International Association of Credit Portfolio Managers

IACPM Overview of

Risk Mitigation Techniques in Credit Portfolio Management

Risk sharing between banks, investors and insurers is an integral part of lending growth strategies.

Update of November 2026 – Tamar Joulia-Paris, Senior Advisor

IACPM

Table of Contents

Introduction 3

- Purpose of this paper

Overview of Credit Risk Mitigation Techniques 4

- Rationale and objectives
- Overview of risk mitigation instruments
- Instruments used by US government-sponsored enterprises for mortgages
- Levels of risk transfer
- Funded and unfunded risk transfer instruments
- Risk mitigation objectives and risk transformation
- Risks introduced by risk transfer and implications for financial stability

Private Risk Sharing Solutions 9

- Credit Risk Insurance
  - Transaction types and scope
  - Protection providers
  - Market profile and trends at year-end 2025
- Private Synthetic Securitizations and Significant Risk Transfer
  - Transaction types
  - Protection providers
  - Market profile at year-end 2025
  - Unfunded protection provided by credit risk insurers

Public Risk Sharing Solutions 15

- Credit derivatives
  - Transaction types
  - Regulatory capital treatment
  - Market profile at year-end 2025

Conclusion 16

- IACPM Initiatives to Support Effective Use of Risk Mitigation Techniques
  - Data collection and research
  - Working groups
  - Effectiveness of regulatory capital release and advocacy priorities

Introduction

The evolving financing needs of the economy, the growing role of non-bank financial institutions (NBFIs), the fragmentation of prudential regulations, and the redistribution of credit risk among banks, investors and insurers are reshaping credit portfolios in various sectors of the financial services industry. Increasingly complex and concentrated dependencies across trade, technology, infrastructure and finance create common vulnerabilities that conventional borrower, sector and geographic classifications may fail to capture.

The discipline of **credit portfolio management** is therefore expanding coverage across all asset classes, from loan origination (front-end function) to risk distribution (back-end function), to support business, risk, treasury and capital management functions. The mandate of CPM in banks has been broadening from managing credit risk across the loan book to actively shaping the portfolio's risk, resilience, return and use of capital.

- The **"front-end"** function of credit origination into the portfolio, includes policies related to risk appetite and concentration limit frameworks, risk and risk/return assessment and pricing, loan documentation, and the incorporation of AI into the origination and risk management processes.
- The **"back-end"** function of loan portfolio management aims sat facilitating lending growth and improving portfolio performance by creating more lending capacity, mitigating concentrations, and increasing capital velocity through the use of private or public risk transfer solutions such as loan sales, credit risk insurance, credit default swaps, funded and unfunded securitizations.

The International Association of Credit Portfolio Managers (IACPM), whose members are active in banking, investment and insurance, seeks to advance the practice of credit portfolio management to support the global economy and is recognized as a trusted advisor by regulators globally

The purpose of this paper:

- Provide an overview of the commonly used private risk sharing techniques for loan portfolio management, their objective and impact
- Show current volumes and market trends in private risk sharing through Credit Risk Insurance (CRI) and synthetic securitizations (SRT) as collected annually by the IACPM
- Highlight IACPM initiatives to advance the effective and prudent use of credit risk sharing tools by loan portfolio managers

Overview of credit risk mitigation techniques

Rationale

When executing risk mitigating transactions, credit portfolio managers aim to:

- **Mitigate portfolio risk**, by reducing exposure to large jump-to-default events and to systemic concentrations driven by common economic drivers, but also by increasingly complex dependencies in financing, trade and supply chains, technology and digital infrastructure, climate, water and energy resources, as well as policies and geopolitics and/or
- **Support lending growth and balance-sheet management**, by contributing to creating a deeper risk sharing ecosystems to increase lending capacity and performance both at portfolio level and at customer level.

To achieve these goals, the toolkit of credit portfolio managers is very broad and includes risk mitigation tools like :

- **Loan sales,** syndication and sub-participation,
- **Financial guarantees** and **credit risk insurance (CRI)**, to release limits and capital absorbed by credit facilities granted to individual - mostly unrated and illiquid - borrowers
- **Single name credit derivatives (CDS)** to release limits and capital absorbed by credit facilities granted to borrowers quoted on capital markets,
- **Securitizations** with first and/or mezzanine risk transfer (SRT transactions), to mitigate risk and release capital on portfolios of loans, mortgages, project and asset-backed finance.

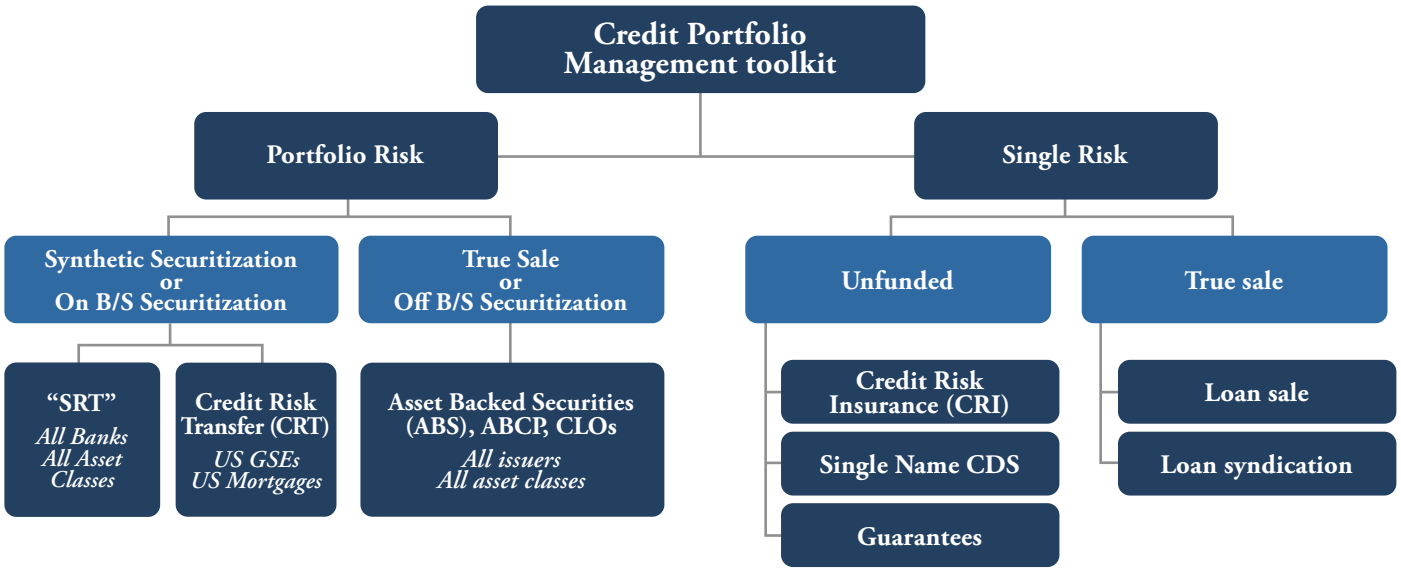
These risk mitigation tools are essential to prudent risk management and to increase lending capacity and performance. Credit portfolio managers will select the appropriate solution d pending on their objective of risk mitigation, but also on economic, accounting, regulatory and market considerations[1].

The IACPM and its membership, have a crucial role in assuring that these tools effectively transfer risk and properly recognized in regulations, so that banks benefit from the investment capital provided by public and private capital markets as well the underwriting capital provided by he (re)insurance markets.

This note will focus on **private** risk sharing solutions, i.e. Credit Risk Insurance and synthetic SRT securitizations, as well as on **public** risk sharing solutions, ie. Credit Derivatives.

[1]See IACPM Principles and Practices at: http://iacpm.org/research/principles-and-practices-in-CPA/

Overview of risk mitigation techniques



Level of risk transfer

Credit risk can be transferred at different granularity levels in a portfolio of loans:

- At **single positio**n level, i.e., per loan, or per legal borrower
  - By mitigating exposure at loan or borrower level, a firm releases credit limits per client and the capital absorbed by the transferred exposure.
- However, unfunded solutions create counterparty risk exposure on the protection seller.
- **At portfolio level**, where the portfolio is sliced either vertically or horizontally (via securitizations)
  - *Vertical slicing* releases genuine credit default risk at position level, similar to single loan or single name credit protection, reduces credit exposure on all borrowers in the pool, and share the risk pari-passu with protection providers.
- However, caps and floors can apply to the purchased protection
  - *Horizontal slicing* ("securitization") releases the portfolio risk and the capital attached to tranches of the distribution of future losses.
- However, this risk mitigation cannot be allocated to release the notional amount of limits at individual borrower level in the protected pool.

Funded or unfunded instruments used for risk transfer

Whatever the level of risk transfer as described above, the instruments used for risk transfer are:

- either **funded** ("true sale"), via loan sales or syndication, or loan sales to a true sale/cash securitisation vehicle,
- or **unfunded**, via Financial Guarantees, Credit Derivatives (CDS) or Credit Risk Insurance (CRI), transferring risk to providers of credit protection without transferring the assets. Such a risk transfer can also be structured as a synthetic securitization, with prior horizontal slicing to establish a waterfall of losses allocated per tranche. The various tranches of a synthetic securitization can be funded by credit linked notes, or protected on an unfunded basis by CDS, guarantees or CRIs, collateralized or not, and using eventually a separate special-purpose securitisation vehicle (SPV).

The following table provides an overview of the risk transfer instruments available to credit portfolio managers depending on the desired level of risk transfer.

<table>
<tr><th rowspan="3">Risk transfer Instruments</th><th colspan="5">Level of risk transfer</th></tr>
<tr><th rowspan="2">Single Loan</th><th rowspan="2">Single Borrower</th><th colspan="3">Portfolio of loans, sliced</th></tr>
<tr><th>Vertically</th><th colspan="2">Horizontally ("securitizations")</th></tr>
<tr><td>Funded ('True sale')</td><td>Loan sales, syndication</td><td>N/A</td><td>Loan Sales</td><td>Loan Sales</td><td>Cash securitization</td></tr>
<tr><td rowspan="3">Unfunded credit protection</td><td>Credit risk insurance</td><td rowspan="3">Credit derivative</td><td>Credit risk insurance</td><td>Credit risk insurance</td><td rowspan="3">Synthetic securitization (funded or not)</td></tr>
<tr><td rowspan="2">Financial guarantee</td><td>Financial guarantee</td><td>Financial guarantee</td></tr>
<tr><td>Credit derivative</td><td>Credit derivative</td></tr>
</table>

Impact of the risk transfer: risk mitigation and risk transformation

Depending on transaction type and structure, different parameters of credit risk can be mitigated:

- either **notional exposure** at single name level, or
- certainty of losses, i.e., **cumulative expected losses** ("first loss") up to transaction termination, increasing with the intensity of default (PD) and severity (LGD) risks in the underlying loans, or
- **uncertainty of losses** ("mezzanine"), i.e., economic or regulatory capital absorbed, which increases with
  - the exposure to **jump-to-default** events on interconnected borrowers, in non-granular assets pools or in pools of loans sensitive to the same external event such as acute physical climate risk, and/or
  - the stress **correlation** between loans in the underlying protected pool, which depends on their sensitivity to common economic drivers, common climate, energy, nature or technology factors or to connected financing and supply chains. Stress losses can be inflated by correlation between the credit standing of the borrowers and the value of collateral assets (e.g., residential and commercial mortgages).

Below is a summary of the credit risk mitigation objectives that can or cannot be achieved when credit portfolio managers transfer different levels of risk:

Increasing lending capacity by reducing…			Exposure to a borrower	Provisions for loan losses	Stressed losses/ capital
Single loan level					
Single borrower level					
Portfolio level	Vertical slicing		(with possible caps and floors)	(with possible caps and floors)	(with possible caps and floors)
	Horizontal slicing	First loss			
		Mezzanine			
		Senior			

However, depending on the instrument used for credit risk mitigation, the risk transformation introduces new financial and non-financial risks, which can be complex to estimate and mitigate, like:

For all the risk mitigating instruments:

- *Wrong-way risk*, if the protection provider and the protected assets deteriorate together,
- *Basis risk*, if the protection does not perfectly match the protected exposure, due to differences in protected exposure, borrower, maturity or to exclusions in the protection,
- *Accounting mismatches* between the underlying asset(s) and the risk mitigating instrument, which can follow different accounting valuation rules, or recognize losses and recoveries at different moments in time,
- *Regulatory recognition risk*, if a transaction is economically protected but ceases to qualify for capital relief.

For unfunded risk protections more specifically

- *Counterparty risk* on the providers of unfunded risk protection,
- *Collateral liquidity and valuation risk*, if the unfunded protection is collateralized by securities.

For securitization more specifically

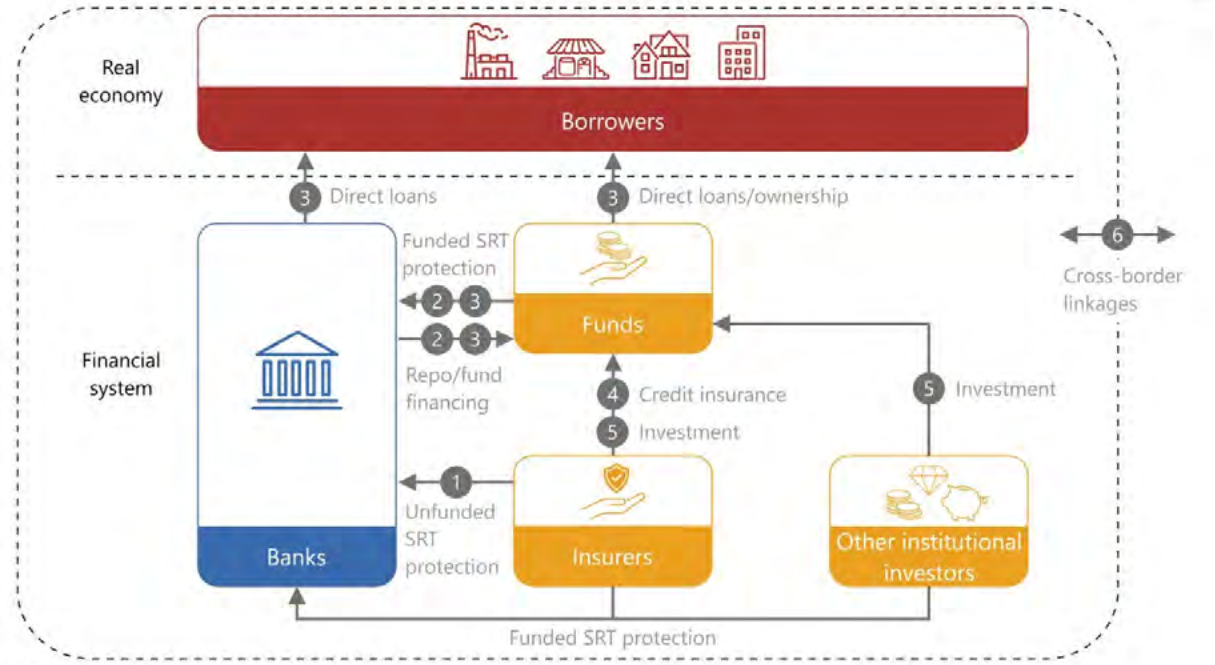
- *Flow-back risk* in the retained senior tranche of a securitization, if real losses exceed the protected mezzanine tranches due to crisis situation, also called “model risk”,
- *Cliff effects,* because securitization creates non-linear exposure,
- *Roll-over risk*, if the risk mitigation or capital release needs to be repeated,
- *Concentration risk*, if risks are transferred to a small number of protection providers,
- *Circular risk*, if banks are financing SRT leveraged investor.

For financial stability

The transfer or sharing of credit risk between banks and non-banks was supported by policy makers after the global financial crisis to mitigate the systemic effect of bank crises. However, the **growth of non-banks** is a focus for policy makers, as non-bank finance outside insurance and pensions is roughly comparable in size to the global banking system and credit risk sharing creates interconnectedness between banking, insurance and private credit markets.

The additional **risk transfer chains** created by synthetic securitizations were outlined as below by the BIS in their quarterly report of March 2026 report "*The Rise and Risks of synthetic risk transfers*"[2]:

SRTs create additional linkages between banks and NBFIs[1] Graph 4



NBFIs =non-bank financial institutions; SRT = synthetic risk transfer.

[1] See Table 1 for a description of the various risk transfer chains. The arrows only show linkages between entities relating to SRTs. Fund financing includes net asset value (NAV) loans and capital call facilities. Other institutional investors include pension funds, sovereign wealth funds and endowments.

Source: Authors' elaboration.

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1. Unfunded SRTs where insurers provide credit protection
2. Funds sell protection but finance positions via repo or credit lines from other banks
3. A fund sells SRT protection to a bank on a portfolio that includes exposures to that fund complex or to companies the fund owns or finances.
4. Complex structures can arise when a bank transfers risk to a fund, the fund finances its position through another bank, and an insurer provides credit protection to the financing vehicle
5. Repackaging of SRT exposures into new tranched structures, spreading risk across the financial system
6. Issuers (and their loan portfolios protected by SRTs), investors and financing providers operate across multiple jurisdictions

[2] BIS Quarterly Review, March 2026: https://www.bis.org/publications/qr-202603/rise-and-risks-synthetic-risk-transfers

Private risk sharing solutions

To actively manage retained loans in the banking book, credit portfolio managers can consider selling loans, if feasible, but generally favor **unfunded solutions** which strictly transfer credit risk only, without affecting neither the ALM management nor the commercial relationship of banks.

These solutions are executed in **private markets**, mostly under the format of Credit Risk Insurance or private SRT securitizations.

1. Credit Risk Insurance (CRI)

Transaction types

Loan insurance contracts can also be branded "Non-Payment Insurance" (NPI), "Credit and Political Risk Insurance" (CPRI) or "Private Credit and Political Risk Insurance" (PCRI).

For this publication, in-scope insurance solutions are Credit Risk Mitigation techniques that comply with all the characteristics listed below[33]:

- Eligibility under Basel "**credit risk mitigation (CRM) framework**"
- Recognition in Basel regulations as an **Unfunded Credit Protection (UFCP**), where the reduction of credit risk derives from the obligation of a third party to pay an amount or compensate for expected cash-flows in the event of the non-payment of the obligor or in the occurrence of other specified covered events
- Offering by a regulated third party which qualifies as a private insurance or a reinsurance company and recognized in Solvency2 (or equivalent) insurers' prudential regulations as a contract which is accounted on the **liability side** of (re)insurers' balance-sheets and senior to insurers' bondholders and other providers of credit
- Covering losses on single loans, portfolios of loans, tranches of true sale or synthetic securitizations or other types of financings or credit instruments

This definition is based on the **economic substance** of the risk mitigant, meaning that a CRI contract complying with the criteria above is not necessarily an "insurance" under local law.

Protection providers

Insurers offering these credit protections are not monoline credit insurers, but global, regional or specialized **non-life insurer**s with a very diversified non-life activity.

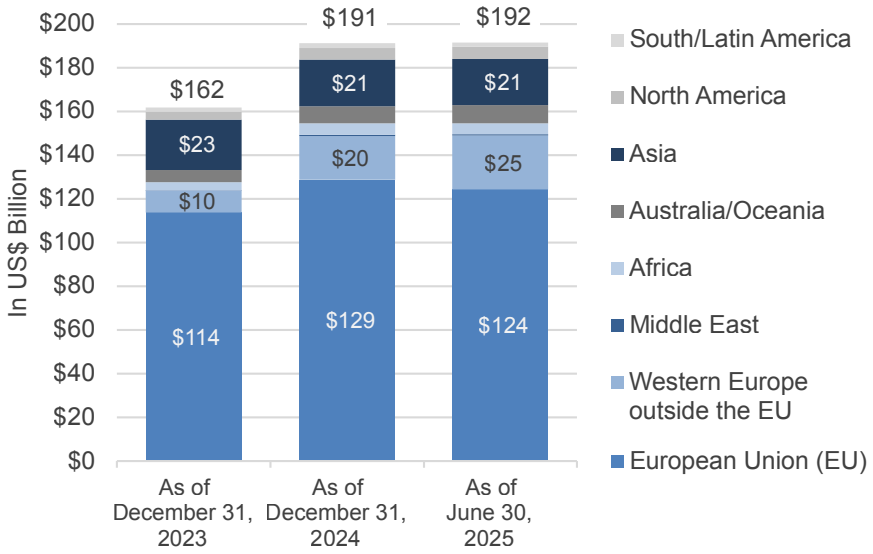
Credit insurance represents only a minor part of the insurance premia collected and booked on the liability-side of the balance-sheets by these non-life (re)insurers. Moreover, underwriting contracts are generally syndicated across several insurance companies, with external or parental re-insurance of tail losses in their credit underwriting book.

In addition, insurers are highly rated to enable capital release in the jurisdictions where insurers are eligible CRM counterparties, i.e., in most jurisdictions except in the U.S. where insurers still do not qualify as eligible guarantors by the end 2026.

[3] https://iacpm.org/wp-content/uploads/2025/08/IACPM-Credit-Risk-Insurance-brand-20250730-V531.pdf

Market profile by end 2025

Figure 1
Total Amount of Insured Exposure by Principal Region of Domicile



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Source: IACPM / ITFA Credit Risk Insurance Survey 2025

Loans protected by Credit Risk Insurance are typically granted to borrowers rated BBB or lower which do not have access to capital markets, so cannot be protected by credit derivatives.

EU banks are the dominant users of CRI, and the Purpose of CRI is evolving over time, notably in the European Union, where the instrument is utilized less for capital release only since the introduction of CRR3 and a fixed LGD of 45% on IRB exposures in January 2025.

- For more details such as CRI volumes per geography and asset class, see: https://iacpm.org/global-banks-cite-cri-as-one-of-the-most-important-tools-for-credit-risk-mitigation-after-strong-growth-usage-stagnated-in-the-first-half-of-2025/

2. Private SRT securitizations

Transaction types

The vast majority of transactions aiming at Significant Risk Transfer (SRT) are structured synthetically, with transfer of the risk on first loss and/or mezzanine tranches, the senior tranches being retained by banks.

Transactions are structured with or without SPV, depending on market maturity and investors' appetite for exposure to the originating bank. Risk is generally transferred via credit linked notes, collateralized guarantees or credit derivatives, or unfunded credit insurance.

Through their synthetic structures, SRTs do not disrupt client relationships, can be applied to a wider range of assets than cash securitizations, and require less operational and contractual complexities. SRTs can also be efficient irrespective of the cash flows generated by the assets retained on banks' balance sheet.

Protection providers

The additional lending capacity derived from executing risk transfer can be provided either by the **investment capital** from capital markets investors or by the **underwriting capital** from insurers as protection providers.

Funded investors in the first loss and mezzanine tranches are typically specialized credit funds, acting as portfolio managers on behalf of pension funds or setting up SRT funds for institutional investors. Unfunded protection can be provided by the credit arms of multiline insurers in the form of Credit Risk Insurance, or by governmental entities and development banks in the form of financial guarantees.

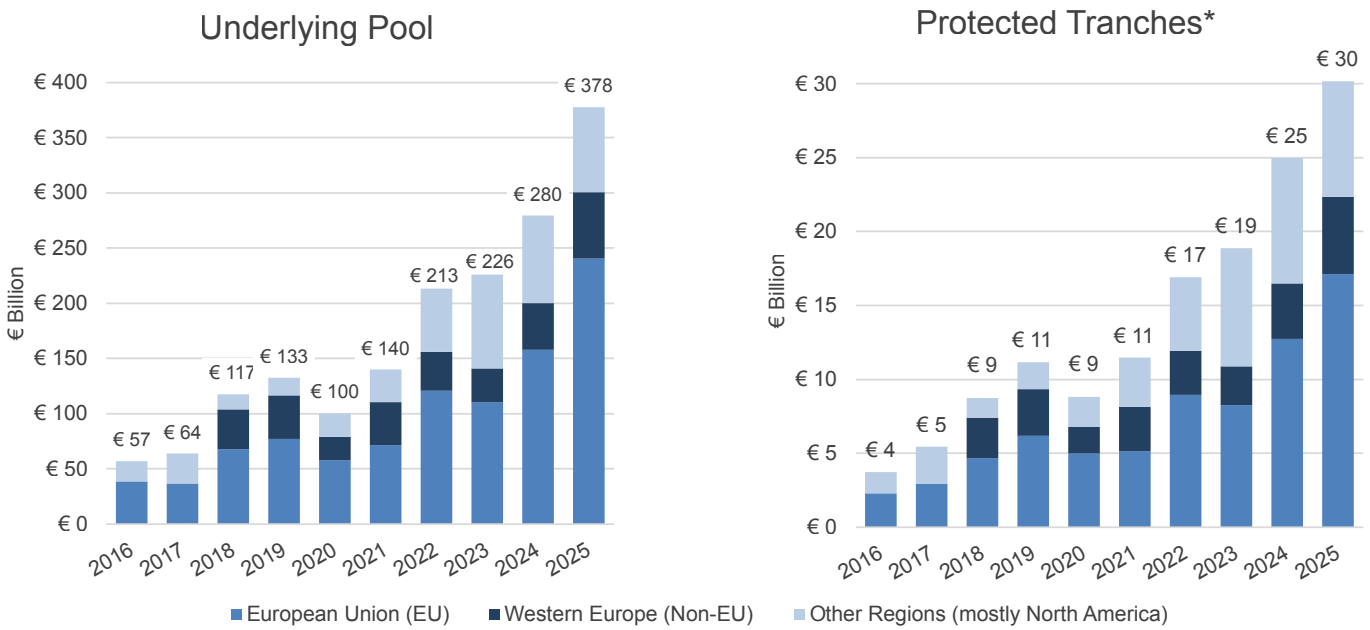
Insurers entered the SRT market on corporate and SME assets in the European Union around 2018, offering unfunded protection mostly on the upper mezzanine tranches of synthetic or true sale securitizations. Most of the insurers are also active in insurance of the Credit Risk Transfer (CRT) programs on GSEs' mortgages in the US since 2013.

After a comprehensive due diligence of banks' business and risk management practices on the asset classes they want to invest in, these specialized investors and insurers participate in the structuring of the private transactions and act as long-term partners of banks, looking for an ongoing stable return throughout the cycle.

Market profile by end 2025

IACPM's annual Bank SRT survey covers over 800 SRT transactions issued by 62 banks between 2016-2025, mostly to increase their lending capacity by releasing capital through Significant Risk Transfer from their own lending book.

Figure 2
SRT Issuance 2016-2025 by Issuer Region



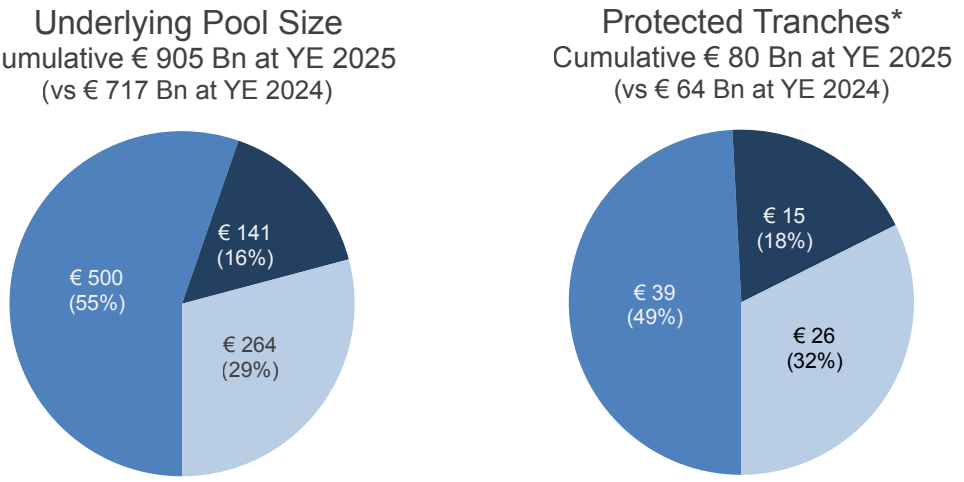
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Source: IACPM Global SRT Bank Survey 2016-2025

In 2025, participating banks securitized **€378bn loans** and protected **€30bn** junior tranches (first loss and mezzanine), an increase of 35% and 21% respectively compared to 2024.

Due to amortization as well as orderly termination of previous transactions, the **cumulative year-end outstanding** of loans protected by SRTs increased only by about half of these nominal inception amounts (€188bn and €16bn respectively), from €717bn at YE 2024 to **€905bn at YE 2025, protected by €80bn** (+25%) **first loss and mezzanine tranches**.

Figure 3
Cumulative SRT Outstanding YE 2025 by Issuer Region



© IACPM - All rights reserved. | (*) Protected tranche volume does not include placed senior tranche volume.
Source: IACPM Global SRT Bank Survey 2016-2025

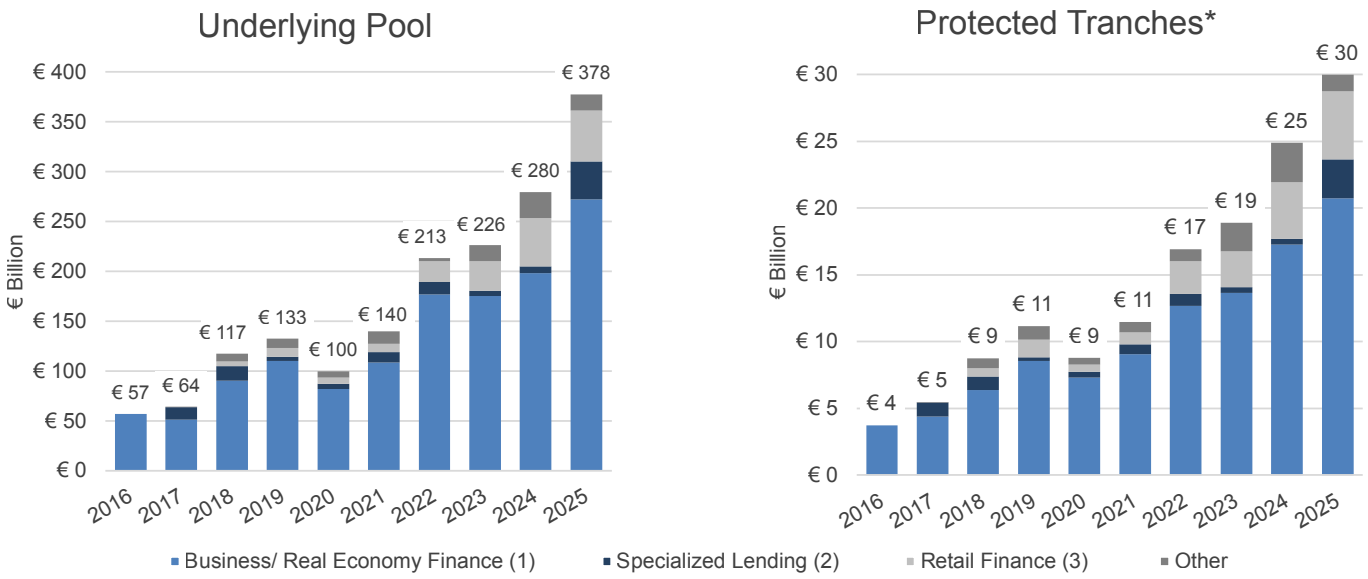
More than in 2024, SRT issuance was dominated by **EU banks** issuing SRTs on €241bn loans (+53% vs 2024), reaching an outstanding by year-end 2025 of **€500bn loans protected by €39bn** of junior tranches. EU synthetic SRT issuance - essentially private - continued in 2025 to exceed the volume of true sale placed issuance, estimated at €118bn[44], vs €100bn in 2024.

The share of **non-GSIB issuers** represented in 2025 about half of global SRT issuance, vs just 30% in 2023. Most of the observed growth in 2025 issued tranches stems from non-GSIB issuers, who are either new entrants to the SRT market or expanded the use of this risk mitigation tool in 2025.

Therefore, while 80% of the issuing banks operated under the Advanced IRB approach up to 2020, the share of loans following the Foundation IRB and the Standardized Approach is steadily increasing, each of them representing 16% of the number of SRTs issued in 2025.

[4]AFME 2025 full year securitization report – page 18 (Placed European issuance by country – EU total)

Figure 4
SRT Issuance 2016-2025 by Underlying Asset Class



© IACPM - All rights reserved. | (*) Protected tranche volume does not include placed senior tranche volume.
(1) Corporate, SMEs, Receivable/Trade Finance | (2) Project Finance, Object/Asset Finance, High-volatility Commercial Real Estate (HVCRE) Lending, Commercial Mortgages, Income-producing Real Estate (IPRE) Lending, Funds Finance | (3) Residential Mortgage Loans, Auto Loans, All Other Retail Exposures | Other includes Capital Calls
Source: IACPM Global SRT Bank Survey 2016-2025

While corporate/SME loans still represent over 70% of the underlying pools in 2025, **asset classes** are diversifying with a growing share of specialized lending[55] and a stable amount of retail finance with high-risk weights.

The average **risk weights** of the underlying pools at inception remained around 60% for IRB assets and 75% for assets in Standardized Approach. Although the minimum RW of securitized assets remained stable at around 40%, the maximum IRB RW has been increasing between 2023 and 2025 from 80% to 113%.

- For more details on IACPM global bank SRT survey 2016-2026, see here : https://iacpm.org/global-srt-market-overview-2025-bigger-broader-more-diverse/

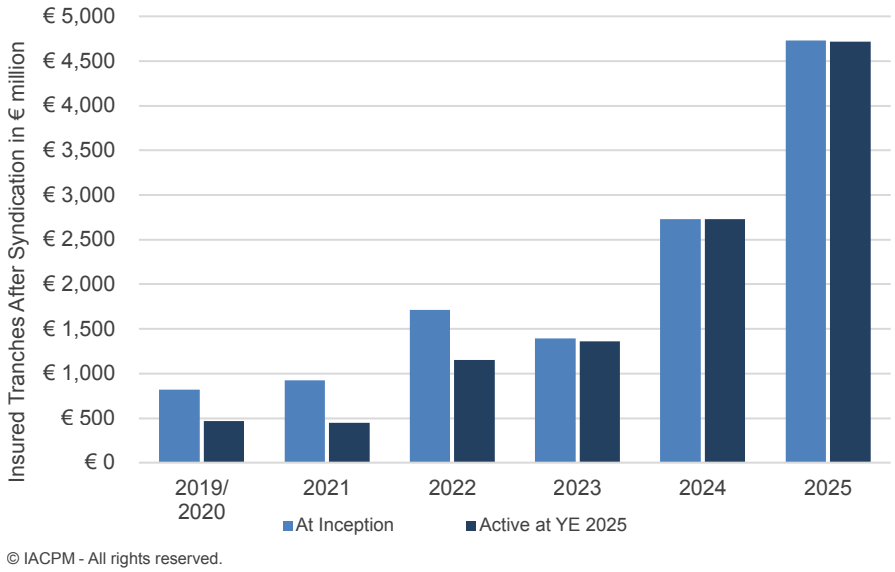
Unfunded protections provided by credit risk insurers

The latest IACPM Global SRT Insurer survey 2019-2025 confirmed the continued expansion of credit risk insurers' role in the synthetic Significant Risk Transfer (SRT) market.

Credit risk insurers are providing increasing volumes of unfunded protection to banks and investors while maintaining conservative underwriting standards.

[5]Specialized lending is a type of exposure towards an entity specifically created to finance or operate physical assets, where the primary source of income and repayment of the obligation lies directly with the assets being financed : project finance, object finance (ships, aircrafts, etc.), commodity finance, income producing real estate.

Figure 5
Insured Tranches After Syndication 2019-2025



Source: IACPM Global SRT Insurer Survey 2019-2025

Over the period 2019–2025, the 14 global participating insurers executed around **300 unfunded protection contracts**, representing **€10.9 billion of outstanding insured tranches** by year-end 2025. These protections supported banks' risk sharing in SRT on approximately **€506 billion underlying bank loans**.

The **prudential framework** applicable to commercial banks underwriting unfunded SRT protection has shaped the unfunded SRT insurance market. Until 2025, insurers have been confined to the EU Non-STS market, i.e., roughly half of the European SRT market, where they developed a more specific franchise on longer term assets, SME and mid-corporate assets in smaller EU Member States.

Most of the SRT protections (around 70%) are syndicated and the average exposure retained by each participating insurer increased to €50 million,

The composition of insurance-protected portfolios is generally more diversified and longer term than the average underlying portfolios of banks' SRT, a smaller share of large Corporate and SME exposures (58% in 2025) and a larger share of residential mortgages (20% in 2025), which is significantly higher than insurers' historical participation in the broader SRT market.

- For more details on IACPM/ITFA global insurers SRT survey 2019-2025, see here: https://iacpm.org/the-iacpm-global-srt-insurer-survey-highlights-credit-risk-insurers-supporting-a-broad-range-of-real-economy-lending/
- For an analysis of the complementarity role of insurers vs investors, please see IACPM paper here : https://iacpm.org/the-complementary-role-of-unfunded-insurers-vs-funded-investors/

Public risk sharing solutions

Credit derivatives

Transaction types

Bank portfolio managers also use capital market instruments traded in public capital markets, like credit derivatives, principally credit default swaps (CDS), to hedge selected credit exposures while retaining the underlying loans and borrower relationships.

- **Single-name CDS** provide protection against specified credit events affecting individual borrowers with outstanding debt. Differences between legal entity, credit event definition, seniority and recovery, currency and maturity of protected loans and CDS hedges create basis risk.
- **CDS indices** like iTraxx or CDX provide protection against a standardized basket of reference entities, and thereby offer broader portfolio protection against credit deterioration, although differences between index constituents and the lending portfolio create basis risk.

These instruments support the management of default risk, borrower and sector concentrations, and credit-spread sensitivity mostly in large corporates portfolios.

Regulatory capital treatment

Regulatory capital relief in credit derivatives in the banking book is conditional rather than automatic under the Basel framework.

- Purchased credit protection must meet requirements concerning legal enforceability, eligible protection providers, covered credit events and alignment with the underlying exposure
- Absence of restructuring event (NoR CDS) can trigger a 40% haircut in recognized protection, unless the “relevant exceptions” apply
- Maturity and currency mismatches can also reduce the amount recognized.

Under the standardized approach, eligible protection generally replaces the borrower’s risk weight with the protection provider’s risk weight for the protected portion. Treatment under internal ratings-based approaches depends on the applicable methodology. Consequently, an economically useful hedge may not qualify for full regulatory capital relief. National implementation determines the applicable treatment.

Market profile by end 2025

Heightened uncertainty on trade, monetary policy and geopolitical outlook supported increased hedging activity, contributing to the expansion in notional outstanding. After declining in 2023 and 2024, gross market value and gross credit exposure also rose in 2025.

The data from the Bank for International Settlements over-the-counter derivatives statistics shows a significant increase in global CDS notional outstanding at the end of 2025 versus the previous year.

The global CDS notional outstanding stood at about US$11 trillion at year-end 2025 , comprising US$4.6 trillion of single-name CDS and US$6.4 trillion of multi-name contracts, including US$5.5 trillion of index-based products. Total outstanding notional increased 21.7% versus the previous year, with faster growth in multi-name contracts. These figures cover both protections bought (US$6.2 trillion) and **protections sold (US$5.8 trillion)**, including trading and intermediation, and cannot be interpreted as the amount of bank lending hedged.

Market data do not establish whether protection buyers hold loans, bonds or other exposures. They therefore describe the credit risks referenced under CDS hedges rather than the assets hedged by bank loan portfolio managers.

Conclusion

Risk sharing is expected to continue growing, because banks' capacity to originate loans can exceed their willingness or capacity to retain all the associated risks, due to

- large financing needs in infrastructure, energy transition, housing, digitalization and defense
- scarce capital and return targets
- concentration constraints, combined with changing and interconnected risks (geopolitics, supply chains, technology, climate)
- complementary risk-bearing capacity provided by institutional investors and insurers which can invest in exposures suited to their own portfolios
- banks' desire to preserve the banking franchise, i.e. origination, servicing and client business.

Risk sharing requires clear **objectives** to identify the most appropriate solution to achieve the expected goal of risk mitigation and capital efficiency, as well as **collaboration** between all stakeholders – banks, investors, insurers, regulators and supervisors – so that knowledge is shared on differences and complementarity of the various business models.

The IACPM is committed to assist its members and the policy makers in building a deep, solid and transparent **risk sharing ecosystem** that benefits the economy and society without weakening financial stability.

IACPM initiatives to support and advance effective usage of risk mitigation techniques

For the most widely used and for emerging techniques of risk mitigation, the IACPM is providing support to its members in the form of ongoing and ad-hoc working groups, data collection / targeted research and advocacy vis-à-vis the main regulatory bodies across the world.

In particular, in this specific domain of Credit Portfolio Management, the Association prioritizes its research and advocacy efforts on the documentation, risk assessment, regulatory treatment and transparency of critical tools which are the foundations of the above transformation in credit portfolio management, i.e.

- Credit Risk Insurance (CRI),
- Credit default swaps (CDS),
- Synthetic securitizations with first and/or mezzanine risk mitigation (SRT).

Data collection / Research

https://employers/research/

Biennial survey on Credit Risk Insurance (banks only)
Collecting data on volumes, protected assets, pricing and claims on non-payment insurance transactions executed by banks and eligible as financial guarantees

Annual Global SRT Bank survey
Collecting transaction-level data on volumes, structuring features, pricing, investor profiles and underlying portfolio performance on public and private synthetic securitizations executed by member firms

Annual Global SRT Insurer survey
Collecting data on volumes, underlying assets and protected tranches of securitizations executed by diversified non-life insurers

Biennial Principles and Practices in CPM survey (all members)
Updating on developments in the credit portfolio management function, including usage of risk mitigation tools

Ad-hoc surveys
Performed to better understand practices in specific domains

Working groups

Monthly Regulatory Update Call
Covers global regulatory developments

Credit Risk Insurance Working Group
Engages with global regulators for a fair treatment of non-payment insurance as credit risk mitigant

Securitisation Working Group
Focuses on synthetic on balance-sheet (SRT) securitizations, including significant risk transfer assessment, frameworks for Simple, Transparent and Standard, treatment in the various prudential capital regulations, disclosure and due diligence requirements, etc

Regulatory Affairs Working Group
Meets to share information and decide on actions during the legislative process of the files on which IACPM is engaged in regulatory advocacy

Effectiveness of regulatory capital release – IACPM advocacy priorities

The credit and market environment continues to evolve rapidly amid the stresses of the credit crisis and the requirements to support growth while balancing risk and return. Credit portfolio managers are being called upon to assess and mitigate the new risks which emerged after the pandemic, as well as contribute to design the transition path of their credit portfolio to deliver the sustainability objectives of their firms.

Accordingly, a number of transformative considerations for the financial industry looking forward will require public – private partnership to assess and mitigate risks and establish or adjust the appropriate risk management and regulatory frameworks. Among these challenges, which have an effect on capital allocation priorities, are:

- Improvement of **profitability**, requiring allocation of capital not only to balance-sheet growth, but also to digital investments
- Increase of **market-based fundin**g of the economy, notably by long-term institutional investors like pension funds
- Growing role of **insurers** in supporting economic growth, both on the assets (investments) side and the liability (credit insurance) side of their balance-sheet
- Transition to **sustainable finance**, and growing investors demand for investments that promote climate transition

Therefore, the IACPM wants to promote the best practices that assure the effective and prudent use of risk transfer techniques in lending books, and their alignment with the related treatment in prudential regulations.

Appendix

IACPM **advocacy initiatives** can be illustrated as follows for each of the instruments:

	Research	Advocacy
Credit Insurance	• Biennial CRI Survey with ITFA	• Recognition of the super senior level of insurance protections in counterparty risk through a lower LGD • Standardisation of credit insurance contracts • Impact of Basel III implementation
CDS		• IFRS accounting of CDS hedges (completed) • Eligibility of CDS without restructuring clause • Impact of Basel III finalisation
Synthetic securitisation	• Annual Bank SRT survey • Annual Insurance SRT survey • Ad-hoc surveys on disclosure and due diligence, on eligibility of credit insurers	• Participating to or incentivising for comprehensive review of securitisation regulations • Simplification of the significant risk transfer assessment process • Optimisation of the non-neutrality factors on synthetic SRT transactions • Calibration of the Risk Weight Floor on low RWA assets like residential mortgages • Impact of Basel III finalization and output floor • Simplification of the disclosure templates for private securitizations • Review of the criteria for synthetic STS transactions in the EU (homogeneity, triggers for amortization, synthetic excess spread, etc) • (EU) Eligibility of credit insurers as providers of credit protection in STS transactions • Actions to grow the volume of SRT and CRI in the Savings & Investment Union

IACPM

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About the IACPM

The IACPM, with over 165 member institutions located in more than 30 countries, is a professional association dedicated to the advancement of credit portfolio management. The organization's programs of meetings, studies, research and collaboration are de-signed to increase awareness of the value and the function of credit portfolio management among financial markets worldwide, and to discuss and resolve issues of common interest to its members.

Today credit market conditions, and new regulations, are shaping the financial services industry. The discipline of credit portfolio management is evolving within firms to include the measurement and management of credit risk at the enterprise level, in addition to execution of risk mitigation strategies in credit markets.

CPM has increasing linkages with: front-end credit originators; the setting of risk appetite and limit structures; funding and liquidity for the firm; and management of counterparty risk. CPM is also expanding coverage of credit assets beyond investment grade and leveraged to include middle market and retail, as well as in some cases bonds and other credit-sensitive instruments.

The IACPM recognizes the unique and evolving role of credit portfolio managers in today's financial environment, and offers an excellent forum through which these issues can be identified, understood and addressed.

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