

# CRE structured.credit

NOTES ON EUROPEAN CRE STRUCTURED CREDIT

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BRIEFING DOSSIER

## CRE Structured Credit

*An Expanding Universe*

CMBS · Synthetic Securitisation (and the SRT regulatory outcome) · Fund Finance · Back  
Leverage · Collateralised Fund Obligations · Other Bespoke Structures

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# 1. Executive summary

**Banks are not leaving CRE.** They are re-plumbing how they lend to it — keeping the borrower relationship but moving the capital and the risk through structured-credit pipes. For lawyers, the centre of gravity has shifted from the underlying real-estate loan to the structure around it.

European commercial real estate (CRE) credit markets are passing through the most profound structural change of the post-GFC era. The combination of Basel 3.1 / CRR3, the post-2022 rate reset, and a €315 bn refinancing wall across 2025–2026 has forced banks — historically the dominant providers of CRE debt — to re-engineer how they originate, warehouse and fund real-estate loans. The answer is no longer a single product. It is an expanding toolkit of structured-credit techniques that sits between the traditional senior bank loan and pure private credit.

This dossier maps that toolkit across the six products covered on **CRE structured.credit**: **CMBS**, **synthetic securitisation** (the product by which Significant Risk Transfer — SRT — is most commonly pursued in European CRE), **fund finance** (subscription, NAV and hybrid facilities), **back leverage**, **Collateralised Fund Obligations (CFOs)** and **other bespoke structures**. It opens with the regulatory backdrop that makes each of these products economically necessary today, then walks through the mechanics, the 2025/26 market data, the regulatory framework and the principal legal issues for practitioners.

A word on terminology: “SRT” is widely used as a shorthand for synthetic securitisations, but strictly it is a regulatory *outcome* under Articles 244–246 CRR, not a product. Throughout this dossier — as on the website — “synthetic securitisation” denotes the product and “SRT” the regulatory status a given transaction may or may not achieve. Section 3 sets out the distinction, which matters both for supervisory dialogue and for disclosure.

## Key data points at a glance

Indicator	2025 / 2026
European CMBS issuance 2025	€8.7 bn across 17 transactions ( $\approx 4\times$ 2024 volume)
Global synthetic-securitisation issuance 2025	USD 41 bn (+40% YoY); CRE & infrastructure tranches more than doubled
European back-leverage outstanding	c. €30 bn and expanding; 55% of lenders now active
NAV finance — 2025 deployment estimate	USD 70 bn; path to USD 145 bn by 2030 (17Capital)
Landmark CFO — NPC SIP 2024-1 (Churchill / Nuveen)	USD 750 m; 30-year bond; closed March 2025
CRE refinancing wall 2025/26 (Europe)	c. €130 bn in 2025 + c. €185 bn in 2026 = €315 bn
Bank share of CRE originations (Q3 2024)	18% (vs. 38% prior year); non-banks 34%

## 2. The setting: Basel 3.1 / CRR3 and the capital squeeze on CRE lending

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### 2.1 The Basel Endgame — divergence across jurisdictions

Basel 3.1 — the “Endgame” — is the final chapter of the Basel III reforms agreed after the 2007–08 crisis. It rewrites the credit-risk standardised approach, re-calibrates IRB models, introduces a new output floor at 72.5% of standardised RWAs, and overhauls operational and market risk. In CRE, it strips out much of the capital arbitrage that internal models historically delivered and tightens valuation rules. The catch is that the three major jurisdictions are no longer in step:

- **United Kingdom.** The PRA has delayed Basel 3.1 twice. Final rules were published in PS1/26; the main capital regime now applies from 1 January 2027, with the transitional period running to 31 December 2029.
- **European Union.** CRR3 / CRD VI came into force on 1 January 2025, but the FRTB market-risk package has been postponed to 1 January 2027. The EU has also used its discretion to extend the output-floor transition to 2032 (rather than 2028).
- **United States.** No final rule. A revised Fed proposal is expected in 2026, reportedly aimed at easing the calibration for large U.S. banks. Non-banks — outside the Basel perimeter altogether — continue to take share.

For cross-border lenders, the divergence itself is the problem. A German Pfandbrief bank, a London branch of a U.S. bulge-bracket and a Paris insurer now face materially different capital costs for the same underlying real-estate exposure. That asymmetry is a primary driver of the six products covered in this dossier.

### 2.2 Mechanics of the squeeze on CRE balance sheets

Three mechanics are doing the work on banks' CRE books:

- **Output floor.** IRB RWAs cannot fall below 72.5% of the standardised calculation. German, Dutch and Nordic lenders whose internal models priced low-LTV income-producing CRE at sub-30% risk weights lose that advantage. Because CRE standardised risk weights remain relatively high, the floor bites hardest where it hurts most.
- **Revised standardised approach for real estate.** The new SA is granular and LTV-sensitive. It removes the old 100% blanket floor for exposures not materially dependent on property cashflow — which is directionally helpful for investment-grade lending — but layers on stricter valuation rules, a revaluation cap, and more punitive treatment of transitional / development lending.
- **Operational and concentration overlays.** CRR3's new operational-risk framework (SA-OR) and the ongoing EBA focus on CRE concentration mean that, even before the output floor, CRE loans consume more of the bank's scarce capital budget than they did under Basel II.

### 2.3 The €315 bn refinancing wall

Against this tighter capital backdrop, roughly €130 bn of European CRE loans matured in 2025, with a further €185 bn due in 2026. Capital values have partially recovered from their 2023 trough but are still materially below

origination LTVs for vintages struck in 2020–2022. The result is a structural funding gap that no single lender, and no single product, can close alone.

## 2.4 Strategic responses — three bank playbooks

Faced with Basel 3.1 and the refinancing wall, banks are gravitating towards three playbooks, all visible today in the European CRE market:

- **Raise capital.** Politically expensive, particularly for institutions with state or Länder shareholders. Rarely sufficient on its own.
- **Retrench.** Scale back from capital-inefficient business lines — development lending, high-LTV transitional deals, certain geographies. This is already creating a funding vacuum that private credit is filling.
- **Re-engineer.** Keep the customer, move the capital. This is where CMBS (distribute the asset), synthetic securitisation seeking SRT (distribute the risk), back leverage (fund the non-bank lender that takes the asset), fund finance (finance the fund that holds the loan), CFO technology (give institutional LPs a rated point of entry) and the wider toolkit of bespoke structures all come in. The six products covered in this dossier are, in effect, six tools in a single re-engineering playbook.

***Author's view.** The Basel Endgame is not a one-off capital event. It is a permanent, structural re-pricing of CRE risk inside the banking system. The market is pricing in that the re-engineering tools — not the raise and retrench — will do the heavy lifting over the next three to five years.*

### 3. A note on terminology: synthetic securitisation and SRT

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Market shorthand treats “SRT” and “synthetic securitisation” as interchangeable. They are not. Getting the distinction right matters because it decides which documentation, which regulatory tests and which supervisory dialogue apply to a given transaction.

#### 3.1 Synthetic securitisation is a product

A synthetic securitisation is a transaction type falling within Article 2(1) of the Securitisation Regulation (EU) 2017/2402. The originating bank keeps legal title to a reference loan portfolio but transfers a defined tranche of credit risk — usually the first-loss or mezzanine layer — to third-party investors via credit-linked notes, credit default swaps or a funded guarantee. Contrast a traditional (“true-sale”) securitisation, where the assets themselves are transferred to an SSPE.

#### 3.2 SRT is a regulatory outcome

Significant Risk Transfer (SRT) is the regulatory *outcome* under Articles 244 and 245 CRR when a securitisation — traditional or synthetic — permits the originating institution to exclude the securitised exposures from its calculation of risk-weighted exposure amounts. Recognition depends on one of the two quantitative tests in Article 244(2) / 245(2) CRR (mezzanine test: originator-held mezzanine RWAs  $\leq$  50% of all mezzanine RWAs; first-loss test: originator-held first-loss  $\leq$  20% of the exposure value of the first-loss tranche, provided the securitisation has no mezzanine tranche), the qualitative conditions in Article 244(4) / 245(4) CRR (insolvency-proof transfer, no implicit support, no more-than-clean-up-call repurchase obligation), and the supervisor's commensurate-transfer assessment under the EBA Guidelines on SRT assessment (final, 2024; effective 2025).

#### 3.3 Why the distinction matters

A synthetic securitisation that fails the Article 245 tests is still a synthetic securitisation — it just delivers no SRT and no capital relief. A traditional securitisation that meets the Article 244 tests can achieve SRT without any synthetic element at all (many NPE securitisations and some CMBS transactions do). And the same structure can achieve SRT at origination and lose it in-life, for example where a clean-up call is exercised early, where replenishment re-concentrates risk onto the retained positions, or where investor-side back leverage changes the supervisory view of the commensurate-transfer question. On this website the [synthetic securitisation](#) page covers the product and the [SRT](#) page covers the regulatory outcome.

**Practical shorthand.** Throughout the rest of this dossier, where market-commentary volume figures (e.g. “USD 41 bn of SRT issuance in 2025”) are quoted, the underlying data refer to synthetic securitisations that the issuer presents as achieving SRT. The volume statistic is therefore product-level; the regulatory status is deal-specific and case-by-case.

## 4. Product 1 — Commercial Mortgage-Backed Securities (CMBS)

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### 4.1 What CMBS is

A CMBS is a traditional (true-sale) securitisation in which one or more commercial real-estate loans — single-loan, pan-European pool or conduit — are transferred into an SPV that issues rated, tranching notes to institutional investors. The originator keeps 5% vertical or horizontal risk retention under the EU / UK Securitisation Regulation; the rest moves off balance sheet. Servicing is performed by a specialist master / special servicer, with control-valuation-events and cash-trap mechanics driving post-issuance governance. Where the tests in Article 244 CRR are met, the originator can claim SRT on the retained positions; most recent European CMBS issuance has been structured with SRT in view.

### 4.2 Market snapshot 2025 / 2026

2025 was the strongest year for European CMBS issuance since the pre-GFC era: €8.7 bn across 17 transactions, against only €2.2 bn (5 deals) in 2024. Issuance in 2025 alone was higher than the previous three years combined. Weighted-average note margins tightened to their tightest levels in four years. 2026 opened with the first European CMBS of the year already in the market.

Ratings agencies (Scope, S&P, KBRA) describe the sector outlook as cautiously positive for logistics / industrial and multifamily, neutral for retail, and negative for offices — where refinancing stress is concentrated. Deutsche Bank, Goldman Sachs, Morgan Stanley and Bank of America remain the dominant book-runners in Europe; sponsors include Blackstone, Starwood, EQT Real Estate and Brookfield.

### 4.3 Why CMBS is back

Three forces have re-opened the European CMBS window:

- **Pricing arbitrage.** Post-2023 spread compression in AAA / AA tranches, combined with bank RWA cost, makes securitised distribution economic again.
- **Investor appetite.** ABS / RMBS accounts (e.g., Aegon AM, Bracebridge, Cheyne) have CRE allocations that they were unable to deploy 2021–2023.
- **Balance-sheet necessity.** The large CRE refinancings coming through 2025–2027 cannot all be held on bank balance sheets under CRR3.

### 4.4 Legal / structural themes for practitioners

- **Risk retention & STS.** CMBS remains generally outside the EU STS regime; retention is usually by the originator, occasionally by a third-party sponsor (original-lender route). Output-floor interaction with retention is a live topic.
- **Operating-advisor / controlling-class mechanics.** Control-valuation events, appraisal reductions and B-piece transfer restrictions drive most post-closing disputes.

- **Servicing standard.** The U.S. “servicing standard” has largely been imported into EU deals; enforcement regimes (Germany, Spain, Italy, Netherlands) remain materially different, shaping expected recovery timelines.
- **ESG / Article 9 overlays.** Green-labelled CMBS tranches are increasingly demanded by EU institutional buyers; CRR3 does not yet formally reward them, but reporting expectations are tightening.

## 5. Product 2 — Synthetic securitisation (and the SRT regulatory outcome)

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### 5.1 The product

A synthetic securitisation is a transaction in which the bank keeps legal title to a reference loan portfolio but transfers a defined tranche of credit risk — usually the first-loss or mezzanine layer — to third-party investors. The risk-transfer instrument is typically a credit-linked note (funded) or a credit default swap / funded guarantee. The customer relationship stays with the bank; the capital relief, if it comes, comes from the regulatory SRT status of the retained senior tranche.

### 5.2 The SRT regulatory outcome

SRT recognition under Article 245 CRR unlocks RWA relief on the retained senior tranche but depends on three things: (i) one of the quantitative tests (mezzanine  $\leq 50\%$ , or first-loss  $\leq 20\%$  in the absence of a mezzanine) is met; (ii) the qualitative conditions in Article 245(4) CRR are satisfied (no implicit support, no more-than-clean-up-call repurchase, insolvency-proof credit protection); and (iii) the supervisor is satisfied under the EBA Guidelines on SRT assessment that a commensurate amount of credit risk has been transferred. The three-gate supervisory framework — commensurate transfer, pricing / tranche sizing, structural robustness — is tested at origination and re-tested whenever deal parameters move.

### 5.3 Market snapshot 2025 / 2026

Global synthetic-securitisation issuance — almost all of it presented as achieving SRT — hit a record USD 41 bn in 2025, the fifth consecutive annual record, referencing USD 475–500 bn of underlying loan portfolios. Q4 2025 alone exceeded full-year pre-2022 volumes. Europe accounts for more than 70% of global issuance (U.S. 21%, Canada 4%). Banks have securitised only c. 5% of their corporate loan books and c. 3% of total portfolios — on Crescent Capital's estimates, a 5-percentage-point utilisation-rate increase could add USD 75 bn of annual issuance.

In CRE specifically, 2025 was the first breakout year. CRE and infrastructure synthetic-securitisation issuance more than doubled year-on-year. CRE still represents only c. 5% of the asset mix (corporates 58%, SME 14%, consumer 8%, fund finance 6%, project finance / infra 5%) — but the trajectory is clear. 36% of European bank respondents in a 2026 industry survey said they already use or are actively exploring the product; 65% expect it to become a significantly important tool for the European CRE lending market.

### 5.4 Regulatory framework

- **Core instruments.** CRR Articles 244–249; EBA Guidelines on SRT assessment (2024 final, effective 2025); ECB SSM public communications on genuine-risk-transfer (GRT) tests.
- **Three supervisory gates.** (i) Is enough risk actually transferred; (ii) is the pricing / tranche sizing commensurate; (iii) is the structure robust (clean-up calls, amortisation, replenishment, early-termination).
- **Investor universe.** Pemberton, AXA IM Alts, Ares, KKR, Cheyne, PGGM, Chorus Capital, Christofferson Robb, plus a growing list of insurance / pension mandates. UK PRA and ECB have publicly warned about

“negative feedback loops” where the risk stays within the wider banking system — a governance point to watch.

- **Retention and the no-worse-than floor.** Article 6 Securitisation Regulation retention (minimum 5%, non-hedgeable) and Article 252 CRR (no capital arbitrage relative to the pre-securitisation position) frame the economics.

## 5.5 CRE-specific considerations

- **Granularity.** Classical SRT logic depends on pool diversification. CRE is lumpy. The 2025/26 European CRE breakthrough has come from pools that look more like traditional securitisation pools ( $\geq 30$  names, geographic spread, sector spread) rather than 3-loan chunky decks.
- **Valuation volatility.** Tranche thickness and attachment points are far more sensitive to valuation swings than in corporate SRT. Reference-pool LTV cut-offs and MtM triggers are heavily negotiated.
- **Interaction with back leverage.** Investors in synthetic-securitisation tranches increasingly part-fund their position with back leverage from other banks — creating the circular exposure that regulators have flagged. The legal documentation needs to anticipate bifurcated funding and collateral flows.
- **Accounting / derecognition.** SRT only releases capital if the accounting treatment follows. IFRS 9 derecognition and the SPPI test must align with the regulatory SRT position — mis-alignments are a classic source of execution risk.
- **In-life maintenance.** Article 7 Securitisation Regulation disclosure obligations and the EBA Guidelines expectation on post-issuance notification where SRT-sensitive parameters move make ongoing compliance as important as day-one structuring. Budget for the in-life work accordingly.

## 6. Product 3 — Fund finance: subscription, NAV, hybrid

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“Fund finance” is shorthand for the family of secured credit facilities extended to private-markets funds themselves (as opposed to their underlying investments). In a CRE-credit context, the most relevant variants are subscription (capital-call) lines, NAV facilities and hybrids. CFOs — which are securitisations of LP interests rather than loans to a fund — are covered separately as Product 5.

### 6.1 Subscription / capital-call lines

The traditional bridge: a revolver secured on the right to call uncalled commitments from limited partners. Pricing tight (SOFR / EURIBOR + 125–225 bps, depending on LP quality and advance rate). Primary risk: LP default and exclusion events. Basel 3.1 has pushed some U.S. banks to recalibrate pricing but has not fundamentally changed the product. LP-based advance rates, gross/net limits and the interaction with side-letter obligations remain the key negotiation points.

### 6.2 NAV facilities

Secured against the NAV of the fund's portfolio rather than uncalled commitments. Used to finance follow-ons, accelerate distributions, bridge to a secondary sale, or gear-up mid- to late-life funds. In 2024, weighted-average NAV-deal volume per lender reached €800 m, up 142% on 2023. 17Capital estimates USD 70 bn deployment in 2025, and a plausible path to USD 145 bn by 2030 out of a total addressable market of USD 700 bn. 73% of 2025 NAV term-sheet counterparties were non-bank lenders — a striking inversion of the subscription-line market.

The ILPA 2024 guidance on NAV financing and several EU regulator statements have brought governance, LP-consent and use-of-proceeds disclosure to the front of the agenda.

### 6.3 Hybrid facilities

Hybrid facilities (subscription + NAV on the same collateral package) are the fastest-growing segment heading into 2026. The structural attraction is a single facility with a smooth transition as a fund progresses from early-life (uncalled commitments are the main credit support) to mid- and late-life (NAV is the dominant collateral). Documentation concentrates on the transition mechanics: the covenant package, the LTV definitions, and the borrower's ability to re-draw against the NAV side after capital-call availability has been exhausted.

### 6.4 Overlap with back leverage

Where a NAV facility is extended to a CRE credit fund and secured on its underlying loans — rather than on fund equity value — the product converges with back leverage. Documentation convention today is to call it back leverage when the facility is at loan level, and NAV (or hybrid) finance when the facility is at fund level; the underlying credit analysis can look nearly identical. For regulatory classification purposes (and the Securitisation Regulation analysis in particular), the legal structure of the collateral package — not the label — is what matters.

## 7. Product 4 — Back leverage

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### 7.1 What back leverage is

Back leverage is debt on debt. A non-bank lender — typically a CRE debt fund — borrows from a bank (or, increasingly, from another non-bank) on the security of the real-estate loans it has itself originated. Two dominant structures: a secured loan-on-loan facility (bilateral or club, usually English-law LMA-style, with a facility agent and a security trustee); or a repo / master-repo structure (GMRA-based, with daily mark-to-market and margin-call mechanics).

The economic effect: the fund levers its senior-loan book to amplify equity returns and, critically, to meet its double-digit net return targets even as underlying asset yields compress. The bank, in turn, gets a senior, diversified, low-LTV exposure with a professional sponsor on the hook — an attractive trade under CRR3 compared with direct CRE lending.

### 7.2 Market snapshot 2025 / 2026

Recent industry surveys (see section 12) provide the most comprehensive picture of European back leverage. Headlines:

- Back-leverage outstanding in European CRE has grown to approximately €30 bn and is expanding rapidly.
- 90% of debt-fund respondents said they can use back leverage (up from 80% in 2025); 40% use it on all or the majority of their transactions (up from 25%).
- 55% of surveyed lenders are now active in back-leverage lending (50% in 2025); a further 25% expect to enter the market in the near term.
- ~30% of active back-leverage lenders have entered the market within the last 12 months.
- Programmatic (rather than deal-by-deal) back-leverage utilisation up c. 90% year-on-year.
- Minimum day-one ticket sizes have shifted upwards: 75% of lenders now prefer tickets >€50 m or >£100 m, vs. c. 40% last year.
- Look-through LTVs: 63% of lenders accept >55% look-through LTV; a minority will now go above 85% maximum advance.

### 7.3 Structural flavours

- **Loan-on-loan.** Term or revolving loan secured over eligible underlying receivables via an assignment-by-way-of-security and (where required) English-law deed-of-charge. Eligibility criteria, concentration limits, consent rights and veto rights over new assets are heavily negotiated. 90% of borrowers today use loan-on-loan.
- **Repo.** Title-transfer-style financing under a GMRA. Simpler insolvency analysis in most EU jurisdictions, cheaper on bank RWA, but with full mark-to-market and margin-call risk. 40% of borrowers use repo, up from c. 30%.
- **Hybrid / programmatic platforms.** The clear 2025/26 direction of travel. A single facility with a defined eligibility envelope supports a growing underlying portfolio — closer to a warehouse than to a bilateral deal.

## 7.4 Key commercial & legal issues

- **Mark-to-market mechanics.** Which party sets the “V” in LTV? Industry surveys report an even three-way split between lender-discretion, third-party valuation and negotiated mechanics. Bespoke dispute protocols (independent valuer, time-bounded reference-panel) are becoming standard.
- **Fund guarantees and recourse.** 90% of lenders do not require a full fund guarantee; partial recourse / specific-obligation guarantees are now standard. The economics of the guarantee (capped, limited to breach events) matter more than its presence.
- **Control rights.** 70% of lenders require approval of “material modifications” on underlying loans. Practical problem: what is a material modification? Clear, exhaustive lists are the lawyer's job.
- **Securitisation classification risk.** If a back-leverage facility references a growing pool of underlying loans, there is an active question whether it falls within the EU / UK Securitisation Regulation. The analysis is fact-specific; getting it wrong triggers retention and disclosure obligations the parties never priced for.
- **Regulator scrutiny — circularity.** The PRA, ECB and FSB are all focused on the circularity of back leverage funding the junior-tranche investors in synthetic securitisations seeking SRT — where those investors are themselves funded on other banks' back-leverage lines. Expect supervisory attention to tighten over 2026–2027.
- **Development lending.** Historically the hardest sub-asset-class to back-lever. 80% of borrowers now need back leverage for development loans (up from 65%); c. 40% of providers can already offer loan-on-loan for development, rising to 90% including those who expect to in the near term. Construction risk, drawdown mechanics and practical completion tests drive documentation length.

***Author's view.** Back leverage has moved from niche to core. The legal work has moved with it — from one-off term-sheet translations to programmatic documentation, platform-level negotiation and governance frameworks that sit on top of the underlying real-estate loan documents.*

## 8. Product 5 — Collateralised Fund Obligations (CFOs)

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### 8.1 What a CFO is

A CFO is a securitisation of LP interests in one or more private funds, issuing tranching, rated notes to institutional buyers — conceptually a cousin of the CLO, but on fund stakes rather than loans. The SPV buys (or is contributed) a pool of LP interests; issues rated notes in a capital structure that typically runs from AAA down through equity; and services the notes from a combination of distributions and secondary sales of fund stakes. For an institutional buyer whose mandate restricts it to rated paper, a CFO is the only technology that opens up a private-funds allocation. For a GP, it is a capital-markets exit route for a large pool of LP stakes in one transaction, achieving diversification and tenor matching that a bilateral secondary sale cannot replicate.

### 8.2 Rating methodology

Fitch limits investment-grade ratings to LTVs of 50% or less; S&P and KBRA have published similar frameworks. The LTV is computed on a “look-through” basis: the market value of the underlying fund NAV, with haircuts for illiquidity, vintage risk, concentration and strategy overlap. Cash-flow triggers (OC / IC tests; equity cash-flow diversion) are modelled on the expected waterfall of distributions from the underlying funds.

Where the underlying is real-estate fund LP interests, the agencies apply additional haircuts for sector risk (offices most penalised), geographic concentration and the level of GP-level leverage already in place. A CFO that sits on top of CRE credit-fund LP stakes which are themselves running back-leverage is doubly modelled — first at the loan-on-loan layer, then at the CFO layer.

### 8.3 Precedent transactions

Recent landmark precedent: the USD 750 m NPC SIP 2024-1 Churchill / Nuveen CFO closed in March 2025 as a 30-year bond with a 25-year investment period. It is the largest European-relevant CFO to close in the current cycle and has anchored investor diligence templates for 2026 pipeline transactions.

### 8.4 Legal and structural themes

- **Fund-level consents.** Every fund in the CFO pool has a partnership agreement. Each transfer of the LP interest to the SPV needs its own consent or assignment mechanics. Assembling a CFO pool is therefore a legal operations project as much as a structured-credit project.
- **Tax leakage.** The CFO lives or dies by the tax analysis of the SPV in each fund's jurisdiction of formation. Treaty relief, management and control, and the characterisation of distributions from the SPV to noteholders all need to hold simultaneously.
- **Governance and waterfall.** Equity-note holders need real governance rights (replace manager, direct dispositions) but cannot have rights that compromise the rating of the senior notes. Calibrating this is one of the most bespoke parts of CFO structuring.
- **Securitisation Regulation.** Where the underlying is itself a securitisation of loans (for example, a CRE debt fund running back-leverage or holding junior tranches in synthetic securitisations seeking SRT recognition),

double-securitisation concerns and the Article 9 Securitisation Regulation requirements on originator due-diligence need to be mapped early.

**Practitioner's test.** CFOs are the most structurally complex of the fund-finance family and tend to attract the most bespoke legal work. The question is rarely whether a CFO can be structured — it is whether the timeline, tax analysis and rating methodology can converge on the same deal at the same price.

## 9. Product 6 — Other bespoke structures

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Beyond the five products already covered, the toolkit in European CRE structured credit is larger than any single label. A non-exhaustive survey of the bespoke structures that appear in 2026 mandates.

### 9.1 Forward-flow arrangements

A bank originates the CRE loan book to a pre-agreed eligibility envelope and pre-sells flow to a non-bank fund or a securitisation vehicle. Economically a compromise between an origination mandate and a whole-loan sale. Key legal issues: true-sale robustness across asset vintages, the originator's representation package over an open-ended pipeline, and the treatment of seasoning requirements under the Securitisation Regulation if the forward-flow vehicle is itself a securitisation.

### 9.2 Warehouses with embedded synthetic securitisation

A warehouse facility provided to a non-bank sponsor to accumulate CRE loans for eventual CMBS issuance, with a synthetic-securitisation tranche aimed at SRT recognition embedded in the warehouse itself. The originating bank gets capital relief on the warehouse exposure while it builds; the sponsor gets committed capital for the buildout; the investor gets access to the portfolio before it is securitised. The complexity is in the interlock between the synthetic waterfall and the CMBS take-out, particularly where the take-out is deferred beyond the replenishment period.

### 9.3 Insurance-wrapped junior tranches

A monoline- or specialty-insurer wrap on a junior CRE tranche turns it from a high-yield instrument into an investment-grade eligible holding for insurance-account investors. The legal work concentrates on the enforceability of the wrap under the insurer's home-state regime, the interaction with Solvency II or the UK Matching Adjustment, and the call-and-step-up mechanics that pay the insurer across stress scenarios.

### 9.4 A/B structures and senior-junior participations

Splitting a single whole loan into a senior A note and a junior B note, often with the A held by a bank and the B sold to a debt fund. Common in single-asset transactions where a CMBS route is impractical but the sponsor wants bank senior participation. The inter-creditor agreement is the document that matters: cash-flow waterfall, control rights on an event of default, and cure-right design between A and B.

### 9.5 Rated-note feeders into fund finance

A rated-note feeder is an SPV that issues rated notes to institutional investors (often insurance companies) and uses the proceeds to invest in a master fund (often a CRE credit fund). The feeder converts an LP interest — unrated, illiquid, with bespoke terms — into a rated debt instrument eligible for a regulated investor's rated-fixed-income bucket. Close cousin of the CFO, but on a single fund and without a diversification-driven rating uplift.

## 9.6 Guarantee-backed repackagings

A repackaging vehicle buys an underlying CRE credit instrument (whole loan, mezzanine position, or a synthetic-securitisation tranche) and issues notes backed by the same instrument plus a third-party guarantee. The guarantee may be a bank guarantee, an insurance wrap or a multilateral development bank guarantee (useful on cross-border developments where political-risk cover is relevant). The structure is commonly used to move an otherwise hard-to-place exposure into a format acceptable to a specific institutional mandate.

**Practitioner's test.** The bespoke end of the market is where the structured-credit toolkit is actually negotiated. The labels matter less than the cash-flow logic, the capital treatment at each participant, and the three or four inter-creditor documents that determine what happens when things go wrong.

## 10. The interplay — one stack, six tools

The six products are complementary rather than competing. Each is a different way of answering the same underlying question: how does capital reach a European CRE borrower in 2026, given that the Basel regime no longer lets banks hold that exposure on their balance sheets as efficiently as they used to?

A stylised end-to-end flow: (i) a bank originates the senior real-estate loan; (ii) it either distributes the asset via CMBS or transfers the risk via a synthetic securitisation (seeking SRT recognition); (iii) the asset (or a mezzanine / junior piece of it) ends up in a non-bank debt fund; (iv) that fund finances itself through a combination of subscription / NAV / hybrid fund-finance facilities and back-leverage facilities drawn from other banks; and (v) CFO technology gives institutional LPs a rated point of entry to the stack. The wider toolkit of bespoke structures — forward-flow, warehouses with embedded synthetic securitisation, insurance wraps, A/B structures, rated-note feeders, guarantee-backed repackagings — sits across all of this, tailoring exposure to particular mandates. At each step, capital treatment and legal documentation change — but the underlying economic exposure remains the same real-estate loan.

80% of European bank respondents to recent industry surveys believe back leverage is, or will become, a key component of the banking market. Nearly 80% of respondents do not expect synthetic-securitisation growth to restrict the growth of back leverage — the two products address different constraints and coexist.

### Quick comparison

Dimension	Product
Transfer of asset	CMBS (cash) · Synthetic securitisation (risk only)
Distribution of risk	Synthetic securitisation, CMBS
Funding for non-bank lender	Back leverage, NAV, hybrid
Rated LP access to private credit	CFO
Basel 3.1 capital efficiency for originator	Synthetic securitisation achieving SRT (highest RWA relief) · Back leverage (moderate) · CMBS (depends on retention + output floor)
Regulator scrutiny intensity (2026)	Synthetic securitisation / SRT (highest) · Back leverage (rising) · CMBS (stable) · Fund finance (rising)
Where the answer is deal-specific	Other bespoke structures

## 11. Take-aways for practitioners

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- Basel 3.1 / CRR3 is no longer a forward-looking risk. It is shaping term sheets today. Any CRE financing opinion issued in 2026 should reference the capital position of the originating institution, not just the underlying collateral.
- The €315 bn 2025–2026 refinancing wall means demand for all six products will structurally outrun supply. Pricing power sits with capital providers — but documentation power sits with sponsors who can credibly run a competitive process.
- CMBS is back, with €8.7 bn of issuance in 2025 and tightening spreads. Expect public-CMBS + private back-leverage + synthetic-securitisation combinations on the same underlying pool.
- Synthetic securitisation achieving SRT is the single biggest capital-relief tool in the European CRE credit market. The 2026 supervisory agenda (ECB GRT tests, PRA warnings on circularity) will shape how deals are structured — and the product / outcome distinction matters for supervisory dialogue.
- Fund finance — and in particular NAV and hybrid facilities — has become non-bank-led. 73% of 2025 term sheets were written by non-banks. That changes the counterparty documentation landscape materially.
- Back leverage has matured. Programmatic, platform-level facilities are the new norm. MtM mechanics, securitisation-classification risk and control rights are the three most negotiated clusters.
- CFOs are the most complex of the fund-finance family. Timeline, tax analysis and rating methodology need to converge on the same deal at the same price; expect the most bespoke legal work here.
- The bespoke end of the market — forward-flow, warehouses with embedded synthetic securitisation, insurance wraps, A/B, rated-note feeders, guarantee-backed repackagings — is where the toolkit is actually negotiated. Labels matter less than cash-flow logic and inter-creditor design.
- The circularity between synthetic-securitisation investors, back leverage and private credit is the regulator's single largest current concern. Documentation should anticipate heightened disclosure and stress-testing expectations over the life of the deal.
- The practitioner's value-add has shifted from single-product expertise to stack-level advice — advising a sponsor on the full combination of CMBS, synthetic securitisation (and the corresponding SRT assessment), fund-finance, CFO and back-leverage options against its capital, rating and investor-base constraints.

## 12. Sources & further reading

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