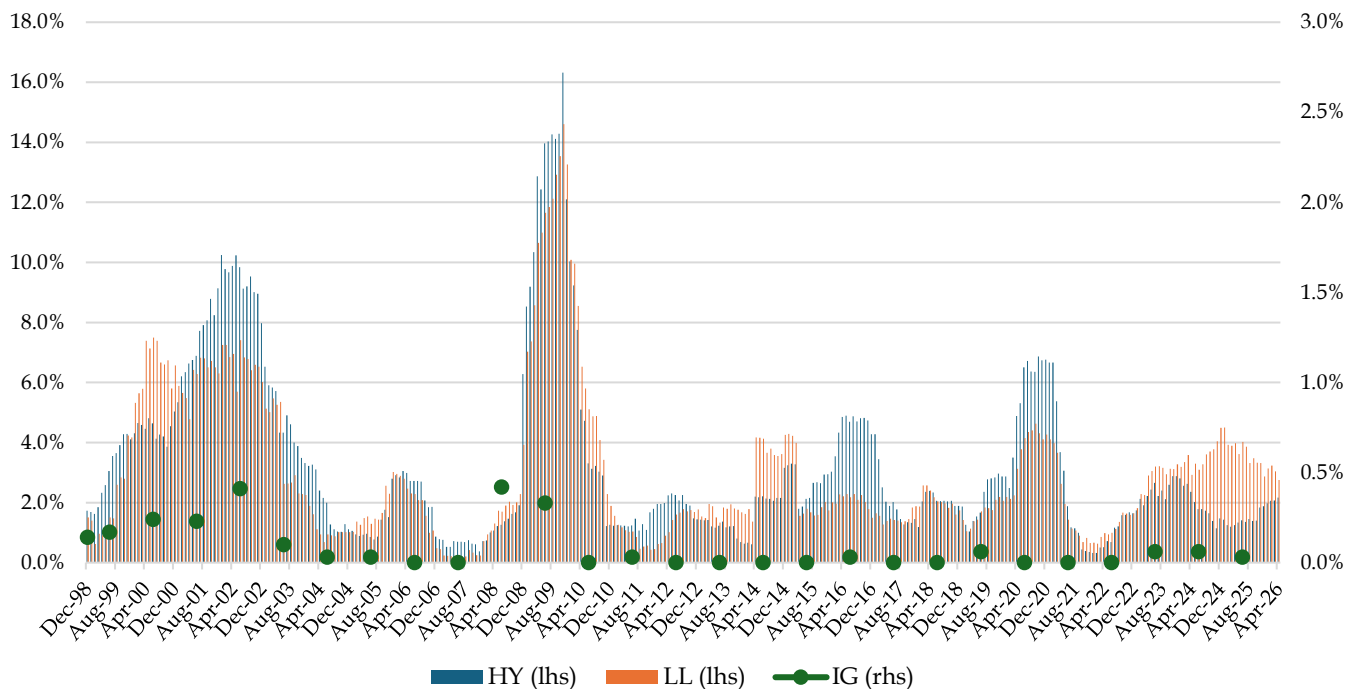
The Reg Cap sector spans a variety of reference assets and, of course, the performance of those assets varies among originators. Assets originated by banks to their clients for the banks' balance sheets have generally outperformed assets in generic credit indices. Further, investors impose selection criteria and originators, when selecting assets for a reference pool, are motivated to help ensure the success of their Reg Cap program on the most attractive terms. That said, we find it useful and important to track broad trends in asset performance in addition to deal-specific surveillance (which is non-public). Across the 41 investments that we own and track, referencing corporate, SME, middle market, CRE consumer, and auto loans in Europe, North America, and Asia, we are seeing continued strong credit performance almost across-the-board, with just a few positions that we are monitoring more carefully due to slightly higher negative credit migration and/or default trends. The indices we look at as broadly representative of some of the most common reference assets include US Corporate Debt, including Investment Grade, High Yield and Leveraged Loans; European Investment Grade Debt and High Yield; and US Prime auto loans. We would expect most reference asset pools to significantly outperform these publicly available benchmarks. The following is a brief update on current credit trends for each.

### US High Yield and Leveraged Loans

Most corporate credits in referenced pools are investment grade quality. Defaults of investment grade obligors are rare. While Investment Grade ("IG") defaults have been only a small fraction of the defaults in leveraged credit (i.e. US High Yield "HY" bonds and Leveraged Loans "LL"), there is a strong correlation (~75%). Therefore, it is useful to track the (far more numerous) default activity in HY and LL as a possible bellwether for IG. Current default performance in HY and LL continues to be consistent with very low or no IG defaults.

Default activity in HY and LL, including distressed exchanges, remained light in April, at \$2.7bn. While this was up from \$1.3bn in March, March represented a 41-month low. Default activity in January and February was much heavier, at \$8.7bn and \$5bn, respectively. On a trailing 12-month basis, the default rate for US HY bonds rose 10bp MOM in April, to 2.17%, while the LL default rate fell 49bps MOM, to 2.75%. Both metrics are better than the 25-year average HY and LL default rates, i.e. 3.2% and 2.9%. Volatile markets have led to a growing cohort of distressed credit (i.e., trading at spreads over 1000 bps or dollar prices under 80), but that trend moderated a bit in April. The combined distressed universe of bonds and loans in March was at the highest level in nearly three years, accounting for 7.6% of the combined leveraged loan and high yield credit market. The combined distressed universe decreased for the first time this year in April, falling 50bps, to 7.1% of the leveraged credit universe. Technology accounts for the largest portion of the distressed cohort, at 36%. Nearly one in five credits in the Technology sector is trading at a distressed level. Risk factors remain high, but so far credit has shown resilience.

### Default Rates - US Credit\*



Source: Standard & Poor's, JPMorgan Research, as of April 30, 2026.

\* HY and LL on a trailing 12-month basis, dollar-weighted. Includes distressed exchanges. IG on an annual basis.

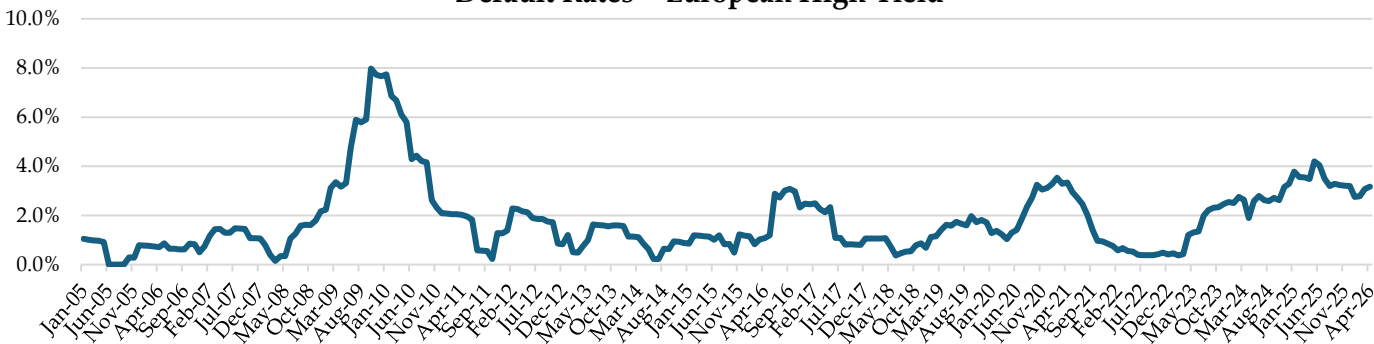
## Reg Cap Fundamental Credit Trends (Cont.)

### European High Yield

Historically, IG defaults in Europe have also been very low, with no defaults at all in most years. Our European HY default data goes back to 2005. Since 2005, the default rate for IG in Europe has been zero every year but two; in both 2008 and 2009 the IG default rate was 11bp per annum. Again, as with the US market, with so little default activity in IG, we turn to the HY market as a bellwether.

There was one default in the European high yield (HY) market in April. The trailing twelve-month, par-weighted default rate for European HY rose 9bp MOM, to 3.17%. The default rate is expected to fall next month due to base effects in the new reference period – about €6 billion of older defaults will no longer be included in the 12-month calculation window. Analysts expect that boost to be short lived, and default rates are likely to continue to run above their long-run historical average (~2%), with several ongoing restructurings driving expectations that defaults will remain moderately elevated. How much above average depends on whether the disruption in oil supply persists and is severe enough to push Europe into recession. Meanwhile, markets were a bit more sanguine in April. After increasing 100bps in March from a four-year low, the high yield distressed ratio declined by 70bps to 4.7% in April. Overall, the distressed ratio is now just 40bps higher than it was when the war began. As in the US, default performance in European HY remains consistent with very low – if any – investment grade (IG) defaults.

### Default Rates - European High Yield

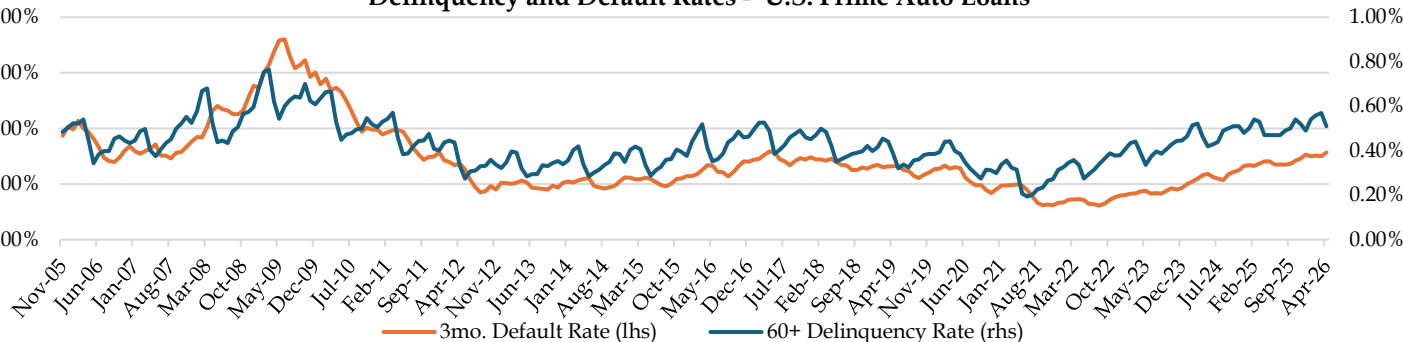


Source: JPMorgan Research, as of April 30, 2026. Trailing 12-month basis, dollar-weighted. Excludes Banks/Insurers.

### US Prime Auto Loans

The 60+ day delinquency rate for securitized U.S. prime auto loans fell again in April and was down 6bps MOM, to 45bps. The three-month default rate was flattish MOM at 158bps (up 1bp MOM). Historically, consumer delinquencies tend to peak in January and then fall consistently through May as consumers receive their tax refunds and can more easily catch up on bills. This year, with new stresses on the consumer, we may not see this seasonal improvement. The oil shock is hitting consumers directly in the form of inflated gas prices but is also likely to have indirect effects via lower growth, weaker employment, and prolonged higher interest rates. Taken together these headwinds for consumers mean that delinquencies are likely to be rangebound, at best. To illustrate consumer stresses, consider that, as of the most recent data, tax refunds are up 17% YOY, with the average refund up \$323. This would usually translate into better consumer credit performance. But the jump in gas prices may consume all this benefit. The average household spent ~\$2200 a year on gasoline in 2025. Gas prices are up 40% YOY. If that persists, it represents an \$880 increase in household expenses, far in excess of the tax refund windfall. On a separate note, we expect a continued divergence between the reliable performance of prime auto loans (the products referenced in SRTs) and the more volatile performance of subprime auto borrowers, who are definitionally most vulnerable to rising costs. Subprime auto lending is not part of the SRT market.

### Delinquency and Default Rates - U.S. Prime Auto Loans



Source: Morgan Stanley, as of April 30, 2026

## Reg Cap News

### New Issue News:

**Santander is Pitching Buy Now, Pay Later Loan Risk to Investors** (BN, 5/6/26) Santander is considering a risk-transfer transaction (aka “SRT” for “Significant Risk Transfer” or “Reg Cap” for Regulatory Capital trade) “tied to “buy now, pay later” installment credit loans made by its digital banking arm to clients in Germany. The SRT would reference ~€500mn of loans, and be sized at ~10% of the portfolio. For Santander this would be its first SRT linked to installment credit, though Sweden’s Klarna Group recently completed a similar transaction.

Santander is also working on an SRT tied to roughly €5 bn of loans to Spanish small and mid-size enterprises, sized to cover ~6% of the reference portfolio, an SRT linked to UK commercial real estate loans and yet another SRT referencing about \$2bn of US corporate loans. Santander has told investors it plans to offload between €30-35bn of risk-weighted assets annually from 2026 through 2028, about a third of that through SRT issuance.

**PGGM joins MDB securitization movement with €100m EBRD play** (GlobalCapital, 5/8/26)

PGGM, which has been active in SRT investing since 2006, invested in its first multilateral development bank (“MDB”) SRT through a €100mn junior mezzanine tranche in a European Bank for Reconstruction and Development (“EBRD”) transaction. The SRT was also a first for EBRD. The €1bn transaction transfers risk on a portfolio of loans to 163 borrowers. The deal fits within a broader push by MDBs to use synthetic securitization and capital relief tools to bring private institutional capital into development finance.

PGGM noted that sustainability is now “an additional parameter” in all its investment decisions. “A transaction that has a profile high on the sustainability scale is very attractive to us, and the EBRD is probably the best bank in the world when it comes to alignment with our philosophy,” said a PPGM representative. They cited EBRD’s local presence in many countries and its preferred creditor status. Moreover, PPGM appreciated the SRT structure, which has a first loss tranche retained by the EBRD, and the relatively granular portfolio.

**UniCredit’s SRT Machine Pumps Out Spanish, German Deals** (BN, 5/12/26) UniCredit is arranging two SRTs referencing \$3.5bn of corporate loans for two Spanish lenders, while also bringing its own German deal tied to around €3.5 billion of loans to large corporates. Issuers are turning SRT programs into more systematic capital-management platforms rather than occasional transactions. Reg Cap deals are coming at a record pace as investors line up for returns that are now often in the double digits.

**Deutsche Bank, Santander Test World Bank’s Risk Transfer Engine** (BN, 5/13/26)

**IFC’s first synthetic securitization powers up EM trade finance** (Global Capital, 5/13/26)

International Finance Corporation (“IFC”) has agreed to insure the credit risk on a \$500mn portfolio of trade finance tied predominantly to “low-income and conflict-affected countries.” The IFC is the private sector arm of the World Bank; while the World Bank provides loans and policy advice to sovereigns, the IFC focuses exclusively on the private sector in developing countries. The deal was done in an “unfunded” structure meaning the investors issue guarantees to the IFC. The SRT consists of a \$340mn senior tranche, a \$110mn mezzanine, and a \$50mn junior piece. Newmarket Capital is guaranteeing half of the \$50mn first loss tranche (collateralized with cash), with the IFC keeping the rest. Insurance companies Axa XL, Axis and Liberty Mutual will insure the \$110m mezzanine tranche (the 10% to 32% layer); and Deutsche Bank and Santander will take senior exposures. Because trade finance loans are short term in nature the securitization will be in replenishment phase for the first two years, and then amortize, with a legal final maturity of three years.

This was the IFC’s first SRT and its second securitization. The transaction demonstrates how development institutions are adopting private-market risk-transfer tools to increase lending capacity. The capital freed up by the \$500mn deal could enable the IFC to do about another \$150mn of trade finance business, it noted. “Originate to distribute is one of the goals of the institution,” said an IFC representative.

**Goldman Floats Risk Transfer Deal Tied to Private Market Loans** (BN, 5/13/26)

Goldman Sachs is contemplating an SRT linked to a portfolio of subscription lines provided to private equity and credit firms. These lines support liquidity and boost returns (which would otherwise be reduced by the need to hold more cash for liquidity purposes). The financing is backed by investors’ uncalled capital commitments. In recent weeks retail investors have been pulling money out of private credit after a spate of bad press, prompting some managers to limit redemptions. Separately, Mitsubishi Group is also in talks with investors about an SRT tied to ~\$2bn of credit lines to listed business development companies (aka “BDCs”), vehicles that are widely used by private credit funds.

### Reg Cap News:

**Top Watchdog Calls Out SRT ‘Circles of Risk’: Going Private** (BN, 5/6/26)

The article discusses the Report on Vulnerabilities in Private Credit released by the Financial Stability Board (FSB) on May 6, 2026. The article is part of a periodic series about “the forces moving capital away from the public eye.” The author asserts that “Private credit funds fueled by investor capital and bank leverage are among the most prolific buyers of SRTs, followed by pension funds and insurance firms

## Reg Cap News (Cont.)

with relentless hunger for yield.” The article cites the FSB report “Banks may provide funding to these funds or NBFIs, such as loans or repos, which could increase their leverage”, in which case the SRT investment by the credit fund “ultimately becomes a risk for the bank providing the funding.” This is indeed the case, as we highlighted here: <https://seercap.com/wp-content/uploads/2025/01/Reg-Cap-Leverage-Clearing-Misconceptions.pdf>. We estimated borrowing outstanding against SRTs at €10 billion as at the beginning of 2025. Even if that has increased by 20%, it would amount to €12 billion, hardly worthy of focus when compared to the private lending market estimated by the FSB to amount to \$1.5-2 trillion. As we noted, bank lending against SRTs typically requires significant additional protections, including a large equity position and recourse to other assets of the borrower. The author goes on to state that banks are ramping up the use of SRT to hedge risks, “as the Middle East war stifles the global economy.” She cites concerns about a shortage of data on SRTs “and similar private markets”, which apparently “has set some participants on edge.”

In reality, the shortage of data about these “similar private markets” does not apply to SRT. Banks are required to publish detailed information about outstanding exposures to SRT in their Pillar 3 disclosures, which are used by the author’s colleagues at Bloomberg News and Bloomberg Intelligence to provide very useful and insightful information about the market and about specific banks. Overall, the underlying assets referenced in SRT are fundamentally different than other private credit products, as they are originated by banks to their core clients for their balance sheets, as opposed to most other private credit assets which are originated in competition with banks. We discuss this topic further here: <https://seercap.com/wp-content/uploads/2026/02/If-you-Cant-Beat-Em-Join-Em.pdf>

### **SRT: First quarter data shows a more strategic phase** (SCI Analytics, 5/13/26)

Unsurprisingly, SCI reported that the SRT market entered 2026 with strong momentum. But the report also argues that the SRT market is becoming increasing institutionalized. For example, SCI noted that this was the third consecutive year of elevated first-quarter activity, reflecting banks’ embedding of SRTs into long-term capital planning rather than using them opportunistically for year-end capital management exercises.

Despite geopolitical tensions, private credit concerns and broader structured credit volatility, SRT investor demand remained notably resilient this quarter, with spreads widening only modestly and investors remaining active. Europe accounted for the largest share of pipeline activity with 18 deals in Q1, followed by North America with 16. Corporate loans represented 43% of global pipeline transactions and CRE loans accounted for 17%, with SME at 10%. The report also pointed to broader range of asset types and geographic expansion across the SRT market. Commerzbank led the Q1 pipeline with four deals, while JPMorgan Chase, Deutsche Bank and Piraeus Bank each had three. Overall, the report concluded that the market is entering a more mature phase defined by greater operational standardization and a broader investor base.

### **ECB Says Big Bank Loans Tied to Synthetic ABS Up 47% Y/Y in 2025** (BN, 5/14/26)

Pedro Machado, a member of the supervisory board of the European Central Bank (the “ECB”) talked about SRT in a recent speech. According to Machado, bank loans tied to synthetic ABS rose 47% YOY in 2025, i.e. to €258bn from €175bn in 2024. Outstandings of EU SRT’s reached €570bn at year end 2025, up from €223 billion at the end of 2022. The increase highlights how European banks are relying more heavily on risk-transfer structures to manage regulatory capital and maintain lending capacity. Machado stated that “For now, risks at both bank level and system level currently seem to be manageable” but also noted the rapid growth of the sector and interlinkages as possible concerns. He further cautioned about “...instances of risk management frameworks that have not yet caught up with the scale and sophistication of their issuance activity,” and noted a “supervisory preference for transparency over complexity.”

### **FT Live US Risk Transfer Event in New York** (FT Live, 5/14/26)

We attended the FT Live US Risk Transfer Event in New York on May 14, 2026. The panel drew a range of investors, issuers, and service providers, with a strong showing by insurers, reinsurers, and insurance brokers. A portion of the conference was devoted to US mortgage risk transfer deals issued by Fannie Mae and Freddie Mac, and now also US mortgage insurance providers. Key topics relevant to bank SRT included:

1. **Insurance Capital in SRT Markets:** Insurance investors, particularly life insurers, have long been a good bid for US mortgage risk. They are familiar with the risk and can take exposure to long tenor assets. As issuance in mortgage CRT has declined, particularly toward the higher yielding end, these insurance companies have looked for exposure to other assets. At the same time, property and casualty insurers are looking at adding credit risk on the liability side of the balance sheet to diversify away from their traditional underwriting. However, banks have regulatory and internal risk limitations on the unfunded trades often popular within insurers. We believe that insurance capital can be complementary to the capital markets. Insurance capital can be stickier and less market-sensitive, can take on more complexity, and can be more flexible on terms. Many insurers are seeking creative ways to partner with asset managers in the bank SRT space.
2. **Basel III Endgame:** US Banking regulators released a proposal to update the bank regulatory capital framework in March, revising a 2023 proposal. The new proposal is supportive of bank SRT in a number of areas including: a) maintains the P-Factor, which determines the thickness of tranches that banks need to issue, at its current level (prior proposal would have increased the P-Factor),

## Reg Cap News (Cont.)

- b) increases flexibility around calls, and c) removes limits on direct CLN issuance. Under the new proposal, US banks are still generally bound by the “standardized approach,” which requires them to hold more capital than their European counterparts. The previous proposal, under the prior administration, reflected less bank-friendly sentiment, and would have likely pushed further lending into the unregulated private credit space. Panelist viewed this as a misguided regulatory approach and see CRT/SRT as “the model for how regulated entities should interact with private credit.” The correct question to ask then is, how can we make private credit look more like SRT/CRT? Panelists expressed optimism that the revised proposal would remove regulatory uncertainty and offer banks, particularly regional banks, additional confidence to proceed with SRT issuance. This would unlock the final obstacle to significant growth in the US market. Lastly, it is important for market participants to submit targeted (and succinct) comments on the proposal, which will help facilitate its enactment before year end, lest the political tides turn less bank-friendly.
- Bank Capital Management:** With the tailwinds created by a clearer regulatory environment, banks will enjoy a range of benefits from SRT. Banks can proactively manage capital to grow their lending business and to support M&A activity. Tight spreads in the SRT market mean the tool offers a very low cost of capital and is generally accretive to ROE. Given the complexity of the product and the lead time to a first issue, banks should develop the tool so they can use it when appropriate. Panelists also drew a distinction between trades motivated primarily by risk management vs. capital management; these factors dictate both asset selection and structure.
  - Markets and Relative Value:** SRT encompasses a wide range of structures, from syndicated to bespoke, and can protect a wide range of assets, making it a very flexible tool for banks. One panelist who runs the SRT program at a large global bank noted that the credit default swap market is too narrow, noting that he can only buy CDS protection “on names that he does not want to hedge.” Many SRT programs have achieved operational consistency, with fairly standard documentation that is less subject to adjustment based on market forces. Spreads have tightened in recent years on the strength of a long history of favorable performance, including during COVID, and also supported by various forms of leverage available to investors. SRTs typically also benefit from relatively high coupons and short duration, limiting the risk. With the growing market, liquidity has increased, although not to the level of asset classes such as CLOs. This is partly due to borrower confidentiality restrictions, and some bank issuers who remain sensitive around transfers of their positions. Assets referenced in SRT are generally better quality than CLOs and asset-backed finance, although because SRT investors are structurally levered they must carefully underwrite any “tails” of lower credit quality assets in portfolios.

The panels included representatives of large credit / asset managers but were missing investors who are primarily or exclusively active in SRT. Large credit managers interact with banks at multiple levels and look to acquire assets from banks in various forms, including SRT. They view themselves as able to underwrite credit risk in a wide range of asset classes and seek to acquire assets at an attractive risk-reward, whether it be via SRT or otherwise. In some cases, banks who have gotten “over their skis” in risk to a new type of lending, such as data centers, look to offload risk in the form of SRT. Traditional, capital-motivated SRT transactions are generally more broadly syndicated, but price at tighter levels. One panelist expressed the surprising belief that credit-motivated SRT transactions tend to perform better than capital-motivated transactions.

Seer is a diversified securitized products asset manager, with the majority of our capital invested in SRT, and the majority of our SRT investments within SRT-only strategies. While we respect our competitors who are very smart credit managers, we believe that banks are very good at evaluating credit risk, and thus we do not wish to take on exposures that banks seek to offload for credit reasons. Some SRT transactions, and particularly those that are capital- rather than risk-motivated, are heavily bid, but we continue to see strong value in this sector. We believe that investing in partnership with banks in assets which they have originated for their balance sheet and are hedging for capital reasons is a good discipline, even if we miss out on some “juicy” deals.

We are also a longstanding partner to a number of SRT issuing banks, bidding consistently on their transactions as long as the credit quality and performance remain strong, and helping to provide them with certainty of continued access to this important capital management tool. We wonder how banks, who need to demonstrate continued access to capital to regulators, get comfortable transacting with multi-strategy investors who look at SRT strictly on a relative value basis.

### *The new circular trade in private credit* (Financial Times, 5/14/26)

This article argues that private capital firms may be buying significant risk transfers tied to the same private credit ecosystem in which they are major lenders and investors. Mitsubishi Group has reportedly discussed a \$200mn risk-transfer product referencing about \$2bn of credit lines to business development companies, allowing the bank to reduce exposure while freeing capital for other uses.

The article frames the transaction type as a potential “circular trade” because likely buyers may include firms with large private credit operations. That creates a concern that losses could affect investors through multiple channels if the underlying private credit funds face stress, while also underscoring the growing links between banks and private capital. At Seer we generally view SRTs referencing credit lines to BDCs as credit-motivated, rather than capital management trades, and as noted above we shy away from such trades.

## Reg Cap News (Cont.)

### **Banking Industry News:**

#### ***Capital Cliffs and EU Securitisation Regulations*** (Risk Control, 5/6/26)

The report assesses so-called cliff effects in European securitization capital rules and argues that discontinuous capital or liquidity treatment can distort behavior and increase instability during periods of financial stress. “Cliffs in regulatory rules that sharply increase risk weights in stress conditions are exactly what financial institutions and their supervisors do not need” the paper notes. The authors argue that the current EU securitization reform effort presents an opportunity to identify and remove features that could create abrupt jumps in capital requirements, especially as European authorities seek to revive securitization to support investment financing. The paper discusses ratings-based cliffs, capital formula cliffs, label cliffs tied to STS and resilience categories, and cliffs related to funded and unfunded credit protection.

#### ***Banks Win More Business as Private Debt Shrinks*** (BN, 5/9/26)

The article notes that private credit lending volume shrank 14% in the 1st Quarter of 2026, while banks saw an “eye-popping” 12.7% increase in lending to companies, the largest increase since 2022. Some private credit firms have been forced to increase costs due to fears of rising loan losses. In the meantime, US banks are benefiting from a wave of deregulation that has allowed them to offer more competitive financing for riskier companies and transactions. The article notes that the head of the Office of the Comptroller of the Currency explicitly stated that the agency was working to relax post-crisis rules for leveraged lending to enable banks to compete more effectively in this space. The move of lending activity to banks, which typically lend at lower cost (although they may take longer) could result in cheaper financing to companies. Private credit funds have less capital available, as investors redeemed more than \$15 billion in the first quarter from non-listed business development companies, and as new fundraising dropped 60% from a year earlier. Direct lending volumes totaled about \$61 billion in the first quarter, vs. about \$105 million in the last quarter of 2025 and \$71 billion in the first quarter of 2025. The article noted that investors are pulling money from private credit vehicles due to concerns about loan losses, particularly from loans to software companies, which may be disrupted by artificial intelligence. We explored this trend earlier this year here: <https://seercap.com/wp-content/uploads/2026/02/If-you-Cant-Beat-Em-Join-Em.pdf>, also highlighting the attractiveness of SRT as a way of aligning with the strong credit process employed by banks.

#### ***House Passes Bill Raising Threshold for Small Bank Examinations*** (Bloomberg Government, 5/12/26)

The House passed legislation that would raise the asset threshold for less frequent full-scope regulator examinations at small banks. Banks with less than \$6 bn in total assets would become eligible for the lighter examination schedule, increasing the cutoff from the prior level and easing the compliance burden for smaller institutions. Existing law requires regulators to conduct full, on-site examinations of FDIC-insured institutions every 12 months, whereas “well-managed and financially sound” smaller banks under the current threshold of \$3 bn (now \$6bn) in assets require a full examination only every 18 months.

The article presents the measure as part of a broader effort to reduce regulatory pressure on community and regional banks. Supporters view the bill as a way to make supervision more proportionate for smaller institutions, while the change also raises the usual policy balance between regulatory efficiency and supervisory oversight.

#### ***Private Credit a Manageable Risk for Banks Private-Credit Exposure at Banks Looks Contained as Cycle Turns*** (Bloomberg Intelligence, 5/12/26)

Bloomberg Intelligence argues that banks' exposure to private credit appears manageable even as the credit cycle appears to be turning. The article frames private-credit exposure as an area that merits close attention but not necessarily a systemic concern for banks based on current levels. Direct lending is at 2% of loans on average, but as high as 4% among major banks, e.g. Wells Fargo. Systemically, private credit, at \$1.8 trn outstanding, represents approximately 14% of total US lending.

The article suggests that risks remain contained and losses are limited as banks maintain discipline around underwriting, leverage, and counterparty exposure. “BofA noted a typical 70-75% advance rate, compared with Wells at around 60%.” Regional player Key Corp screens as the highest concentration, with 10% of its loans in private credit, but they argue that their book is conservatively underwritten, e.g with first-loss cushions of 30-50%.

#### ***Spanish Banks' €60 Billion CET1 Buffer Squeezed, CCyB Up*** (Bloomberg Intelligence, 5/12/26)

Bloomberg Intelligence reports that, in aggregate, Spanish banks hold a full €60 billion in excess capital above regulatory requirements. That buffer may be squeezed by rising countercyclical capital buffers required by regulators, and by shareholder payouts. In 2024 the Bank of Spain introduced a 1% countercyclical buffer (“CCyB”) on domestic private sector exposures effective October 2026 (with an interim requirement of 0.5% in 2025).

However, Spain's banking system has some beneficial headwinds. Spain's economy is sound, credit losses have been benign, and lending growth has been solid. In addition, the banks are enjoying capital benefits from their active use of significant risk transfers.

## Reg Cap News (Cont.)

### *Citi, BlackRock's HPS Sign €15 Billion Private Credit Agreement* (BN, 5/18/26)

Citi and BlackRock's HPS unit signed a €15 bn private credit agreement. The arrangement is designed to support private credit activity while giving the bank and asset manager a structured way to collaborate on financing opportunities, specifically direct lending in sub-investment grade debt for corporate and private equity clients in continental Europe and the UK ... eventually expanding to the Middle East.

The agreement reflects a broader market pattern in which banks remain central to origination, client coverage, and balance-sheet financing even as private credit funds take a larger role in holding risk. It also points to the increasingly close relationship between traditional banking franchises and alternative credit platforms, long competitors. Private credit benefits from increased deal flow, while banks preserve fee income without using balance sheet capacity.

### *UK to Scrap Parts of Ring-Fencing Rules to Boost Lending* (BN, 5/18/26)

The UK plans to scrap parts of its "ring-fencing" regime in an effort to boost lending and improve the competitiveness of its banking sector. The proposal would ease elements of the post-crisis framework (introduced in 2019) that separates retail banking from certain investment banking and trading activities, in hope of insulating retail banking from financial market shocks. The proposed changes could release as much as £80 billion (\$107 billion) of extra funding for UK firms, the Treasury said.

The article presents the reform as a policy shift toward reducing regulatory burdens and freeing banks to use capital more efficiently. Supporters argue that changes could improve credit availability, while critics may focus on whether easing ring-fencing weakens safeguards. The policy chairman for the industry group City of London Corporation, stressed the importance of striking "the right balance between supporting growth and preserving core protections for consumers," but overall was supportive of reforms.

## 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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