SCI

Capital Relief Trades Awards

2024

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Credit Risk Transfer Trades

With more than 100 structured finance lawyers in offices across the Americas, Europe, and Asia, Mayer Brown has one of the largest structured finance practices in the world – and with that size comes the knowledge and experience to tackle novel transactions like **credit risk transfer trades ("CRTs")**.

Mayer Brown's structured finance and regulatory lawyers develop innovative CRT technology to help banks manage credit risk and investors acquire exposure to that risk. We use our decades of experience designing securitizations to efficiently problem solve for our clients.

Our team advises banks, investors, and intermediaries in structuring and negotiating CRTs. We have developed documentation for nearly every permutation of the CRT and can advise on emerging asset classes (e.g., sub lines, revolving) and client concerns (e.g., cross-border structures). Our sense of market color allows us to provide vibrant perspectives where others dabble in shades of gray.

We also counsel banks and intermediaries on how to engage with regulators regarding CRTs. We prepare submissions for banks and directly engage regulators to explain why these transactions are a sound method of reducing risk. We also advise investors regarding the regulatory process, including the reasonableness of opposing positions.

Matthew Bisanz is a bank regulatory partner who advises banks and asset managers on complex instruments and transactions, including CRTs. He has interpreted the regulatory capital rules for over 10 years.

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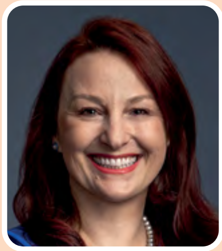
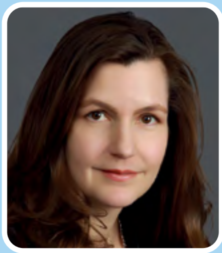


Eri Budo Uerkwitz' practice focuses on complex financings and structured finance transactions, including CLOs, asset-backed lending and synthetic securitisation.

Ed Parker is head of Mayer Brown's derivatives practice and structures CRTs in Europe and elsewhere. He also advises on complex and structured products, as well as insurance-linked derivative structures.

Sagi Tamir focuses his practice on representing investors in structured finance and derivative transactions. He has represented clients in numerous cash and synthetic collateralized loan, fund and debt obligations transactions.



Angela Ulum focuses her practice on advising banks and other issuers on CRTs and other structured finance transactions, with an emphasis on market participants in the auto and equipment sectors.

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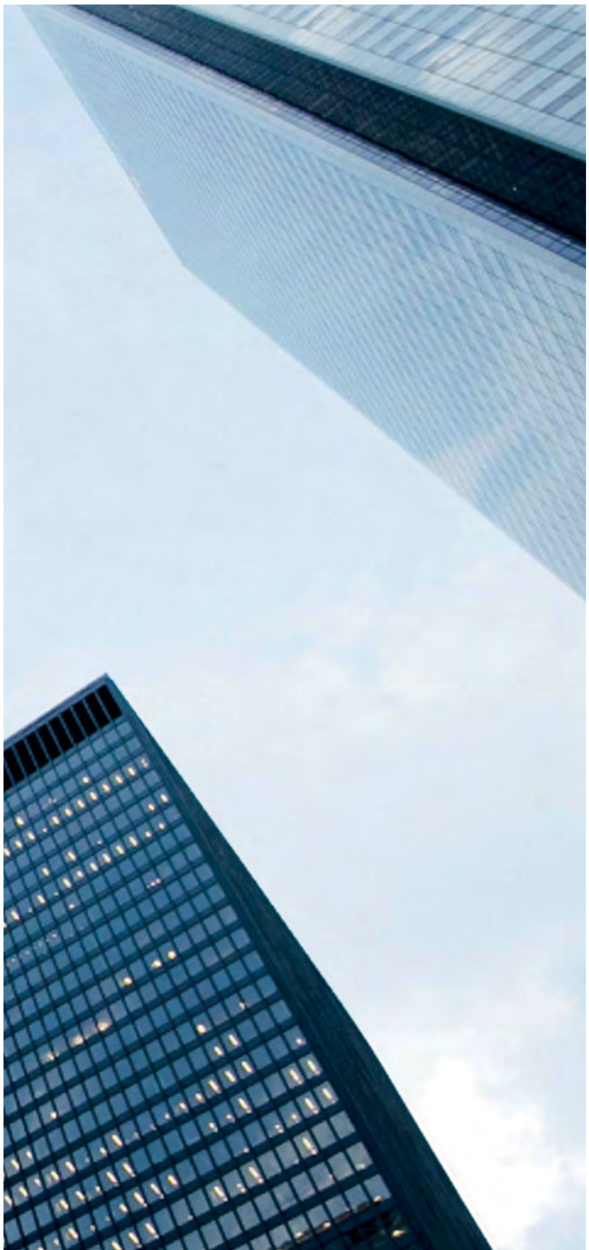


London, October 2024

The US Federal Reserve's FAQ on CLNs in September 2023 sparked anticipation that the floodgates would finally open for US bank SRT issuance, resulting in many new investors exploring the sector and an initial wave of transactions.

The momentum subsequently seen this year in US SRT has altered supply and demand dynamics, with some describing it as a banks' market, due to the deluge of new capital coming into the sector. Others, meanwhile, view these developments as a natural progression for the sector.

Against this backdrop, the SRT market finally caught the attention of the mainstream press, which didn't always paint it in a favourable light. Indeed, certain op-ed pieces characterised SRT as banks' "magical thinking" and as a balance sheet "wheeze", underplaying the soundness of the regulatory framework and SRT's broader utility in helping banks to increase lending to the real economy.

SRT portfolios represent banks' core books of business and it is in the interests of both issuers and investors that the pools perform as expected. Furthermore, when undertaken properly, SRT facilitates economic and social development without creating financial instability – and it can attract more talent and financial resources to support the green and digital transitions.

The innovations and innovators recognised in SCI's 2024 Capital Relief Trades Awards demonstrate this in spades. From a landmark transaction that facilitates mortgage lending to women in Chile and a deal enabling a German bank to channel €350m of capital into clean power projects, to a platform that combines (re)insurer risk appetite with third-party funding to create rated repacks of SRT notes, the utility of risk transfer technology is clear.

The awards Roll of Honour on page 5 of this special edition of SCI underlines the vibrancy of the market, in terms of new asset classes, jurisdictions and issuers. Our congratulations to the deserving winners and honourable mentions of this year's awards, as well as to the SRT industry as a whole, for its many achievements over the last 12 months.

We would like to wholeheartedly thank everyone who submitted a nomination for the awards. Our thanks and appreciation also go to our awards advisory board – comprising Tony Viscardi of ATLAS SP Partners, Matthew Bisanz of Mayer Brown, Olivier Renault of Pemberton Capital Advisors, David Saunders of Santander, Gina Hartnett of Schroders Capital and Alan Ball of Texel (each of whom was recused from judging an award that they could be nominated for) – for its invaluable input. Final selections for the awards were made by the SCI editorial team, based on the pitches we received, colour from other market participants and our own independent reporting.

The qualifying period for the awards was 1 July 2023 to 30 June 2024.

Looking to the next 12 months, it will be interesting to see whether the US SRT market finally fulfils its promise. SCI will certainly continue to keep you abreast of these developments and more!

All the best for the year ahead,

Corinne Smith
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SCI Capital Relief Trades Awards 2024 Roll of Honour

EUROPEAN TRANSACTION OF THE YEAR
Winner: Fanes SRT 2023 (Intesa Sanpaolo, IMI Corporate & Investment Banking Division, Sparkasse)
Honourable Mention: Caravela SME 6 (BCP, Deutsche Bank)

NORTH AMERICAN TRANSACTION OF THE YEAR
Winner: Granville USD (BNP Paribas, Scotiabank)

EMERGING MARKETS TRANSACTION OF THE YEAR
Winner: Project Patagonia (IFC, PGGM, Santander)

ESG TRANSACTION OF THE YEAR
Winner: Lion 4 (EIB Group, LBBW)

INNOVATION OF THE YEAR
Winner: Granular Portfolio Insurance Product (BNP Paribas, Howden, Liberty Specialty Markets)
Honourable Mention: ICE DeltaTerra Climate Credit Analytics (Intercontinental Exchange, DeltaTerra Capital)

INVESTOR OF THE YEAR
Winner: Magnetar
Honourable Mention: ArrowMark Partners

(RE)INSURER OF THE YEAR
Winner: RenaissanceRe
Honourable Mention: Arch Insurance (EU) DAC

EUROPEAN ISSUER OF THE YEAR
Winner: BNP Paribas

NORTH AMERICAN ISSUER OF THE YEAR
Winner: JPMorgan

EUROPEAN ARRANGER OF THE YEAR
Winner: UniCredit

NORTH AMERICAN ARRANGER OF THE YEAR
Winner: BMO

EUROPEAN LAW FIRM OF THE YEAR
Winner: Clifford Chance

NORTH AMERICAN LAW FIRM OF THE YEAR
Winner: Mayer Brown

SERVICE PROVIDER OF THE YEAR
Winner: Credit Benchmark

NEWCOMER OF THE YEAR
Winner: EMX Partners
Honourable Mention: LuminArx Capital Management

OUTSTANDING CONTRIBUTION TO SRT
Winner: IACPM

EUROPEAN TRANSACTION OF THE YEAR
WINNER: FANES SRT 2023
(Intesa Sanpaolo, IMI Corporate & Investment Banking Division, Sparkasse)

Sparkasse's debut SRT trade, Fanes SRT 2023, is SCI's pick for the European Transaction of the Year category in this year's CRT Awards. Not only is the deal the first-ever Italian STS synthetic securitisation involving only private investors, it also features a one-off amortisation mechanism for the mezzanine tranche, which can be activated should the issuer be authorised to use the IRB method in the future.

Cassa di Risparmio di Bolzano, also known by its German name Südtiroler Sparkasse, is one of the most important independent savings banks in Italy. The acquisition of a majority stake in CiviBank in June 2022 positions the group as the most important territorial institution in Italy's north-east.

Fanes SRT represents the first synthetic securitisation ever completed by Sparkasse, together with Intesa Sanpaolo through its IMI Corporate & Investment Banking Division in the role of arranger and placement agent. Closed at the end of 4Q23, this landmark transaction references a granular static portfolio of approximately €1bn of Italian corporate and SME exposures.

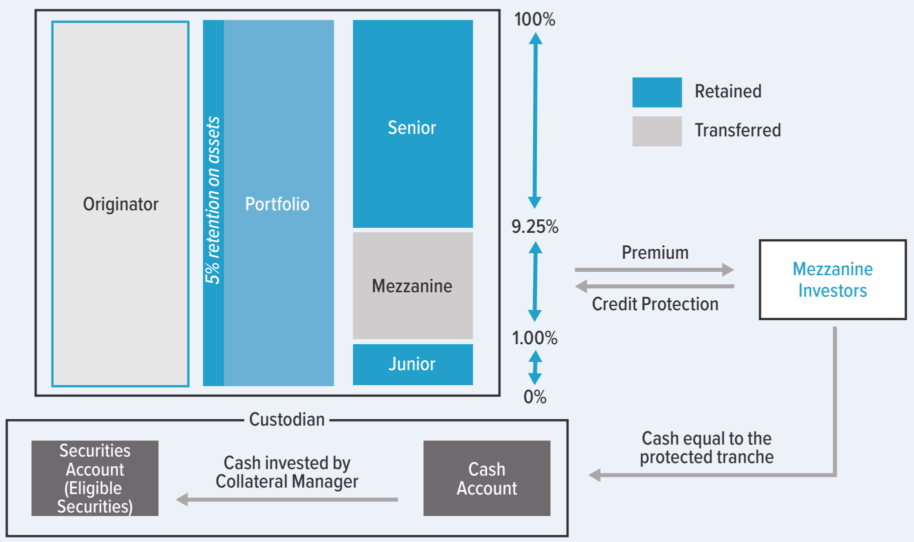
The structure features a 0%-1% junior tranche, retained by the originator, and a 1%-9.25% mezzanine tranche, which was allocated to two private investors at competitive pricing in the low double-digit range. Despite a crowded market in the final two quarters of 2023, the bidding process for Fanes SRT was highly successful, underscoring the transaction's appeal.

Amortisation is on a pro-rata basis, subject to performance triggers, with a time call set to the WAL, estimated at around three years. This transaction, structured as a direct financial guarantee, enabled Sparkasse to reduce its RWA by approximately 80% at closing, thus boosting its CET1 ratio.

As the first-ever STS synthetic securitisation in Italy involving only private investors, Fanes SRT not only represents a significant achievement for Sparkasse, but also sets a new benchmark for the Italian SRT market. By obtaining the STS label, Sparkasse was able to maximise the cost-efficiency of the transaction.

Due to Italy's credit rating (i.e. below credit quality step 2), the primary challenge in achieving the STS label for synthetic securitisations for Italian banks is the inability to use cash collateral deposited with the originator. This issue was partially solved for Italy's largest banks

Transaction structure



Source: Intesa Sanpaolo

by a Consob waiver in July 2024, although it continues to pose challenges for smaller unrated institutions.

However, to comply with STS requirements, the originator can alternatively reinvest the cash collateral in 0% risk-weighted debt securities held by a third-party custodian, maturing no later than the next payment date. Sparkasse opted for this approach and, with the support

of the senior tranche is higher than under the SEC-IRBA. If during the life of the transaction, Sparkasse were authorised to use internal models and therefore to apply the SEC-IRBA, it would need a lower detachment point on the mezzanine tranche to maximise the capital relief.

To maintain cost efficiency also in this scenario, Sparkasse and the arranger have developed a one-off additional amortisation

> "FANES SRT REPRESENTS THE FIRST SYNTHETIC SECURITISATION EVER COMPLETED BY SPARKASSE"

of the arranger and the legal advisor, successfully implemented a legal structure that allows the protected tranche to benefit from a 0% risk weight through a right-of-use in favour of the originator, enabling the investment of cash collateral in eligible securities.

Fanes SRT also includes an important innovative feature. It is well known that under the SEC-SA approach, the credit enhancement needed to reach the floor on the risk weight

mechanism for the mezzanine tranche, which can be activated at Sparkasse's discretion once authorised to use the IRB method. This mechanism is calibrated to achieve optimal credit enhancement under the SEC-IRBA while preserving the same level of RWA relief.

This transaction demonstrates that even smaller regional banks can successfully enter the SRT market. With the collaboration of IMI Corporate & Investment Banking Division, Sparkasse has shown that it is possible for smaller, less-experienced institutions to secure highly competitive pricing and incorporate numerous innovative features in their inaugural transactions. Furthermore, the success of the bidding process and the allocation of the mezzanine tranche to multiple investors have laid a strong foundation for the originator to execute many more successful transactions in the future.

> "THIS TRANSACTION DEMONSTRATES THAT EVEN SMALLER REGIONAL BANKS CAN SUCCESSFULLY ENTER THE SRT MARKET"

HONOURABLE MENTION: CARAVELA SME 6 (BCP, Deutsche Bank)

In February 2024, Caravela SME 6 was executed by Banco Comercial Português (BCP) and Deutsche Bank (as arranger and placement agent). A €78.6m mezzanine tranche was placed with private investors.

The transaction, which has a four-year term and a three-year replenishment period, references an €850m blind-pool portfolio of short-term credit facilities to SME and corporate BCP's clients in Portugal. The credit protection is granted through a credit default swap backed by fully funded CLNs.

The transaction is the sixth securitisation under the Caravela programme, newly introducing reverse factoring facilities. The structure benefits from synthetic excess spread in use-it-or-lose-it format and is an STS-compliant securitisation.

BCP's Caravela programme is one of the longest running active SME securitisation programmes in Europe, although formats and structures have varied through its history. BCP closed Portugal's first SME securitisation under the name Promise Caravela in 2004.

Combining BCP's track record in Portuguese SME lending and securitisation market with Deutsche Bank's arranger and placement capabilities, Caravela SME 6 attracted very strong investor interest. With a spread of 8.70%, Caravela SME 6 is widely believed to be the corporate SRT transaction with the tightest pricing of any southern European originator in comparison to privately placed funded transactions over the prior 12-18 months.

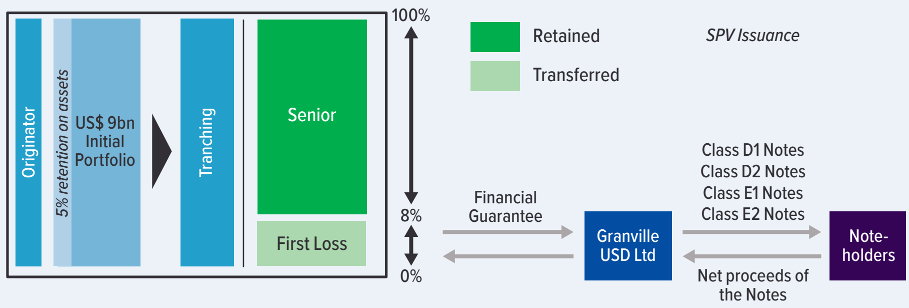
NORTH AMERICAN TRANSACTION OF THE YEAR
WINNER: GRANVILLE USD (BNP Paribas, Scotiabank)

Upsized from US$5bn to US$9bn, Scotiabank's Granville USD represented the largest-ever debut Canadian SRT – in terms of both portfolio size and notes sold – when it closed in July 2023. In recognition of this, and for optimising Basel 4 output floor constraints via several innovative risk mitigation techniques, the transaction is SCI's North American Transaction of the Year.

Granville USD, also known as Project Balboa, was driven by a focus on developing SRT as an active capital management tool amid the increased focus from the Office of the Superintendent of Financial Institutions (OSFI) on prudential constraints in Canada. Arranged by BNP Paribas, the deal provides credit protection on a 0%-8% junior tranche and hedges its risk via the issuance of four series of notes – with a face value of US$720m – credit linked to a financial guarantee. A total of 13 investors participated in the deal, with some taking 0%-8%, some taking 0%-6% and others taking 6%-8%.

The reference portfolio comprises a revolving pool of drawn and undrawn Canadian and US corporate loans, with a 36-month replenishment period, and the average rating of the exposures is equivalent to approximately triple-B. The majority (85%) of the pool was disclosed.

Transaction structure



Source: BNP Paribas

The transaction achieved approximately a 70% RWA reduction and was executed with an expedited timeline, having launched and settled within five months, against a challenging backdrop following the collapse of Silicon Valley Bank and Credit Suisse. Among the risk mitigation techniques utilised to optimise Basel output floor constraints was the assignment of triple-A to single-A public ratings by Morningstar DBRS to the retained senior securitisation positions, as well as the sale of a senior mezzanine tranche to lower the overall hedging costs.

Granville successfully enabled Scotiabank to establish itself in the SRT market and laid the foundation, both internally and externally, for a programme of future transactions.

EMERGING MARKETS TRANSACTION OF THE YEAR
WINNER: PROJECT PATAGONIA (IFC, PGGM, Santander)

Project Patagonia has won Emerging Markets Transaction of the Year in this year's SCI Capital Relief Trades Awards. This forward-looking transaction involves a pioneering approach in which a bank, a private investor and a multilateral development bank (MDB) partner together to: achieve capital relief for the bank, deploy resources from a leading private international investor into a new emerging markets jurisdiction for it, and enable greater amounts of developmental activities to be undertaken by the MDB – with all three of these objectives accomplished in a financially sustainable way.

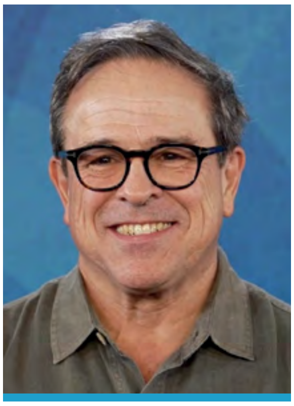
Banco Santander Chile, IFC and PGGM closed in June 2024 an innovative credit risk sharing facility which involved impactful collaboration between a Latin American bank, an MDB, as well as a private investor. The transaction will allow Banco Santander Chile to undertake increased amounts of mortgage lending to women in Chile. It also represents a new way for MDBs to grow their developmental activities with existing balance sheet resources.

The transaction references a US$500m portfolio of corporate loans to Chilean borrowers which remain on Banco Santander's balance sheet. IFC provides full credit risk protection on US$400m of that portfolio. At the same time, PGGM offers a first loss guarantee to IFC on this US$400m amount, with IFC thereby retaining senior risk exposure towards the latter. The transaction also features a three-year replenishment period, which is rather unique – especially in such a jurisdiction.

Overall, the incorporation of SRT features into this transaction – as well as the participation of both IFC and PGGM – permit a longer-tenor risk sharing facility. This approach goes beyond what would otherwise be a conventional MDB risk sharing structure and allows the bank to maximise benefits from Project Patagonia. Furthermore, the approach enhances the positive social impact achieved through new eligible lending by the bank.

The transaction's capital relief is achieved both at the bank's local and group levels. Such an outcome is enabled by a long-tenor transaction structure, whereby Banco Santander Chile issues a 0%-100% tranche on an unfunded basis to IFC, and the bank therefore obtains zero-risk weighted full credit risk mitigation on a predetermined portion of a portfolio of assets. Simultaneously, PGGM offers IFC a first loss guarantee on the credit protection it has provided to Banco Santander Chile.

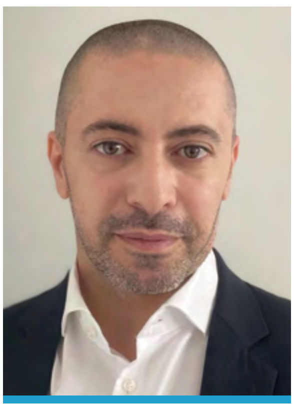
The capital freed up by the transaction will be reinvested by Banco Santander Chile in mortgage loans to women in Chile, who represent a financially underserved segment in the country.



Xavier Jordan, IFC

Santander Group to conceptualise the transaction alongside IFC, which had undertaken previous shorter-tenor conventional credit risk sharing facilities with Banco Santander Chile, and PGGM brought its capabilities as a leading global SRT investor to a new jurisdiction.

> "THE SUCCESS OF PROJECT PATAGONIA IS VERY MUCH BASED ON ITS COLLABORATIVE NATURE, IN WHICH EACH PARTY CONTRIBUTED ITS OWN EXPERTISE"



Luca Paonessa, PGGM

By mobilising resources from a leading global SRT investor into a new emerging markets jurisdiction, this approach "crowds-in" private capital alongside an MDB investment and therefore permits IFC to undertake a larger and longer-tenor credit risk sharing facility than might otherwise be possible for it.

"The success of Project Patagonia is very much based on its collaborative nature, in which each party contributed its own expertise and played a critical role in achieving intended results," says Luca Paonessa, senior director, credit and insurance linked investments at PGGM.

In Project Patagonia, Banco Santander Chile leveraged the risk transfer experience of

"By mobilising private investor participation along the lines successfully undertaken here, Project Patagonia highlights an innovative way that MDBs like IFC with existing balance sheet resources can implement additional risk-sharing arrangements for emerging market banks, which in turn enables them to undertake additional developmentally impactful lending," notes Xavier Jordan, chief investment officer responsible for capital markets in the financial institution group at IFC. "This approach could be replicated in other emerging markets – thereby enhancing the relevance of MDB risk sharing transactions to banks around the world."

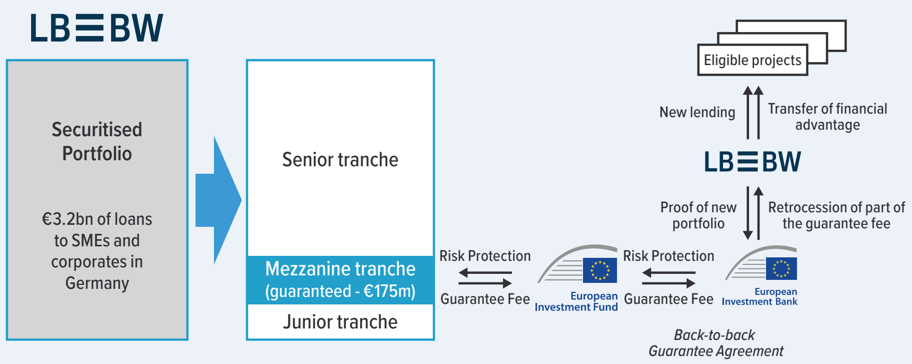
ESG TRANSACTION OF THE YEAR
WINNER: LION 4 (EIB Group, LBBW)

The EIB Group and LBBW closed Lion 4 in September 2023, with the latter committing to channel €350m of freed-up capital into new financing for clean power projects. In recognition of its exceptional contribution to decarbonising the German economy and to boosting Europe's energy independence, the transaction is SCI's pick for ESG Transaction of the Year.

The synthetic securitisation involves a guarantee on a mezzanine tranche to support LBBW's lending in the renewable energy sector. The €3.2bn reference portfolio consists of loans to SMEs and other corporates originated by LBBW in its ordinary business. The transaction is structured with a two-year replenishment period and falls under the STS securitisation framework.

Through a retrocession agreement, LBBW undertakes to convert the additional lending capacity into a new portfolio that is at least double the size of the €175m mezzanine tranche guaranteed by the EIB (or €350m). The amount allocated under this operation is expected to result in the development of about 340MW of new electricity generation capacity from renewable sources, equivalent to the energy use of more than one million homes.

Deal scheme



Source: EIB Group

Originating loans secured by wind farms and photovoltaic plants is typically very challenging. The beneficiary companies will be in Germany, other EU Member States and Switzerland.

The EIB Group supports the 'use of proceeds' approach to drive investments into a sustainable economy. With innovative tools like synthetic securitisation, capital can be released from a 'brown' loan portfolio and be reinvested into new 'green' lending.

The Lion 4 synthetic securitisation operation was undertaken in line with the EIB Group's commitment to support the REPowerEU programme.

> "THE SYNTHETIC SECURITISATION INVOLVES A GUARANTEE ON A MEZZANINE TRANCHE TO SUPPORT LBBW'S LENDING"

INNOVATION OF THE YEAR
WINNER: GRANULAR PORTFOLIO INSURANCE PRODUCT (BNP Paribas, Howden, Liberty Specialty Markets)

The Granular Portfolio Insurance Product (GPIP) has won Innovation of the Year in this year's SCI Capital Relief Trades Awards. This product is the first insurance structure of its kind and was developed by BNP Paribas (the bank), Liberty (the insurer) and Howden (the broker).

This innovation is in response to various operational limitations when using credit insurance for the bank and at a time when credit insurance is increasingly used as a method of capital relief. The GPIP has given BNP Paribas an efficient and scalable means of distribution, marking an improved and an additional tool beyond existing, traditional, single risk insurance structures. Alongside this, GPIP creates a strong platform for insurers to further transition from underwriting single assets to a batch of assets, while maintaining important structural features embedded into that market.

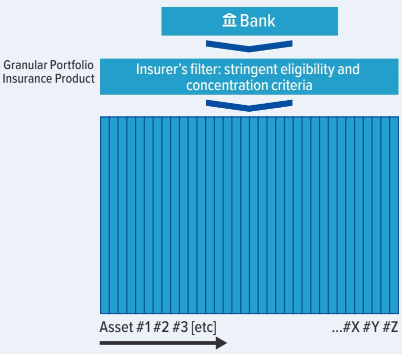
One of the key drivers to finding a solution was to reduce the high cost of sourcing assets eligible for insurance that comes from the extensive legal due diligence required prior to any placement. This can be on aspects like confidentiality and prior consent limitations on each loan facility, which can impact insurability, and the outcome of this due diligence often results in less than 50% of target assets being eligible for insurance and materially impacts the efficiency of sourcing assets.

Insurers on a single risk basis traditionally require receipt of a comprehensive information package on each asset or facility too, which places another heavy burden on the bank in terms of time and resource. Historically, this has meant the bank would exclude granular assets that were too small in exposure (or RWA savings), as the cost of sourcing eligible assets versus the capital benefit derived from insurance was too high.

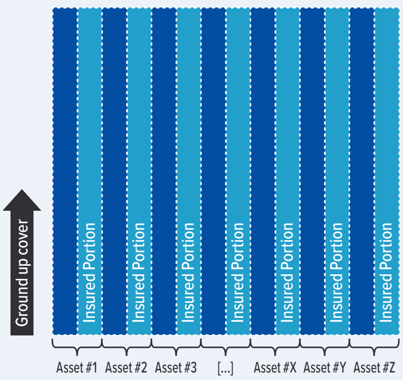
BNP Paribas, Liberty and Howden worked together to deliver a product that addressed these constraints while also ensuring critical requirements for both the bank and the insurer were met.

The ability to build the right portfolio with the right asset mix was key to meet the insurer's needs in terms of concentrations and premium. For the bank, important criteria included pari-passu and ground-up coverage under one unified policy, thereby consolidating all the insured limits within the portfolio. A single policy means much more efficient post-inception policy management for all parties.

Selection of assets composing a Reference Portfolio built using pre-agreed criteria with Insurer

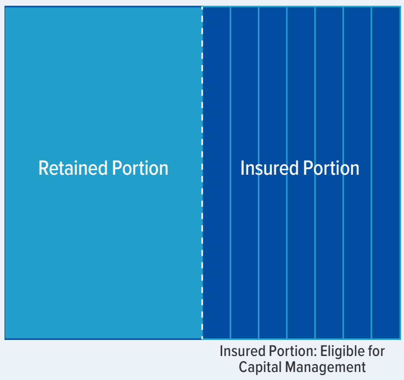


Mechanism of cover: Ground up and pari-passu coverage for each asset under one unified policy, consolidating all the insured limits within the portfolio



The policy tenor matched the maturity of the underlying assets, in order to be compliant as an eligible credit risk mitigant, with premium based on actual exposure of the insured portfolio rather than on each and every insured facility, thereby optimising premium management.

Portfolio view and outcome of the cover



To alleviate the legal due diligence normally required, disclosure of obligors was limited to those critical to insurers, with unique arrangements for ongoing disclosure drafted into the policy, as well as other changes to typical single risk policy features that blended infrastructure from other types of portfolio risk transfer trades while simultaneously allowing the use of multiple distribution challenges (e.g., securitisation and insurance). This optionality for BNP Paribas significantly improves its ability to dynamically manage RWA of any given asset.

The insurer used its capabilities in portfolio modelling, structuring and analysis to: overcome ▶

"THIS INNOVATION IS IN RESPONSE TO VARIOUS OPERATIONAL LIMITATIONS WHEN USING CREDIT INSURANCE FOR THE BANK AND AT A TIME WHEN CREDIT INSURANCE IS INCREASINGLY USED AS A METHOD OF CAPITAL RELIEF"

Thomas Alamalhoda, BNP Paribas

"HOWDEN FACILITATED THE BALANCE BETWEEN THE NEEDS OF THE INSURER AND THE BANK TO CLOSE THIS INAUGURAL DEAL FOR THE INDUSTRY"

the challenges that arose in the requirements of the transaction; achieve a more attractive premium; and apply meaningful capital against the portfolio. The insurer also benefitted from access to high quality, investment grade granular assets, filtered through stringent eligibility and concentration criteria.

Howden facilitated the balance between the needs of the insurer and the bank to close this inaugural deal for the industry.

In summary, this new hybrid product integrates the strengths of insurance with certain securitisation features when structuring the portfolio. This allows BNP Paribas to open up credit insurance to new portfolios of granular assets not normally accessible under a traditional single risk approach requiring an asset-by-asset review. The product can also be used in parallel with other distribution channels, thereby maximising the capital relief achievable on a given asset mobilised for distribution.

Thomas Alamalhoda, head of resource and portfolio management at BNP Paribas, comments: "The co-design of the GPIP is the result of a solid historical partnership, whereby portfolio approach and optimisation features bring efficiency and growth on both sides."

HONOURABLE MENTION: ICE DELTATERRA CLIMATE CREDIT ANALYTICS (Intercontinental Exchange, DeltaTerra Capital)

ICE and DeltaTerra Capital in September 2023 launched a groundbreaking initiative in mortgage credit risk modeling, leveraging their respective strengths to deliver advanced solutions for capital markets. ICE, a leader in physical climate risk modeling, and DeltaTerra Capital, an investment research consultancy, have collaborated to create a new analytics product: ICE DeltaTerra Climate Credit Analytics. This product integrates ICE's expertise in climate science and geospatial real estate analysis with DeltaTerra's sophisticated economic and market risk model, aiming to provide actionable insights for investors.

The ICE DeltaTerra Climate Credit Analytics tool is designed to assist investors by evaluating climate-driven risks across various sectors, including CRT. It assesses over 15,000 bonds, representing approximately US$850bn in principal, providing detailed risk metrics and a unique climate duration measure that quantifies climate risk akin to interest rate or credit risk. This innovative product not only evaluates physical risks, but also examines their interaction with evolving insurance systems and property markets, effectively bridging gaps between property market risk, mortgage credit risk and structured security risk.

This joint venture has made significant strides in integrating climate science into market practices. ICE and DeltaTerra have adapted their approach to focus on risk management solutions in response to market demands and increasing concerns about insurance system failures in areas like California and Florida. Their efforts have garnered heightened industry attention to climate as a credit risk factor, particularly with the increasing volatility of insurance costs, and the impact to borrowers' ability to repay.

By combining DeltaTerra's buy-side investment experience with ICE's tailored product development, the partnership offers a distinctive approach that translates complex climate models and insurance data into actionable credit risk metrics, providing a securitised products perspective that is not commonly available in other climate risk solutions. Their work is also aligned with recent regulatory actions, such as the FHFA's advisory on Climate-Related Risk Management, which emphasises the connection between climate and credit risk.

INVESTOR OF THE YEAR
WINNER: MAGNETAR

The 2023/2024 awards year marks a period of transformative growth in the significant risk transfer (SRT) market. Amid a dynamic landscape characterised by new issuers, growth in the US SRT market and an influx of new investors, Magnetar distinguished itself with historically high investment volumes across varied deal structures and underlying asset classes and a commitment to thought leadership.

Throughout the awards period, Magnetar executed 12 transactions totaling US$724m across seven asset classes – large and mid-cap corporates, SMEs, consumers, trade finance, CRE and project finance. These investments delivered on Magnetar's long-standing SRT investment strategy of constructing and maintaining a multi-asset class portfolio to provide diversification and attractive risk-adjusted IRRs to investors. Magnetar served as a trusted execution partner to nine financial institutions in eight countries over the year, a testament to the firm's strong and diverse institutional relationships within the SRT ecosystem.

Central to Magnetar's success in 2023/2024 was its continued focus on acting as sole or anchor investor in innovative transactions, across new asset classes, countries and structures. These included two synthetic consumer deals in first-time jurisdictions, with highly customised terms for a high-velocity, short-term receivables execution of a bespoke US SRT deal on a multi-family housing portfolio and helping its investment partners advance commitments to sustainable investing through a predominantly renewable energy project finance transaction. These transactions marked departures from traditional SRT approaches in different ways, with each underscoring the firm's flexible investment

Alan Shaffran, Magnetar

> "DESPITE A MARKET WHOSE HYPE ATTRACTED SCORES OF NEW ENTRANTS COMPETING FOR CERTAIN TRANSACTIONS, WE MAINTAINED OUR CORE FOCUS ON SOURCING TRANSACTIONS WITH APPROPRIATE AND SOMETIMES UNCOMMON RELATIVE VALUE"

Aidan McKeown, Magnetar

approach and ability to innovate to provide new solutions for its bank partners.

"In a year marked by pronounced increases in both the supply of SRT transactions and demand from new entrants to the market, Magnetar's diverse investment approach successfully navigated the SRT ecosystem to deliver value to both our transaction partners and our investors," says Alan Shaffran, senior portfolio manager and partner at Magnetar.

He continues: "Despite a market whose hype attracted scores of new entrants competing for certain transactions, we maintained our core focus on sourcing transactions with appropriate and sometimes uncommon relative value. This meant evaluating the full investment profile with a focus on creative structural solutions and strenuous underwriting, paying close attention to stress scenarios. This focus on downside protection has been proven over Magnetar's 16-year SRT investment history to produce durable returns through the cycle."

Magnetar's depth of expertise across structuring of transactions to meet bank needs, experience in multiple asset classes and a systematic approach to underwriting was crucial in navigating deal complexity throughout the year.

"Our long history of investing in multiple asset classes and jurisdictions, combined with a mature and systematic underwriting approach was key to developing the requisite conviction in our investments. And our approach of providing comprehensive, transparent and timely feedback to our bank partners has built a reputation as a trusted and long-term execution partner," says Aidan McKeown, portfolio manager at Magnetar.

Magnetar's SRT business is further strengthened by its integration within Magnetar's broader alternative credit and fixed income platform, which is highly diversified across ▶

David Snyderman, Magnetar

asset classes and investment types. This allows Magnetar to leverage extensive specialist asset class experience, accumulated data and robust infrastructure developed over years, all while fostering a collaborative approach across business lines. It also enables Magnetar to source and underwrite a wide array of transactions and maintain a consistently diverse portfolio of SRT transactions.

Beyond transactional successes, Magnetar has been at the forefront of thought leadership within the SRT ecosystem, including educating the LP universe on the market through the publication of detailed whitepapers and educational sessions, as well as participation in industry forums – including IMN, SBAI, the PCS Symposia and prime broker events.

Looking ahead, Magnetar remains committed to expanding its SRT presence globally and refining its investment strategies. The launch of "Magnetar Labs", an internal initiative of the firm, is a testament to Magnetar's commitment to data-driven decision-making, harnessing AI and machine learning to enhance analytical capabilities. Leveraging its strong track record and deep expertise, the firm is poised to help continue driving the evolution of the SRT market.

"As we continue to expand our geographic reach and refine our SRT strategies, we remain focused on leading the industry into new frontiers of growth and opportunity," says David Snyderman, managing partner at Magnetar.

HONOURABLE MENTION: ARROWMARK PARTNERS

As one of the largest and longest tenured investors in the SRT market, with US$8.5bn of investment in 109 transactions since 2010, ArrowMark Partners understands the importance of being a consistent partner to global banks while maintaining the flexibility to evolve with the market and opportunity set. The firm's activity over the last year demonstrated its continued ability to balance these dual objectives and reinforced its positioning at the forefront of the industry.

Co-led by Kaelyn Abrell and David Corkins since inception of the strategy 14 years ago, the ArrowMark team is comprised of 10 individuals working out of the firm's Denver and London offices. In addition to the insights and expertise from 14 years of investment, the firm benefits from almost half of the team's prior experience working at issuing banks. Collectively, the team's expertise spans all major collateral types, issuing geographies and regulatory frameworks.

The diversity of the team's experience contributes to ArrowMark's ability to offer advisory and structuring expertise to existing or new issuers. During ArrowMark's time in the asset class, it has helped create new SRT platforms, most recently with a major Spanish bank, and developed innovative structures for the US transactions that have enabled banks to maintain access to the market in a variety of market conditions and/or improve the efficiency of the issuance process.

Milestones achieved during the 12 months ending on 30 June 2024 reflect the success of ArrowMark's approach. During the period, the team deployed US$1.5bn across 16 new issue transactions, including a mix of syndication types – bilateral, club, syndicated – and spanning collateral types – large corporate, SME and trade finance, among others.

The firm added two new issuer relationships, one each in Europe and the US. The firm's historical investments span 19 issuing banks across the major issuing geographies – Europe, the UK, the US and Canada – and 40 lending platforms.

Finally, as it relates to fundraising, ArrowMark launched the fifth vintage of its SRT-dedicated commingled fund series in autumn 2023. The fund will invest alongside a core group of semi-permanent fund vehicles managed by ArrowMark that are similarly dedicated to the asset class.

(RE)INSURER OF THE YEAR
WINNER: RENAISSANCERE

Over the company's 30-year history, RenaissanceRe has evolved from a property catastrophe reinsurer to a multiline, global reinsurer with access to the best casualty, specialty, credit and property risks. Last year, the company acquired Validus Re from AIG, bringing together two highly skilled underwriting teams and enhancing RenaissanceRe's scale and offerings.

RenaissanceRe's credit business is an important contributor to the company's success and diversification, and the team's value proposition as an innovative, expert, cross-class underwriter within the three pillars of the company's credit business – structured credit, mortgage credit and credit, bond and political risk – has helped them solidify its market position. With 21 employees in five geographies and a credit portfolio of over US$550m gross premiums written in the first six months of 2024, the company has one of the largest credit operations in the reinsurance space.

RJ Shea, global head of credit for RenaissanceRe, attributes both partnership and the team's willingness to explore innovation as key reasons for its success. "We operate in a very collaborative environment, and our team has proven experience providing effective structures to clients who are considering new and innovative risk transfer programmes. We partner with our clients through market cycles, taking a long-term view of the risks we assume and working closely with clients to ensure that we're delivering the solutions they need beyond the here and now."

Working primarily with insurance companies (both diversified and monoline), banks and government agencies across the globe, RenaissanceRe's credit team has demonstrated increasing leadership in the structured credit space through its distinctive approach to problem-solving.

Mehdi Benleulmi, RenaissanceRe

In 2024, RenaissanceRe continued to grow its structured credit franchise with both a

RJ Shea, RenaissanceRe

geographically diverse and an asset-class diverse portfolio, completing transactions referencing, but not limited to, large corporate loans, SME loans, real estate loans and fund financing. The company writes equity, junior mezzanine and senior mezzanine layers as it seeks to create a unique risk profile for its portfolio. Beyond SRT and always in the spirit of partnership, it has provided bank clients with credit risk protection on capital-intensive portfolios, "matching desirable risk with efficient capital", as Shea notes.

RenaissanceRe continues to play an active role in the development of the unfunded SRT market, extending beyond its direct business with banks. As Mehdi Benleulmi, head of structured credit for RenaissanceRe and head of the company's European credit business, notes: "Through thoughtfully structured credit risk transfer transactions, we assume risk on an unfunded basis as an alternative, or complement, to cash market participants. We believe that the unfunded market is where we add the most value to the overall SRT market and where we can achieve sustainable growth for our portfolio."

The company also actively engages with industry stakeholders in this space, both directly and through industry groups such as the ICISA and IACPM, discussing key topics including the potential for an STS label for unfunded participants. "Our view remains that diversified and regulated (re)insurance companies, with strong balance sheets like ours, should be eligible to provide protection on STS transactions," Benleulmi observes.

In the US structured credit space, RenaissanceRe is a leader in both the US Private Mortgage Insurance (PMI) and Government Sponsored Enterprises (GSE) credit risk transfer spaces. In 2023, the company brought third-party capital into the CRT reinsurance space for the first time. This first-of-its-kind transaction created an avenue for cash investors to access CRT reinsurance transactions, providing cash investors with cost-effective turns of leverage, while eliminating the need to mark-to-market these trades.

"Our unique approach provides clients with significant gross line sizes on a bilateral basis and provides us with fee income via our market-leading access to risk," Benleulmi concludes. "It's a win-win."

HONOURABLE MENTION: ARCH INSURANCE (EU) DAC

Arch has significantly increased its presence in the European SRT market over the last number of years, becoming a market leader in unfunded SRT execution. The firm has invested in its team, been an industry voice for unfunded SRT and provided execution certainty to our clients, which has led to a marked expansion of the unfunded SRT market.

Arch wrote its first unfunded mortgage trade in 2018. Since then, the firm has expanded into multiple EU and non-EU geographies and invested in trades across a broad range of asset classes. Indeed, its insured book has grown considerably and the firm is currently the largest insurer of unfunded mortgage SRT in Europe.

Arch has established direct relationships with Europe's leading banks since it opened its European Mortgage Insurance office in 2012. Many of the transactions the firm has written in recent years are repeat trades with banks it has established an existing partnership with. Building a strong network of trusted counterparties is critical to its success in the SRT arena.

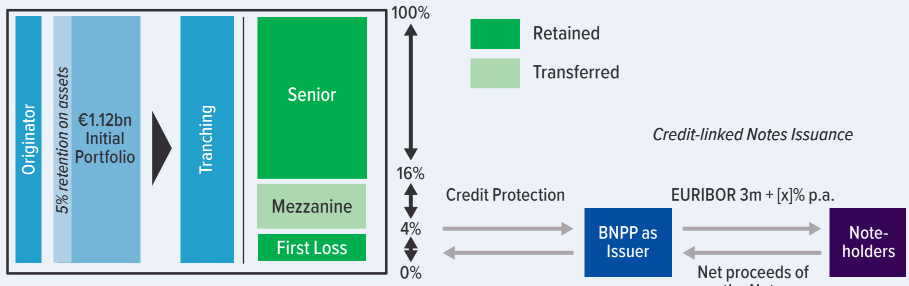
Arch sees a growing demand for SRT transactions from both IRB and SA approach banks and has concluded transactions across both regulatory approaches. Many SA approach banks are often first-time issuers and the firm works closely with these institutions to find a structure and portfolio which makes economic sense for both parties.

Arch has broken ground in 2023-2024 by writing trades in new geographies which do not have a history of private sector unfunded SRT. The firm is committed to growing its SRT presence across Europe and has invested heavily in its team to ensure it has the in-house capability to review and underwrite SRT transactions. Arch is a long-term investor in this sector and views SRT as a core part of its business.

EUROPEAN ISSUER OF THE YEAR
WINNER: BNP PARIBAS

BNP Paribas issued an eye-watering 12 SRT transactions referencing €26.3bn of exposures across six asset classes during the awards period, including via the launch of three new European programmes. For continuing to push the boundaries and expand its SRT franchise, the bank is SCI's pick for European Issuer of the Year.

Project Hanovre transaction structure



Source: BNP Paribas

Between 1 July 2023 and 30 June 2024, BNP Paribas placed €1.46bn of first or second loss tranches with over 20 investors, as well as €1.5bn of full-stack notes in the public ABS market. During this period, the bank closed its first deal referencing leveraged finance assets booked in BNP Paribas Fortis (€530m Project Harewood 2), its first French mid-cap leveraged finance deal (€1.12bn Project Hanovre, for BNP Paribas – Banque Commerciale en France (BCEF)) and an inaugural emerging markets transaction for its Polish subsidiary BNP Paribas Polska (PLN2.18bn Mazurka).

Harewood 2, which closed in September 2023, features CLNs issued directly from BNP Paribas Fortis' balance sheet and references a fully disclosed portfolio of drawn and undrawn sponsor-led LBO facilities. An €85m mezzanine tranche (3.5%-19.5%) was placed with investors.

Meanwhile, the €1.96bn Marianne trade – referencing both French large corporate and SME loans originated by BCEF – marked the first issuance from a new BNP Paribas programme during the awards period. The bank transferred the credit risk on a 0.80%-5.20% mezzanine tranche via the issuance of CLNs in September 2023.

Mazurka, which closed in March 2024, marked the launch of the bank's second new programme during the period. The transaction also represents BNP Paribas' second with the IFC and involved the placement of a PLN218m mezz tranche (1%-11%), referencing a portfolio of Polish corporate loans. The capital freed up by the trade was used to finance climate change mitigation projects, focusing on renewable energy, energy efficiency and green projects.

BNP Paribas also closed Project Hanovre – its third new programme – in March 2024, purchasing credit protection on a 4%-16% mezzanine tranche via the issuance of CLNs worth €134m. The €1.12bn reference pool comprises drawn and undrawn French LBO loan exposures, with an average rating of double-B.

Although investors generally require extensive disclosure on LBO financing, the portfolio had to be blind, given the complexity of disclosures under French banking secrecy law for such assets. Considering the blind nature of the portfolio, a large syndication wasn't feasible, so the deal was placed bilaterally with an investor able to bid for the entire mezz tranche. Notably, the investor was new to the BNP Paribas platform.

The bank's objectives during the awards period were to continue opening up more asset classes as part of its capital management toolkit, onboard new entities of the Group onto its SRT platform and increase its distribution footprint to ensure solutions are available for different asset classes at different times of the year. This has been made possible by the group-wide mandate and skillset of the securitised products team, as well as placing distribution at the heart of its SRT strategy. By positioning each transaction with a unique set of investors to ensure capacity, BNP Paribas continues to demonstrate that it can execute difficult trades in difficult market conditions.

NORTH AMERICAN ISSUER OF THE YEAR
WINNER: JPMORGAN

Project Appia, which JPMorgan closed on the final business day of 2023, represented perhaps the largest and most complex set of SRT transactions the market has yet seen. For its efforts in bringing this landmark deal to the market, JPMorgan is SCI's North American Issuer of the Year.

The reference pool in Project Appia was huge, perhaps unprecedently so, totalling some US$22bn. The programme encompassed five separate transactions, each with different tranche thicknesses, attachment points and pricing.

It seems now that all the tranches came in south of 10%, rather than the typical North American 0%-12.5%, as was initially rumoured. Pricing was similarly idiosyncratic, but sources suggest all were "high single-digits."

JPMorgan declined to comment for this piece.

The assets varied as well and were a mix of investment grade and high yield revolving loans, originally written from the revolver desk, not the loan desk. This meant every separate transaction had documentation that was entirely discrete and JPMorgan was obliged to negotiate with five different legal teams – one for each trade.

All trades emanated from a fully cash collateralised bankruptcy-remote SPV. The independence of the issuing entity was required to avoid the Volcker Rule and the regulatory purview as a commodity pool operator, but of course added to structuring complexity.

However, all were also entirely bilateral and customised to meet the individual needs of each buyer.

And yet all these pieces had to be put in place in an eight-week period beginning in early November, when the bank received notification that the US Federal Reserve would look kindly on the various transactions as legitimate synthetic regulatory capital trades and ending the deal when closed at the end of the following month.

These two months strained the capacity of the team at JPMorgan mightily, but it got the trades over the line. The effort was led by Charles Martino, global head of strategic and tactical structured solutions, reporting to Masi Yamada, head of global investor structuring.

Martino is responsible for the entire SRT initiative at JPMorgan, while Francois Belot, head of SRT execution, spearheaded the landmark Project Appia on the ground.

It is thought that five investors, taking one leg each, bought pieces of Project Appia, and the names of Ares, Blackstone, DE Shaw, LuminArx and PGGM were mentioned in press reports last year. However, the participation of only a couple of these shops has been confirmed.

Some of these buyers have been involved in the SRT market for a long time and have a longstanding relationship with the bank. Those who have worked with it before offered high praise of it.

Since then, the Federal Reserve has rowed back from its original position and increased capital requirements will be closer to 9%. Consequently, it now seems possible that JPMorgan will not hit the market in such size again. It will, however, continue to make use of the mechanism and has several deals shaping up for 4Q24, say sources.

It sees SRT not merely as a means by which the burden of risk weighted assets can be reduced, but as a risk transfer as well. When there are multiple assets from unlisted private names on the balance sheet, the reg cap trade often represents the only hedge in the market.

> "IT'S A VERY HIGH-QUALITY ISSUER. IT'S A SERIOUS ORGANISATION AND WILLING TO WORK WITH INVESTORS TO ACHIEVE DESIRED RESULTS"

"It's a very high-quality issuer. It's a serious organisation and willing to work with investors to achieve desired results. The bank thinks creatively about how to meet different needs of investors in a single transaction and dedicates a lot of resources to deals," said one.

The bank had been looking at this kind of mega-deal for some seven or eight years, but it was the initial proposals in what became known as the Basel 3 Endgame (B3E) in July 2023 which concentrated minds at JPMorgan. In the original iteration of B3E, the bank was looking at an increase in capital requirements of at least 20%.

Only a very large deal – a US$22bn deal – could make any sort of meaningful dent in these obligations. For a bank with a vast balance sheet, smaller, more usual SRT deals would have no impact whatsoever; it had to go big.

Chief executive officer Jamie Dimon, who last year was outspoken in his criticism of the extra burden that was about to be placed on US banks, was fully involved in Project Appia from the outset. Indeed, it is suggested that the impetus for Project Appia emanated from the C-suite.

It might have been thought that the market did not have the kind of capacity to absorb such a large trade. Many traditional SRT buyers have relatively limited books and, in this trade, the smallest ticket was around US$200m and the largest perhaps US$500m.

Yet JPMorgan was convinced that the demand was there. The hunger for SRT deals from private credit firms, particularly a year ago before spreads tightened so significantly, was yawning. Risk transfer deals not only offered above market returns, but private credit funds earn fees immediately rather than being obliged to wait for the ramp-up period.

Another buyer who worked with JPMorgan before also paid fulsome tribute to the skills on offer at 270 Park Avenue: "The bank has a high level of intelligence when it comes to how to use the tool. It doesn't look at the tool as a static thing, and just roll out deals as it has always done; it looks at it dynamically to achieve what we and the bank needs."

The belief that the demand was there, and that it possessed sufficient in-house capacity and expertise to get these deals into the market quickly and successfully, was triumphantly vindicated.

EUROPEAN ARRANGER OF THE YEAR
WINNER: UNICREDIT

UniCredit completed nine SRT transactions during the awards period, across four jurisdictions and five asset classes, referencing underlying portfolios totaling €13bn. For supporting eight clients, five of which were external, the bank is SCI's pick for European Arranger of the Year.

Between 1 July 2023 and 30 June 2024, UniCredit continued to develop innovative and efficient structures for both standardised and IRB banks. New product features added include undrawn exposures of revolving credit lines and synthetic excess spread.

Notably, the bank also continued to lead the way in Central and Eastern Europe, with the €2.15bn Project Makalu representing the largest-ever SRT for the region and the €1.66bn Project Argo the third largest. Closed in September 2023 and originated by mBank, Project Makalu was structured in the form of directly issued CLNs and offered the first opportunity for SRT investors to gain exposure to Polish retail assets. Project Argo closed in December 2023 and references a portfolio of Polish consumer loans originated by Millennium BCP.

Another highlight was the €847.4m Arts Consumer 2023, UniCredit's second full-stack SRT deal with the EIB acting as senior and mezzanine investor. Closing in October 2023, this transaction provided support to Italian SMEs and mid-caps.

Looking ahead, UniCredit anticipates that the SRT market will continue to grow rapidly – boosted by fresh issuances from US banks, but also from new originators across Europe. Banks are turning to SRTs in areas of their business that are core and important for client relationships, but that can be inefficient uses of regulatory capital. As a result, the collateral behind SRTs is often of a high quality.

Two main drivers are guiding the growth of the SRT market, in UniCredit's view: Basel 4 implementation that will increase the capital required for several business lines; and banks' profitability improvement via capital velocity generated by rotating balance sheet and releasing capital. "Basel 4 has forced banks to find different solutions – not only in terms of RWA optimisation, but also to keep some business lines profitable, given the higher capital charge that will be required," says Andrea Modolo, md at UniCredit.

He continues: "If I look back at how the market has evolved over the past years, the evolution is incredible in terms of new originators, asset classes and jurisdictions involved: if, at the beginning, SRT transactions were mainly an 'extraordinary' tool for the largest banks located in a few jurisdictions in Europe, nowadays it is becoming more of an ordinary tool accessible to a broader range of originators (and not anymore restricted only to the largest banks) and jurisdictions."

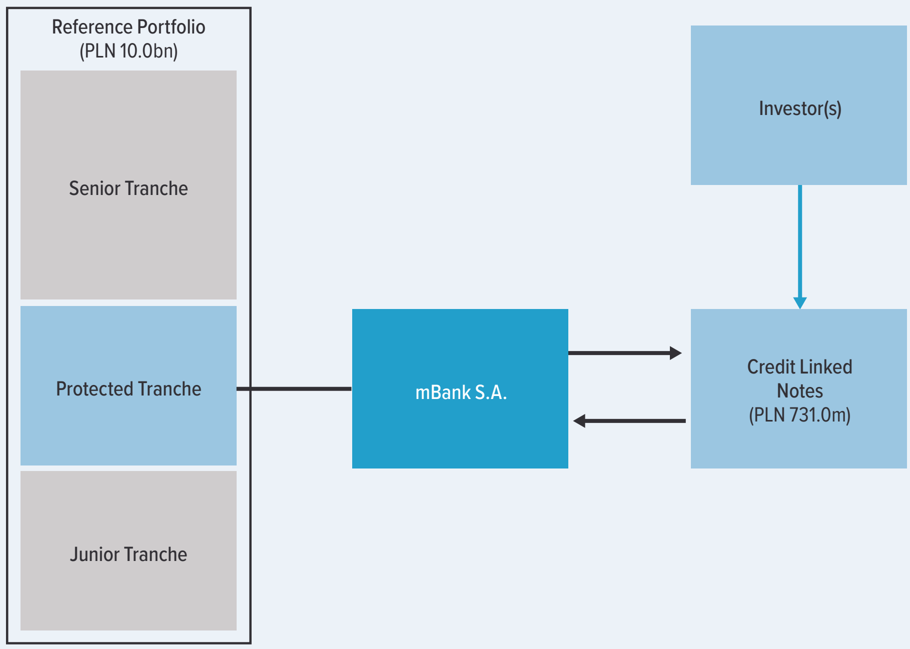
Over the past years with a macro regime of lower rates, many banks increased their duration to their balance sheet to generate additional yield; with today's higher rates, that decision has led to an up-tick in unrealised mark-to-market depreciation that makes it difficult to syndicate in the secondary market such loans without realising a loss. For banks with these assets on their books, SRTs can provide hedging, capital relief and liquidity without having to sell assets and realise losses: the capital relief can be deployed in assets generating higher yield, thereby increasing profitability for the banks.

"The trajectory of the SRT market seems pretty clear: while the instrument demonstrated in the past years the ability to transfer real risk to investors, the focus now is on its significant impact; SRTs will become more and more relevant for the profitability of banks, the velocity to redeploy capital in the real economy and hence to support the economic growth of the different countries," Modolo observes.

He adds: "European banks have a competitive advantage when it comes to SRT transactions, given the strong experience gained over the past years. The evolution of SRTs is to focus on the future flow/new origination: banks have so far securitised their stock portfolio that requires at least 6-12 months to ramp up, but velocity is key to manage RWAs in a timely manner and to improve the profitability of banks – therefore, we expect an increase of the use of securitisation to secure capital relief of the new origination/future flow."

Mario Draghi recently published a report focused on the Future of European Competitiveness, which clearly stated that at the moment EU banks cannot rely on securitisation to the same extent as their US counterparts, with an overall issuance in euros standing at just 0.3% of GDP (as at 2022) – while for the US, the figure was 4%. "Securitisation makes banks' balance sheets more flexible by allowing them to transfer some risk to investors, release capital and unlock additional lending. It could also act as a substitute for lack of capital market integration by allowing banks to package non-tradeable assets to non-bank investors," Modolo concludes. "Indeed, we truly believe that securitisation is a powerful tool for banks' capital and funding needs; we had the pleasure of working with several clients across Europe, setting up both their inaugural SRT transactions and their funding ABS programmes. The pipeline for next year highlights a healthy market and that new originators will join the SRT market."

Project Makalu transaction structure



Source: mBank's public disclosures

NORTH AMERICAN ARRANGER OF THE YEAR
WINNER: BMO

As last year's North American Issuer of the Year, Bank of Montreal (BMO) has set a high bar for itself. Thanks to a series of key issuances across multiple SRT platforms, the bank has continued its impressive run this year. As such, with its dedicated team of risk transfer experts, a mix of asset classes and experience in this growing segment, BMO is SCI's North American Arranger of the Year.

While many players have entered the SRT space in the last couple of years, BMO launched its first SRT platform in 2016. The bank now boasts seven platforms – Algonquin, Boreal, Killarney, Muskoka, Sauble, Taiga and the newly established Quetico – and has completed 25 transactions to date, making BMO the largest SRT issuer in North America and a prolific arranger. And, as new investors continue to enter the market, this experience has put BMO in a prime position to continue setting the pace.

A key enabler of this success is BMO's dedicated SRT group. "We have a world-beating team here," says Jamie Payne, md and head of BMO Capital Market's risk and capital solutions group. "We have a team of 10 experts, who work exclusively on SRT transactions, and that supports the growth we've had."

BMO has also made significant investments in the tools necessary to support both the bank's requirements and the demands of its investors. "As you grow to the number of active transactions and the number of platforms that we have, you need the systems and capabilities

Jamie Payne, BMO

to be able to keep up with that," Payne says. "We've invested a lot of time and effort into building our internal infrastructure to make sure we can support the size of the platform we have."

And, as the needs of the bank or investors change, Payne says BMO's systems are built to be flexible. "Having different tools to address different constraints in different ways over the life of a trade is important," he says.

BMO's big SRT wins during the 2023/2024 awards period include Algonquin 2023-1, the seventh issuance from the Algonquin platform; Quetico I, the inaugural transaction from the bank's new US sponsor finance platform; and Boreal 2024-1, the fourth successful transaction on that platform. Given BMO's established position in the market, as well as the people and the tools it has on hand, such strong performance can be expected to continue for the foreseeable future.

As Payne explains: "The diversity of asset classes we can access, the processes we have in place to be able to trade efficiently and the ability to support the number of transactions we do with the size of team we have, all of that contributes to our success."

"WE'VE INVESTED A LOT OF TIME AND EFFORT INTO BUILDING OUR INTERNAL INFRASTRUCTURE TO MAKE SURE WE CAN SUPPORT THE SIZE OF THE PLATFORM WE HAVE"

EUROPEAN LAW FIRM OF THE YEAR
WINNER: CLIFFORD CHANCE

In Europe, Clifford Chance continues to act for the originator bank as structuring and drafting counsel on the majority of CRT transactions in the market. It is in this role as structuring and drafting counsel that the firm has set the standard that the rest of the market follows.

As has been the case now for many years, Clifford Chance remains the only law firm that has partners whose practice is primarily focused on CRT transactions. Jessica Littlewood and Timothy Cleary in London are, by a large margin, the leading lawyers in this market and between them act for almost every bank active in the European, Asian and Canadian markets.

Clifford Chance has by far the largest number of lawyers with expertise in CRT transactions. The firm has a deep bench, with 19 lawyers in London alone whose main practice is CRT transactions.

Clifford Chance also has a strong CRT practice in Frankfurt, as well as the only domestic CRT practice in Spain. The team is boosted by other lawyers in France, Italy, Luxembourg and Poland, all of whom have extensive experience in CRT transactions.

In recent years, the Polish CRT market has grown rapidly after the inaugural transaction involving private investors closed in March 2022, and Clifford Chance has acted as structuring and drafting counsel on all of these private sector transactions. Two other Polish issuers are currently working on their inaugural CRT transactions, with Clifford Chance again acting as structuring and drafting counsel.

This is a continuation of a common theme from previous years, such as when Clifford Chance led the charge when the Greek CRT market opened and when the firm acted on the inaugural CRT transactions by US regional issuers, as well as acting for repeat issuers and financial intermediaries on numerous transactions over the same period.

Similarly, as insurers have continued to grow in importance as protection providers in the CRT market, it is Clifford Chance documentation which has emerged as the market standard for such transactions. It is also the case that, in those rare cases where Clifford Chance is not acting as drafting counsel, the drafting counsel nevertheless chose to use Clifford Chance documents as the starting point rather than their own templates. The reality is, whatever the structure or asset class, it is to Clifford Chance documents that other market participants look to, both legal and commercial, for their inspiration.

In the last year, Clifford Chance has been at the forefront of CRT transactions with an ESG focus. For instance, Project Bocarte, a CRT transaction with ESG-linked coupon step-down incentives, won SCI's award for 'Impact Deal of the Year' last year.

"IN RECENT YEARS, THE POLISH CRT MARKET HAS GROWN RAPIDLY AFTER THE INAUGURAL TRANSACTION INVOLVING PRIVATE INVESTORS CLOSED IN MARCH 2022, AND CLIFFORD CHANCE HAS ACTED AS STRUCTURING AND DRAFTING COUNSEL ON ALL OF THESE PRIVATE SECTOR TRANSACTIONS"

This has continued, with Clifford Chance London acting as drafting counsel for IFC in respect of a recent CRT transaction in the form of an unfunded guarantee to Banco Santander Brazil. The project aims to expand access to climate finance, with Santander being required to redeploy capital savings to increase its climate finance portfolio. This transaction was the first of its kind in Brazil, as Brazil's Central Bank only recently amended the local regulation to allow banks to use synthetic securitisations for regulatory capital optimisation.

Clifford Chance has also been at the forefront of developments in the legal structures. For example, it was the first law firm to document European CRT transactions in the form of credit-linked notes issued directly off the originator bank's own balance sheet (at a time when everyone else was still using SPV issuers without considering whether that was the most appropriate structure for a given transaction), including devising collateral structures to address the resulting counterparty credit risk associated with such direct issuance structures.

In the last year, Clifford Chance has seen a growth of "ramp-up" structures, which allow issuers to increase the size of the underlying reference portfolio, with investors being obliged to pay for further notes as the portfolio is ramped-up. These structures increase the efficiency of a transaction from a bank's perspective, as they mean that the bank is not paying for protection it is not yet using. Again, Clifford Chance originally coined this structure and is to date still the only law firm that has drafted the documents for such CRT issuances.

Clifford Chance has also led the way in innovations that increase the speed of execution and decrease transaction costs for issuers. In particular, the firm has put in place CLN programmes that are used by all of the major UK issuers of CRT transactions. These programmes reduce the documentation required for each transaction to a single set of final terms for each issuance, resulting in more efficient negotiations and lower legal fees.

NORTH AMERICAN LAW FIRM OF THE YEAR
WINNER: MAYER BROWN

That Mayer Brown is the most active firm in the North American CRT market today is no surprise. While the uptick in the volume of CRT transactions in North America may be relatively new, Mayer Brown's role in this market is historic and longstanding.

"We have been involved in the US CRT market from the earliest synthetic securitisation transactions and have helped pave the way for these products by assisting clients in navigating the complex interaction of multiple regulatory regimes involved in CRTs," states partner Julie Gillespie, co-head of the firm's structured finance practice. "Our firm is involved in most CRT transactions that come to the market in North America, with a practice evenly split between investor and bank representation." The firm has been involved in over 30 CRT transactions just in the past year and a half.

2024 could be said to have been the year of the complete divergence between the US and European CRT markets. This is due in no small part to the vastly different regulatory regimes governing these transactions.

Matt Bisanz, a bank regulatory and financial services partner, notes: "The US regulatory landscape is still evolving and different agencies have different views and processes for banks to weed through. For many years, we have been advising bank clients on regulatory strategy involved in choosing a structure that suits the particular reference portfolio and goals of the bank." A significant majority of the banks that have received a publicly available Reservation of Authority letter since US bank regulators begun issuing such letters were represented by Bisanz and the Mayer Brown team.

While the regulatory attorneys have been busy, so have the deal lawyers. "We are regularly engaged by anchor investors for CRT transactions that come to market and are often approached by multiple investors for each transaction," says Sagi Tamir, a structured finance and derivatives partner in Mayer Brown's New York office.

Matt Bisanz, Mayer Brown

Julie Gillespie, Mayer Brown

"THE US REGULATORY LANDSCAPE IS STILL EVOLVING"

It is due to its deep bench and product expertise that the firm has been able to staff multiple, walled-off teams representing different investors in many CRT transactions. "We know our clients' priorities and what each of them cares about," Tamir notes. "And, because we have unmatched visibility into the market for each type of reference assets, we are able to advise investors how to best position themselves to win allocations, and then counsel them through efficient execution, which is important both to our investor clients and to the banks."

When it comes to the banks' representation, Mayer Brown draws on its award-winning structured finance practice. "We have decades-long experience with various asset classes and advising on CRT structures is a natural extension of that experience, since CRT is simply another option for capital and risk optimisation for banks and for exposure to various asset classes by investors looking for yield," states partner Angela Ulum, co-head of global banking and finance.

The firm is a true partner, advising across business centres and stakeholders within the banks, facilitating communications with regulators, legal documentation and investor communication. "Banks do not just call us at the documentation stage; we are often brainstorming on structure, which can change quarter-to-quarter depending on market forces as well as the type of assets," Ulum notes.

As for the future of the CRT market in North America, "we are seeing new asset classes being considered for CRT," Gillespie notes. Of course, with reference portfolios of new types of financial assets comes the need for product-specific expertise, and Mayer Brown has plenty of it.

"While the same CRT technology is used across different types of financial assets, there will still be asset-specific considerations such that a CRT referencing investment grade commercial loans will look different to a CRT referencing non-conforming residential mortgages," Tamir notes. "Our product specialists help us efficiently adapt the CRT technology to different and sometimes brand new asset classes."

Gillespie adds that the US market's bifurcation between capital-market style deals and bespoke ones will become even more pronounced. "Unlike in Europe, this product is not standardised, and corners of the market never will be," she notes. Evolving structural and regulatory complexity means that having a sophisticated advisor who has "seen it all" pays off.

Sagi Tamir, Mayer Brown

Angela Ulum, Mayer Brown

SERVICE PROVIDER OF THE YEAR
WINNER: CREDIT BENCHMARK

Adoption of Credit Benchmark as a service provider has steadily grown among the SRT community in the last year, with nearing 40 major SRT participants now utilising Consensus Credit Ratings and Analytics to improve their transactional, decision-support and workflow productivity. The company fills a critical information gap by offering a timely, comprehensive and independent view of credit risk. These credit risk views, sourced from over 40 global banks, complement the information provided to investors by issuing banks, as well as from traditional credit rating agencies and third-party model vendors.

Mark Faulkner, co-founder of Credit Benchmark, says that greater data transparency will inevitably be a driver for growth in the SRT space in coming years. "While the SRT market has been steadily developing in the past two decades, regulatory headwinds have capped the growth trajectory of market," he notes. "This is all changing now – sovereign wealth funds, pension funds and other new investors are entering the market. Access to data on the creditworthiness of hitherto unrated or private portfolios adds a level of reassurance that allows these entrants to confidently participate in the growth of the market."

"I'm fond of the phrase 'trust, but verify'," Faulkner continues. "SRT is a relationship business – the investors have longstanding relationships of trust with their issuing partners. Verifying the creditworthiness and acceptability of a portfolio and being able to communicate that information to internal and external stakeholders is incredibly helpful in getting deals done.

Mark Faulkner, Credit Benchmark

Our data helps drive productivity – helping clients do more deals, at scale, more quickly."

This rapid market expansion and Credit Benchmark's role as a data provider to the industry came as somewhat of a surprise to the company itself, says Michael Crumpler, ceo of Credit Benchmark. "Since we launched in May 2015, we have continued to build our dataset and expand on the products and analytics we offer to credit risk professionals. We've seen broad adoption and demand for our products across many market segments, but if you had asked me a few years ago what our fastest growing segment would be in 2024, I certainly wouldn't have guessed the SRT market."

"It's been a welcome surprise, and we're now working closely with our SRT clients to make sure we are developing new analytics to fully meet their needs and to help this market expand as it should," Crumpler continues.

> "SRT IS A RELATIONSHIP BUSINESS – THE INVESTORS HAVE LONGSTANDING RELATIONSHIPS OF TRUST WITH THEIR ISSUING PARTNERS"

The company has responded to this burgeoning uptake by investing heavily in its product and client success teams and by using technology like AI and machine learning to improve its product capabilities. One example is in the enhancement of its entity mapping service, which has been developed to leverage proprietary entity characteristics to identify and match at the exact legal entity level, utilising machine learning principals.

"Our clients have embraced our entity mapping capabilities to accurately identify and assess the credit risk in disclosed pools," explains Faulkner. "The efficiency boost to due diligence is evident, and this added layer of credibility has seen our unique CB IDs being included in deal tapes to help speed up portfolio mapping and acceptance between trading parties."

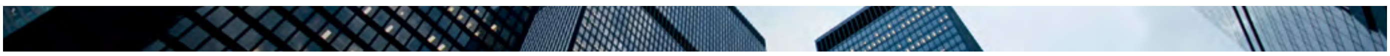
Credit Benchmark's data has also proved valuable in the assessment of non-disclosed or blind pools, with Crumpler explaining: "Our geographic, industry and sector-level analytics offer valuable insights into the credit profile of

Michael Crumpler, Credit Benchmark

a blind pool where no entity-level data is shared by the issuer. The fact that many of the issuing banks participating in SRT trades also contribute to our consensus dataset adds another level of credibility to the analysis we can provide."

When asked what 2025 holds for the SRT market and for Credit Benchmark, Faulkner speaks to the firm's openness to listening to the industry and adapting accordingly. "Credit Benchmark is driven by technological innovation and client feedback, and we're open to all good ideas," he says. "As the market expands, adding more investors, more issuance, more geographic spread and more assets being financed, we wouldn't be so hubristic as to think that is down to us. However, we're dedicated to continuously expanding our capabilities to better support our clients and we hope that, in turn, we can play a small part in the growth of the market."

Faulkner concludes: "It would be remiss of us not to thank every single one of our customers and prospects who we've learned from on our journey, and we wouldn't be where we are without their engagement, curiosity and good nature, so I'd like to take this opportunity to say thank you."



NEWCOMER OF THE YEAR
WINNER: EMX PARTNERS

Participation by (re)insurers in SRT deals has historically been limited to unfunded and non-STS transactions. EMX Partners is SCI's pick for Newcomer of the Year in this year's CRT Awards for establishing a platform that combines (re)insurer risk appetite with third-party funding to create rated repacks of SRT notes.

Since its launch in June 2023, EMX closed its debut transaction in 3Q23 and a second transaction in 2Q24. The firm's strategy is built on two principles. First, (re)insurers will generally have the lowest cost of capital to hold the portfolio credit risk in SRT deals and will also generally have the highest credit rating of investors that need funding for these deals.

The second principle is that to participate meaningfully in the SRT market, a simple and programmatic platform is required to combine (re)insurer risk appetite with the necessary funding. This should be an attractive proposition from an issuer bank's perspective, both quantitatively and qualitatively, since insurers have a much longer investment horizon than a typical alternative asset manager.

What then is simple and programmatic about the EMX platform? EMX ceo Adam Moses says that it simplifies, so far as possible, the "ask" of (re)insurers; in other words, they are asked to only protect the returns on the SRT instrument. Additionally, by establishing a rated note issuance programme with standardised documentation which has been reviewed by most of the magic circle, the platform offers a simpler financing instrument to its funders.

The fact that the repack vehicle's notes are rated is where EMX's key innovation lies. The rating element allows for a simple and capital-efficient way of lending into the structure, in return for an attractive margin for what is highly rated insurer risk. Furthermore, it opens the door for banks in European countries where a ratings floor is in existence to participate in STS deals.

"We view ourselves as building a complementary facility that allows (re)insurers to access risks, exposures and premium that they wouldn't otherwise be able to access," Moses observes.

Looking ahead, he expects the expansion and diversification of the investor base to benefit the SRT market more globally. "It can be argued that the SRT market follows a buy-and-hold model and therefore lacks in liquidity. Until we get to a point where the investor base in the market is drawing on all sources of risk capital, I think it will remain very illiquid. Therefore, it is to the benefit of the market that the greater liquidity that the (re)insurers can bring to it is brought to bear," he concludes.

Adam Moses, EMX Partners

HONOURABLE MENTION: LUMINARX CAPITAL MANAGEMENT

LuminArx, a US$2.4bn asset manager founded by Gideon Berger and Min Htoo, has been highly active in the SRT space. The firm has deployed over US$600m in SRT investments since launching its first fund in September 2023. Notably, the firm was among a select group of investors invited to participate in JPMorgan's inaugural corporate SRT, Project Appia.

Following its initial SRT activity, LuminArx launched LuminArx SRT Fund Holdings, a dedicated SRT fund, which completed a closing this past August. The fund's flexible mandate and diverse team expertise allows for capabilities across asset classes (corporate debt, consumer loans and real estate debt) and structures (synthetic and cash).

OUTSTANDING CONTRIBUTION TO SRT
WINNER: INTERNATIONAL ASSOCIATION OF CREDIT PORTFOLIO MANAGERS (IACPM)

The IACPM is SCI's pick for the Outstanding Contribution to SRT award this year, for being uniquely the voice of the SRT industry. Not only does the association espouse a collaborative and consensus-driven approach to advocacy, its initiatives also provide much-needed transparency into what remains an opaque market.

The IACPM was established in 2001 by 11 founding bank members to further the measurement and management of portfolio credit risk. But the genesis of the association began in the 1990s, at a time when a handful of banks in New York and London started pursuing a more sophisticated and dynamic approach to managing their credit portfolios.

"With the advent of securitisation, secondary loan markets and other tools that created more liquidity, credit became more sophisticated, but most banks were still managing their portfolios in the traditional way. In the 1990s, a few risk departments began analysing portfolio

Som-lok Leung, IACPM

concentration and other metrics – as well as the inflow and outflow of credit – and we began to see the use of CDS to hedge certain names and single-name concentrations," explains Som-lok Leung, executive director at the IACPM.

Leung himself was recruited in May 2005 from Moody's KMV (now Moody's Analytics), where he had served as a senior director for client solutions. Before that, he was director of risk and credit policy at Nomura, director of credit risk control at UBS and a consultant at Oliver Wyman.

For a while, the IACPM membership consisted only of banks. Then Swiss Re joined the association, along with some other (re)insurers and some ECAs. They were followed by investors – all of which are active in the SRT market – as well as MDBs and insurance brokers. Membership currently stands at 146 firms.

"These non-bank members had an interest in joining the IACPM because of their significant interactions with banks," Leung observes.

The association is widely recognised for its biennial benchmark survey, 'Principles & Practices in CPM' (credit portfolio management), which polls members on methods of both onboarding risk at the front end, as well as mitigating and transferring it at the back end. Post-financial crisis, asset sales has most often been cited as the top tool for the back end, while funded and unfunded SRT have hovered around the top three and top six spots respectively.

Last year, for the first time, survey results pointed to credit insurance as the most important tool for the back-end risk mitigation efforts. However, Leung anticipates that SRT will be voted into the top spot next year.

"SRT is one portfolio management tool among many, but it is becoming increasingly more important. Given that IACPM is a relatively small association, we try to operate in a space that is not duplicative and where credit portfolio managers are uniquely impacted – SRT fills that role. Many of our members are embedded in the market," he notes.

But he credits the IACPM with "really becoming effective" in the SRT space when the association started collecting transaction data. "We started collecting SRT data because there was no information available elsewhere for this private market. We felt that data would be useful to both regulators and to our members. Increased transparency is helpful for the whole market and being an association is advantageous in this sense because we represent neutral ground."

Indeed, Leung believes that there is a direct link between the IACPM sharing an expanded set of its SRT data with the EBA and the EBA's recommendation in 2019 to extend the STS framework to SRT transactions. "The EBA had concerns over the performance of the underlying asset pools in on-balance sheet securitisations; in particular, whether the assets would be cherry picked. But our data demonstrated that it's the opposite case: SRT portfolios represent banks' core books of business and it's in the interests of both issuers and investors that the pools perform as expected. As such, SRT deals are completely different to the arbitrage synthetics seen pre-financial crisis, because the interests of both issuers and investors are much better aligned," he observes.

"TO TREAT AN INSURER IN THE SAME WAY AS A CORPORATE DOESN'T TAKE INTO ACCOUNT THE POSITIVE CHARACTERISTICS ABOUT INSURANCE POLICIES"

The IACPM's collaborative relationship with the EBA has continued since, with the two organisations meeting on an annual basis. Additionally, the association regularly meets with the European Commission, the UK PRA and the US regulatory agencies.

Regarding the US SRT market, Leung says the sector is at present beset by "headwinds" – not least due to political issues around the Basel 3 Endgame and the presidential election in November. "Unfortunately, it is a difficult time in which to try to finalise a very technical piece of regulation," he adds.

The IACPM operates an annual planning process, whereby the board sets its priorities based on member feedback. One recent outcome of such feedback was the introduction last year of regulator-investor roundtables, which were widely acclaimed by the SRT industry.

"We find that a lot can be achieved when there is better understanding and less of an adversarial attitude between the industry and global regulators. There is always some area of common ground to be found, as both sides want the financial industry to thrive. If a disaster like the GFC were to occur again, it would be no good for anyone," Leung observes.

One theme that is high on the IACPM's to-do list is the current regulatory treatment of unfunded SRT, which isn't properly recognised in Europe and not recognised at all in the US. "To treat an insurer in the same way as a corporate doesn't take into account the positive characteristics about insurance policies – such as the fact that the liabilities are senior in the waterfall – or the fact that insurers are regulated financial institutions, very diversified and highly rated. To me, it seems an overly conservative approach, especially when the broader utility of SRT is to help banks increase lending to the real economy," argues Leung.

Tamar Joulia-Paris, senior advisor at the IACPM, agrees that effective and proportionate securitisation frameworks can scale up risk sharing between a growing variety of lenders, investors and insurers, and create sound economies for the future. "Risk sharing is a long-term journey. Securitisation, when undertaken properly, can facilitate economic and social development without creating financial instability, and attract more talent and financial resources to support the green and digital transition. Securitisation is also a global, cross-border product, so it's important that there is harmony across the market and stakeholders' incentives," she notes.

With that in mind, the IACPM is currently engaged in a conversation with its members about terminology, with the aim of settling on an appropriate moniker for SRT. "Consistency of terminology would be helpful in terms of creating a uniform understanding and articulation of what the industry is trying to achieve with SRT.

What is the purpose of SRT? At the end of the day, it's all about risk transfer, but we also need a single definition for market harmony, and 'Significant Risk Transfer' is already defined in some existing regulations," Joulia-Paris concludes.