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Reg Cap Recap

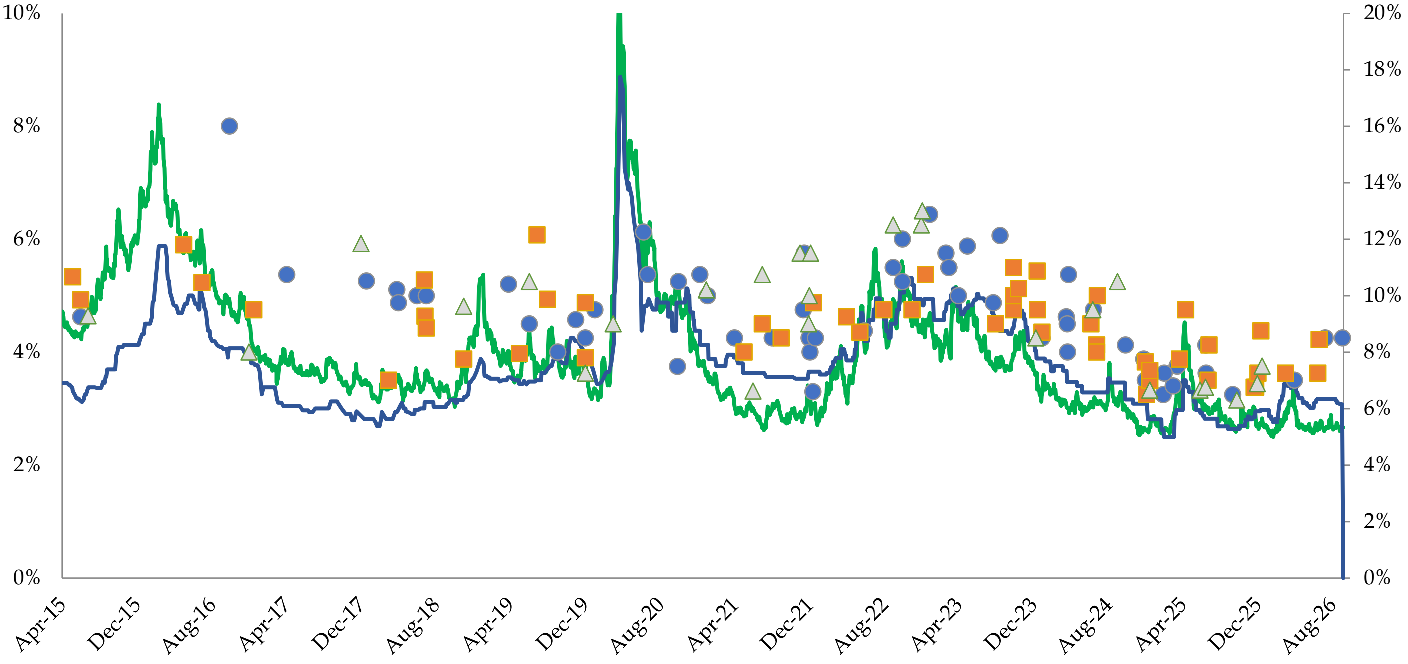
A bimonthly update on the Regulatory Capital Relief/ Significant Risk Transfer sector

September 8, 2026

Reg Cap Spread Trends

Recent Reg Cap pricing ranged between 600 and 850bps, while HY spreads tightened by 1bp during the month of August.

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 Sep. 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]
Sep-26	850	Corporate	US	No	USD	3.5	No
Sep-26	625	Corporate	US	No	USD	3.5	No
Aug-26	780	RV	US	No	USD	4.6	No
Aug-26	600	Auto	US	No	USD	6.1	No
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

[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

A number of 3Q European transactions are proceeding with bids and closings after the summer hiatus, while several 4Q processes are already beginning. Americans are reputed to take shorter summer holidays than Europeans (the Reg Cap Recap nodded to European practice by skipping the late August issue), and the US market remained active with three August transactions. While US transactions tend to appeal to a somewhat different investor base, evidence from both sides of the pond suggests that the very heavy anticipated 4Q pipeline will be met with strong investor demand.

Assets referenced in SRT transactions by European banks increased by 50% from 2024 to 2025, and based on strong 4Q pipeline the market is set to show another solid year on year increase, if not of quite the same magnitude. Large European banks who are active issuers remain under pressure to use SRT to optimize capital deployment, while smaller and less active institutions look to catch up. On the demand side, successful fundraising by dedicated SRT funds on the back of strong performance by the asset class, coupled with creative structures enabling insurance companies to participate in various forms, are likely to make for comfortable absorption of the supply. The market is seeing increasing bifurcation into traditional capital-motivated SRT transactions referencing banks' longstanding core lending portfolios, and risk motivated transactions referencing fast growing and riskier lending products such as data centers and private credit vehicles. While the latter may offer higher headline coupons, Seer has experienced the long-term fundamental outperformance of the former and will be sticking to that space.

Reg Cap News

New Issue News

PRICED: Ally $671m ABCLN 2026-B Prime Auto Loan CLN (Bloomberg News, 8/11/26)
Ally Bank priced a $671mn SRT (Significant Risk Transfer aka Regulatory Capital relief trade or "Reg Cap") that references a pool of prime auto loans. The transaction was upsized from $550mn. The deal was led by JPMorgan, Barclays and BofA and included offered tranches ranging from Aaa through unrated, with the most junior offered class pricing at 600s bp spread, tightening from initial mid-600s talk. The transaction assumes 1.0% cumulative net pool losses with a 50% recovery rate.

PRICED: Huntington Bank $485m+ Debut RV/Marine CLN ABS; Upsized (BN, 8/21/26)
Huntington Bank priced its debut RV and marine credit-linked note Reg Cap transaction at $485.6mn, upsized from $367.5mn. JPMorgan, Morgan Stanley and Wells Fargo served as joint bookrunners. The offered capital structure ranged from A3-rated senior notes to an unrated Class F, which priced at a spread of 780bps. Pricing assumptions including 1.75% cumulative net pool losses with a 40% recovery rate.

Nordea Plans SRT Deal Tied to Over €4 Billion of Loans (BN, 8/21/26)
Nordea is working on a Reg Cap transaction tied to more than $4.7bn of corporate loans, with the transaction expected to cover first losses on almost 7% of the reference portfolio. Nordea is already a long-standing SRT issuer and said in July that about €5bn of its risk-weighted assets are covered by such transactions. The deal comes amid continued strong investor demand for SRTs. First-half 2026 sales were estimated to be $3bn above the prior-year period, which is expected to translate to a sixth consecutive annual record at the current pace. Other Nordic banks, including Danske Bank and SEB, are also evaluating the market.

BNP Completes Synthetic Securitization Tied to Lombard Loans (BN, 8/25/26)
BNP Paribas completed its first SRT backed by Lombard loans, covering a $1.5bn portfolio originated by its wealth management business. The deal had been paused earlier in the year amid market volatility.
The transaction uses two pari passu protection tranches: $250mn of funded protection through notes and $50mn of unfunded protection through an insurance policy. The portfolio consists of loans to high-net-worth individuals or special purpose vehicles, secured by liquid collateral. It is a blind pool.

Ireland's AIB Turns to Santander for SRT Tied to Project Finance (BN, 8/25/26)
AIB is working with Santander on an SRT tied to about $2.9bn of project finance exposures, with completion expected later in 2026. AIB said in July that an additional 2026 SRT, including project finance loans, was expected to provide roughly 25-30bp of CET1 benefit. The transaction would broaden AIB's use of SRT beyond its prior deals, which referenced capital markets loans and residential mortgages. ING Groep NV and National Bank of Canada are among lenders which have recently considered hedging portfolios of project finance portfolios via Reg Cap transactions.

PRICED: US Bank $376M+ 2026-XOV1 Debut IG, Non-IG CLN ABS (BN, 8/28/26)
US Bank priced the first ever broadly distributed crossover corporate revolver Reg Cap transaction, referencing a granular blind static portfolio comprising mostly below investment grade exposures, with $376.25mm of offered notes. US Bancorp Investments was sole bookrunner and structuring lead. The bank retained the $3.06bn senior Class A and a $61.25mn residual class, while offering five classes ranging from A-rated to unrated. The offered tranches saw strong demand from investors, with pricing ranging from 190bp over the I-Curve for Class B which was rated A by DBRS, 625 over SOFR for Class E rated B by DBRS, and850bp over SOFR for the unrated Class F.

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US Bank, a midsize bank with just under $700 billion of assets as of the end of 2025, has been a pioneer in the US Reg Cap market, issuing deals referencing auto loans, RV loans, subscription lines, IG corporate loans, and now crossover corporate loans, all in direct credit linked note (CLN) format. Anticipated adoption of the Basel Endgame proposal may have been part of the impetus for referencing below investment grade loans in the latest transaction. Currently, based on the Collins amendment to the Dodd Frank Act, all banks in the US are subject to the standardized approach for calculating capital, effectively meaning that all assets are 100% risk weighted regardless of their actual risk profile. This has incentivized US banks to reference low risk assets such as IG corporate loans in Reg Cap deals to achieve capital relief at the lowest cost. The Basel Endgame proposal would ascribe a 65% risk weighting to IG corporate loans, meaning banks can obtain more capital relief by referencing more risky loans, which makes intuitive sense. The proposal would also remove certain restrictions on direct CLN issuance by banks.
Seer believes that this transaction can be a template for the US Reg Cap market. US Bank identified strong demand, apparently from a traditional ABS investor base, for relatively small, thin tranches referencing a granular pool of primarily below IG credits. This type of transaction appears to offer a cost-effective way of managing risk and capital on corporate loan portfolios, and we look forward to similar transactions along this line from US Bank and other issuers.

BBVA Eyes Rare Risk Transfer Tied to $2 Billion of Turkish Loans (BN, 9/1/26)
BBVA is working on an SRT tied to ~$2.1bn of loans to small and mid-size companies made by the lender's Turkish unit. The use of emerging-market assets as reference pools is relatively rare for the sector. The International Finance Corporation ("IFC"), a global development institution that is part of the World Bank Group, may participate as an anchor investor. BBVA recently completed another emerging-market SRT involving Mexican SME loans, where IFC provided mezzanine protection. The potential transaction reflects efforts by multilateral institutions to expand the use of SRT in order to further support lending in emerging economies. While the vast majority of Reg Cap issues reference European and North American loan portfolios, both the EBRD and the IFC have participated in recent transactions involving emerging-market exposures. The European Bank for Reconstruction and Development completed an SRT tied to €1 billion ($1.2 billion) of loans to infrastructure projects, financial institutions and other companies in over 20 countries in central Asia and eastern Europe etc. Meanwhile the IFC provided credit protection for Crédit Agricole on a $2bn portfolio of emerging market loans. At Seer we are excited to see the SRT market expand to new jurisdictions, but we are cautious on public sector institutions crowding out private capital, which has increasing appetite for a wide variety of transactions in the current market.

EU LEVFIN DAILY: UniCredit's Romania Unit Completes Second SRT (BN, 9/3/26)
UniCredit's Romanian unit completed its second synthetic SRT, referencing about $772mn of SME and corporate loans. The transaction provides risk-weighted asset relief and expands the unit's lending capacity, the bank said.

<u>**Reg Cap News**</u>
The Growing Role of Synthetic Risk Transfers in U.S. Banking (Morningstar DBRS, 7/31/26)
US SRT growth is lagging expectations as structural hurdles temper rising private credit demand (SCI, 8/21/26)
Morningstar DBRS says synthetic risk transfers are becoming a more important portfolio-management tool for U.S. banks, although the market remains much smaller and less central to capital planning than in Europe. U.S. banks account for roughly one-fifth of global SRT activity, compared with more than 70% for Europe. Europe's SRT ecosystem benefits from two decades of Reg Cap market development and regulation that explicitly supports the market.
The smaller U.S. market reflects different capital constraints, including leverage ratios that can reduce the value of RWA relief, as well as deeper ABS and whole-loan markets that give banks other options for the transfer of credit risk. U.S. issuance has nevertheless accelerated since 2023 as Federal Reserve guidance reduced regulatory uncertainty around the use of credit-linked notes (CLNs) for Reg Cap. Auto loans emerged as a favorite reference asset due to their granular risk profiles, deep performance history, and well-established existing investor base in ABS, as a cross over source of demand. Over time, issuance broadened across consumer, mortgage, and commercial real estate portfolios.
The investor base for US Reg Cap has also shifted toward private credit managers, which Morningstar DBRS says now account for more than half of demand. Morningstar notes that this potentially creates interconnectedness concerns when private credit funds finance CLN purchases through banks, potentially returning some of the transferred risk to the banking system indirectly. We have long believed that this risk is overstated, as we have covered in recent research pieces including here: https://seercap.com/wp-content/uploads/2025/01/Reg-Cap-Leverage-Clearing-Misconceptions.pdf
Morningstar notes that the latest Basel III Endgame revisions could provide a "modest tailwind," to the uptake of Reg Cap by U.S. banks, by giving clearer recognition to direct CLN issuance through a new prepaid credit protection mechanism and expanding permitted early-termination provisions. The US Bank crossover deal is an example, see above. Morningstar DBRS expects SRTs to remain less central in the U.S. than in Europe, however they do see SRTs becoming increasingly useful for managing concentrations while preserving lending capacity and customer relationships and fully optimizing the balance sheet.
The report ends by saying that SRTS "lack transparency," another common assertion with which we disagree. SRTs are entirely transparent to regulators, most importantly, and apparently also satisfy the markets' need for transparency, or they would not be as well bid as they are.

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In SCI's discussion of the Morningstar DBRS report, they noted that it follows Morningstar DBRS's February commentary, which examined the increasingly established role of SRTs in European banks and described European SRTs as "…a core component of banks' capital, risk management and balance-sheet efficiency."

The IACPM Global SRT Insurer Survey highlights credit risk insurers supporting a broad range of real-economy lending (IACPM, 8/24/26)
SRT insurer growth hinges on regulatory capital treatment, says IACPM (SCI, 8/24/26)
Insurers Want a Bigger Slice of the Bank Risk Transfer Boom (BN, 8/26/26)
The IACPM, SCI and Bloomberg News pieces point to rapid growth in insurer participation in SRT, particularly through unfunded protection. The IACPM survey found that Reg Cap deals using unfunded protections rose from 78 in 2024 to 96 in 2025. Insurers protected ~$5bn of SRT tranches in 2025, and survey respondents expect roughly 50% growth in the number of SRT protections in 2026.
The main constraint is regulatory treatment, rather than insurer interest. The outcome of the EU trilogue negotiations will be particularly important as it will decide the treatment of unfunded transactions and the eligibility of insurers. Meanwhile the U.S. "eligible-guarantor" framework currently prevents banks from receiving capital relief from comparable insurance-backed SRTs. Insurers are attracted to premium income and diversification, while banks are attracted to insurers' appetite for longer-dated and mezzanine risk.
The market is also becoming more structurally diverse. Bilateral insurer participations increased, average insurer shares in syndicated transactions rose, and hybrid structures combining funded junior protection with unfunded mezzanine insurance are becoming more common.
Banks and regulators generally have reservations about unfunded protection because the bank is converting credit risk on the loans in the reference portfolio into counterparty risk to the insurers. Banks are required to hold capital against their exposure to the insurance companies. In some cases, insurers can sell protection, especially on mezzanine tranches, at a cost which makes sense even in light of the capital that banks must hold for the counterparty risk. Many banks have portfolios of low risk, low spread assets, on which they would need to issue relatively thick tranches in SRT deals for capital or risk requirements. In these cases, the presence of a low cost, unfunded mezz market can give rise to SRT transactions that would not otherwise make sense economically.
Some insurers are also partnering with asset managers and funding banks to invest in tranches of specific SRT deals or portfolios of SRT deals. In these structures, the funding bank purchases a tranche of SRT exposure and obtains a policy from an insurer, who performs detailed due diligence on the SRT deals and becomes comfortable accepting the credit risk. Because the insurer has different capital requirements and risk appetites, the sum of the funding spread plus insurance premium can be lower than the funding spread that a bank would charge without the insurance policy. Seer is working on such a structure, as highlighted below.

Banks and Insurers Run Risks Playing Shell Games: Paul J. Davies (Bloomberg Opinion, 8/27/26)
The author argues that the growing use of unfunded insurer protection in European SRTs could create additional risks for both banks and the financial system. Unlike funded SRT investors, insurers providing unfunded protection do not put up cash in advance, even though banks still may use the SRT to release equity capital. Bloomberg Opinion says this structure increases potential channels of contagion because an insurer could face large claims during a broad credit downturn at the same time its investment portfolio is under pressure. He contrasts Europe's more permissive approach with the greater caution shown by the Bank of England and U.S. regulators, noting that UK banks have not used unfunded insurer protection in the same way.
The author also makes the broader argument that Europe's reliance on SRT reflects its underdeveloped capital markets and companies' continued dependence on bank lending and that Europe would be better served by developing deeper equity and bond markets.

Monthly roundup of SRT market activity (SCI, 8/28/26)
SCI's August roundup describes an SRT market expanding across asset classes, geographies and investor structures. Issuance has extended beyond the most common reference assets, and into private credit, CRE, data centers, project finance, Lombard loans and credit cards, while banks including MUFG, Crédit Agricole, TD, ING, mBank, BNP Paribas, RBI, Deutsche Bank and BAWAG used or explored SRT for increasingly varied balance-sheet objectives.
The market also expanded geographically. Singapore's DBS completed its inaugural transaction, UOB and OCBC were considering deals, Canadian activity included a new Polar Asset Management SRT fund and potential National Bank of Canada project-finance SRT, and emerging-market transactions involved BBVA Mexico and potential activity in Bulgaria. Insurance capacity also continued to grow, while SRT financing evolved toward fund-level structures. (which we believe greatly ameliorates the lenders' risk)
At the same time, investors became marginally more selective as spreads, volatility and perceived credit risk increased. In the U.S., issuance continued to face structural and economic hurdles despite rising private-credit demand.
The article mentions that Seer is working to secure a US$300m leverage line from First Abu Dhabi Bank backed by a Nationwide Mutual insurance policy.

Is It Time to Reframe CRTs? Looking Beyond Capital Relief in a Well-Capitalized Market (LinkedIn, 9/1/26)
The paper argues that CRTs should not be evaluated only as an alternative to raising capital, particularly for banks that already have ample capital. Instead, it proposes evaluating whether a CRT can improve earnings and ROE by reducing RWA while allowing the bank to retain the reference loans, their income and customer relationships, then redeploy some of the released RWA capacity or use it to support capital returns.

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The framework calculates an "Effective Breakeven Premium," defined as the highest annual protection premium a bank can pay without reducing pre-tax income under stated reinvestment assumptions. The paper emphasizes that the model is illustrative and subject to important constraints. Released RWA is not cash; new lending must be funded, leverage ratios and supervisory requirements still apply, actual capital relief depends on the qualifying structure, and results depend on losses, funding costs, reinvestment timing, amortization, protection terms and other transaction-specific factors. Putting aside the particulars, we would agree that CRT (aka SRT aka Reg Cap) can be very valuable tools for banks to support lending growth and should be a part of every bank's toolkit.

Can synthetic securitization support economic growth? (ECB, 9/2/26)
ECB Says Bank Risk Transfers Boost Dividends More Than Lending (BN, 9/2/26)
The ECB blog (and Bloomberg's subsequent reporting) on it find that synthetic securitization appears to have a larger effect on bank dividends than on corporate lending. For example, the ECB estimates that a 1% increase in synthetic issuance is associated with about a 0.02% increase in corporate loans but a 0.07% increase in dividend payouts, making the lending effect too small to have a meaningful economic impact.
The ECB still sees synthetic securitization as useful for capital management and risk mitigation because it can improve diversification, reduce concentration risk and free regulatory capital. At the same time, the researchers caution that strong capital ratios can obscure counterparty and rollover risks, especially with unfunded protection, and that capital distributions increase balance-sheet leverage.
The overall conclusion is that synthetic securitization can improve bank balance-sheet efficiency, but its contribution to real-economy lending is not easily substantiated as per the ECB's analysis.
At Seer we view the financial system as extremely interconnected and complex. Trying to perform statistical analysis to isolate the impact of SRT on increased lending vs dividends strikes us as akin to trying to trace a ripple created by a rock thrown into the ocean many miles away. In our view SRT offers banks a cost-effective way of managing capital and risk, and is generally supportive of a healthy banking system, which is important for a strong economy.

BNP Paribas Asset Management Alts Gets $600 Million Significant Risk Transfer Strategy Mandate from Arizona State Retirement (MT Newswires, 9/3/26)
BNP Paribas Asset Management Alts received a $600mn SRT investment mandate from the Arizona State Retirement System. The allocation follows a $400mn investment made in April 2024, bringing the retirement system's total commitment to the strategy to $1bn. Arizona State Retirement System said the allocation is part of its broader private-market credit portfolio and is intended to support long-term return and diversification objectives. For its part, BNP Paribas Asset Management Alts described Reg Cap as offering "decorrelation and resilience." BNP Paribas Asset Management acquired Axa Investment Managers at the start of 2026. BNP is also one of the largest issuers of SRT transactions, so the bank will need to carefully ensure that the asset management entity operates completely independently. At Seer we are somewhat concerned at the growing presence of asset management arms of SRT issuers in the market, which can give rise to at least the appearance of conflict.

Banking Industry News

New regs could cause banks to pull some credit lines (CFOBrew.com, 8/12/26)
Proposed "Basel III Endgame" revisions could make some unused credit lines more expensive for large U.S. banks by requiring capital against commitments that currently may carry little or no capital charge. The change could affect unused credit-card lines, some HELOCs and certain revolving, supply-chain and trade-finance facilities.
The concern is that banks may respond by reducing or closing infrequently used credit lines because they would be holding capital against exposures that generate little revenue when undrawn. Trade groups have also warned that the broader definition of a "commitment" could also make supply-chain finance less attractive. The final rule is expected later in 2026 or in 2027.

Europe's Banks Shouldn't Race America Toward Crisis: Editorial (Bloomberg Opinion, 8/20/26)
Bloomberg's editorial board argues that Europe should resist pressure to weaken bank capital requirements simply because the U.S. is moving toward lighter supervision and higher leverage and "courting a banking crisis." More equity, it argues, makes banks more resilient and does not necessarily make them less competitive; in fact, U.S. banks have historically outperformed European peers despite historically higher capital requirements.
The EU is currently revisiting bank regulation as part of a "broader effort to boost productivity and revive economic growth."
The editorial suggests that regulators should seek to simplify Europe's regulatory framework toward that end. It favors reducing overlapping and confusing capital rules while relying more heavily on straightforward, loss-absorbing equity rather than synthetic or hybrid substitutes. It also argues that completing the EU banking union would do more to improve European banks' competitiveness by allowing larger pan-European institutions to emerge, with the "…scale to compete with juggernauts like JPMorgan Chase & Co."

Deutsche Uses AI Agents to Improve the Loan Portfolio: AI Today (BN, 8/26/26)
Deutsche Bank is using a new service from Google Cloud's Gemini for credit-risk assessment and loan-portfolio monitoring. These AI agents are designed to perform complex analytical tasks without the need for continuous prompting, including reviewing financial statements, monitoring borrowers and identifying emerging risks.

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The corporate bank says its loan book is growing while its risk profile is improving: e.g., while average loans rose more than 7% last quarter YOY, credit-loss provisions fell more than 50%. How much of this is rightly attributable to AI and how much reflects the credit cycle or other factors was not addressed in the article; we are skeptical. Deutsche helped Google design the financial research agent and plans broader deployment later in 2026.

A CEO's Sudden Exit Spotlights Troubles at German Regional Banks (BN, 8/29/26)
Problems at Volksbank Brawo are highlighting broader strains among some of Germany's cooperative banks. Under its former CEO ("ousted" this past May), Brawo expanded well beyond traditional regional banking into real estate, restaurants, fitness studios, and even a brewery, among other investments. The bank now says some assets may need to be written down and is considering support from the cooperative sector's rescue fund.
Brawo is one of more than half a dozen cooperative lenders that have needed help from peers in recent years. Thomas Hartmann-Wendels, a banking professor at the University of Cologne noted "…there are a lot of cases where an ambitious chief executive officer branched out from the traditional business of their bank." An estimated €1bn of support has been extended, while more than $1bn of unwanted loans were transferred to the sector's bad bank last year. Governance can be a weakness because supervisory boards are not always dominated by banking experts.
Germany's 650 cooperative banks primarily lend to local businesses that may have less access to large lenders. They are generally owned by their customers, which means they face less pressure to maximize profits or pay dividends. The sector had €1.7trn in assets last year, compared with €1.4trn at Deutsche Bank, Germany's largest lender. It earned €11.6 bn before **taxes** last year, compared with €9.7bn at Deutsche. The cooperative banks participate in a mutual support system. As a result, they each receive a credit rating based on the strength of the group as a whole, and troubled banks can receive support or be merged with stronger peers. The cooperative system has never required a taxpayer rescue, but intervention costs are rising. Reforms intended to strengthen early intervention and risk governance were passed in June.

UBS Scores Interim Win in Struggle Against Swiss Capital Demands (BN, 8/31/26)
UBS Faces Protracted Capital Battle as Minister Hits Back (BN, 9/1/26)
The New UBS AT1 Plan Is Complex, Costly And Bad (Bloomberg Opinion, 9/7/26)
Swiss lawmakers (the Economic Affairs and Taxation Committee) have proposed allowing UBS to meet as much as half of a roughly $20bn additional capital requirement with a special form of AT1 debt rather than CET1 equity. This would be a meaningful compromise from the government's original proposal, which would have required full equity backing for foreign subsidiaries. The upper-house committee backed the compromise 10-2, but the proposal still faces a lengthy legislative process as well as opposition from the government and left-leaning lawmakers. Finance Minister Keller-Sutter argues that the compromise favors UBS over taxpayers and would weaken the effort to prevent losses at foreign subsidiaries from draining capital at the Swiss parent. UBS, meanwhile, says even the softer proposal would materially increase its funding costs and hurt competitiveness.
The committee also wants AT1 instruments redesigned so that they trigger earlier in stress, with restrictions on dividends, buybacks, coupons and bonuses if CET1 falls below minimum requirements. AT1s were born in the aftermath of the GFC crisis as a way to increase a bank's loss-absorbing capacity. Banks issue them to help meet regulatory capital requirements under Basel III. AT1s (Additional Tier 1 securities) sit between common equity and ordinary bank debt in terms of risk. They are usually perpetual and coupons can be skipped in certain circumstances. If the bank's capital falls below specified levels, (7% currently in UBS's AT1s) AT1s can be written down or converted into common equity. The committee's redesign addresses the "key weakness of AT1 debt that emerged during Credit Suisse's decline. "
Bloomberg Opinion argues that the proposed new AT1 structure is unnecessarily complex and potentially costly. Raising the conversion trigger would make the securities riskier and likely more expensive, while it is unclear that conversion would work effectively in a crisis. The column argues that Switzerland could obtain loss-absorbing protection more simply by requiring more of the existing junior debt rather than creating a new and untested form of AT1. Meanwhile, UBS still faces a lengthy legislative process ahead and a "protracted battle."

UK Bank Surcharge Back at 8% Is a Toll, Not Roadblock (Bloomberg Intelligence, 9/3/26)
Bloomberg Intelligence's central case assumes the U.K. bank corporation-tax surcharge rises back to 8% from 3%, potentially costing Lloyds, NatWest, Barclays UK and HSBC UK more than £3bn over 2027-28. BI views that increase as manageable because consensus pretax profit for the four banks has risen more than 10% over the past year to above £60bn, with earnings upgrades exceeding the estimated tax hit. The U.K. bank corporation-tax surcharge, introduced in 2016 to ensure banks make an additional contribution to public finances, imposes an extra 3% tax on annual bank profits above £100 million, on top of standard corporation tax.
Lloyds and NatWest would be most exposed because of their domestic focus, with roughly two-thirds of the estimated cost falling on the two banks. Their projected ROTE could decline by about 145-155bp, versus smaller effects at Barclays and HSBC.
BI sees any increase above the 8% level as more problematic. Raising the surcharge to 16% or 35%, as contemplated in more aggressive proposals, could materially reduce ROTE and payout capacity, increase the cost of equity and hurt the U.K.'s competitiveness as a banking center. "Policymakers now must strike a balance between raising banks' fiscal burden and preserving their capacity to support the economy. That means a potential increase in taxes must avoid constraining lending to retail and corporate borrowers."

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Reg Cap News (continued)

This article provides the opportunity to reiterate our view that the modern economy is extremely complex and interconnected, and we would caution UK government officials to fully consider the implications of increasing the bank tax before proceeding. Would a higher bank tax make investment in UK bank shares less attractive than other companies, or than banks in other jurisdictions? If investors are reluctant to invest in shares of UK banks, will banks have less capital to lend to UK companies?

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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