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Reg Cap Recap

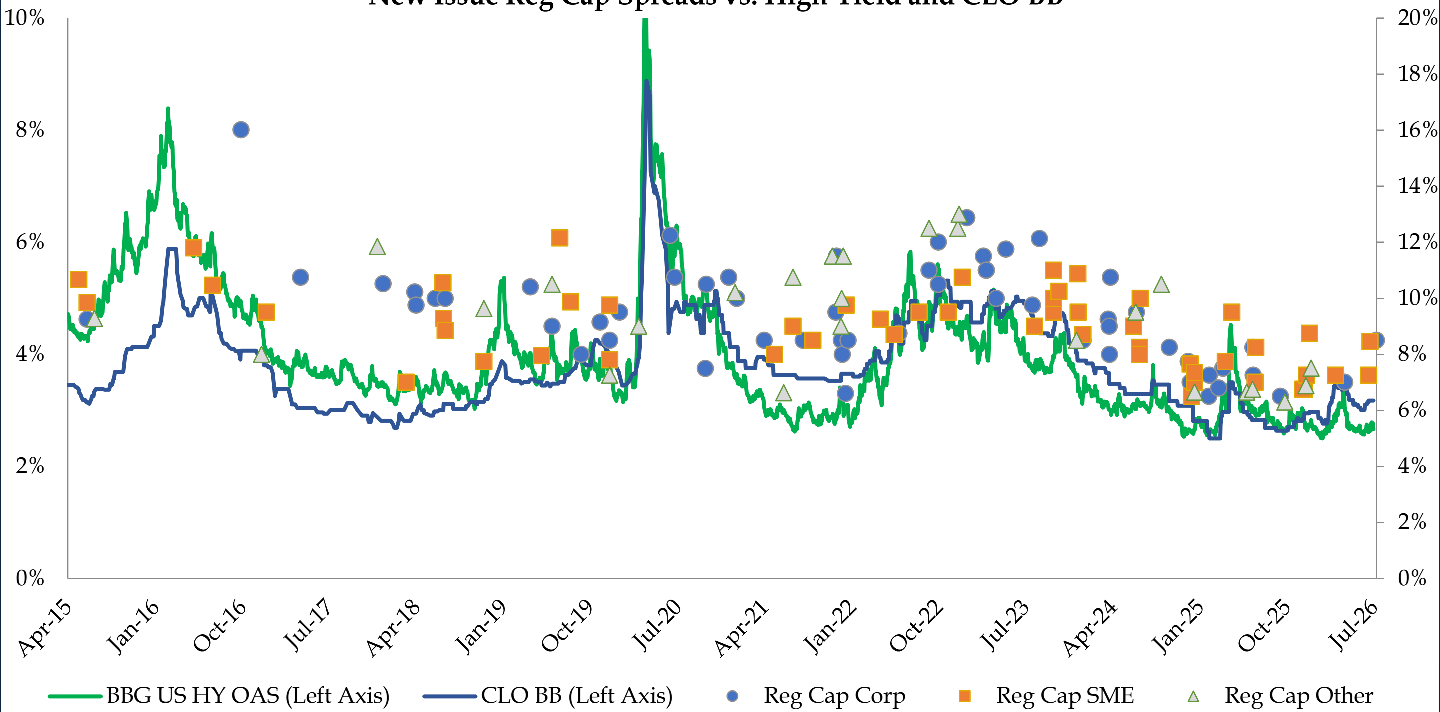
A bimonthly update on the Regulatory Capital Relief/Significant Risk Transfer sector

July 7, 2026

Reg Cap Spread Trends

June Reg Cap pricing was in the low-mid 700bps range, while HY spreads widened by 8bps during the month of June.

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



** Source: Seer Capital Research/Bloomberg. Reflects selected first and second loss tranches but excludes mezzanine and thick (i.e. 0-12.5%) tranches. As of July 1, 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]
Jun-26	725	SME	Spain	No	EUR	4.4	No
May-26	630	Auto	US	No	USD	4.0	No
Apr-26	700	Corporate	US	Yes	USD	6.4	Yes
Mar-26	525	Corporate	US	No	USD	1.5	No
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

[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 dust is only just settling on June SRT closings (with a couple slipping until early July) and already several 3Q deals are underway. The issuance pipeline from Western Europe is extremely heavy in the third quarter and for the remainder of 2027—there is talk that some European market participants may be forced shorten their August holidays to two weeks this year. Heavy supply is bound to continue to put pressure on spreads—2Q deals printed 25-50 bps wider than recent comparables, as increased supply met with somewhat dampened demand from multistrategy and private credit buyers, all amid an uncertain macro backdrop.

We are starting to see an increasing number of SRT deals that are motivated primarily by risk, rather than capital management. Market growth has been driven by issuance from large European banks who using SRT to improve capital efficiency of their core lending portfolios, and with issuance programs supported by groups of loyal repeat investors. Strong fundamental performance, which we believe is driven by alignment of interest between investors and banks, has underpinned the growth in the market. In the current environment, some banks have become concerned about exposures to specific rapidly growing sectors, such as private credit / BDCs and data centers, and are looking to use SRTs to offload exposure and reduce risk. US banks, who are generally better capitalized and lack the SRT history of their European counterparts, are more likely to view SRT as primarily a risk offloading tool. We as SRT investors are very wary of taking exposure to assets or sectors which are of concern to banks, and we will be careful to stick to the traditional capital motivated trades.

Reg Cap News

New Issue News

BBVA Offloads AI Risk With $2 Billion Infrastructure-Linked SRT (Bloomberg News, aka "BN," 6/23/26)
Spain's BBVA is close to completing a new Reg Cap deal (aga Regulatory Capital Relief aka SRT or "Significant Risk Transfer") tied to about $2.3bn of infrastructure loans, with more than one-third of the reference portfolio connected to digital infrastructure. The bank has already completed three SRTs this year tied to about €7.5bn of loans. This transaction reflects the growing use of SRTs to manage AI-related and infrastructure-linked credit exposure. BBVA has materially expanded data-center lending, to ~€5.2 billion euros at the end of 2025 up from ~€300 million in 2023. In 2025, BBVA generated 35bps of capital relief through Reg Cap issuance and is targeting the same for 2026.

KBC Group Completes SRT on €1.25b Corporate Loan Portfolio (BN, 6/26/26)
Belgium's KBC completed its second SRT, referencing a €1.25bn corporate loan portfolio. The transaction used credit-linked notes placed with institutional investors to cover first-loss exposure. The deal is expected to improve KBC's CET1 ratio by about 8bps in 2Q.

Singapore's DBS Group Completes Debut $1 Billion SRT Transaction (BN, 6/30/26)
DBS completed its first SRT, referencing a $1bn diversified portfolio of corporate loans. DBS says the transaction is intended to free up capital for new lending and other growth opportunities.
The deal adds to growing SRT activity in Asia, where the market has been less active than in Europe and North America. The article also notes that Sumitomo Mitsui's Asia Pacific banking arm completed its first $3.2bn Reg Cap issue last year and is reportedly in discussions about at least two more SRTs.

BNP Sells SRTs on €10 Billion of Loans, Including CRE (BN, 7/2/26)
BNP Paribas, France's largest lender, recently completed four Reg Cap deals tied to a total ~$11.4bn of assets. This included BNP's first SRT deal linked to commercial real estate exposure, comprised of €1.3bn of European CRE-backed financing and REIT loans. and corporate loan portfolios. A second SRT was linked to a €3.9bn portfolio of large corporates in global markets, while the other two issues were both "corporate loan backed." In aggregate, the SRTs totaled ~5% of the combined underlying loan portfolios. All four deals were done on a blind-pool basis. Protection was a mix of funded credit-linked notes and unfunded insurance protection.

Reg Cap News

Chart of the Week #47: SRTs a key management tool, an ongoing focus for us (UBS Global Research- European Banks, 6/12/26)
UBS European Bank research team writes that SRTs have become an increasingly important bank management tool, supporting capital efficiency, reducing tail credit risk and helping fund both organic and inorganic growth. In 2025, most banks in UBS's sample increased aggregate SRT exposure and three listed Benelux banks completed inaugural SRTs.
Even so, the share of assets referenced in SRTs remains modest. Across European banks, UBS estimates that an average 3.6% of credit exposure is subject to SRTs. If we exclude banks that have not issued SRTs, that figure rises to 4.6%. UBS estimates that banks generated about 30 bps of capital benefit from SRTs in FY25; if we exclude banks that have not issued SRTs, that figure rises to 50 bps.
UBS added that they think governance around SRTs is "generally good," but noted risks for banks including (1) maturity concentration, (2) pricing, (3) counterparty risks, (4) funding exposure, and (5) flowback risk.

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Reg Cap News (continued)

NatWest Weighs Landmark UK Mortgage Risk Sale to Insurers (BN, 6/16/26)
NatWest is considering an unfunded credit protection deal on a residential mortgage portfolio. This would be one of the first UK transactions of its kind. In an unfunded structure, an insurer is paid premiums to cover agreed losses on a reference portfolio. Unlike most Reg Cap deals, which are funded, no capital changes hands upfront in an unfunded deal.
Unfunded SRTs are common in the EU, while UK banks have waited for clearer PRA (Bank of England's Prudential Regulation Authority) guidance on the practice, which came only late last year. Unfunded SRTs depend on the investors/insurers ability to pay at some point in the future and therefore introduce a risk that is not part of funded deals.
Banks recently marketing or completing unfunded SRTs include Mitsubishi UFJ, Austria's Erste Group Bank, Banco Santander and UniCredit. Insurers invested the equivalent of €2.8 bn in SRT last year, up 65% from 2022.

European Banks' SRT Growth Can Free Up €10 Billion for Payouts (Bloomberg Intelligence, 6/18/26)
European banks are expected to continue expanding their use of Significant Risk Transfer (SRT) securitizations, which could generate substantial regulatory capital relief and support higher shareholder payouts. The author argues that SRTs can free up more than €10 bn of additional capital for European banks. The largest issuers in the space, e.g. Santander, BNP Paribas, and Barclays stand to benefit the most. The report also estimates that annual capital benefits from SRTs could exceed €20 bn globally. Roughly 80% of that benefit would accrue to European banks, where issuance grew 36% YOY in the first quarter.
The article argues that Reg Cap has evolved from opportunistic transactions to a core, capital-management tool, a point we now see widely made. The issuer base is also broadening, with more development banks (e.g., IFC, EBRD) and fintech lender Klarna active recently. And new asset classes, such as buy-now-pay-later loans and AI/data-center project finance, are now showing up in reference pools.

Japan's SMBC Weighs SRTs on Project Finance, LatAm Loans (BN, 6/19/26)
SMBC is discussing at least two potential SRTs: one linked to about $1.8bn of infrastructure lending and another tied to roughly $4bn of large corporate loans in Latin America. The potential deals would broaden the range of Asian-originated SRT collateral, which has been relatively light. These issuance plans come as SMBC unveiled targets to boost return on tangible equity, to 15% over the next five years.
The infrastructure transaction could include first-loss and mezzanine portions. The LatAm portfolio may include loans from Mexico, Brazil and Chile. The Reg Cap market is seeing an increasing use of emerging-market collateral. Spain's BBVA is considering SRTs on loans in Mexico and Turkey. Deutsche Bank and Banco Santander are among financial institutions participating in the World Bank Group's synthetic securitization tied to $500MN of trade finance predominantly to low-income and conflict-affected countries.

Banco BPM Weighs Capital-Boosting Risk Transfer (BN, 6/25/26)
Banco BPM is working on a potential SRT tied to about $3bn of loans to mid-size and large companies. The transaction could be completed later this year and would free capital as the Italian bank evaluates consolidation opportunities.
The potential deal comes amid a renewed wave of Italian bank M&A, including Banco BPM's proposed merger of equals with Monte dei Paschi and a competing offer involving Intesa Sanpaolo.

Broader US auto CLN market brings greater pricing differentiation (SCI, 6/26/26)
SCI says the US auto CLN market has broadened from early JPMorgan and Santander issuance in 2020 and 2021, to include issuers such as Ally, Huntington and Truist. Senior spreads tend to be very similar (AAA, AA and A) across issuers and programs. However lower-rated and unrated tranches, understandably, show much wider dispersion as investors focus more on issuer quality, collateral, attachment points and program familiarity.
Auto loan ABS are a long-standing staple in securitized products. Auto SRTs differ from traditional prime auto ABS in the type of credit exposure they offer giving investors access to prime auto risk further down the capital stack. "… the combination of prime collateral and lower-rated risk is relatively uncommon in traditional auto ABS and offers investors an opportunity to earn additional yield without moving into subprime collateral," the author notes.
The article uses Santander's latest $279mn SBCLN 2026-A transaction as an example. The deal references a $2.6bn prime auto loan pool with a 791 weighted average FICO score. All seven offered tranches priced inside guidance, ranging from 70 bps on the Aaa-rated A2 tranche to a full 685 bps on the unrated G tranche. Investors remain comfortable with prime auto collateral, yet they continue to demand a meaningful premium for more credit-sensitive exposure.

European bank points to low-cost capital benefits after second SRT deal (SCI, 6/29/26)
Belgium's KBC told SCI in a recent interview that SRTs are an effective way for the bank to release capital at a cost "well below the cost of equity." The bank is using SRTs to optimize RWAs and capital while supporting organic and inorganic growth.
Although KBC does not yet have a programmatic issuance strategy, its comments suggest SRTs are now part of its broader capital-management toolkit. The bank also described the European SRT market as advanced, noting that KBC had been one of the last European banks to begin issuing SRTs.

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Reg Cap News (continued)

SCI In Focus: B3E comments address eligible guarantor lacuna (SCI, 6/29/26)
SCI reports that trade groups, insurers and other market participants have used the Basel Three Endgame comment period (which just ended June 18th) to push for changes to US eligible-guarantor rules. Current US capital regulations generally exclude insurance companies, limiting the use of insurance-based SRT by US banks.
Comment letters proposed eliminating the eligible-guarantor requirement or broadening it so that any insurer with investment-grade parent-level debt can satisfy the rule (most such debt is only the parent level). Insurers and bipartisan lawmakers also argued that US rules put domestic banks at a competitive disadvantage versus jurisdictions that recognize insurers as eligible providers of credit protection.
Market participants see a meaningful chance of a positive outcome, either through rule text changes or via supervisory guidance. The core argument is that recognizing insurance-based credit protection would give smaller and regional banks more practical risk-mitigation tools and help move lending back into the banking system, a stated goal of regulators. Scarred by insurer AIG’s 2008 collapse, regulators resist relaxing rules. "It may be an uphill climb given the experience of 2008," notes a banking regulation lobbyist.

BBVA's €3.4 Billion Capital Buffer Backed by 22% ROTE Aim, SRTs (Bloomberg Intelligence, 6/30/26)
Bloomberg Intelligence notes that BBVA's capital position remains solid, supported by strong profitability and SRT benefits. The bank's CET1 ratio rose to 12.8% in 1Q, leaving €3.4bn of excess capital above the top end of its target range.
BBVA is targeting about 30-35 bps of annual SRT benefit in 2025-28 and total RWA release of €39bn. The report also highlights BBVA's 22% ROTE (Return on Tangible Equity), strong fee and net interest income growth.

RBC Weighs $2 Billion SRT to Hedge Data Center-Linked Loans (BN, 6/30/26)
RBC is discussing a potential SRT tied to roughly $2bn of financing for AI projects including data centers. RBC’s CEO noted that rapid advances in AI have created an “insatiable appetite” for capital. JPM research analysts estimate that AI-linked capex through 2030, will reach at $5.5trn, 75% of which is likely to be in debt form. Toronto-Dominion Bank, Societe Generale and Morgan Stanley are among others which have considered SRTs to hedge exposure and BBVA is finalizing its infrastructure loan SRT, about a third of which is tied to digital projects.

Capital rules redraw the SRT map (SCI, 6/30/26)
SCI describes June as a turning point for the SRT market, with regulatory reforms, repeat issuance, expanding investor participation and new geographic markets all underscoring the market’s growth and maturation. In Europe, securitization reform and insurer participation remain key topics, while the US Basel III Endgame re-proposal could reshape demand for Reg Cap.
The market is also becoming more institutionalized, with specialist investors expanding, insurers moving closer to the center of the market and banks using SRTs ever more programmatically. June activity included repeat issuance by KBC and Truist, new US Bank activity. Asset managers are looking at platform-style back-leverage vehicles, that would finance revolving portfolios of SRT investments. Investor tone is modestly more selective, with greater focus on governance, operations and execution.

Cash SRT finds its niche in revolving consumer credit (SCI, 7/1/26)
Synthetic structures, rather than cash structures, have dominated the Reg Cap market. They have become the norm for mortgage, SME loan and corporate loan portfolios. These assets typically have predictable cashflows, fixed maturities and relatively low default rates compared with their regulatory risk weights - making them well-suited to synthetic capital relief structures. But as banks look to a broader range of assets or Reg Cap, the debate is shifting from whether cash or synthetic is superior, to which approach best suits a given asset type. Cash and synthetic SRT should be viewed as complementary tools, the author argues.
For example, cash SRT is a better fit for revolving consumer assets, especially credit cards, where synthetic structures can be less economical (particularly under UK rules). Credit cards loans revolve, lack contractual maturity and have relatively high expected defaults but pay quite high interest. Cash structures can use underlying excess interest to absorb losses - synthetic structures may or may not.
The former global head of SRT at Santander is quoted as saying "I see true sale and synthetic SRT deals as being on one continuum. The key rules are the same, the main motivations are the same and, where it matters most, the structures are very similar. While both structures provide capital relief, true sale deals also provide funding from selling the senior tranches."
Cash SRT can be attractive because it does combines capital relief with funding, since it involves selling assets into the securitization and therefore generates liquidity for the originating bank. However, funding is not typically a main driver. For one, liquidity is ample for most issuers and two, banks often prefer to retain senior tranches in any event. Structural features may be the driver instead.

HSBC, Standard Chartered Weigh SRTs as Asia-Linked Deals Ramp Up (BN, 7/1/26)
HSBC is preparing for a potential SRT linked to Asia-Pacific loans, including those from markets such as Hong Kong, Singapore, India and Australia. Separately, Standard Chartered is considering a transaction tied to around $2bn of global corporate loans as part of its Chakra SRT program.
The article highlights growing Asia-linked SRT activity, including recent BNP Paribas transactions involving Asia-Pacific loans. HSBC's CFO has said the bank has room to make greater use of SRTs in the UK and Asia.

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Banking Industry News

Canada Regulator Cuts Bank Capital Level to Boost Lending (BN, 6/19/26)

Canada's Office of the Superintendent of Financial Institutions (OSFI) lowered the domestic stability buffer by 50bps to 3%, effective immediately. This reduces the CET1 requirement for the country's largest banks to 11% of RWAs. Canada's top six banks all comfortably exceed that ratio, with an average CET1 ratio of 13.5%. It was the first time in three years that the regulator lowered capital requirements and follows years of enforcing higher capital reserves. "We're sending a message to the banks that there's enough health and strength in the banking system to take risk and we don't want to stand in the way of it," said Canada's superintendent of financial institutions. The move gives the six largest banks about $52bn of excess capital that can be deployed for investment in artificial intelligence, critical infrastructure, and defense spending, all domestic priorities.

Booming Bank Capital Markets Hand Weakest Links Free Pass (BN, 6/29/26)

Bloomberg reports that investor demand for junior bank capital is so strong, both in Europe and the US, that pricing distinctions between stronger and weaker banks have narrowed sharply; "… investors are accepting increasingly similar terms from banks with very different credit profiles." In Europe's AT1 (Additional Tier 1) bond market, the spread pick up between Europe's strongest and weakest lenders has narrowed to record lows. In the US, pricing in bank preferreds has compressed to pre-GFC levels.

AT1s (aka "contingent convertible notes" or "CoCos") were conceived after the GFC as an additional capital buffer for banks. In 2023, $17bn of AT1 were wiped out as Swiss regulators ordered a "complete write-down" of Credit Suisse's Additional Tier 1 (AT1) bonds during its emergency takeover by UBS, even though (more junior) stakeholders received compensation. The AT1 market returned, and today the securities offer yields ~100bps above global high-grade bonds. The article goes on to note that investors have benefited from strong returns in the sector YTD, but rich valuations leave them more exposed and have sidelined some investors.

European Banks: 12 Key Charts to Watch in 2H (Bloomberg Intelligence, 6/30/26)

Bloomberg Intelligence remains constructive on European banks, even while noting that the sector has risen more than 230% from late-2022 lows, adding ~ €1.6tn in market value. Higher rates (which raises net interest income), solid credit quality, AI-driven efficiencies and M&A are all supportive for the sector.

Key risks include slower growth, geopolitical uncertainty (in particular France), weaker loan demand, and a flatter yield curve (given that banks tend to borrow short and lend long). Private-credit exposure is also an area to monitor, though the author views the disclosed exposure across major banks as "manageable."

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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