

# Finance & Capital Markets

QUARTERLY REPORT

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## Market Trends

- On a year-over-year basis for Q4 2025 relative to Q4 2024, U.S. financing activity increased for high-yield bonds, investment-grade bonds, IPOs and syndicated leveraged loans, but decreased for follow-on equity offerings. U.S. financing activity for Q4 2025 generally decreased relative to Q3 2025.
- On a year-over-year basis for full-year 2025 relative to 2024, U.S. financing activity was generally higher, with increases in total proceeds from high-yield bonds, investment-grade bonds and IPOs, partially offset by a decline in total proceeds from follow-on equity offerings, while leveraged loan activity showed more mixed trends across market segments.

## Other Developments

- 2025 in Review. SEC leadership changes coincided with enforcement falling to a decade low, a renewed “back to basics” focus on traditional fraud and investor harm and a dramatic shift in the approach to regulating digital assets.
- Looking Ahead to 2026. The SEC positions itself to reform Regulation S-K and executive compensation disclosure requirements and enlist new Section 16(a) reporting obligations for directors and officers of foreign private issuers, along with a potential shift from quarterly to semi-annual reporting for SEC reporting companies.
- Crypto Updates. Project Crypto marked a move from incremental guidance to anticipated formal rulemaking on token classification and market structure. Developments in the fourth quarter of 2025 reinforced this move with announcements regarding no-action relief for tokenization pilots and accelerating institutional adoption of blockchain-based securities infrastructure.

# Market Trends—Overview

## Capital Markets

	Activity	
	VS. Q4 2024	VS. Q3 2025
INVESTMENT-GRADE BONDS (PROCEEDS)	+33.3%	(17.2)%
HIGH-YIELD BONDS (PROCEEDS)	+39.9%	(40.1)%
IPOS (NUMBER / PROCEEDS)	(24.5)% / +145.0%	(42.2)% / (13.7)%
EQUITY FOLLOW-ONS (NUMBER / PROCEEDS)	+2.9% / (39.8)%	+9.2% / +5.0%

## Banking

	Activity	
	VS. Q4 2024	VS. Q3 2025
SYNDICATED LEVERAGED LOAN ISSUANCE VOLUME (TOTAL / PRO RATA / INSTITUTIONAL)	+11.7% / +143.0% / (28.1)%	(33.5)% / (0.3)% / (50.4)%

## Restructuring

	Activity	
	VS. Q4 2024	VS. Q3 2025
LEVERAGED LOAN DEFAULT RATE (LTM BY AMOUNT / LTM BY ISSUER COUNT)	+0.5% / (0.1)%	+0.1% / (0.1)%
BANKRUPTCY FILINGS (NUMBER)	+9.2%	(3.4)%

	Avg. Pricing	
	VS. Q4 2024	VS. Q3 2025
SYNDICATED LEVERAGED LOANS INITIAL YIELD	(0.98)%	(0.37)%
LCD FLOW NAME INDEX BID PRICE	(0.20)%	(0.24)%

	Activity <sup>1</sup>	
	VS. Q4 2024	VS. Q3 2025
INVESTMENT-GRADE BONDS (A- TO AAA / BBB- TO BBB+)	+11.8% / (8.3)%	(0.9)% / +3.0%
HIGH-YIELD BONDS (BB- TO BB+ / B- TO B+)	(13.4)% / (5.9)%	(0.1)% / (0.7)%
5-YEAR TREASURY	(4.17)%	(1.60)%
10-YEAR TREASURY	(9.61)%	(0.48)%

<sup>1</sup>Based on average spread over treasuries for investment-grade bonds, average initial yield for high-yield bonds and average yield for treasuries.

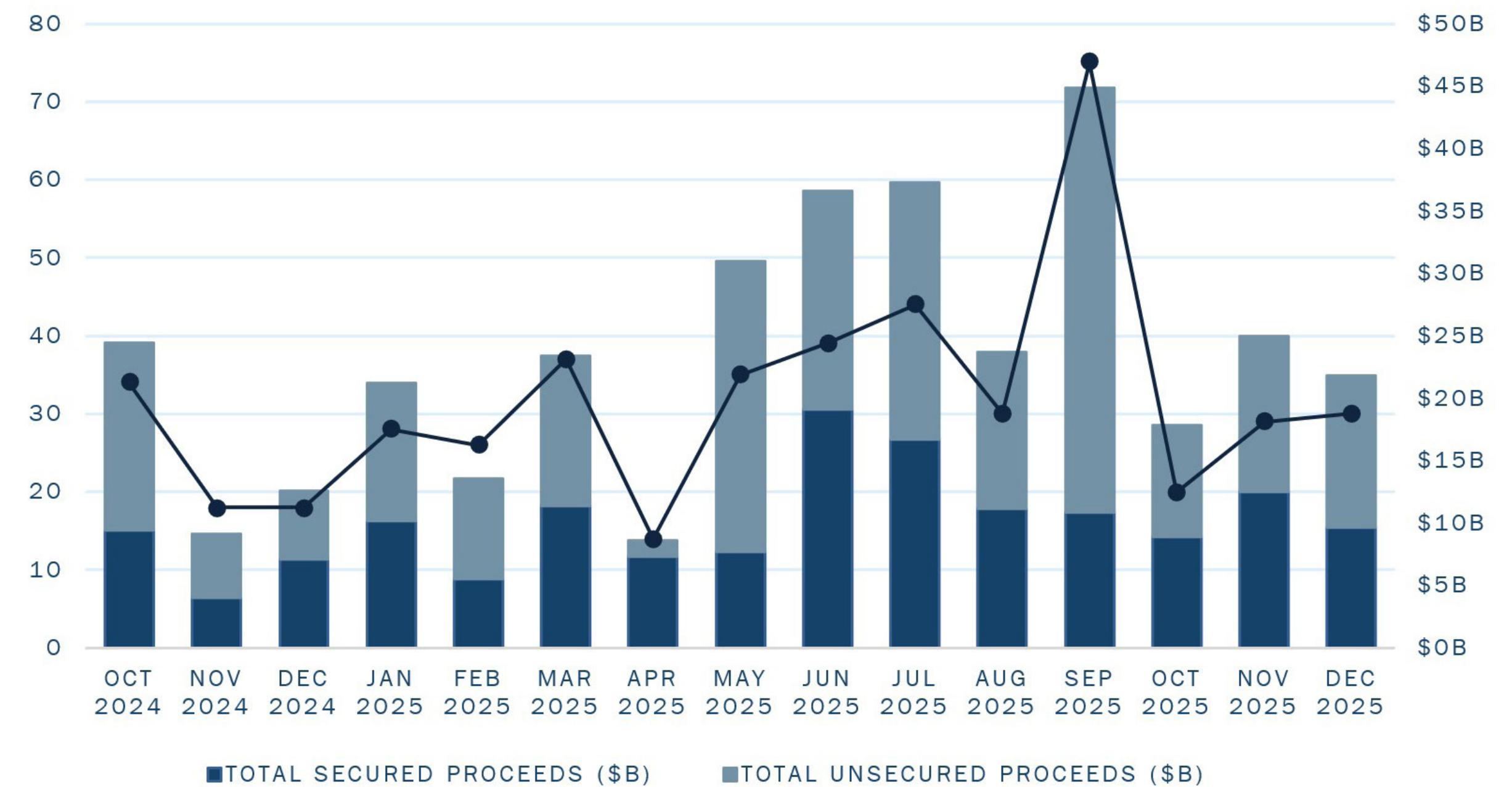
## Market Trends

### BONDS

Total proceeds from U.S. high-yield bond issuances were \$64.6B in the fourth quarter of 2025, down 40.1% as compared to the third quarter of 2025 (\$107.8B) and up 39.9% as compared to the fourth quarter of 2024 (\$46.2B). Total proceeds from unsecured high-yield bond issuances were \$33.5B in the fourth quarter of 2025, down 50.1% as compared to \$67.0B in the third quarter of 2025 and up 30.3% as compared to \$25.7B in the fourth quarter of 2024. Total proceeds from secured high-yield bond issuances were \$31.1B in the fourth quarter of 2025, down 19.7% as compared to \$38.8B in the third quarter of 2025 and up 51.9% as compared to \$20.5B in the fourth quarter of 2024.

On a year-over-year basis, the \$317.1B in total proceeds from high-yield bond issuances in 2025 increased 12.6% from the \$281.6B in total proceeds from high-yield bond issuances in 2024.

## U.S. High-Yield Bond Issuance Volume



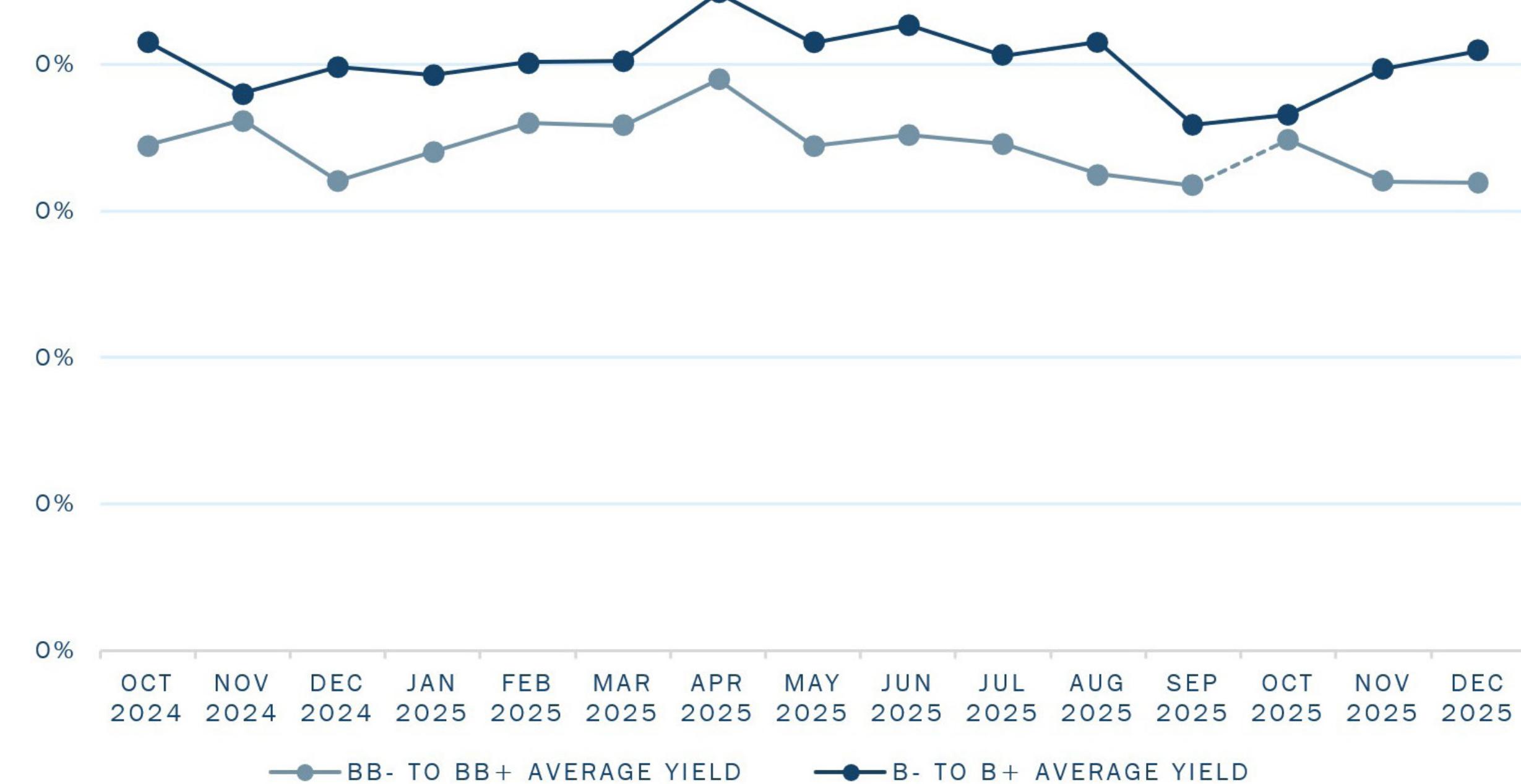
Data Source: Pitchbook Leveraged Commentary & Data (LCD)

## Market Trends

### BONDS

The average initial yield on high-yield notes rated BB- to BB+ issued in the fourth quarter of 2025 was 6.6%, roughly equivalent to the third quarter of 2025 and lower than the average initial yield of 7.6% in the fourth quarter of 2024. The average initial yield on high-yield notes rated B- to B+ issued in the fourth quarter of 2025 was 7.8%, as compared to 7.9% in the third quarter of 2025 and 8.3% in the fourth quarter of 2024. On a year-over-year basis, the average initial yield on high-yield notes rated BB- to BB+ issued in 2025 was down 28 basis points as compared to 2024 and the average initial yield on high-yield notes rated B- to B+ issued in 2025 was down 41 basis points as compared to 2024.

### U.S. High-Yield Bond Issuance (average initial yield)



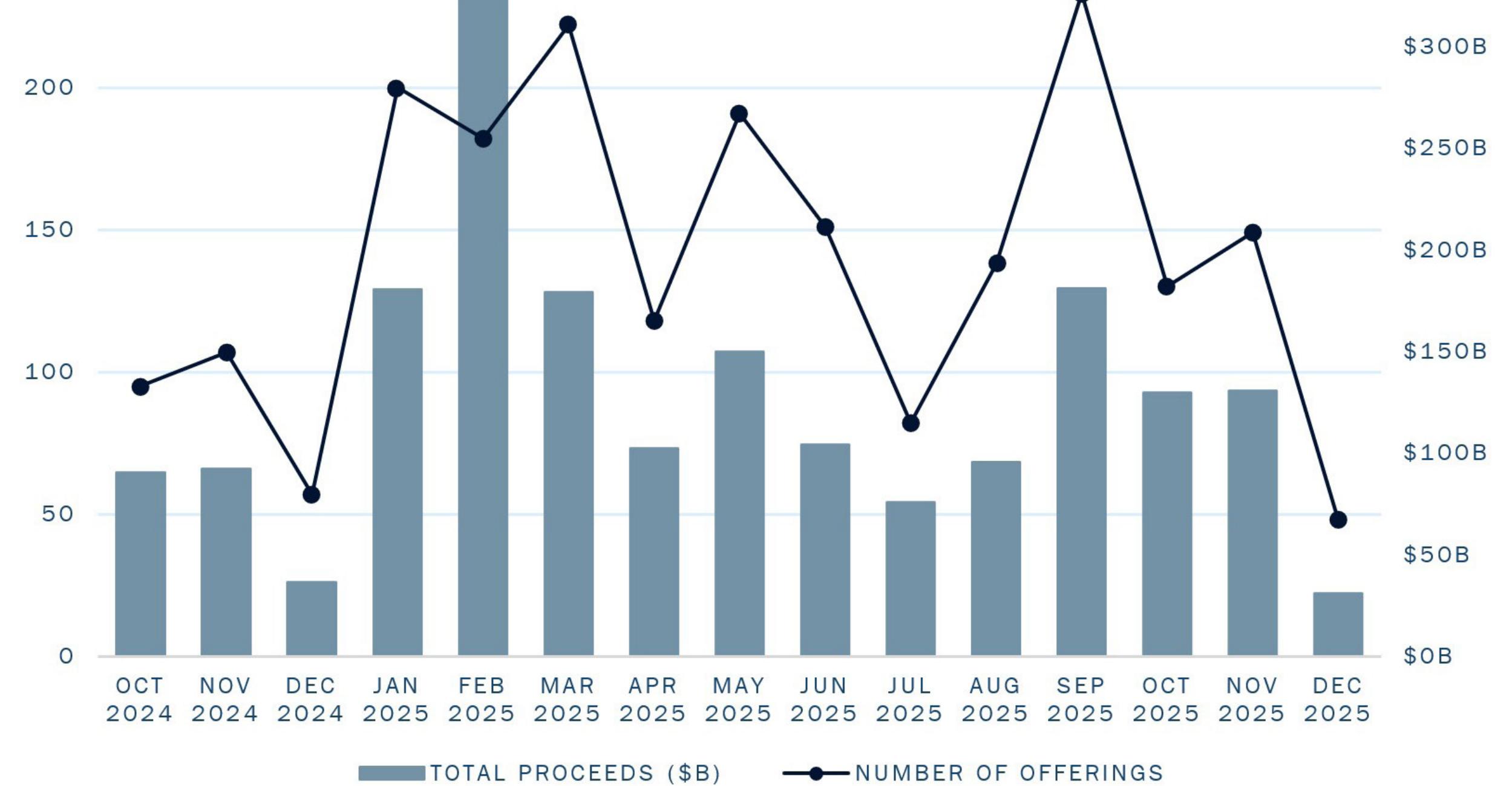
Data Source: Pitchbook Leveraged Commentary & Data (LCD)

## Market Trends

### BONDS

Total proceeds from U.S. investment-grade issuances were \$291.6B in the fourth quarter of 2025, down 17.2% from \$352.2B in the third quarter of 2025 and up 33.3% from \$218.7B in the fourth quarter of 2024. On a year-over-year basis, the \$1,683.7B in total proceeds from investment-grade bond issuances in 2025 was up 17.4% as compared to the \$1,434.8B in total proceeds from investment-grade bond issuances in 2024.

## U.S. Investment-Grade Bond Issuance Volume



Data Source: Pitchbook Leveraged Commentary & Data (LCD)

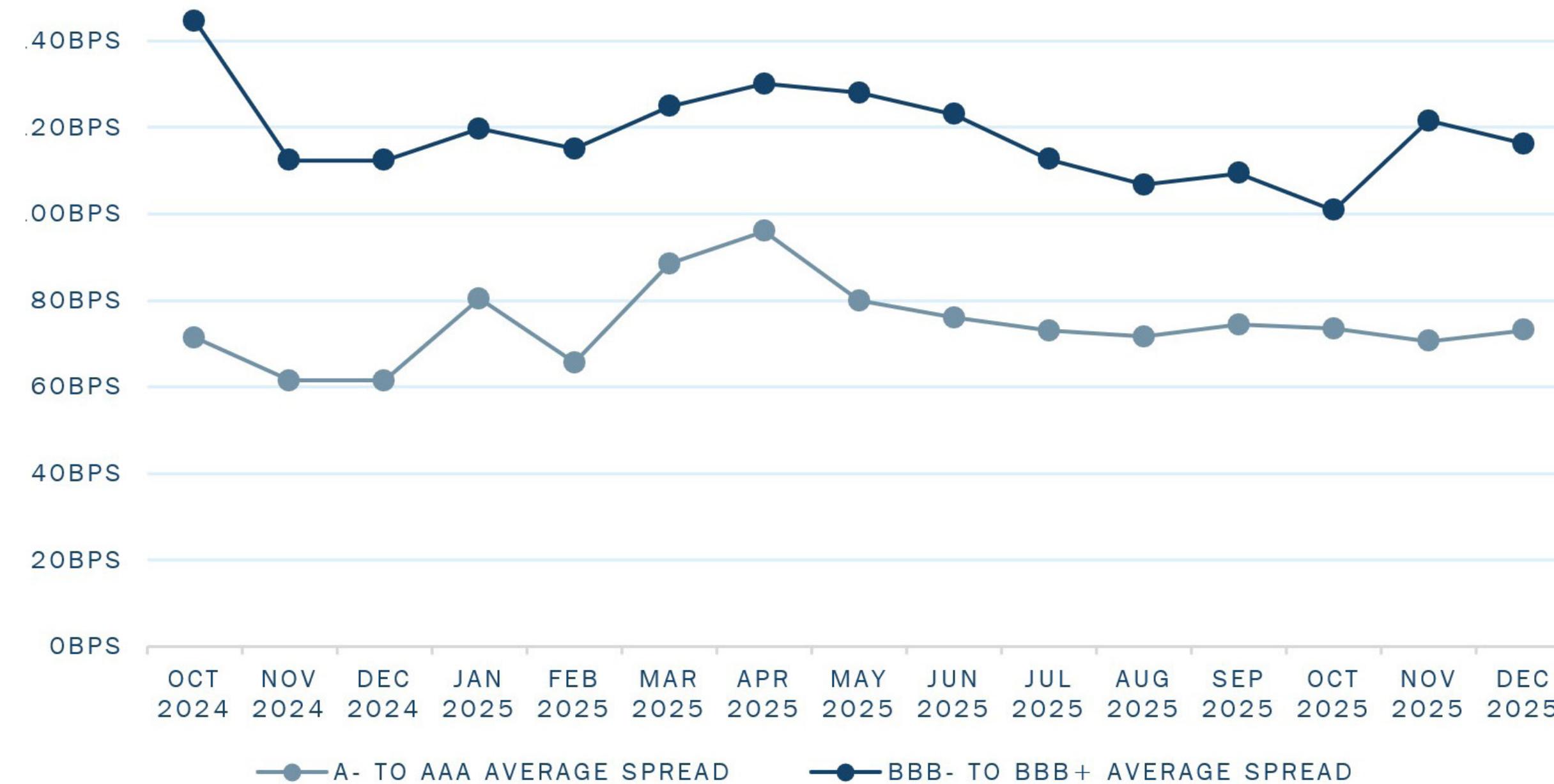
## Market Trends

### BONDS

The average pricing spread (measured over the comparable Treasury) on U.S. issuances of investment-grade notes rated A- to AAA in the fourth quarter of 2025 decreased 1 basis point as compared to the average pricing spread for the third quarter of 2025 and increased 7 basis points as compared to the average pricing spread for the fourth quarter of 2024. The average pricing spread (measured over the comparable Treasury) on U.S. issuances of investment-grade notes rated BBB- to BBB+ in the fourth quarter of 2025 increased 3 basis points as compared to the average pricing spread for the third quarter of 2025 and decreased 10 basis points as compared to the average pricing spread for the fourth quarter of 2024.

On a year-over-year basis, average pricing spreads (measured over the comparable Treasury) on U.S. investment-grade bond issuances in 2025 decreased from 2024, with a decrease of 2 basis points for notes rated A- to AAA and a decrease of 18 basis points for notes rated BBB- to BBB+.

## U.S. Investment-Grade Bond Issuance Pricing (spread over comparable Treasury)



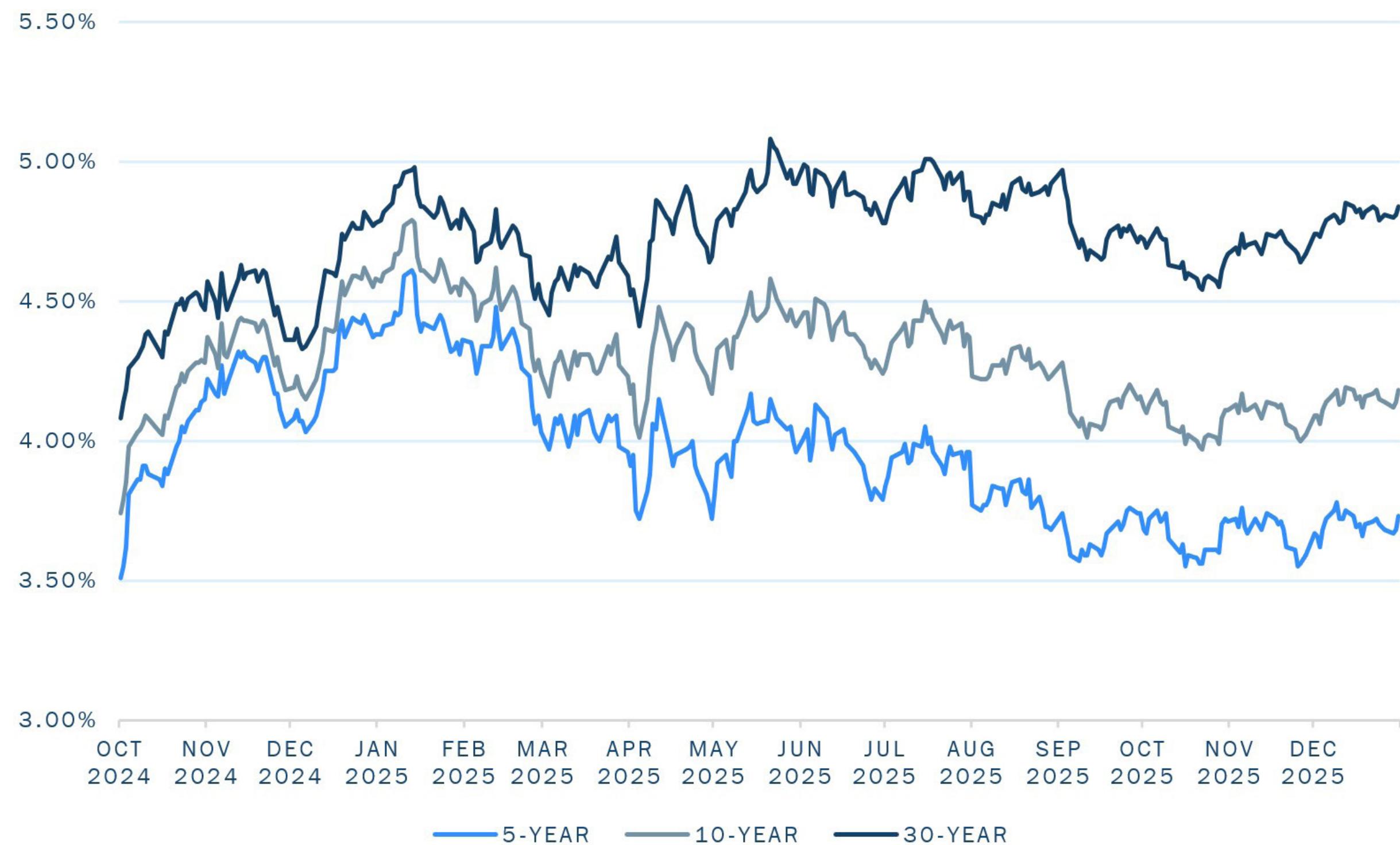
Data Source: Pitchbook Leveraged Commentary & Data (LCD)

## Market Trends

### YIELDS

U.S. Treasury 5-year yields decreased to 3.68% at the end of the fourth quarter of 2025, down 6 bps as compared to the end of the third quarter of 2025 and down 16 bps as compared to the end of the fourth quarter of 2024. U.S. Treasury 10-year yields decreased to 4.14% at the end of the fourth quarter of 2025, down 2 bps as compared to the end of the third quarter of 2025 and down 44 bps as compared to the end of the fourth quarter of 2024. U.S. Treasury 30-year yields increased to 4.81% at the end of the fourth quarter of 2025, up 8 bps as compared to the end of the third quarter of 2025 and up 3 bps as compared to the end of the fourth quarter of 2024.

## U.S. Treasury Yields



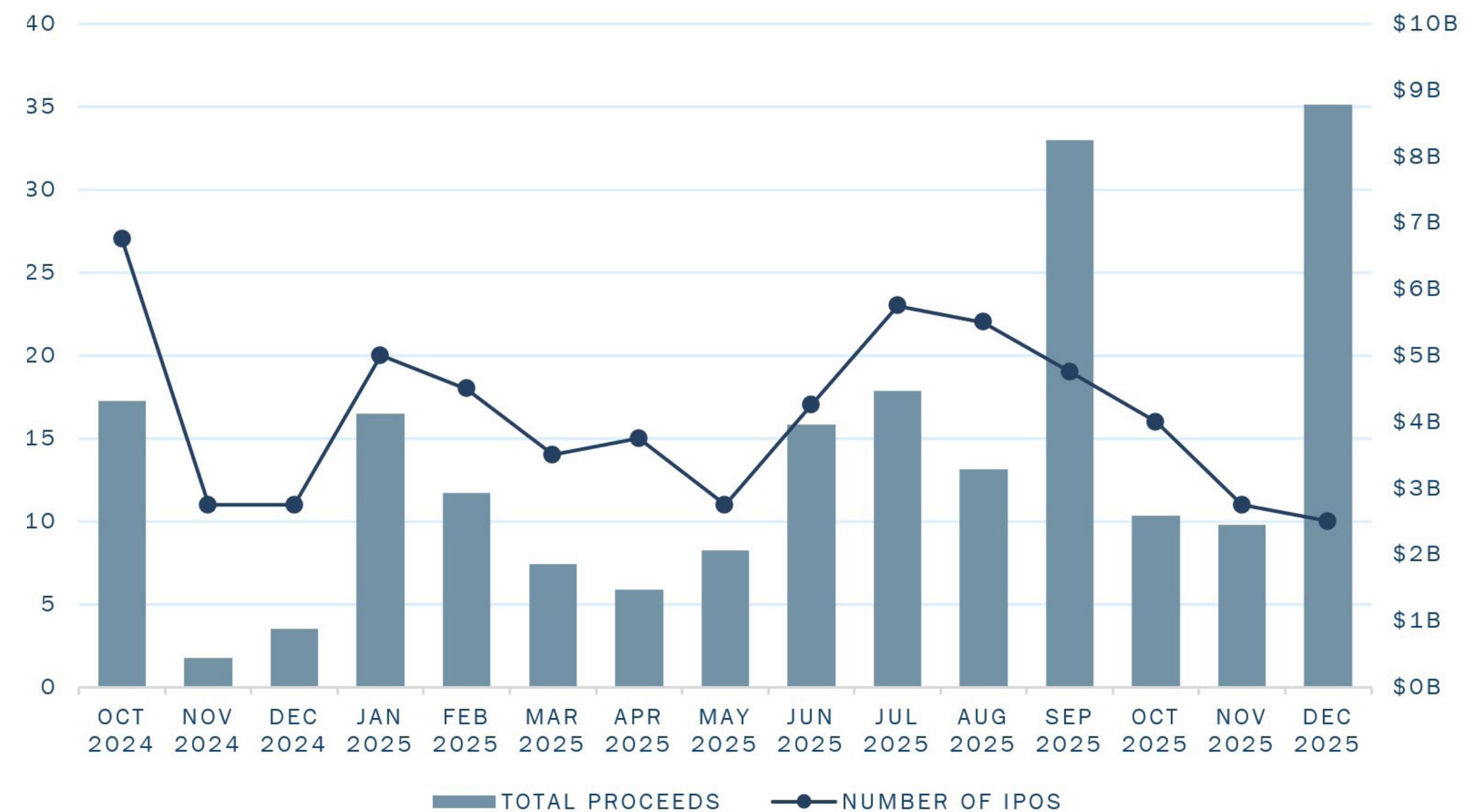
Data Source: U.S. Department of the Treasury

## Market Trends

### IPOS

The \$13.82B in total proceeds from U.S. IPOs (not including SPACs) in the fourth quarter of 2025 was down 13.7% as compared to \$16.01B in total proceeds in the third quarter of 2025 and up 145.0% as compared to \$5.64B in total proceeds in the fourth quarter of 2024. On a year-over-year basis, the \$46.2B in total proceeds from U.S. IPOs (not including SPACs) in 2025 was 37.2% higher than the \$33.7B in total proceeds in 2024 and 79.8% higher than the \$25.7B in total proceeds in 2023.

## U.S. IPOs (not including SPACs)



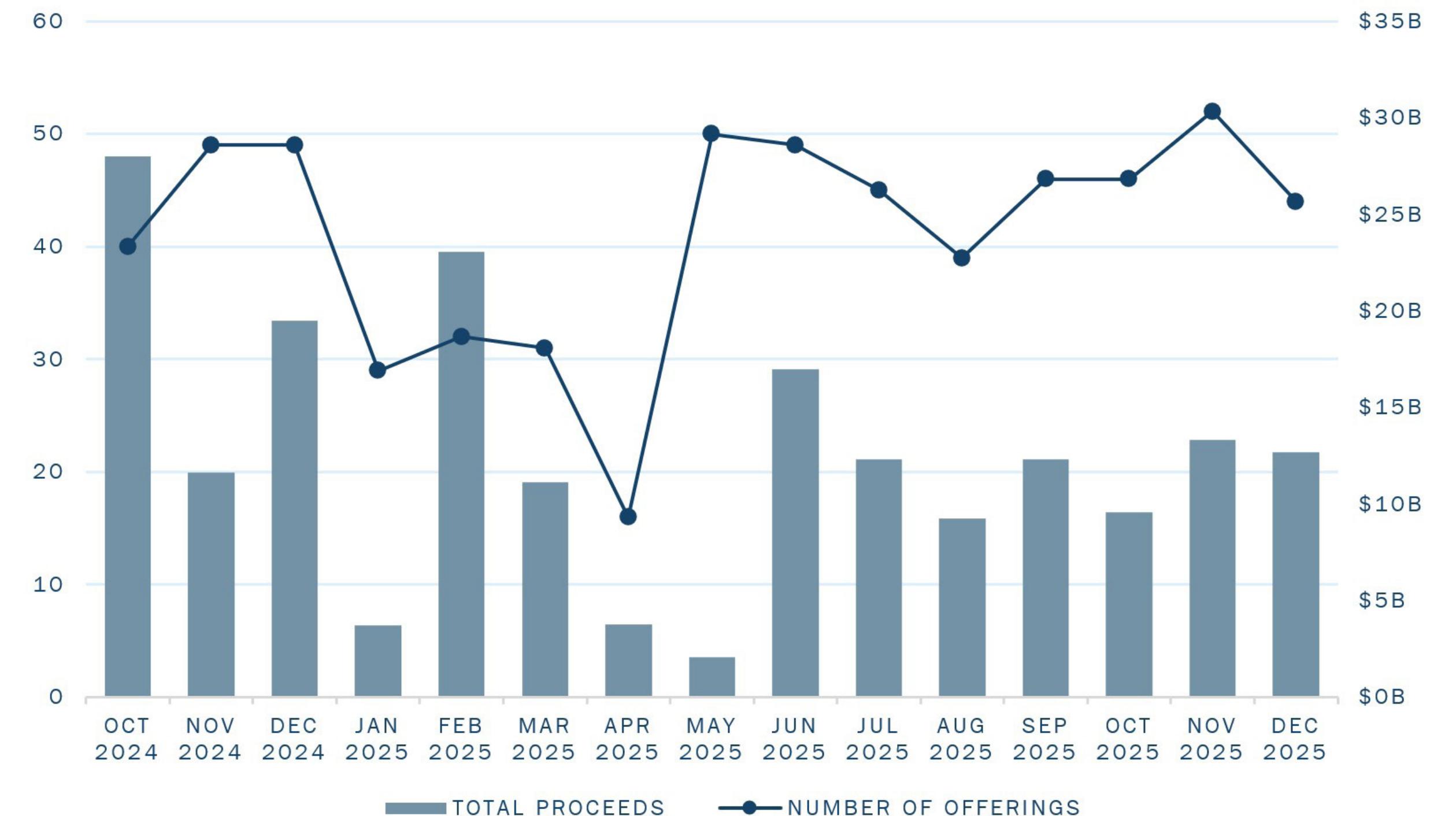
Data Source: Refinitiv, an LSEG Business

## Market Trends

### EQUITY OFFERINGS

The \$35.6B in total proceeds from U.S. follow-on equity offerings in the fourth quarter of 2025 was up 5.0% as compared to \$33.9B in total proceeds in the third quarter of 2025 and down 39.8% as compared to \$59.1B in total proceeds in the fourth quarter of 2024. On a year-over-year basis, the \$130.3B in total proceeds from U.S. follow-on equity offerings in 2025 was 20.8% lower than the \$164.5B in total proceeds in 2024 and 32.6% higher than the \$98.3B in total proceeds in 2023.

## U.S. Follow-On Equity Offerings



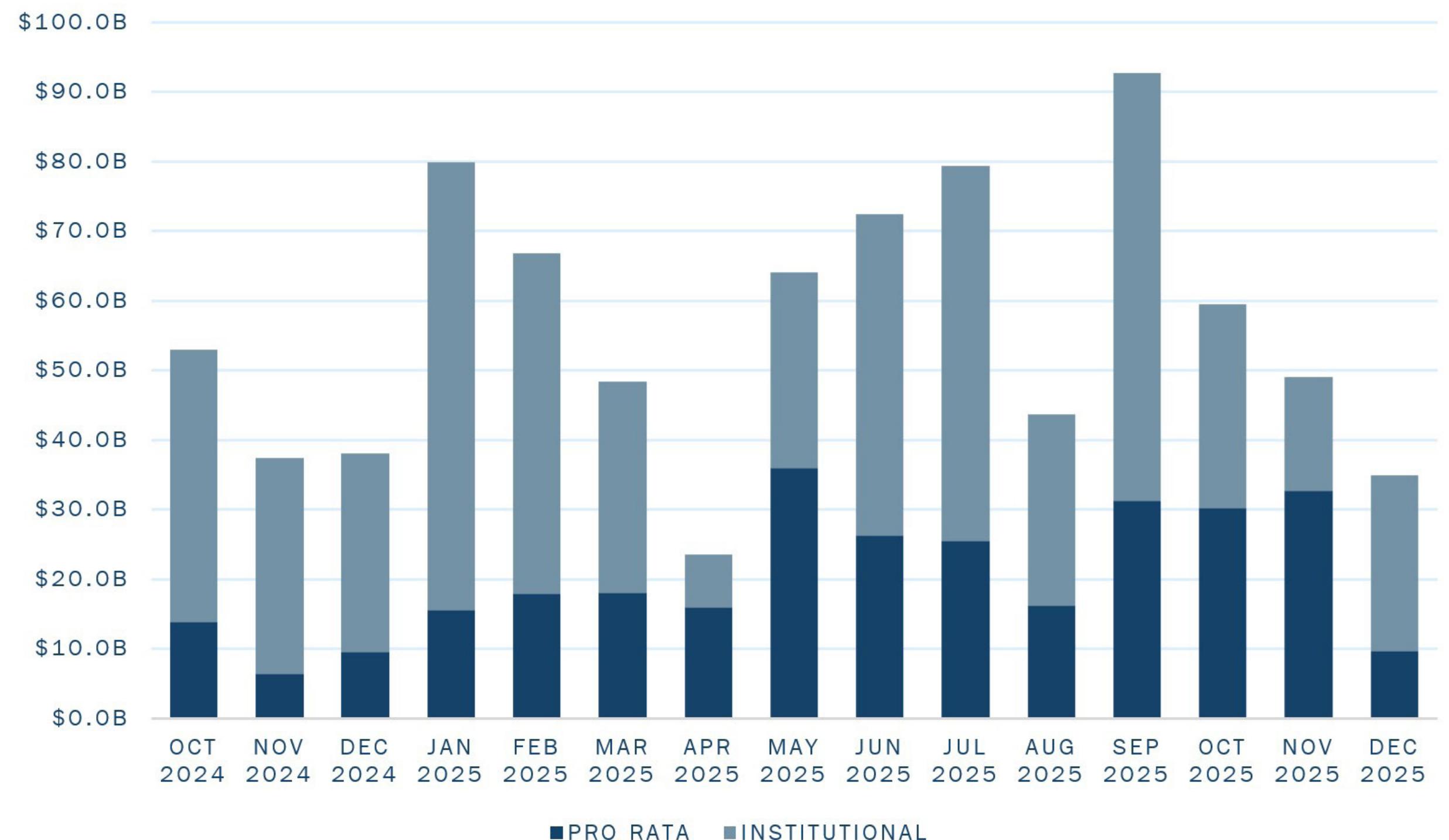
Data Source: Refinitiv, an LSEG Business

## Market Trends

### LOAN ISSUANCES

Activity in the U.S. syndicated leveraged loan market decreased in the fourth quarter of 2025, with total volume of \$143.4B, down 33.5% as compared to the third quarter of 2025 (\$215.7B). This decrease was driven by institutional loan volume, which was \$70.8B in the fourth quarter of 2025 (down 50.4% as compared to the third quarter of 2025 (\$142.9B)), while pro rata loan volume stayed relatively flat at \$72.6B in the fourth quarter of 2025 (down 0.3% as compared to the third quarter of 2025 (\$72.8B)). However, total volume increased by 11.7% as compared to the fourth quarter of 2024, driven by pro rata loan volume, which increased by 143% from the fourth quarter of 2024 (\$29.9B), while institutional loan volume decreased by 28.1% from the fourth quarter of 2024 (\$98.6B).

## U.S. Syndicated Leveraged Loan Issuance Volume



Data Source: Leveraged Commentary & Data (LCD)

## Market Trends

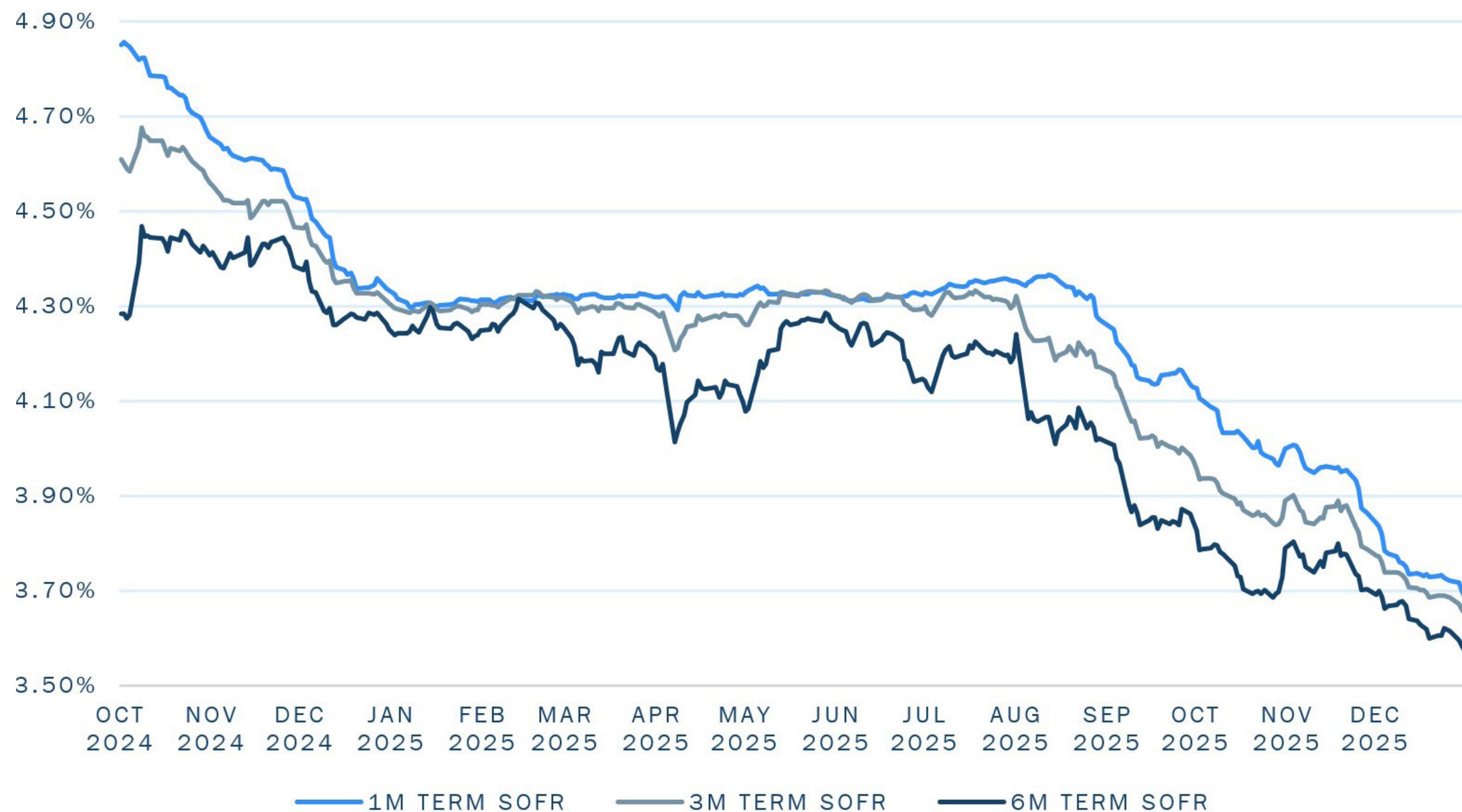
### SOFR

Term SOFR ended the fourth quarter of 2025 at 3.69%, 3.65% and 3.57% for the one-month, three-month and six-month tenors, respectively.

Term SOFR for the one-month, three-month and six-month tenors decreased by 44.17 bps, decreased by 32.47 bps and decreased by 27.17 bps, respectively, as compared to the end of the third quarter of 2025.

The yield curve inversion that began on November 30, 2023 persisted throughout the fourth quarter of 2025. During the quarter, Term SOFR for the six-month tenor was on average 13 bps lower than the three-month tenor and 30 bps lower than the one-month tenor.

## Term SOFR



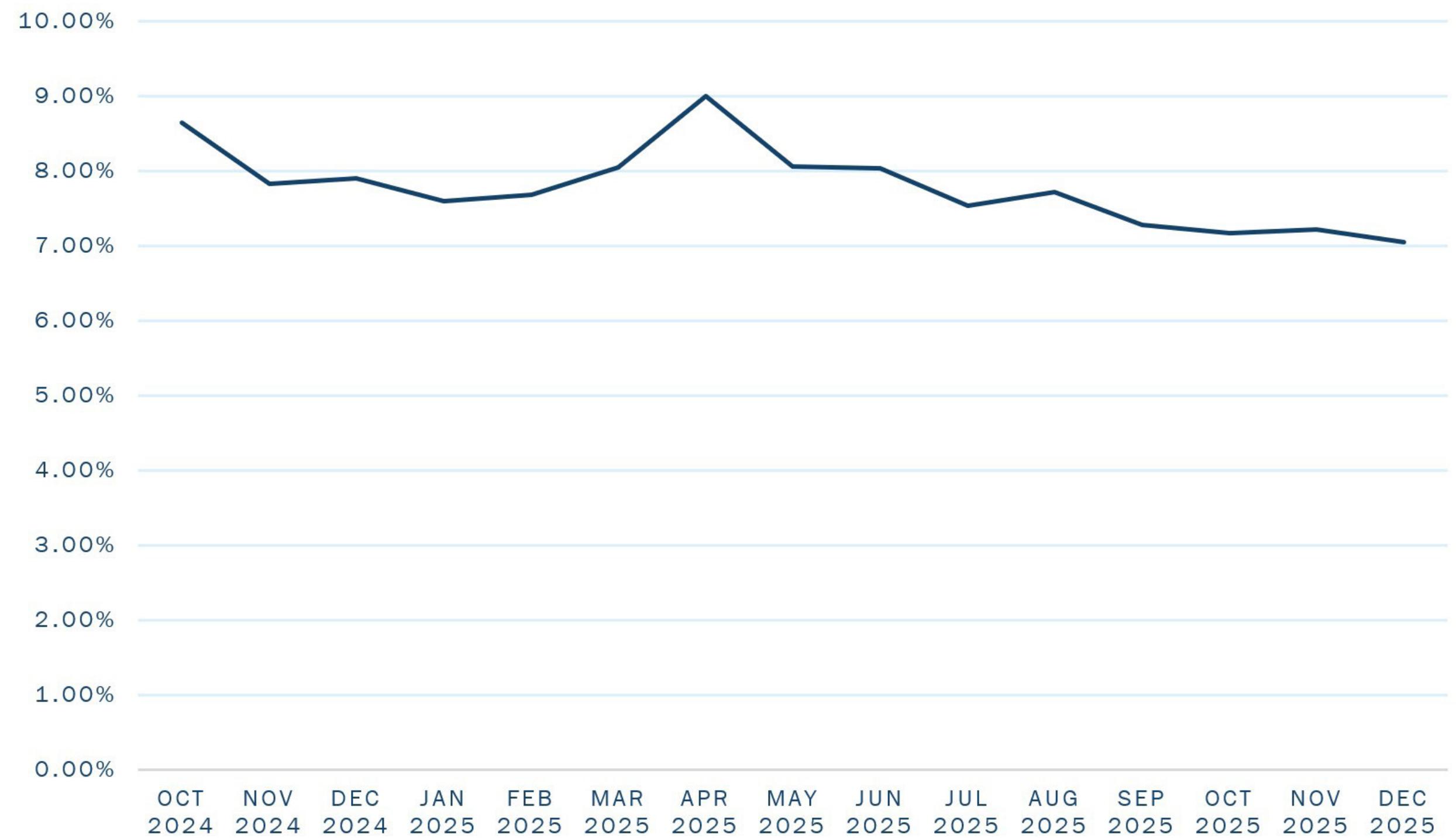
Data Source: Bloomberg Finance L.P.

## Market Trends

### PRIMARY MARKET SYNDICATED INSTITUTIONAL FIRST-LIEN LOAN YIELDS

Yields on new-issue syndicated institutional first-lien term loans, inclusive of original issue discount, decreased in the fourth quarter of 2025. The average initial yield of 7.14% in the fourth quarter of 2025 represented a decrease of 36.90 bps as compared to the average initial yield of 7.51% in the third quarter of 2025 and a decrease of 121.94 bps as compared to the average initial yield of 8.36% in the second quarter of 2025.

### U.S. Syndicated Leveraged Loans - Initial Yield



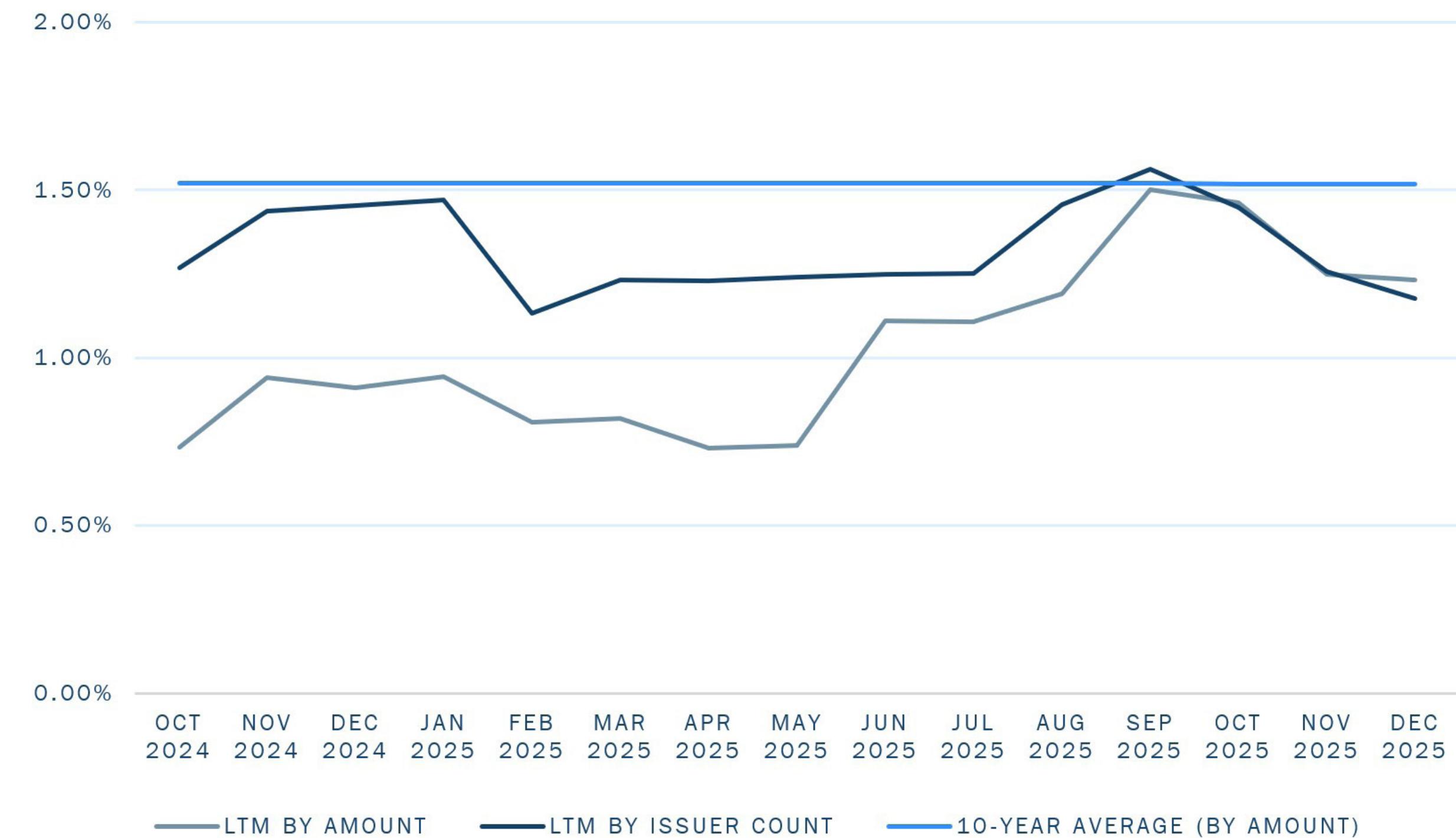
Data Source: Pitchbook Leveraged Commentary & Data

## Market Trends

### U.S. LEVERAGED LOAN DEFAULT RATE

The default rate for U.S. leveraged loans fell in the fourth quarter of 2025. The default rate of the Morningstar LSTA U.S. Leveraged Loan Index was 1.23% by amount and 1.18% by issuer count for the LTM period ending December 31, 2025, compared to 1.50% by amount and 1.56% by issuer count for the LTM period ending September 30, 2025. The default rate by amount remained below the 10-year average default rate of 1.52%.

### U.S. Leveraged Loan Default Rate



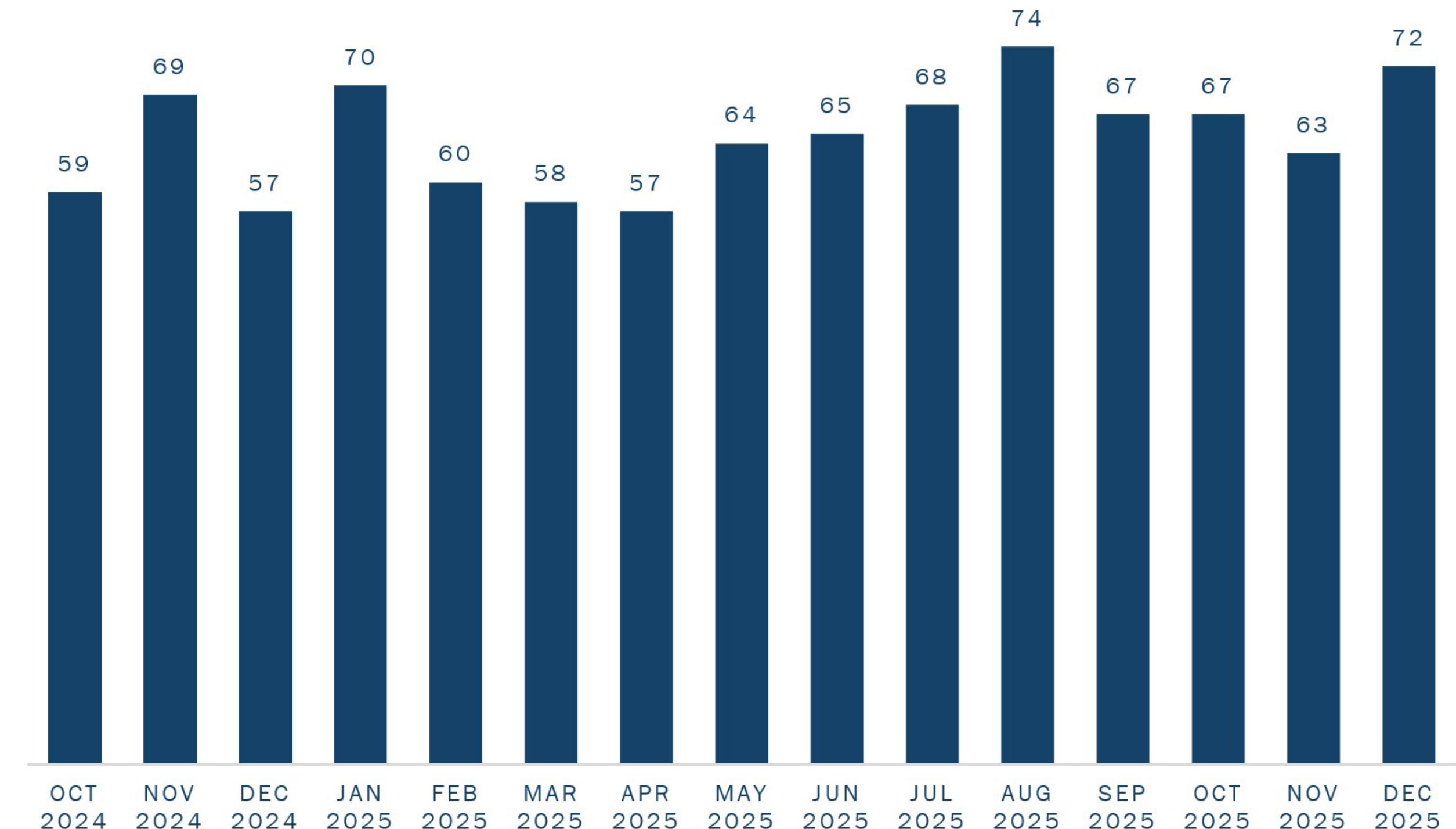
Data Source: PitchBook | Leveraged Commentary & Data (LCD); Morningstar LSTA U.S. Leveraged Loan Index

## Market Trends

### U.S. BANKRUPTCY FILINGS

U.S. bankruptcy filings remained high in the fourth quarter of 2025, with a total of 202 bankruptcy petitions filed by U.S. companies in the fourth quarter of 2025, and December being one of the highest monthly totals seen in five years. Bankruptcy filings for the year of 2025 rose for the third consecutive year to 785 filings, the highest since 2010, when 828 were recorded. The industrials and consumer discretionary sectors continued to set the pace for bankruptcies in 2025, with 117 bankruptcy filings for industrial companies and 96 filings for consumer discretionary companies.

## U.S. Bankruptcy Filings by Month



Data Source: S&P Global Market Intelligence (as of January 1, 2026)

Note: Bankruptcy filing data limited to public companies or private companies with public debt where either assets or liabilities at the time of the bankruptcy filing are greater than or equal to \$2 million or private companies where either assets or liabilities at the time of the bankruptcy filing are greater than or equal to \$10 million.

# Regulatory Updates

## SECURITIES ENFORCEMENT RECAP FOR 2025; PRIORITIES FOR 2026

The 2025 calendar year began with a change in leadership at the Securities and Exchange Commission (the “SEC”), with Chairman Gary Gensler stepping down, Commissioner Mark Uyeda serving as Acting Chairman and Paul Atkins being sworn in as new SEC Chairman in April 2025. Coinciding with these leadership changes was a significant slowdown in public company cases (only four in fiscal year 2025 under Uyeda/Atkins) and the departure of about 15% of Enforcement staff. For fiscal year 2025 overall, SEC stand-alone enforcement actions fell to a ten-year low, reflecting a change in approach that prioritized insider trading, market manipulation and other traditional investor-harm cases. The administration emphasized a “back to basics” enforcement posture, targeting traditional fraud and investor-harm conduct, and implemented Wells process reforms to increase

transparency, extend response times and ensure full Commission review. In November 2025, the SEC’s Division of Examinations announced its fiscal year 2026 priorities, including heightened scrutiny of advisers’ fiduciary conduct, investment company compliance and governance, broker-dealer financial responsibility and retail sales practices and cybersecurity/technology risks. Also in November 2025, the Commission lifted the stay on administrative proceedings imposed during the federal shutdown and excluded the 43-day shutdown period from deadline computations while adding an automatic 10-day extension for affected dates. Throughout the 2025 calendar year, the SEC and the new administration advanced a shift in digital-asset oversight, including launching the SEC Crypto Task Force, rescinding Topic 5.FF via Staff Accounting Bulletin No. 122 and dismissing the Coinbase enforcement action as part of moving

policy development away from enforcement. Additional crypto-market clarifications included staff statements on proof-of-work mining and stablecoins and, later in the year, a no-action letter permitting Depository Trust Company’s pilot for tokenized security entitlements.

## ANTICIPATED CHANGES FOR 2026

- Potential Shift to Semi-Annual Reporting. On September 19, 2025, SEC Chairman Atkins announced that the SEC will propose a rule change to allow U.S. public companies to report financial results on a semi-annual basis instead of quarterly, following President Trump’s September 15, 2025 call for the shift. Once published, the proposal will be subject to a public comment period (typically at least 60 days under SEC rulemaking procedures), and, if ultimately approved, the change could take effect in 2026 or later.

- Modernization of Executive Compensation Disclosure. The SEC is preparing the first major modernization of Regulation S-K Item 402 since 2006, with proposals expected in 2026 aimed at re-centering executive compensation disclosure on financial materiality and scalable requirements for smaller and newly public issuers.

- Section 16(a) Share Ownership and Transaction Reporting Obligations to Apply to Directors and Officers of Foreign Private Issuers. As part of the National Defense Authorization Act that was signed into law by President Trump on December 18, 2025, directors and officers of foreign private issuers (“FPIs”) will be required to comply with the share ownership and transaction reporting obligations of Section 16(a) of the Exchange Act from March 18, 2026. These changes apply only to directors and officers of FPIs. 10% shareholders of FPIs remain exempt from Section 16(a), and

## Regulatory Updates

FPIs remain exempt from Section 16(b) and Section 16(c) of the Exchange Act. See our client memo for further details on these changes.

- SEC Chairman Launches Review of Regulation S-K. Following the 2025 fourth quarter end, on January 13, 2026, SEC Chairman Atkins directed a comprehensive review of Regulation S-K, citing concerns that expanded disclosure requirements may obscure financially material information. The review aims to refocus disclosures on materiality and investor usefulness and builds on prior 2025 comment requests and a roundtable on executive compensation. The SEC has invited additional public comment through April 13, 2026, signaling potential broader revisions to Regulation S-K.

### SEC REEVALUATES SHORT SALE AND SECURITIES LENDING RULES

On December 3, 2025, the SEC issued an exemptive order extending the compliance date for Rule 13f-2 from January 2, 2026 to January 2, 2028. Once effective, Rule 13f-2 will require institutional investment managers meeting or exceeding certain reporting thresholds to confidentially report certain gross short positions and daily short sale activity on new Form SHO, with aggregated data later made public. In the same order, the SEC extended the compliance date for Rule 10c-1a from January 2, 2026 to September 28, 2028. Once effective, Rule 10c-1a will require covered persons to report detailed information regarding securities lending transactions to a registered national securities association for public dissemination. The extensions follow the U.S. Court of Appeals for the Fifth Circuit's August 2025 decision to remand the rules to the SEC for further consideration of the

rules' economic analysis, including their cumulative market impact, without vacating the rules. The SEC stated that the extensions are intended to allow time to address the court's ruling while avoiding compliance costs associated with rules that may be revised.

### HEIGHTENED FINRA AND SEC SCRUTINY FOR FOREIGN COMPANIES OPERATING IN THE U.S.

On October 23, 2025, FINRA announced a targeted review of broker-dealers involved in small-capitalization ("small-cap") initial public offerings and related transactions by foreign issuers, with a particular focus on companies with ties to China. The review covers activity from 2023 through 2025 and examines potential market manipulation and related compliance failures. This followed a September 5, 2025 announcement from the SEC

that it was establishing a Cross-Border Task Force within its Division of Enforcement, as discussed in last quarter's newsletter, to strengthen scrutiny of foreign companies operating in U.S. markets through enhanced enforcement efforts focused on fraud, disclosure deficiencies and other securities law violations. Both FINRA and the SEC are closely examining the role of market "gatekeepers", including broker-dealers, underwriters and auditors, to assess whether adequate due diligence and supervisory controls are being applied to foreign issuer transactions. This heightened oversight reflects ongoing regulatory concerns regarding the risks posed by small-cap foreign issuers, including opaque corporate structures, cross-border enforcement challenges and increased vulnerability to fraudulent schemes.

# Regulatory Updates

## SEC CHAIRMAN SIGNALS A SHIFT TO A MORE TRANSPARENT WELLS PROCESS

SEC Chairman Paul Atkins has signaled a shift toward a more transparent and structured Wells process, which is the SEC enforcement procedure through which the SEC's Enforcement Division staff notifies individuals or entities of charges that the staff intends to recommend to the SEC and provides respondents at least four weeks to submit a written response addressing the proposed charges (a "Wells submission") before a formal recommendation is made. In remarks delivered on October 7, 2025, Atkins described the Wells process as an extension of due process and emphasized the need for clearer expectations, fairness and consistency in enforcement. He indicated that enforcement staff should provide respondents with more meaningful access to key investigative materials and sufficient time, generally at least four weeks, to prepare Wells submissions. Atkins also encouraged earlier engagement between

enforcement staff and defense counsel, including the use of pre-Wells white papers. In addition, he called for renewed consideration of settlement offers and related collateral-consequence waivers alongside enforcement recommendations.

## SEC STAFF SUSPENDS NO-ACTION RELIEF FOR MOST SHAREHOLDER PROPOSALS

On November 17, 2025, the SEC Division of Corporation Finance released a statement that it will not respond to most Rule 14-8 no-action requests for the current proxy season

(October 1, 2025 through September 30, 2026) due to resource constraints following the government shutdown. Rule 14-8(j) requires that companies seeking to exclude a shareholder proposal from its definitive proxy materials file a notice attaching the shareholder proposal and a basis for exclusion at least 80 days before the definitive proxy

filings. Under the new guidance, companies must still meet the Rule 14-8(j) notice requirement, but the notice will be "informational only" and may not receive any SEC response other than one based solely on the registrant's own representation as to its basis to omit a proposal. One exception to this change is that the SEC will continue to provide substantive responses to no-action requests from companies seeking exclusions under Rule 14a-8(i)(1), which permits companies to exclude shareholder proposals that are not a "proper subject" for shareholder action under state law of the jurisdiction of the company's organization. This exception reflects the unsettled position on whether precatory shareholder proposals, which constitute the majority of shareholder proposals, are "proper subject" for shareholder action under state law.

## BACK IN BUSINESS: WHAT THE SEC'S POST-SHUTDOWN GUIDANCE MEANS FOR ISSUERS AND UNDERWRITERS

On November 13, 2025, the SEC's Division of Corporation Finance issued post-shutdown guidance addressing how to handle filings made during the closure. As discussed in our Q3 2025 newsletter, most SEC staff functions were suspended and the agency halted review and comment activities during the government shutdown, during which over 900 registration statements were filed. The guidance noted that registration statements filed without a delaying amendment while the Division was closed will continue to become effective by operation of law after 20 days under Securities Act Section 8(a) and Rule 459, and companies do not need to add delaying amendments now. For offerings that relied on Rule 430A during the shutdown, the staff will not recommend enforcement if pricing and price-dependent information were omitted from the filed prospectus and the registration statement later went

## Regulatory Updates

effective by operation of law. The Division will consider acceleration requests if issuers reinsert a delaying amendment and meet Rule 461 conditions, and post-effective amendments filed during the closure will be declared effective unless the issuer requests otherwise. Issuers that filed preliminary proxy or preliminary information statements while the Division was closed may proceed to definitive filing after the applicable 10-calendar-day period under the Exchange Act Rules 14a-6 or 14c-5 and Form 10s filed during or shortly before the closure will automatically become effective after 60 calendar days. The guidance noted that the staff is working through the backlog and that reviews will resume in the order filings are received.

### OCC PROPOSES TO RAISE THRESHOLDS FOR APPLICATION OF HEIGHTENED STANDARDS GUIDELINES

On December 23, 2025, the Office of the Comptroller of the Currency (the “OCC”) issued a notice of proposed rulemaking (the “NPRM”) to amend its guidelines on heightened standards for certain insured national banks, insured federal savings associations and insured federal branches. First introduced in 2010 and codified in 2014, these guidelines establish minimum standards for the design and implementation of an institution’s risk governance framework and set expectations for a board of directors’ oversight of that framework.

The NPRM would raise the average total consolidated assets threshold for application of the heightened standards from \$50 billion to \$700 billion by revising the definition of “covered bank”. As proposed, a covered bank would include any insured national bank, insured federal savings association

or insured federal branch of a foreign bank: (i) with average total consolidated assets equal to or greater than \$700 billion; (ii) with average total consolidated assets below \$700 billion if the bank’s parent company controls at least one covered bank; or (iii) with average total consolidated assets below \$700 billion if the OCC determines the bank’s operations are highly complex or otherwise present heightened risk.

The OCC is soliciting public comment on the proposal. Comments will be due 60 days after the NPRM is published in the Federal Register.

### OCC’S INTERPRETIVE LETTER #1188 AUTHORIZES NATIONAL BANKS TO ENGAGE IN “RISKLESS PRINCIPAL” CRYPTO-ASSET TRANSACTIONS

On December 9, 2025, the OCC issued Interpretive Letter No. 1188, confirming that national banks may engage in “riskless principal” transactions involving

crypto-assets, provided such activities are conducted in a safe and sound manner and in compliance with applicable law. In a riskless principal transaction, an intermediary purchases an asset from one counterparty for immediate resale to another, with the intermediary’s exposure effectively eliminated by the matched buy-sell.

With respect to crypto-assets that are securities, the OCC explained that national banks are already permitted to conduct riskless principal transactions in securities under 12 U.S.C. § 24 (Seventh). Accordingly, applying that existing authority to crypto-assets that qualify as securities is consistent with the statute and precedent.

For crypto-assets that are not securities, the OCC concluded that riskless principal transactions fall within the “incidental powers” of national banks under 12 U.S.C. § 24 (Seventh), which authorizes activities necessary to carry on the business of

## Regulatory Updates

banking. In reaching this conclusion, the OCC evaluated whether the activity is the functional equivalent or logical outgrowth of recognized banking activities; whether it strengthens the bank by benefiting customers or the bank's business; whether it involves risks similar in nature to those banks already assume; and whether it is authorized for state-chartered banks. The OCC determined that these considerations weigh strongly in favor of treating riskless principal crypto-asset transactions as part of the business of banking.

### MODIFICATIONS TO THE ENHANCED SUPPLEMENTARY LEVERAGE RATIO STANDARDS FOR U.S. GLOBAL SYSTEMICALLY IMPORTANT BANK HOLDING COMPANIES

On November 25, 2025, the Board of Governors of the Federal Reserve System (the "Fed"), the Federal Deposit Insurance Corporation (the

"FDIC") and the OCC jointly adopted a final rule (the "Rule") that recalibrates the enhanced supplementary leverage ratio ("eSLR") framework for the largest U.S. banking organizations. The Rule is intended to better align the eSLR with risk-based capital requirements while preserving its function as a backstop.

The Rule applies to U.S. global systemically important bank holding companies ("GSIBs"), their subsidiary depository institutions that are regulated by the Board or the FDIC and national banks and federal savings associations that are subsidiaries of a U.S. top-tier bank holding company with more than \$700 billion in total consolidated assets or more than \$10 trillion in assets under custody.

The Rule replaces the fixed 2 percent eSLR buffer applicable to GSIBs and their subsidiaries with a buffer equal to one-half of the GSIB's Method 1 surcharge. For subsidiary banks, the buffer is capped

at 1 percent. This change is designed to scale the leverage requirement more closely with each GSIB's systemic footprint while maintaining a uniform, transparent standard at the subsidiary level.

According to the agencies, this recalibration is intended to ensure that the eSLR continues to operate as a backstop to risk-based capital requirements, rather than as a binding primary constraint in ordinary conditions. By doing so, the Rule aims to mitigate potential disincentives for GSIBs and their subsidiary depository institutions to engage in low-risk, low-return activities.

The Rule is effective on April 1, 2026 and banking organizations subject to the Rule may elect early adoption beginning January 1, 2026.

## Restructuring Updates

### **WESCO AIRCRAFT HOLDINGS, INC. V. SSD INVS. LTD., NO. 4:25-CV-202 (S.D. TEX. DEC. 8, 2025)**

On December 8, 2025, Judge Randy Crane of the Southern District of Texas held that Wesco Aircraft Holdings, Inc. (“Wesco”) and its participating noteholders (the “Majority Group”) met the consent requirements necessary to properly adopt each step of a 2022 uptier transaction (the “2022 Uptier”) pursuant to indentures governing Wesco’s senior secured notes. This decision reversed the bankruptcy court’s recommended finding that the 2022 Uptier constituted a breach of contract under the indenture governing notes maturing in 2026 (the “2026 Indenture”).

Wesco and the Majority Group obtained majority consent of the existing bondholders and adopted a supplement to the 2026 Indenture

(the “Supplemental Indenture”). Subsequently, Wesco entered a Note Purchase Agreement under which the Majority Group invested \$250 million in new money, and Wesco issued additional 2026 notes, as permitted under the Supplemental Indenture. Once issued, those additional notes gave the Majority Group the two-thirds supermajority necessary for the final steps of the 2022 Uptier which released collateral. Judge Crane concluded that the 2026 Indenture required only majority consent of the existing bondholders for Wesco to adopt the Supplemental Indenture because the proposed amendments did not “have the effect” of releasing existing collateral, “or indeed ha[ve] any effect on any collateral at all”.<sup>2</sup> The court held that the supermajority requirement applies *only* when the amending instrument itself “has the effect” of releasing collateral and *not* when an initial amendment facilitates later steps culminating in a collateral release.<sup>3</sup>

Notably, Judge Crane rejected the excluded noteholders’ argument that the two-thirds supermajority consent requirement extended to Wesco and the Majority Group’s Supplemental Indenture since this supplement laid the groundwork for facilitating the subsequent collateral release: “Under the plain language of the 2026 Indenture, Wesco needed to obtain supermajority consent for the Third Supplemental Indentures *themselves* ‘ha[d] the effect of releasing all or substantially all’ of the liens securing the 2026 Notes”.<sup>4</sup> Judge Crane highlighted that adopting the excluded noteholders’ reading “would flout the ordinary meaning of ‘effect’...”.<sup>5</sup> This decision emphasized “the importance of adhering to the precise language of indenture agreements”.<sup>6</sup>

Judge Crane’s reversal adds to the complex and ever-growing landscape of judicial policing over so-called “creditor-on-creditor” violence. On January 7, 2026,

the excluded noteholders appealed Judge Crane’s ruling to the Fifth Circuit, adding further uncertainty.

### **OPIOID MASTER DISBURSEMENT TRUST II V. CITADEL SEC. LLC (IN RE: MALLINCKRODT PLC), NO. 1:25-CV-00114-SB (D. DEL. NOV. 24, 2025)**

On November 24, 2025, the U.S. District Court for the District of Delaware upheld a bankruptcy judge’s ruling that financial institutions do not have to return hundreds of millions of dollars received through Mallinckrodt PLC’s share repurchase program. U.S. Circuit Judge Stephanos Bibas, sitting by designation, held that these transfers constituted “settlement payments” protected by the safe harbor provision under 11 U.S.C. § 546(e) despite being void *ab initio* under controlling Irish law.

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From 2015 to 2018, Mallinckrodt spent \$1.6 billion on stock buybacks that “artificially inflated Mallinckrodt’s share price even as its core business was in a death spiral”.<sup>7</sup> The opioid trust created in the company’s ensuing bankruptcy sought to recover this money for creditors using the trustee’s derivative avoidance powers, which permit the avoidance of a transfer “that is voidable under applicable law”.<sup>8</sup> The trust claimed the safe harbor exception that protects “settlement payments” to financial institutions (11 U.S.C. § 546(e)) was inapplicable because “Irish law considers unlawful buybacks by an undercapitalized company ‘void’”.<sup>9</sup> Without a valid underlying securities transaction, the trust argued there could be no “settlement payment”.

Judge Bibas declined to follow the holding in *Enron*<sup>10</sup> that void payments do not qualify as “settlement

payments” for purposes of the safe harbor, describing the decision as one that “stands alone and on shaky ground”.<sup>11</sup> Instead, he analogized the case to litigation stemming from Bernie Madoff’s Ponzi scheme, in which transfers were protected as “settlement payments” even though the underlying securities transactions never occurred.<sup>12</sup> He reasoned that, because the Code defines “settlement payment” broadly to include preliminary, interim and partial payments, “a payment alone is enough, even if the transaction does not ultimately settle... this is true even if there was never any chance of completing the transaction”.<sup>13</sup>

The decision underscores that § 546(e)’s focus is on the nature of the payment, not the validity of the underlying transactions—signaling broader protections for market participants. The safe harbor can bar avoidance under § 544(b) even if transfers were void *ab initio*.

## Crypto Updates

### SEC CHAIRMAN ATKINS OUTLINES NEXT PHASE OF DIGITAL ASSET OVERSIGHT

On November 12, 2025, SEC Chairman Paul Atkins outlined the next phase of “Project Crypto”, aiming to bring greater legal clarity to crypto-assets through a formal token taxonomy. A core objective is to organize crypto-asset classification by clarifying when assets are securities, stablecoins, digital commodities or digital collectibles and to design specific disclosures, exemptions and safe harbors for distributions such as token sales, airdrops and network rewards. To date, the SEC’s Division of Corporation Finance has issued statements indicating that certain meme coins are typically not investment contracts, certain proof-of-work mining activities are not securities offerings, certain payment-oriented stablecoins are not securities and certain protocol staking and liquid staking activities are not securities. Even so, this guidance is nonbinding, and the Office

of Information and Regulatory Affairs has signaled that formal SEC proposals are expected in 2026 to establish a comprehensive crypto-asset framework and to amend the Exchange Act to accommodate crypto trading on exchanges and alternate trading systems. In previewing the taxonomy, Atkins stated his expectation that digital commodities or network tokens, digital collectibles and digital tools would not be securities, and emphasized that “most crypto tokens trading today are not themselves securities” once any investment contract has run its course. By contrast, he affirmed that “tokenized securities” will remain securities because they represent ownership of instruments enumerated in the statutory definition, aligning with prior SEC Division of Corporation Finance statements on how federal securities laws apply to offerings and registrations in crypto markets.

On market structure, Project Crypto seeks to modernize the regulatory framework governing trading and custody for intermediaries and individuals through SEC-CFTC coordination. Project Crypto contemplates an “innovation exemption” that would let firms test novel models under principles-based guardrails with periodic reporting, with rulemaking targeted by late 2025 or early 2026 albeit delayed by the recent government shutdown. Looking ahead, the SEC appears poised to move from incremental staff guidance to a durable framework, codifying a token taxonomy, targeted exemptions and market-structure updates.

### SEC ISSUES NO-ACTION RELIEF FOR DTC’S TOKENIZATION PILOT PROGRAM

On December 11, 2025, the SEC’s Division of Trading and Markets issued no-action relief allowing the Depository Trust Company (“DTC”) to run a limited, voluntary three-year pilot that records security entitlements on distributed ledger technology (“DLT”) with launch targeted for the second half of 2026. SEC Chairman Paul Atkins has identified the tokenization of traditional securities as a key element of the SEC’s Project Crypto, discussed above. Against this regulatory backdrop, tokenization is accelerating across capital markets as firms invest in blockchain infrastructure to deliver more unified, transparent and flexible investing experiences including an alternative trading system (“ATS”) planning to integrate a tokenized-equities framework into the National Market System for around-the-clock trading and faster settlement and

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a major investment bank launching a tokenized private-equity fund with anticipated expansion to other asset classes. Additional transactions include Coinbase's acquisition of a blockchain-based crowdfunding platform to streamline on-chain fundraising and a sports betting platform's acquisition of a CFTC-regulated exchange to enter regulated prediction markets. While some critics in the crypto industry view the no-action letter and pilot program as constraining innovation and reinforcing incumbent, centralized infrastructure, proponents point to the clear momentum behind tokenization of traditional securities markets which appears poised to continue under a relatively favorable regulatory environment.

# Citations

1. *U.S.A. v. Patrick James and Edward James*, No. 1:26-cr-00029-AT (S.D.N.Y. Jan. 27, 2026).
2. *Wesco Aircraft Holdings, Inc. v. SSD Invs. Ltd.*, No. 4:25-CV-202, at 18 (S.D. Tex. Dec. 8, 2025). (Hereinafter, *Wesco*).
3. *Ibid.* at 22.
4. *Ibid.* at 21–22.
5. *Ibid.* at 22.
6. *Ibid.* at 20.
7. *Opioid Master Disbursement Trust II v. Citadel Sec. LLC (In re: Mallinckrodt PLC)*, No. 1:25-cv-00114-SB, at 3 (D. Del. Nov. 24, 2025). (Hereinafter, *In re Mallinckrodt*).
8. 11 U.S.C. § 544(b).
9. *In re Mallinckrodt* at 5.
10. *Enron Corp. v. Bear, Stearns Int'l Ltd. (In re: Enron Corp.)*, 323 B.R. 857 (Bankr. S.D.N.Y. 2005).
11. *In re Mallinckrodt* at 8.
12. *Picard v. Ida Fishman Revocable Trust (In re: Bernard L. Madoff Inv. Sec. LLC)*, 773 F.3d 411, 422–23 (2d Cir. 2014).
13. *In re Mallinckrodt* at 7.

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