European Commission - Questions and answers

Questions and answers on the review of the EU Securitisation Framework

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Why is the reform needed?

The EU securitisation framework was introduced in 2017-2018 and entered into force in 2019-2020. It aimed to revive the EU securitisation market while addressing concerns about risky practices that threatened the stability of the financial system in the aftermath of the 2008 global financial crisis. The existing framework successfully introduced a set of supervisory and regulatory measures which strengthened investor protection, transparency, and financial stability. Based on six years of experience with the current rules, the Commission has identified that certain aspects of the existing securitisation framework come with an excessive regulatory or prudential burden, hindering the development of the EU securitisation market.

Today's proposed review presents an opportunity to recalibrate the framework, striking a better balance between maintaining appropriate safeguards and boosting the securitisation market to support the financing and growth of the EU economy.

Why are you reviewing the EU Securitisation Framework now?

The European Council tasked the European Commission with a clear political mandate to identify measures to relaunch the European securitisation market, including "through regulatory and prudential changes, using available room for manoeuvre". This call to action has been echoed by many stakeholders, not only securitisation issuers and investors but also by supervisors, urging the removal of barriers hindering market development.

The overall aim of this legislative review is to make the regulatory framework governing the EU securitisation market simpler and more fit for purpose. By eliminating undue barriers to issuance and investment, financial institutions are expected to engage in more securitisation activity and, importantly, to use the capital relief for additional lending to EU households and businesses.

How do today's proposals fit with other Commission initiatives?

This review is the first initiative proposed under the Savings and Investments Union (SIU) Communication, which aims to harness the potential of both capital markets and the banking sector to help channel savings to productive investments. A vibrant EU securitisation market can contribute to a more diversified financial system and greater risk-sharing, and it has the potential to free up additional lending for the EU economy.

The review aims to facilitate further use of securitisation to the benefit of the EU economy. However, while a revived and growing EU securitisation market holds promise, it is also essential to acknowledge that it is not a 'silver bullet' for the EU's funding needs. Rather, it serves as one of the many components of the Savings and Investments Union.

Who will benefit from the review and how?

Today's proposal focuses on:

- Targeted changes to the securitisation regulation will simplify due diligence rules and transparency requirements. This will make it easier for investors to comply with their obligations in a timely and efficient manner and will reduce the reporting burden on issuers of securitisation.
- Targeted changes to the prudential framework for banks and insurers to introduce greater risk-sensitivity and address the undue overcapitalisation of some types of securitisation exposures.

The anticipated benefits for securitisation issuers and investors include:

- Reducing unnecessary operational costs for all issuers and investors in the areas of reporting requirements and due diligence while maintaining adequate standards of transparency, investor protection and supervision.
- Enhancing the prudential framework to better account for actual risks that securitisation can pose and remove unnecessary prudential costs for issuers (such as banks) when issuing securitisations, while at the same time safeguarding financial stability.

In the long-term, the reforms aim to create more investment opportunities for institutional investors, deepen EU capital markets and help build the SIU, to the ultimate benefit of EU households and companies.

How will citizens and businesses benefit from a vibrant EU securitisation market? What is the expected impact on SMEs in particular, in terms of access to credit?

A stronger and simpler securitisation framework can help channel more investments into the real economy - supporting economic growth, innovation and job creation across the EU.

By freeing up banks' balance sheets and enhancing bank's lending capacity, the proposed measures can lead to increased access to credit to EU households and businesses, including small and medium-sized enterprises (SMEs).

Improved efficiency in the banking sector may lower borrowing costs and enable banks to extend credit to a broader segment of the population, enhancing access to individuals who are typically underserved by the financial system and promoting financial inclusion. SMEs will benefit from the increased lending capacity of banks or other financial firms generated by more dynamic EU securitisation activity, or from more favourable and cheaper access to funding. The simplification and greater risk sensitivity in prudential treatment introduced by this initiative will incentivise greater securitisation across a wider scope of portfolios, including SME loans, and could lower funding costs for SMEs.

What is the state of the market?

We estimate the combined EU public and private market to amount to at least €1.6 trillion at the end of 2023. The part of the EU market where banks are involved as issuers (originators or sponsors or original lenders) or as investors stood at approximately €1.2 trillion in terms of outstanding volumes at the end of 2023.

Securitisation issuance as a percentage of GDP remains much lower in the EU compared to other major jurisdictions such as the United States, UK, or Australia.

The EU securitisation market also remains highly concentrated, with 80% of securitisation issuances occurring in only five Member States (France, Germany, Italy, the Netherlands and Spain). However, securitisation activity has a wider EU footprint. The securitised loans may be originated in several Member States, and key services necessary for securitisation transaction can be provided cross-border.

Are you proposing any measures on green securitisation?

In 2024, a dedicated regime for green securitisations was introduced as part of the European Green Bond Standard Regulation (EUGBS). The EUGBS introduces a voluntary standard for securitisation bonds to be labelled as green by using the European green bond label. In order to qualify as EUGBS, assets in the securitisation pool have to fulfil certain requirements and originators must allocate the proceeds from securitisation to economic activities compliant with the EU Taxonomy Regulation.

The present proposals do not entail any changes to the EU Green Bond Standard Regulation, which continues to provide a dedicated framework for green securitisation. Nonetheless, a more efficient EU securitisation market could potentially boost green investment initiatives by making capital more accessible for environmentally friendly projects. This could, in turn, help banks to finance sustainable projects, contributing indirectly to positive environmental outcomes.

Which steps did you follow in the development of today's proposals?

The revision of the Securitisation Framework is based on a comprehensive analysis involving several key activities:

1. **Ex-Post Evaluation**: This step involved assessing the framework's performance since its implementation in 2019. It examined whether the objectives were met in terms of effectiveness, relevance, efficiency, EU added value, and coherence with other legislation.
2. **Stakeholder Consultations**: A broad range of stakeholders, including industry representatives, European Supervisory Authorities, and financial institutions, contributed to the process. Stakeholders provided input through workshops, targeted public consultations, and a call for evidence. Direct dialogues with Member States and other stakeholders further informed the work, offering a comprehensive picture of practical challenges and potential solutions. These consultations highlighted both successes and areas needing improvement.
3. **Expert Input**: The evaluation benefitted from analytical work by the European Supervisory Authorities, the European Central Bank and insights from national authorities. Reports, such as the 2021 and 2025 reports from the Joint Committee of the European Supervisory Authorities, informed the understanding of the current framework's implementation and challenges. The Member States' Expert Group on Banking, Payments and Insurance exchanged views on the policy options of the Securitisation package, on 7 May 2025 and provided written contributions.
4. **Impact Assessment**: A detailed impact assessment evaluated various policy options. The assessment focused on the economic and regulatory impacts of the proposed legislative changes.

These various inputs, analyses, and consultations collectively led to the findings and proposed revisions to the Securitisation Framework.

How does this differ from previous reviews of the Securitisation Framework?

The Securitisation Framework was adopted in 2017-2018 and entered into application in 2019. Although reviving the securitisation market following the shock of the Great Financial Crisis was part of the general objective of the Securitisation Framework, the focus was more on ensuring that market practices are safe, and fighting the stigma associated with securitisation. As a result, most measures that were introduced made the regulatory treatment of securitisation more conservative and mitigated risks but failed to stimulate market development.

The regulatory framework governing EU securitisations was revised in 2021 as part of the Capital Markets Recovery Package to help the EU economy to recover from the COVID-19 pandemic. The review introduced targeted amendments to the Securitisation Regulation and to the Capital Requirements Regulation, expanding the scope of the simple, transparent and standardised (STS) framework and removing certain regulatory impediments to the securitisation of non-performing exposures. The "STS" label is an EU standard identifying simple, transparent and standardised securitisation products that fulfil certain criteria. The label aims to improve investor confidence in these securitisation products, which benefit from more favourable regulatory and prudential treatment than more complex and opaque non-STS products.

Under the current initiative, the entire EU securitisation framework has been reviewed and evaluated in order to assess whether it remains fit for purpose. Today's envisaged changes aim to make targeted improvements to the framework, rather than overhauling it, without putting financial stability, investor protection, market transparency and market integrity at risk.

Relaunching the EU securitisation market is a shared responsibility of EU institutions, Member States, and private market actors. Regulation can only go so far in terms of stimulating market development for a diverse product category like securitisation. Market participants also need to step in and do their part, for instance, by issuing more standardised products, and by setting up industry-wide initiatives towards specific segments.

Does promoting securitisation increase risk to the EU financial system?

Our review of the current framework has the safeguarding of financial stability as its guiding principle. The proposed targeted changes are designed to facilitate securitisation activity in the EU without increasing risks to the EU financial system. The changes ensure that banks maintain sound capital requirements, focusing only on targeted aspects of prudential regulation where evidence suggests adjustments are needed. Only 1.5% of the total of EU bank risk-weighted assets volume correspond to banks' securitisation positions. This limited exposure shows that promoting securitisation under the revised framework does not elevate systemic risk.

The proposed changes aim to make the current framework better suited to the underlying risk of a

given securitisation position. Making prudential requirements for banks more risk-sensitive should promote the stability of the EU financial system.

Changes to the Securitisation Regulation

What changes are you proposing to due diligence requirements?

The Commission is proposing targeted changes to make due diligence requirements for EU securitisations simpler and more proportionate, while maintaining strong safeguards. Investors will no longer need to verify certain information when the selling party is based and supervised in the EU, as competent authorities are already responsible for checking compliance with these requirements. The rules will be more principles-based, allowing checks to be tailored to the risk of the securitisation, avoiding duplication and cutting excessive burden. Secondary market investors will have more time to complete their due diligence assessments, and low-risk investments guaranteed by multilateral development banks will be exempt from due diligence.

While investors in non-EU securitisations will also be able to benefit from a number of lighter due diligence requirements, they will still need to verify, as part of their due diligence obligations, compliance by sell side parties with various requirements currently set out in the Securitisation Regulation. This is necessary, as the ability of national competent authorities to enforce the Securitisation framework on non-EU issuers is more limited.

What are you proposing to ease reporting burdens?

To lower the reporting burden on issuers, the Commission suggests simplifying the reporting templates. The review of the reporting templates will be carried out by the European Banking Authority, in close cooperation with the other two European Supervisory Authorities working together in the Joint Committee.

In particular, the Commission recommends reducing the number of required fields by at least 35%, or more where feasible. To further ease the compliance burden on the reporting entities, the review should consider distinguishing between mandatory and voluntary fields. In addition, the reporting loan level information should not be required for highly-granular and short-term exposures, such as credit card exposures or certain consumer loans.

The reporting template for private securitisations (i.e. bespoke transactions involving a small number of highly-specialised investors) should be much lighter than the one for public securitisations and focused only on supervisors' needs. To minimise the implementation costs for industry, the Commission recommends closely following existing notification templates, in particular the guide on the notification of securitisation transactions by the European Central Bank - Single Supervisory Mechanism. To make the private securitisation market more transparent and easier to supervise, a dedicated reporting template should be submitted to securitisation repositories.

What changes are you proposing in the area of supervision?

Overall, the proposal seeks to make better use of existing supervisory structures, enhance collaboration among authorities, and ensure effective supervision through enhanced convergence and improved coordination. More in detail the proposal includes the following key points:

- **Revised Securitisation Committee**: The mandate of the European Supervisory Authorities' (ESA) Joint Committee Securitisation Committee will be reviewed to focus primarily on issues stemming from supervision, to ensure better coordination among the different authorities involved and to put emphasis on supervisory convergence.
- **Coordination Role for the European Banking Authority (EBA)**: the Commission proposes to give the EBA a more prominent role in the Securitisation Committee of the Joint Committee of the ESAs. The EBA will provide the secretariat on a permanent basis. Given that securitisation activity in the EU is primarily concentrated in the banking sector, and EBA and banking NCAs usually have the greatest exposure to the subject, it is appropriate that the EBA assumes the permanent stewardship role. ESMA and EIOPA will still be fully involved in the work and activities of the committee. The aim of having the EBA in the lead is to simplify the daily work, create more engagement among supervisors and ensure more robust and consistent supervision of the securitisation market.
- **Common Supervisory Practices**: The Committee will work towards establishing common

supervisory practices across different jurisdictions to ensure uniformity and efficiency in supervision.

- **Expert Representation**: Participants in the committee from market and prudential competent authorities should have appropriate expertise and experience relevant to the topics being discussed.

How will the updated framework affect the eligibility criteria for STS (Simple, Transparent, and Standardised) securitisations?

Securitisations designated as Simple, Transparent and Standardised (STS) under the EU regulatory framework fulfil a number of criteria defined by the EU Securitisation Regulation. The label aims to improve investor confidence in these securitisation products, which benefit from more favourable regulatory and prudential treatment than more complex and opaque non-STS products. To facilitate the securitisation of SME loans in STS securitisation and to facilitate the development of cross-border securitisations involving exposures from multiple Member States, we are proposing a targeted amendment of the homogeneity requirement. This amendment specifies the requirement is fulfilled where at least 70% of the underlying pool of exposures consists of SME loans (instead of the current 100% for pools made up of exposures from different jurisdictions).

This lowered threshold recognises the specific financing needs and characteristics of SMEs and ensures that mixed pools with a predominant SME component can benefit from the legal certainty and operational efficiencies associated with homogeneous pools. The remaining portion of the pool should be allowed to include other types of exposures, also from different Member States, without affecting the securitisation's status as Simple, Transparent and Standardised (STS).

The proposal also makes it easier for insurance and reinsurance companies to participate in on-balance-sheet, also called synthetic, STS securitisations by amending the STS collateralisation requirement. To qualify, these insurers and reinsurers must meet strict requirements on solvency, risk diversification, and financial soundness.

In addition, a number of technical adjustments are being made to streamline how the STS criteria are applied, without changing the substance of the rules.

Changes to the Capital Requirements Regulation

What is proposed with respect to the prudential (capital) treatment of securitisation for banks?

The proposal introduces targeted changes to the securitisation prudential framework for banks, adjusting capital requirements so they more accurately reflect the true risks involved. Capital requirements are decreased for exposures which are deemed less risky, avoiding banks to hold unnecessarily high levels of capital. This change is especially helpful for the banks as issuers of these transactions, particularly when they hold the top-tier or 'senior' positions.

For instance, securitisations of less risky portfolios will be able to benefit from further capital reductions compared to securitisations which are deemed riskier (i.e. with more risky underlying portfolios). In addition, significant capital reductions are granted for senior tranches in resilient securitisations where specific risks have been largely mitigated, and which comply with a set of safeguards. These safeguards lower the risks for that tranche and ensure that such tranche is robustly insulated from losses. This qualifies such tranches to benefit from lower capital requirements, compared to tranches in securitisations which do not meet the safeguards.

Overall, the proposed targeted changes are expected to reduce the capital requirements in particular for less risky, robust and resilient exposures, while preventing undercapitalisation of banks' more risky exposures.

As a necessary complement to the changes to the capital framework, changes are introduced to the significant risk transfer framework (SRT). The SRT framework defines the conditions for supervisors to assess whether an originator bank transfers a sufficient amount of risk to third parties to qualify for a capital relief. The proposed amendments aim to make the SRT framework clearer, more robust and less prescriptive.

How does this framework interact with Basel III and other prudential standards? Is there a risk that prudential changes will affect Basel III?

The EU has fully implemented the Basel III framework in the area of securitisation. The proposed changes are targeted and limited in scope, aiming to improve the usability and effectiveness of the securitisation market without undermining prudential soundness. The targeted amendments maintain a high level of international consistency.

Securitisation exposures represent only a very small share of banks' total exposures, so any potential impact on the overall prudential framework remains minimal.

The changes are intended to strike the right balance between aligning with international standards and addressing specific EU market needs.

What is proposed with respect to the eligibility of securitisations to the liquidity buffer of credit institutions?

Banks build up liquidity buffers to meet short-term liquidity requirements, as specified under the Liquidity Coverage Ratio (LCR) Delegated Regulation. In the years of abundant central bank liquidity and low-interest rates, banks preferred to retain their own securitisations as collateral for central bank monetary policy operations, instead of investing in securitisations for the purpose of using them in their liquidity buffers.

As we move away from this environment, banks could be further incentivised to actively manage and diversify the investment profile of their liquidity buffers. Extending the eligibility of securitisation for inclusion in these buffers is considered as an important factor for attracting investment, as it provides market participants with the perspective to find opportunities to trade with counterparties on capital markets, including credit institutions.

Based on several years of experience with the current rules, the objective of the targeted amendments to the LCR Delegated Regulation is to enhance, through a limited number of targeted amendments, the diversification in the liquidity buffers of credit institutions in the EU. These changes seek to further support the liquidity and depth of the securitisation markets and of EU capital markets in general. In addition, the targeted amendments to the LCR Delegated Regulation aim to address some inconsistencies identified in the existing requirements that securitisations must meet to be eligible for inclusion in the liquidity buffer.

What is the Commission planning on insurance prudential rules on securitisation?

The Commission intends to publish a comprehensive set of draft amendments to the insurance prudential rulebook (Solvency II Delegated Regulation) in the coming weeks. Changes to the prudential treatment of securitisation will be part of this draft legal act. They will concern both non-STS and STS securitisations.

Regarding non-STS securitisations, the Commission is considering introducing new – and lower capital requirements for senior tranches, which currently attract the same capital requirements as non-senior tranches.

Regarding STS securitisation, the Commission is considering aligning the prudential treatment of senior tranches more closely with those of covered bonds or corporate bonds.

For More Information

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