



ABBL Position Paper: European Commission's Proposed Amendments to the Securitisation Regulation

Author(s): Marilyn RINCK, marilyn.rinck@abbl.lu
Sandrine ROUX, sandrine.roux@abbl.lu

Date: 14.07.2025

EU Transparency register: 3505006282-58

Executive Summary

The Luxembourg Bankers' Association (ABBL) welcomes the European Commission's proposed review to the Securitisation Regulation (SECR) framework. We support the move towards a more **proportionate and principle-based framework** that aims to boost the EU securitisation market while ensuring investor protection and financial stability. To succeed, these changes must be accompanied by **clear guidance and carefully balanced definitions** to avoid unintended consequences, particularly in relation to the Capital Requirements Regulation (CRR) and the Liquidity Coverage Ratio (LCR).

In the sections that follow, we articulate our positions and each key area of the proposed reforms, offering detailed analysis and concrete suggestions to ensure that the objectives of the reform can be achieved.

1. Due Diligence and Risk Retention

We begin by addressing the critical aspects of due diligence and risk retention, which are fundamental to maintaining investor confidence and market integrity.

- We support the Commission's initiative to **streamline due diligence and risk retention requirements**. Eliminating redundant verification tasks for EU-regulated sell-side parties is a pragmatic step, as these are already under the oversight of national authorities. This **approach reduces administrative** burden without compromising investor safeguards.
- Simplifying due diligence for non-EU securitisations—where sell-side parties are subject to equivalent regulatory regimes (such as the UK or US)— will facilitate **cross-border investment** while maintaining robust protections.
- The move to clarify the definition of "**full guarantees**" and to allow waivers for public entities holding first loss tranches is positive. However, we urge a review of the **15% threshold for first loss tranches** to ensure it remains balanced and does not result in excessive risk retention.

- While a principle-based framework offers **flexibility**, it can also lead to **inconsistent interpretation**. Therefore, detailed and practical guidance is essential to ensure a uniform application and informed decision-making across the market.
- We propose the introduction of a **standardised due diligence checklist** to enhance both consistency and efficiency. Extending the timeframe for due diligence in secondary market transactions is a welcome improvement, but further **flexibility for low-risk or highly liquid transactions** would better support market activity.

2. Transparency and Public/Private Securitisation

Next, we turn to transparency measures and the distinction between public and private securitisations, key factors in ensuring market clarity and protecting stakeholder interests.

- A **reduction of the reporting burden by at least 35%** is a step in the right direction, if reductions are based on **materiality** rather than arbitrary cuts. The distinction between **mandatory and voluntary reporting fields** is logical; however, voluntary fields without clear purpose should be eliminated.
- We are concerned about the proposal to **expand the definition of public securitisations** to include all notes admitted to trading on EU venues. These risks misclassifying private transactions as public, potentially driving issuers to **list outside the EU** and undermining the competitiveness of EU financial markets.
- We recommend **removing the automatic classification of securitisations as public** upon admission to EU regulated markets. Instead, criteria such as **investor diversity** or the involvement of **retail investors** should be used to determine the true nature of a transaction.
- Requiring **mandatory reporting of private securitisations** to repositories—accessible only to relevant authorities and the Commission—from our point of view, strikes a better and more effective balance between **transparency and confidentiality**.

3. Supervisory Framework

We then consider the supervisory framework, emphasising the importance of effective oversight that respects national expertise while fostering cross-border cooperation.

- The proposal to appoint a **lead supervisor for cross-border securitisations** is appropriate, if it respects the **specificities of national markets** and does not grant disproportionate powers.



- The expertise of **national authorities** remains indispensable. The Joint Committee of the European Supervisory Authorities (JCSC) should play a **supportive role**, rather than supplanting local supervisors.
- Mandating that banking authorities oversee compliance with **STS criteria** and expanding **peer reviews** will help promote consistent and effective supervision across jurisdictions.

4. STS Requirements and Other Amendments

Following this, we examine the proposed changes to the Simple, Transparent and Standardised (STS) criteria and other technical amendments that, from our perspective, can impact market functioning.

- We support the **relaxation of the homogeneity rule** for SME securitisations, permitting mixed pools with up to 30% non-SME exposures. However, **clear regulatory guidance** is needed to avoid ambiguity.
- **Safeguards** for unfunded credit protection providers are crucial to preserving the integrity of the STS label and uphold the reputation of the EU securitisation market.
- Allowing the **removal of synthetic securitisations** in exceptional cases—such as fraud or sanctions—is reasonable, but such measures must be subject to strict conditions, and transparency to prevent maluse.
- Other technical adjustments, including the **alignment of credit protection premiums** and **capping synthetic excess spread commitments**, will enhance risk sensitivity.
- Limiting periodic reporting on restructured exposures to a single disclosure is acceptable, provided investors continue to receive adequate information.
- The extension of SECR scope to **include servicers** is a positive development this will strengthens the regulatory framework by ensuring that all actors involved in securitisation transactions are subject to the same standards of transparency, due diligence, and risk management.
- **Regular evaluation** of the securitisation regime will ensure it remains effective and responsive to evolving market needs.

5. Additional Changes in the CRR and LCR framework

The ABBL supports the proposal of the Commission to introduce more risk sensitivity in the existing framework, and to reduce what was perceived by the key stakeholders as unjustified levels of capital non-neutrality and conservatism.

The ABBL welcomes that the proposal differentiates the prudential treatment for investors and originators of securitisations and seeks to mitigate undue discrepancies between the standardised



approach (SEC-SA) and the internal ratings-based approach (SEC-IRBA) for the calculation of capital requirements for securitisations.

On the CRR:

- The introduction of a new category for “**resilient**” senior positions to allow further capital relief is a welcome step. By offering further capital relief for the safest senior tranches, the regulation incentivises originators and issuers to structure securitisations more prudently and transparently. While the review of the eligibility criteria will complexify the process we believe that it is the price to pay for further capital relief.
- We raise **no objections to the proposed risk weight floor methodology**, which better reflects portfolio risk and encourages the use of securitisation for capital management. This more granular approach introduces risk-sensitivity to the floor itself, which will now be determined by a formula incorporating key risk indicators such as KIRB (for IRB) or KA (for SA).
The goal is to better capture actual portfolio risk—especially in less granular or non-standard pools—and incentivise the use of securitisation for capital management.
- The **reduction of the (p) factor** for senior, STS, and originator/sponsor positions is also supported. We note that the revised parameters have potential to substantially reduce applicable risk weights, particularly for banks acting as originators or sponsors using IRB approaches. However, actual effects remain to be analysed and will depend on portfolio structure and transaction tranching.
- On the significant risk transfer approach, we support the set-up of a **principle-based approach**. We are expecting to see further guidance on how the fast-track process will apply for straightforward transactions

On the LCR:

- We support the removal of the **5-year maturity cap for ABS** under the EU High-Quality Liquid Asset (HQLA) requirements, which brings EU rules in line with Basel standards.
- We welcome that **senior tranches** of STS resilient traditional securitisations will benefit from lower haircuts.
- Enhancements to **Liquidity Coverage Ratio (LCR)** eligibility for securitisations will strengthen banks’ liquidity management. The eligibility is extended to securitisations of all asset types (and is not restricted anymore to RMBS and ABS backed by commercial loans, auto-loans and loans for personal consumption purposes).
- Given the lack of transitional provisions for **legacy transactions**, close regulatory monitoring to ensure a smooth implementation process. Regulators should remain open to introducing targeted transitional measures.



Association des Banques et Banquiers, Luxembourg
The Luxembourg Bankers' Association
Luxemburger Bankenvereinigung

Conclusion

The ABBL believes these amendments represent a **balanced and pragmatic approach** to revitalising the EU securitisation market. By **reducing unnecessary burdens** while **safeguarding investor interests and financial stability**, these reforms can help unlock the market's full potential.

However, **clear guidance and precise definitions** are essential to avoid unintended consequences and ensure consistent, effective application across the EU.