

EU SECURITISATION FRAMEWORK: REGULATORY UPDATE

The EU Commission is expected to publish proposals to reform the EU Securitisation Regulation in June 2025. These are expected to be presented with the goal of removing undue issuance and investment barriers in the EU securitisation market. While issuers and investors will need to consider the detailed impact of the proposals and the timeframe for their implementation, the Commission's move is a welcome development in one of the most heavily-regulated financial markets.

On 9 October 2024, the European Commission launched a targeted consultation on the functioning and effectiveness of the securitisation framework in the European Union (EU), with a view of obtaining feedback from stakeholders on a broad range of issues. The review of the securitisation frameworks forms part of a broader initiative, aiming at strengthening European capital markets and increasing their competitiveness by removing practical barriers imposed on originators, sponsors and/or SSPEs, which continue to hinder market development.

The feedback statement published by the European Commission in February 2025 showed that most respondents find that the securitisation framework has not been successful in achieving a stable and balanced funding structure in the EU or reducing the high operational costs imposed on market participants. In fact, the feedback confirms that the disclosure requirements are significantly more costly, due to the complexity involved, when compared with other instruments with similar risk profiles.

The Commission's June 2025 proposals are expected to include:

- reforms to the EU's Capital Requirements Regulation, Liquidity Coverage Ratio (LCR) regime and Solvency II regime including proposals to extend the LCR liquidity buffer and make the insurance capital regime for securitisation more risk-sensitive;
- explicit definitions for 'public' and 'private' securitisations;
- a reduction in the due diligence obligations on EU investors when investing in EU securitisations, where the sell-side party is responsible for compliance with the EU disclosure regime, but no reduction in the due diligence requirement for investment in non-EU securitisations;
- a review of the EU reporting templates, and in addition the development of a separate, simplified reporting

template for private securitisations, however extending the securitisation repository reporting to include private deals;

- additional flexibility for STS deals collateralised by SME loans; and
- proposals to require regulatory supervision (in addition to the current authorisation requirement) of third party verifiers of STS deals.

In addition, in February 2025, the European Securities Market Authority (ESMA) launched a separate consultation on the disclosure framework applicable to private securitisations. Under the current EU Securitisation Regulation, both public and private securitisations are subject to similar disclosures requirements, which requires market participants to comply with substantially the same obligations and fill in the same overly extensive templates used for public securitisations (being, however, exempted from the obligation to disclose information through a Securitisation Repository).

ESMA PROPOSALS - PRIVATE TEMPLATE SIMPLIFICATION

ESMA proposed a simplified disclosure template for private securitisations, focused on key transaction details, relevant parties, and securitised underlying exposures. This proposal is expected to be picked up in the Commission's proposed reforms. Although the introduction of a new simplified template will be welcomed, it will be important for EU issuers, originators and servicers to plan for migration to the new templates, particularly if they are not simply a subset of existing EU templates. In practice, investor requirements should continue to drive reporting in the private securitisation market and will not necessarily be aligned with any regulatory template. In addition, the template will only apply to securitisations where all sell-side parties are established in the EU, so that EU institutional investors who wish to invest in other third country securitisations

may find that as they will continue to require full public template disclosure, non-EU issuers will be less inclined to market in the EU.

While ESMA's proposals are expected to be included in the Commission's reform proposal, given the earliest timeframe for implementation of those reforms will be 12

to 18 months, ESMA has also noted that it will explore whether changes could be made at an earlier stage to the existing EU securitisation reporting regime to reduce the reporting burden for private securitisations.

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