



Synthetic on Balance-Sheet Securitizations 2016-2023

Select Survey Results

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What we Did

- For the last ten years, the IACPM has provided the IACPM community with the information needed to monitor the market of **synthetic on balance-sheet securitizations**, also referred to as risk sharing transactions.
- The collected data covers all public and private transactions, funded or unfunded, whatever the instrument used for synthetic risk transfer, as long as these **transactions are executed for banks' own balance-sheet management**.
- The collection template has been continuously refined with input from the IACPM securitization working group, through discussions with regulators and feedback from the IACPM community to support regulatory discussions and provide market transparency for survey participants.
- Global policy makers across all jurisdictions find the results extremely useful not only to be informed about private market trends in volumes, asset classes, structures, and participants, but also to understand the impact on banks' lending capacity and monitor the effectiveness of prudential parameters specific to this risk sharing instruments.
- The data included in this deck represents the aggregated yearly production 2016 to 2023 as well as the current stock of transactions executed across the world by the 37 contributing banks. The data was collected per year and per trade based on inception date.

Main messages – Markets dynamics and market players

Volumes	<ul style="list-style-type: none">Over the last eight years (2016-2023), the 40 banks included in this survey issued 507 synthetic securitisations, mitigating risk on more than 1 trillion of assets (€1,024 bn) and protecting €82 bn of First Loss and Mezzanine tranches with attachment/detachment points on average between 0% and 8.3%.
Dynamics	<ul style="list-style-type: none">In 2023, synthetic securitization issuance continued at the high level seen the prior year. Pool size notional surpassed €200 bn (€207 bn) while protected tranches reached €18 bn. We are expecting growth to continue, as globally more players are entering this space.Issuing banks are mostly regulated under the IRB approach (an average of 89% between 2016 and 2023). However, for some 20% of loans underlying synthetic securitisations issued in 2023, banks are following the standardized approach, which is more than double the average over the prior seven years (7.8%).Due to amortization, trades are mostly effective for risk/capital release in the first three years, after which the underlying pools drop by almost 50% compared to inception. After four years that percentage falls even further to 38%. The cumulated volume of synthetically securitized pools by the end 2023 was €614 bn, protected by €55 bn (9%) of SRT tranches.
Securitized Assets	<ul style="list-style-type: none">While corporate loans still represent almost two-third of the assets (62%), with SMEs at 18%, asset classes are diversifying with a growing share of residential mortgages, auto loans, and specialized lending.
Investors	<ul style="list-style-type: none">Investment funds remain dominant sellers of credit protection, but lost some market share at the benefit of Pension funds (investors in first loss tranches) and mainly unfunded credit risk insurers (investors in mezzanine tranches) which showed increased appetite over the last 12 -24 months.Despite an expected increase in corporate credit default rates, credit investors – mostly only private – and pension funds, acting as long-term partners of banks, continued to have an appetite in first loss tranches, with average attachment point of 0.0%.The average credit spread paid on all protected tranches stayed almost consistent over the past years at 925 bps.

Main messages – Structuring features

Protected Tranches and Risk Transfer Instruments	<ul style="list-style-type: none">▪ Synthetic securitization is not used for long-term funding as senior tranches are retained in 98% of the deals and continue to represent an average of +/-90% of the underlying pool notional.▪ The share of deals issued without SPV increases year after year and represents now some 80% of the number of reported trades. The percentage of protected tranche notional issued without SPV has equally increased over the past years from 20% in 2018 to 72% in 2023.▪ Financial guarantee (unfunded, collateralized or embedded in CLNs) is the main instrument used for risk transfer to SPVs or directly to protection sellers (78%). The share of unfunded mezzanine tranches continues to increase. In 2023 that share was 32%, compared to an average of 25% (2016 to 2023).▪ The share of trades with single Mezzanine tranches increased steadily from 17% in 2016 to 49% in 2023, representing almost half of all issued trades. At the same time, the share of trades with a single First Loss tranche declined from 79% in 2016 to 44% in 2023. Trade structures with First Loss and Mezzanine tranches make up an average of 9% of all trades, with only slight fluctuations over the years.
STS* Qualification	<ul style="list-style-type: none">▪ In the EU, the share of STS transactions is increasing. In 2023, half (50%) of all new trades by issuers in the European Union (EU) qualified for STS (simple, transparent and standardised as per EU securitisation regulation), compared to 42% and 33% the prior two years.
Sustainability	<ul style="list-style-type: none">▪ In 2023, the percentage of sustainability linked trades increased to 11%, up from 6% the prior year and an average of 3.4% the prior six years. Most are linked through underlying assets or use of proceeds, but we now also see a few deals with incentives in the deal structure (e.g., pricing).

(*) STS securitization: Transaction complying with the EU criteria for simple, transparent and standard as per EU securitization regulation (https://ec.europa.eu/commission/presscorner/detail/es/MEMO_15_5733)

Synthetic Securitization Market Volume 2016-2023

BALANCE SHEET SYNTHETIC SECURITIZATIONS

Synthetic Securitisation Issuance 2016 – 2023

Global - €bn		Inception	YE 2023
Underlying Pools of Loans	2016-2023	1,024	614
	2023	207	197
Protected Tranches	2016-2023	82 (8.0%)	55 (8.9%)
	2023	18.5 (8.9%)	18.2 (9.2%)

EU - €bn		Inception	YE 2023
Underlying Pools of Loans	2016-2023	572	299
	2023	102	98
Protected Tranches	2016-2023	42 (7.3%)	24 (7.9%)
	2023	7.5 (7.3%)	7.3 (7.5%)

- Between 2016 and 2023, the 40 banks included in the data issued **507** synthetic securitisations.
- By end 2023, over **€600 bn** (Half in the EU) of securitised loans were protected by **8.9%** first loss and mezzanine tranches of synthetic securitisations (7.9% in the EU)
- On average, on all the transactions issued between 2016 and 2023, the percentage of pool notional protected externally increased over time.

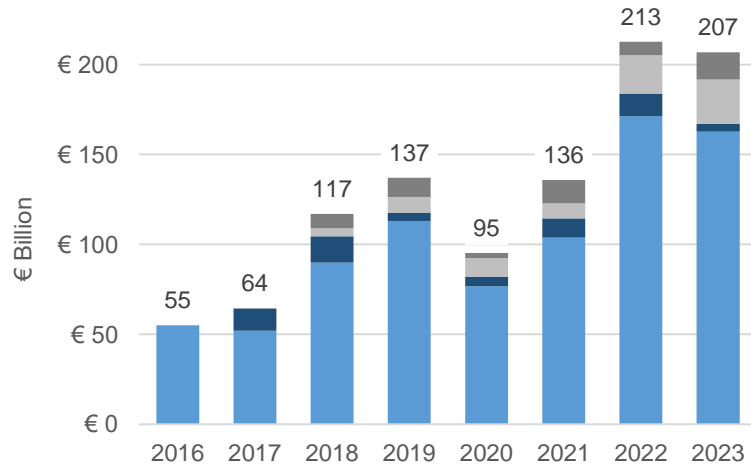
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Source: IACPM Synthetic Securitization Market Volume Survey 2016-2023

Synthetic Securitization Volume

In 2023, 80% of synthetic securitizations support commercial lending to Corporates and SMEs. By risk sharing with investors/ insurers, over the last eight years synthetic securitizations released at inception more than €65 bn of capital for new lending to this asset class.

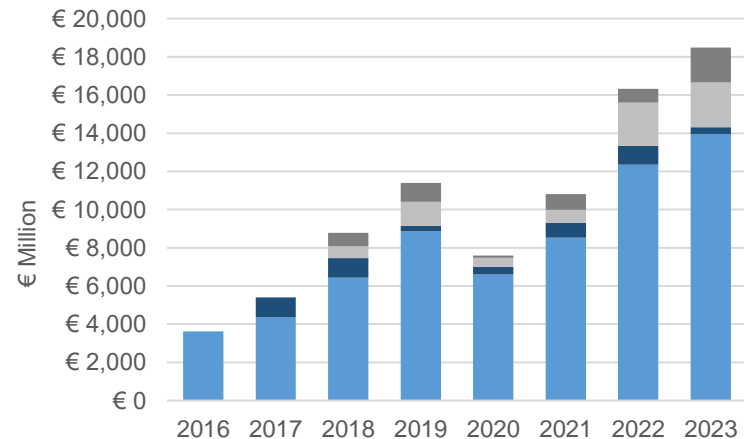
Underlying Pool Size at Inception In Billion Euro, By Underlying Asset Class



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■ Business/ Real Economy Finance (1) ■ Specialized Lending (2) ■ Retail Finance (3) ■ Other

Protected Tranches* at Inception In Million Euro, By Underlying Asset Class



(*) Protected tranche volume does not include placed senior tranche volume.

Source: IACPM Synthetic Securitization Market Volume Survey 2016-2023

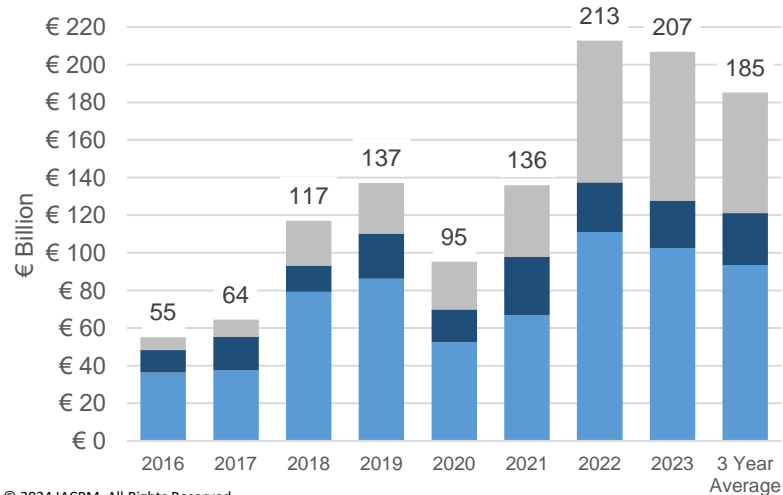
(1) Corporate, SMEs, Trade Finance, Mixed | (2) Project Finance, Object Finance, Commercial Mortgages, Income-producing Real Estate (IPRE) Lending | (3) Residential Mortgage Loans, All Other Retail Exposures



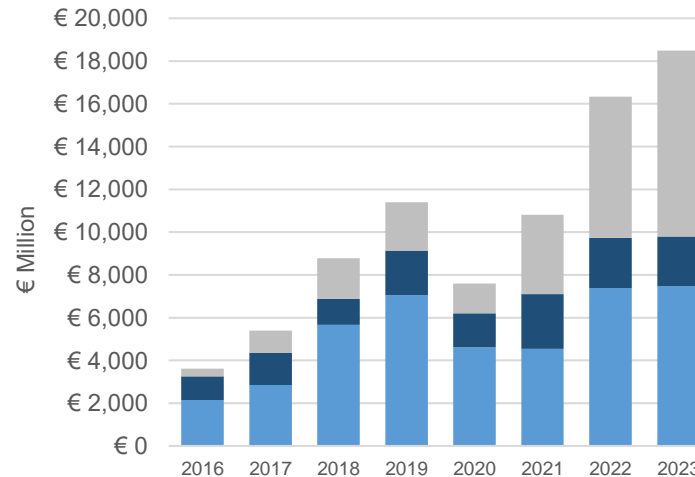
Synthetic Securitization Volume

While dominated by European banks in the past with over 80% market share, banks domiciled in the US, Canada and other regions, as well as smaller institutions continue to enter the market, reducing EU banks' share of the market to now 62%.

Underlying Pool Size at Inception In Billion Euro, By Issuer Region



Protected Tranches* at Inception In Million Euro, By Issuer Region



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■ European Union (EU) excl. UK ■ UK ■ Other Regions (1)

(*) Protected tranche volume does not include placed senior tranche volume.

Source: IACPM Synthetic Securitization Market Volume Survey 2016-2023

(1) Other regions include Switzerland, United States, Canada, and Asia.



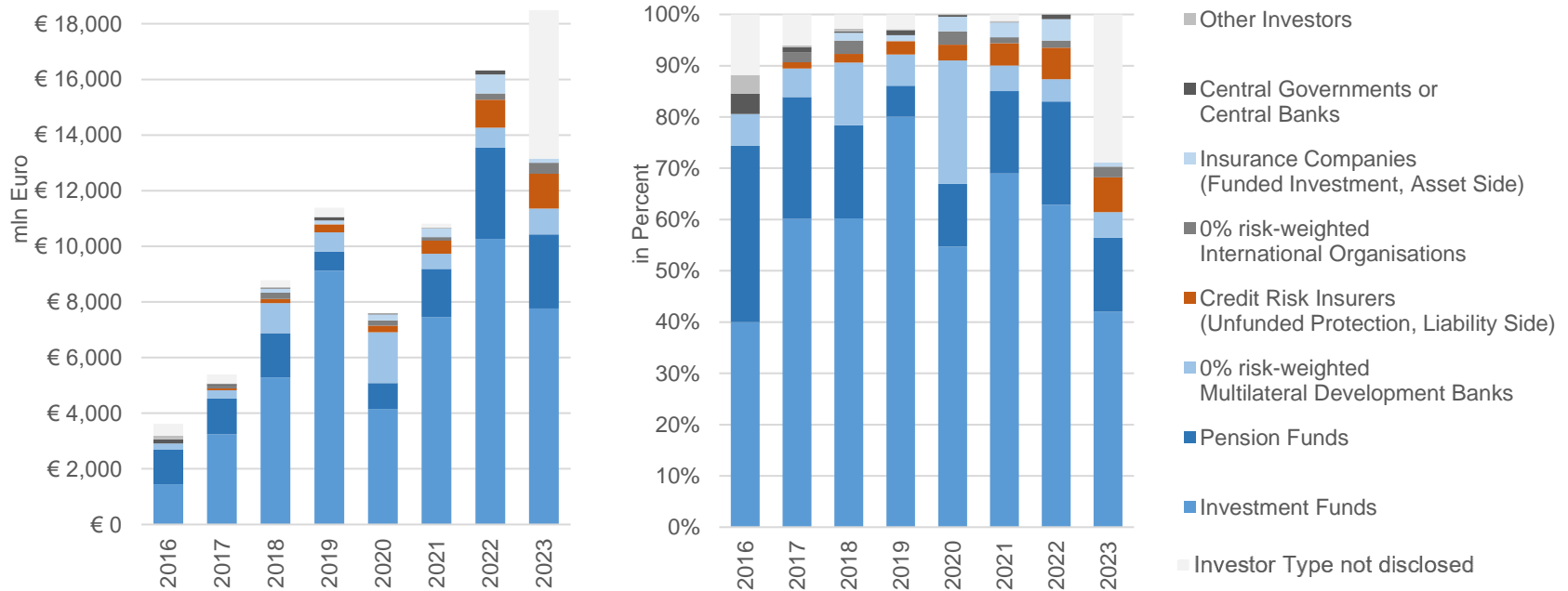
Synthetic Securitization Market Volume 2016 - 2023

INVESTOR BASE

Synthetic Securitization Trade Flow:

Protected Tranche Volume at Inception, By Investor Type over Time

Investment funds remain dominant sellers of credit protection but lost some market share at the benefit of pension funds (investors in junior tranches) and mainly unfunded credit risk insurers (investors in mezzanine tranches) which showed increased appetite over the last two years.



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Source: IACPM Synthetic Securitization Market Volume Survey 2016-2023

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