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## **EACB Position on the review of the Securitisation Framework in the EU**

**26 March 2025**

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## Introduction

The EACB welcomes the opportunity to provide its comments to the European Commission's Call for Evidence (CfE) on the review of the Securitisation framework. Building on our previous [Consultation response](#), we support this initiative as a key component of the ideas put forward in the context of discussions on the future of the Capital Markets Union under the broader Savings and Investments Union, acknowledging the importance of both high-level policy contributions (Eurogroup statement, Noyer Report, Draghi Report, Letta Report) and industry perspectives in shaping a well-functioning securitisation market.

Securitisation remains a fundamental pillar of well-functioning capital markets, yet it remains underutilised in Europe, particularly for mortgage assets and even more so in the SME sector. The difference with the US securitisation market further underscores this issue: despite being the second-largest market worldwide, Europe lags behind the US, where securitisation is by far more developed. This is due to a series of combined factors, including the role of state-sponsored agencies in the US, which benefit from preferential treatment, alongside stricter prudential requirements at the EU level.

Against the backdrop of an increasingly complex global scenario, it is particularly relevant to consider competitiveness when reviewing key legislative frameworks. Notably, the US is expected to undergo significant financial deregulation under the new administration, a development that could further widen the gap between the EU and US securitisation markets. In this context, it is crucial to ensure that EU regulations foster a more efficient, dynamic, and supportive securitisation landscape, supporting the efforts of the EU financial sector, especially cooperative banks, to remain globally competitive. A key instrument in this sense is an improved recalibration of the liquidity and the capital cost-effectiveness of the instrument. Enhancing the regulatory and prudential framework for securitisation could help establish a virtuous cycle of increased investor interest and greater issuance.

**In this paper, we outline our recommendations, which we believe will contribute to revive the European Securitisation market, improve its depth and liquidity, while fostering the development of a more accessible environment access to market participants.**

## Recommendations

### ***1. Facilitating securitisation for SME-based loans***

**The EU currently lacks a well-established market for SME loan securitisation.** Financial institutions face challenges related to portfolio sizes and the significant costs associated with executing transactions for smaller portfolios or issuers. As a result, accessing funding through the securitisation market becomes relatively expensive, especially for smaller players. Concurrently, investors lack sufficient incentives, causing issuers to not actively pursue SME securitisation options.

Despite the fact that EU securitisation differs significantly from the practices that led to the 2008 financial crisis, current EU regulation continues to be looked at with a certain degree of scepticism, which contributes to hindering efforts to restore confidence in this tool and, consequently, obstructs progress in the field of SME securitisation

***We see several key obstacles hindering the development of an SME loan securitisation market, including:***



- High transaction costs, in particular in terms of capital structure and market spreads, as SME loans performance is generally more volatile, which makes them less attractive than securitisations backed by other asset classes.
- The heterogeneity of SMEs, spanning from small businesses to larger companies, which results in diverse risk profiles and complicates risk assessment
- The potential legal obstacles related to the transferability of loan receivables in cash transactions. This issue is, however, mitigated through synthetic securitisation. Practically, legal due diligence cannot be performed on a line-by-line basis to check transferability.
- Punitive capital charges on banks (e.g., under the CRR), which make SME securitisations more costly than other funding alternatives.
- Excessive costs and complex governance required for securitisation, especially in relation to disclosure requirements, which may be too burdensome for certain issuers.
- Furthermore, the development of SME markets across EU jurisdictions is uneven, with some jurisdictions more advanced than others.
- Disclosure and homogeneity requirements are hard to meet for SME exposures. Especially CRPL 16-22 in the ESMA templates can be challenging and hard to keep up to date. For seasoned loans, it is not always possible to provide the data and for other loans only at high costs. Since SME loans are typically less standardised in terms of loan formats, private, and especially synthetic, transactions are the preferred structure, although public transactions are also seen in the market. Reaching STS status for SME securitisations is certainly possible, but achieving the associated capital relief may be more complicated due to requirements around granularity and the risk weight (RW) of the underlying exposures. And for liquidity treatment, the requirement of a weighted average life of less than 5 years for LCR eligibility is prohibitive for longer projects.

To stimulate the EU economy, which is predominantly driven by SMEs, it is of the utmost importance not only enhancing SMEs' access to EU capital markets, but also strengthening traditional financing channels, particularly bank lending. Banks play a central role in both revitalising the CMU and supporting the real economy. **We believe that Securitisation represents a key instrument to achieve these objectives:**

- ➔ Securitisation enables investors to access consumer and corporate credit exposures that would otherwise be unavailable to them, while also ensuring that credit risk is not concentrated solely within banks. Moreover, it allows banks to free up capital, thereby expanding their lending capacity to SMEs, ultimately financing the sustainability-transformation of small and medium businesses, which is essential to foster the transition to a more sustainable economy.
- ➔ SME Securitisation would provide originators with an additional, cost-effective, refinancing solutions, particularly by using collateral not eligible under art. 129 CRR related to covered bonds.
- ➔ Banks are also direct lenders to corporates through (private) ABCP trade receivables securitisations, funding their working capital needs hence financing indirectly their SME clients. By nature, ABCP securitisation is perfectly adapted to the funding of real economy assets such as trade receivables. Furthermore, securitisation serves as a tool to monitor the exposures stemming from their commercial lending activity (both in terms of risk and liquidity).

**We believe that a revision of the EU Securitisation Legislative Framework that explicitly envisages SMEs loans as eligible underlying assets is essential.** This would enable cooperative banks to refinance regionally focused SMEs exposures in the global capital markets, ultimately enhancing their capacity to finance the local real economy.



### **Concrete changes to the Securitisation Framework to support SME securitisation:**

- When considering possible solutions to increase SME access to funding, even before exploring securitisation, it should be firstly recognised that the majority of European SMEs are unrated. Against this background, **it is key to make permanent the CRR3 provisional measure on unrated corporates (art. 465 §3)**. In fact, this is a necessary condition from a regulatory and competitiveness standpoint, since a broad rating coverage of the EU corporate population is not realistic – if not in a rather long-term perspective.
- In addition, SME loans can be used for SRT transactions in a relatively efficient way. SRT transactions give banks the opportunity to off-load certain risks from their balance sheet (like concentrations), which allows them to finance more SME exposures. Also SMEs can benefit from securitisation by selling their (trade) receivables to private banks or ABCP funded structures.

## **2. Streamlining securitisations and simplifying the due diligence process**

### **We believe that a leaner due diligence process would facilitate the issuer and investor journey.**

While we see a value in due diligence's obligations for investors, allowing investors to properly assess and manage the risks associated with securitised instruments, **we see also that the current regulatory framework is overly prescriptive**: the requirements are overly detailed, leading to administrative costs that exceed even those of products with significantly higher risk profiles and, therefore, should be reassessed. Current legislation provides undue details about the information that investors must consider in order to make their investment decisions. The securitisation regulation also applies a rigid **"one-size-fits-all"** approach, despite the fact that securitisation transactions can be significantly different in complexity, risk, and distribution (public or private). While transparency and appropriate disclosure remain necessary, we believe that the degree of information and details to be provided about the assets is excessive and overly granular, requiring amongst other things, ongoing data maintenance as long as the securitisation is outstanding, implying also significant IT and compliance costs. Moreover, investors are not only required to conduct due diligence but must also continuously keep performing and recording it, even if no adverse event materialised.

Furthermore, due diligence obligations for regulated investors, such as banks, are already addressed under existing legislation, notably the CRR. As a result, said due diligence requirements in the SECR are duplicative, and add further unnecessary complexity without particular (proven) additional benefit.

Against this background, we **believe that moving towards a more principle-based, proportionate and less complex approach with broad rules set in level 1 would be a viable solution to address the above shortcomings, especially regarding private transactions.**

When it comes to the latter, in fact, due diligence processes have to systematically include all the characteristics/indicators listed in art. 5 of the Securitisation Framework, regardless of them being relevant for the particular transaction. This adds a formalism that is not justified in private transactions and hence unwarranted costs and delays.

We believe that principle-based provisions would allow to perform a due diligence assessment matched to the type, risk and asset class of the securitisation. The core of the provision should remain in place so that the due diligence assessment includes both the underlying exposures and the specific, legal securitisation structure. This way, it would no longer be necessary fulfilling requirements that have no added value for the assessment, consequently reducing transaction costs for the investment.



Furthermore, these requirements should be aligned with the standards in other asset classes, and the comparison should be performed on related types of assets – e.g. AAA senior STS securitisations with other AAA-rated structured finance or collateral backed instruments. Junior ranking non-investment grade rated/complex instruments ( e.g. high yield bonds or alternative assets) should be compared also with Non IG/more complex securitisations. Additionally, the content of such a due diligence shall vary we believe that depending on the relevant sources of risk, structure, asset type, seniority of tranche and other parameters.

The EACB is also of the view that if there is a STS verification by a regulated entity available, the investor should be allowed to rely on the STS Notification. Therefore, art. 5(3)(a) and (b), (4)(a), (d), (e) and (f), should not be required when there is an STS verification (especially in case of AAA-rated STS verified Notes). As a more structural solution, we would recommend to revise the due diligence requirements along the lines of the new UK requirements, as effective from 1 November 2024, where investors can determine themselves, based on a more principles-based and proportionate approach, whether they have sufficient information to make an independent risk assessment.

In case of securitisations that involve multiple originators within the same group – a common structure in cooperative groups – there is a need to clarify that the transparency obligations must be fulfilled by the parent company. Against this background, it is crucial simplifying the disclosure requirements also from the originators' point of view. This can be done, for example, by reducing the number of mandatory fields for granular transactions in existing templates.

***Concrete changes to SECR Article 5 on "due-diligence requirements for institutional investors":***

- **5(1) point c should be deleted:** The originator, sponsor or original lender located in the EU is already subject to the obligation to retain risk retention pursuant to Article 6. It is not necessary to simultaneously burden investors with the obligation to monitor compliance with risk retention.
- **5(1) point d should be amended:** the reference to art. 6, which constitute a significant obstacle for European investors, should be deleted. Instead, reference could be made to "equivalent provisions": this proposal still maintains a requirement to assess third country securitisations by requiring that risk retention be met, guaranteed by the wording "which, in any event, shall not be less than 5 percent". The originator, sponsor or original lender located outside of the EU, however, is not subject to the requirements of the SECR.
- **5(1) point e should be amended:** while verification remains necessary, reference to Article 7 should be replaced with a more generalised wording. For example, the investor could be required to verify whether or not they possess sufficient information in order to carry out the required due diligence pursuant to art. 5(3). However, the reference to transparency requirements pursuant to art. 7 makes it practically impossible to invest in third country securitisations. Originators, sponsors or original lenders located outside of the EU are not subject to the requirements of the SECR. European investors are therefore unable to fulfil these requirements and are thus excluded from the non-EU securitisation markets.
- **5(2) should be amended:** Investors do not need to obtain the information pursuant to 5(1) point themselves when investing in ABCP but can delegate this to the sponsor. This should also be possible for the other criteria in 5(1). Furthermore, 5(2) should not only cover fully sponsored ABCP transaction, but also other transactions which are fully



sponsored but not necessarily ABCPs are issued. From a risk perspective, there is no difference whether ABCPs are used for refinancing other means.

- **5(3) should be changed:** the individual assessment steps in art. 5(3) points a to c of the SECR should be deleted and replaced by principle-based wording: Prior to holding a securitisation position, an institutional investor, other than the originator, sponsor or original lender, shall carry out a due diligence assessment which enables it to assess the risks involved. This assessment “must take the underlying exposures and the structural features of the securitisation into account”. This makes it possible to perform a due diligence assessment matched to the type, risk and asset class of the securitisation. Simply fulfilling requirements that have no added value for the assessment is thus no longer necessary, and transaction costs for the investment can be reduced.
- **5(3) point c should be deleted:** currently the investor is required to assess the results of the external STS notification. The proposal relies more heavily on the originator and, if applicable, the STS verifier. However, it reduces duplications when verifying whether STS criteria have been met. This will result in a simplification of STS securitisations, which will increase the appeal of this product.
- **5(4)a §2 shall be removed:** We believe that a detailed list of what to include in the procedures is laborious and inexpedient, and not all the characteristics listed are relevant to every securitisation. Complying with this detailed list means that investors must check off each feature to be assessed and, to remain compliant, provide proof as to what extent the characteristic in question is relevant in each specific case. It should be left to the professional judgement of investors to decide the scope of criteria to include and document in their written procedures for monitoring the risk, performance and regulatory compliance of their securitisation positions, depending on the nature of their investments and the types, features and underlying assets of the securitisations.
- **5(4) points b and c:** the provisions shall be removed. Detailed provisions on stress testing are not necessary, as the written procedures as per art. 5(4)a will include these aspects as the case may be.
- **5(4) point d should be changed as follows:** “internal reporting to their management body or an entity designated by the management body, so that they are aware of the material risks arising...”: The delegation to an entity designated by the management body provides the management body greater flexibility without having any effect on the quality of the information processing.

### ***3. Amending the liquidity risk treatment of securitisation to attract more banking investors***

The liquidity risk treatment of securitisation needs to be amended in order to attract more banking investors. Indeed, the current treatment is overly conservative and impacts deeply on the market liquidity of those securities and therefore on their price and issuance volume. The eligibility and classification of securitisation products within the LCR discourages banks from investing in securitisation. Regarding the STS transactions, the senior tranches of STS securitisation are classified as Level 2A assets, and the non-STS securitisations are not recognised for the calculation of the HQLA of the LCR. Similarly, senior tranches of STS securitisation should be promoted from level 2B to Level 1 or level 2A, for tranches rated AA- or higher to increase the appetibility of these transactions. For non-STS transaction, classify eligible senior securitisations should be considered at level 2B, rated AA- or higher, with appropriate haircuts. Also the requirement of a weighted average life of less than 5 years for LCR eligibility should be deleted for Level 1 and 2A. These adjustments will support both the



primary and the secondary securitisation market in terms of pricing and market liquidity, thanks to a broader and more stable investor base. Moreover, even non-bank investors are valuing LCR eligibility for their investments, hence it will help develop the market on non-banks, creating a global positive and active market ecosystem, increasing all liquidity parameters.

#### ***4. Lowering the capital requirements for holding securitisations and reducing the p-factor accordingly***

As also recognised by the Draghi report, the prudential requirements for securitised assets remain elevated, reducing the cost-effectiveness and incentives for banks in entering into these kind of transactions. The high capital charges stem from the regulatory stance in the aftermath of the 2008 financial crisis, when policy makers saw that RWs for securitisations ought to be greater than the risks of the underlying securitised assets due to the so-called “agency risk”. To counter agency risk, the BCBS (and the CRR in the EU) introduced to the capital requirement formula for securitisations a new supervisory parameter: the p-factor. The p-factor (and the floors on senior tranches) explain the non-neutrality of the capital requirements – i.e. the capital requirements of the securitised assets are a multiple of the capital requirements pre-securitisation.

If such harsh treatment might have certain justifications in the post-2008 environment, it strongly penalises the formation and development of this segment of the market and, more in general, of the EU economy. Comparing the historic default rates of securitisations to corporates, the long-term default rate for securitisations for investment grade and non-investment grade transactions is considerably lower compared to similar rated corporates. Banks’ and investors’ losses during the financial crisis were largely caused by the combination of high losses in US (mortgage) portfolios and the leverage of US securitisations from re-securitisations and arbitrage synthetic securitisations, both of which have since been subject to de facto bans. The high losses in the US were also significantly increased by leverage (re-securitisation), which had been banned already with CRD II and III. In addition, the Guidelines on loan origination have been in force in Europe since 2021. They have ensured standardised, high-quality loan procedures throughout Europe. Furthermore, the regulatory framework has, to some extent, reinforced the misconception that securitisation is inherently risky. While securitisation structures are more complex than traditional fixed-income investments, this complexity does not necessarily entail higher risk.

For these reasons, the securitisation framework should be reassessed taking into account a stronger banking sector, well-consolidated legislative framework, and higher transparency. In parallel, the EU should also assess whether current prudential regulation, also in light of the possible upcoming implementation of Basel III, is adequate to have a strong and international competitive banking system in the EU.

#### ***Risk Weights***

The revision of the securitisation framework must ensure that the instrument can be used when the need arises and the need results from the expected investment volume to implement the transformation. The measures must be suitable for both the demand side and the supply side and also for existing and new participants in the market. We recommend revising the risk-weight floors across all regulatory methods to set a risk-sensitive floor. Switching to a risk-sensitive RW floor will remove the current disconnection with the RW of the securitised pool. The RW floors should be redesigned as a percentage of the RW of the pool, leading to a sensitive RW floor based on the RW of the securitised pool. For the purposes of homogeneity and ensuring a level playing field, the RW floors should be adjusted for banks in all roles, and be aligned across all the



prudential methods, which means that the floors should be the same for the SEC-SA, SEC-IRBA the SEC-ERBA and IAA, and only differentiated by STS and non-STS securitisations.

This approach will be more risk sensitive (lower for low-RW pools, but also higher for high-RW pools). The floor corresponds to a residual risk on the pool, and as such it should be proportional to the underlying risk, with a lower level for STS transaction.

The RW Floor should be proportional to the underlying portfolio/pool capital, as such:

- RW Floor = 7% × RWpool for STS transaction
- RW Floor = 12% × RWpool for non-STS transaction
- with RWpool = 12.5 × Kpool, amortising during the life of the transaction.

This proposal would be beneficial for low-risk pools for the originator (when the senior tranche is retained) and the investor (when the senior tranche is sold). It could unlock significant opportunities for the revival of the securitisation market, especially for instruments not included in the STS transactions. The measures will be suitable for both the demand side and the supply side and also for existing and new participants in the market. For the supply side, securitisation could be used to redistribute risk on any kind of portfolio. Banks would be incentivized to remove some of the risk from their balance sheet through SRT to optimise their use of capital. The direct effect would be an increase in supply. Currently, it would not make economic sense for portfolios with very low risk to be included in a SRT securitisation because of the RW floor. Among the low risk portfolios is residential mortgage, which is one of the largest classes in European private debt, highlighting the strong potential for an increase in supply of such measures. On the demand side, a more economically adjusted RW floor for investors would also increase the demand on senior tranches, mainly on cash transactions (traditional true sale). The impact on synthetic securitisation would be more limited.

Should also be noted that one of the main bottlenecks for the development of new SME, especially innovative firms developing new types of products or operating in new segments, is the access to funding. Banks could potentially play an important role in funding these portfolios via senior tranches. The risk of these senior tranches (if structured properly) should be pretty low and should be supported by appropriate RWAs.

### ***The p-factor***

The p-factor, as currently applied, is overly conservative in all methods, not based on a data driven calibration and increases non-neutrality, which is embedded in the formulas following the 1250% RW of the capital requirement for the underlying exposures (Kirb) first loss tranche. We recommend moving closer to neutrality for originators (and ABCP sponsors), as there is no asymmetry of information. When a bank realises a securitisation to transfer risk (through Synthetic Risk Transfer), it remains exposed to its own portfolio, and the securitisation essentially acts as insurance, leading only to a reduction in the capital allocated. There is no additional risk from model risk, agency risk, or correlation risk, as the primary risk lies in the pool, which is well-known and diversified in the bank's portfolio. The caution embedded in the p-factor should be limited to the efficiency of the risk reduction method. In contrast, when a bank realizes an investment, it is subject to model, correlation, or agency risk due to information asymmetry, which is not adequately addressed by the current p-factor. These risks have been mitigated by other regulatory measures, such as the regulation of rating agencies. Reducing the p-factor would bring capital requirements for securitisations more in line with those for comparable products (so would be sufficiently prudent) and would incentivize originators and investors to use securitisation more actively (next to other wholesale funding products). The review of the p-factor is essential



for reviving investor appetite, particularly for senior tranches (whether STS or not). Potential regulatory adjustments could include reductions of the p-factor in all roles (originators, sponsors, and investors), with a lower factor for STS securitisations (0.25) and non-STS securitisations (0.5), as well as recalibrations of floors and caps for the p-factor in SEC-IRBA calculations. Furthermore, the permanent extension of art. 465 CRR and adjustments to the first loss tranche RW and RW floors should also be considered. For STS transactions, where agency risk and model risk are practically eliminated, a zero p-factor would be the most logical outcome. However, if still some kind of p-factor should be maintained, it should not be higher, in our view, than under the SEC-SA 0.25 for STS and 0.5 for non-STS and under the SEC-IRBA 0.1 (max 0.3) for STS and 0.3 (max. 0.75) for non-STS.

### **STS framework**

The STS label has been a positive regulatory evolution. For investors, this label has introduced more transparency and standardisation. For originators, it is an important label for selling their transactions to a broader range of investors. However, since its implementation in the EU 5 years ago, the current STS label has not been enough to significantly scale up the EU securitisation market. The lighter prudential treatment induced by the STS label on eligible securitisations is very much welcomed but is not sufficient to generate a significant market increase. A more preferential treatment is necessary for this standard to be able to significantly scale up the EU securitisation market, especially on prudential aspects (capital requirements and LCR treatment).

Since the entry into force of SECR in 2019, many securitisations, by their very nature, will never meet all 100+ STS criteria despite being safe and useful. In some Member States, the available volume of loans to be securitised after applying the restrictive homogeneity requirements for STS transactions falls quickly below the minimum amount needed to execute an economic feasible transaction given the high absolute amount of fixed cost of setting-up and running the transaction, as well as investor's minimum targeted investment amount.

To boost the effectiveness of STS framework, it would be important to adjust these criticalities, also considering:

- Some originators have structural difficulties with achieving the STS label, e.g. new companies (such as fintechs or solar panels manufacturers) that cannot meet the requirement for 5 years of historic data, or smaller banks that, by construction, handle smaller pools and fail to achieve the granularity or homogeneity criteria. This may pose smaller banks at a disadvantage, irrespective of the quality of their exposures.
- It is important to note that for banks operating at a local level, multi-issuer structures are a way to improve diversification, particularly on a geographical level. This should be further reflected in the framework.
- Other issuers, such as commercial vehicles or equipment leasing companies, have leases that cannot meet the STS criteria for ABCP (which requires that assets have a residual maturity of less than 6 years and that the assets have a weighted average life of less than 3.5 years)
- Some underlying assets are not eligible for the STS label because of the STS criterion requiring that repayment not rely predominantly on the sale of the assets. This is the case for certain types of real asset financing (e.g., car fleet and car rental deals).
- The restrictions imposed by art. 243 CRR, while not formally part of the STS criteria, limit the ability of banks to issue STS securitisations. For ABCP and non-ABCP STS transactions, the mere presence of one corporate exposure in the pool that has a standard RW above 100% means that the securitisation does not qualify for the STS prudential treatment. It is therefore necessary either to increase the RW cap from 100% to 150% or to review art.



243 CRR to introduce a materiality threshold above which the STS benefit is no longer applicable. The same principle applies to commercial mortgages.

- Some portfolios or transactions cannot meet all the STS criteria by nature (for instance, the 2% granularity/concentration criteria from art. 243 CRR or the homogeneity criteria). These include many trade receivables, mid-sized corporates and SMEs, corporate loans and revolving credit facilities.
- The prudential treatment of the retained tranche (art. 243 CRR) has a cost in the economic viability of the transaction that may discourage banks to issue some transactions under the STS standard. Similarly, when a bank provides senior securitisation funding to clients, under STS format, the prudential benefit of STS for the banks is subject to compliance with art. 243 CRR (and balance with related costs).
- The maximum RWs for both residential and commercial mortgages need to be recalibrated to reflect the increases in those RWs under CRR3.

In addition, focusing prudential improvements only on STS will not trigger sufficient impact on the market and will leave entire segments of the potential scope on the sidelines. We believe that the extension of STS treatment to non-STS transactions, with adjusted calibration, is key to effectively relaunching the securitisation market in Europe. In the current debate to develop the European securitisation market, non-STS securitisations should be also within the scope of prudential improvements, with an appropriate calibration. Non-STS transactions are equally relevant as STS transactions to foster the CMU and greatly contribute to the very large financing required for the green and digital transitions of the European economy.

Expanding the STS framework to include unfunded credit protection investors would increase and diversify demand in the market, foster competition and eventually lead to larger securitisation volumes. Some asset classes (e.g. specialized lending, transaction banking) are historically better known by insurers. STS transactions might be originated from these asset classes and distributed to unfunded credit protection providers if such credit protection format became eligible for STS. According to some best-effort estimations of our members, the issued volume could increase by 30%.

Finally, there should be the possibility of securitisation of cross-border portfolios with SMEs and other types of enterprises. As a supplement, a clarification could be added in the regulatory framework stating that the originator must have suitable and homogeneous risk measurement procedures/internal rating systems in place to appropriately evaluate the quality of cross-border portfolios consisting of SMEs and other businesses in a consistent way.

### ***Other open issues***

The CRR3 affects capital requirements for securitisations also via the Output Floor. While transitional arrangements that will smoothen the impact of the Output Floor on securitised positions are envisaged in the Regulation, the question remains as to the long-term efficiency of newly issued programs, since those are typically planned to produce effects over several years.

Finally, more certainty and shorter delays in supervisory validation processes would be beneficial. If assessments by supervisors are, of course, legitimate, it is also legitimate that they remain proportionate and do not constitute impediments to business and that stakeholders have sufficient certainty as to the investigation processes and their outcomes. We welcome, for instance, the ECB's recent efforts to establish a fast-track process notably for Significant Risk Transfer assessment. This goes in the right direction but should be enhanced and extended to achieve a broadly more streamlined environment and increase the cost-effectiveness and attractiveness of the instrument.



## Conclusion

On a general note, we recommend to revisit the EU securitisation framework to exit the current regulatory situation, which is commonly deemed as overly conservative, and create a more supportive environment for EU securitisations. To revive this market, it will require actions on both supply and demand sides. The current regulatory environment, while rooted in post-crisis caution, today appears overly conservative, keeping volumes overall low and discouraging especially smaller and cooperative institutions from accessing a valuable funding and risk management tool that could otherwise enhance economic growth across Europe. Legislators and regulators should prioritise reforms that eliminate duplicative and burdensome requirements, improve proportionality, and create incentives that support both issuers and investors. Addressing inefficiencies in the current system — be it excessive costs, capital treatment asymmetries, complexity of compliance, or insufficient liquidity recognition — will be key to building a more dynamic, inclusive, and globally competitive market. Such an evolution should create the appropriate incentives so that also smaller and simpler institutions, including cooperative ones, may approach the securitisation market.

Against this background, in reviewing the EU securitisation framework, we believe that legislators should prioritise:

- **Fostering alternative SME-financing options by establishing a supportive regulatory environment for SME-backed securitisation.** We believe that securitisation can play a key role in enhancing SMEs access to capital markets, while, strengthening at the same time traditional financing channels, such as bank lending. Furthermore, these objectives fully align with the broader ambitions of the Savings and Investments Union to enhance participation to EU capital markets and reinforce the EU economy.
- The **simplification of the due diligence process**, by adopting a more principle-based, proportionate and less complex approach. In particular, targeted amendments to Article 5 SECR (see page 5 "Concrete changes to SECR Article 5 on "due-diligence requirements for institutional investors") are necessary to remove excessive compliance burdens that are weighing on market participants.
- **Amending the classification of STS and non STST transactions for calculating the LCR ratio** to support both the primary and the secondary securitisation market in terms of pricing and market liquidity.
- Finally, as prudential requirements for securitised assets are particularly high, making securitisation not attractive in terms of cost-effectiveness of the transaction, **lowering the capital requirements for holding securitisations, through a RW floor proportional to the underlying portfolio/pool capital and by reducing the p-factor, consistently for all prudential methods (SEC-SA but also SEC-IRBA, SEC-ERBA & IAA)**, should be pursued.

The EACB believes these suggestions would constitute a first, significant, step to tackle the issues (most notably in terms of time and costs linked to overly complex processes) emerging from the current EU framework regulating securitisations.