Ref. Ares(2025)1349535 - 19/02/2025

European Commission

CALL FOR EVIDENCE
FOR AN EVALUATION AND IMPACT ASSESSMENT RUN IN PARALLEL

This document aims to inform the public and stakeholders about the Commission's work so they can provide feedback on the intended initiative and participate effectively in consultation activities.

We ask these groups to provide views on the Commission's understanding of the problem and possible solutions, and to give us any relevant information they may have, including on the possible impacts of the different options.

TITLE OF THE INITIATIVE	Review of the securitisation framework
LEAD DG – RESPONSIBLE UNIT	The Directorate-General for Financial Stability, Financial Services and Capital Markets Union, Unit A1 - Policy definition and coordination, Unit D1 - Banking regulation and supervision, and Unit D4 - Insurance and pensions
LIKELY TYPE OF INITIATIVE	Legislative initiative
INDICATIVE PLANNING	Q2 2025
ADDITIONAL INFORMATION	"–"

A. Political context, evaluation, problem definition & subsidiarity check

Political context

Enhancing the EU Securitisation Framework is a key initiative under the Savings and Investment Union. Securitisation is a process that allows an issuer to bundle the risk of the securitised assets (such as mortgages, leasing/factoring, credit card exposures), to tranche the risk into segments with different risk profiles, and transfer it to the wider financial system. On the one hand, it can serve as both a tool for funding and for credit risk and balance sheet management, freeing up the balance sheets of financial institutions so they can lend more and contribute to deepening EU capital markets; on the other hand it can provide investors with access to a wider range of asset classes that might otherwise be unavailable, allowing them to diversify their portfolios. Fostering a sound securitisation market in the EU is instrumental to meet future investment needs for strategic priorities (such as the green and digital transitions), to achieve greater risk diversification and risk sharing in the financial system, and to make the EU economy more productive, competitive and resilient.

Political statements have highlighted the need to take measures to remove issuance and investment barriers in the EU securitisation market (see ECB Governing Council statement of 7 March 2024, Eurogroup statement of 11 March 2024, European Council conclusions of 18 April 2024, and European Council conclusions of June 2024 but also reports by Enrico Letta and Mario Draghi). The intention to accelerate work on all European Savings and Investment measures, including securitisation, was confirmed in the political guidelines of Commission President Von der Leyen from July 2024. Reviving the use of securitisation is also one of the tasks included in the mission letter of Commissioner Albuquerque.

Evaluation

An evaluation of the Securitisation Framework (the Securitisation Regulation, the Capital Requirements Regulation, the Liquidity Coverage Ratio Delegated Regulation, and the Solvency II Delegated Regulation) will be carried out as part of this review. The general objective of the current Securitisation Framework, as set out in its 2015 Impact Assessment, is the revival of a safe securitisation market that improves financing of the EU economy.

The 2022 review of the functioning of the Securitisation Regulation, which resulted in the publication of a Commission report in December 2022 took a first look at the impact of the Securitisation Regulation on the functioning of the EU securitisation market. Considering that the securitisation framework was amended in April

2021 in response to the unprecedented exogenous factors related to COVID-19, and that the complete application of the framework was yet to be fully realised at the time of writing of the 2022 report, the Commission decided that more time was needed to fully assess the impact and effectiveness of the framework.

Building upon the 2022 Commission Report on the functioning of the Securitisation Regulation, this present evaluation will examine whether the dual objective, i.e. firstly making the securitisation markets safe after the financial crisis and secondly enabling their revival to the benefit of EU economy, have been achieved. The evaluation will cover the period since the introduction of the main legislative acts under the Securitisation Framework until the present, including the amendments introduced in 2021.

The evaluation will be performed back-to-back with the impact assessment and will rely on the following criteria: effectiveness, efficiency, relevance, coherence (in relation to other financial services regulation) and EU added value.

Problem the initiative aims to tackle

The current securitisation framework addresses the risks identified in the aftermath of the Global Great Financial Crisis where opaque products and misaligned incentives between issuers and investors (due to e.g. issuance without retaining any risk, resulting in reduced incentives for issuers to maintain proper underwriting standards, the creation of ever-more complex securitisation structures, very limited disclosures or due diligence for investors) generated losses that were detrimental to investors and financial stability. In particular, the framework includes risk retention, transparency, due diligence, and other regulatory provisions to address the specific risks associated with this instrument, combined with appropriate prudential frameworks applicable to banks and insurers. Addressing these risks remains a key objective of the legal regime.

While the previous initiatives on securitisation have made the EU securitisation market safer, they have resulted in high regulatory costs for issuers and investors. Persistent issuance and investment barriers inhibit the development of the EU securitisation market. This represents a missed opportunity for further deepening EU capital markets and to enable capital market investors to indirectly finance the EU economy. Therefore, a better balance between safety and growth needs to be found.

The subdued development of the EU securitisation market may be attributed to various drivers. The regulatory framework is perceived by some to be unduly burdensome relative to those of other comparable financial instruments (such as covered bonds), as well as to the securitisation frameworks in other global jurisdictions. Findings from the 2022 Report, as well as stakeholder feedback, point to certain issuance and investment barriers as limiting the ability of EU lenders, particularly banks, to use securitisation in a cost-effective way as a funding tool or to free-up capital that can be re-deployed for new productive lending. The impact assessment will therefore assess the appropriateness of the existing regulatory framework, such as transparency and due diligence requirements, as well as the prudential (capital) and liquidity treatment of securitisations. At the same time, various external macroeconomic and structural factors, like the low interest rate environment in recent years, or a perceived, persistent stigma following the global financial crisis, may also have contributed to the low uptake of securitisation instruments.

In the absence of EU action, and assuming that all other relevant drivers affecting the securitisation market remain unchanged, issuance and investment barriers will remain high. It is important to ensure that bank and non-bank lenders have at their disposal all the necessary tools, including securitisation, to fund EU strategic priorities, while safeguarding financial stability. With future investment needs for the green and digital transition projected to grow, and in order to enhance the EU's productivity, competitiveness, and resilience, the optimal allocation of capital will become increasingly urgent.

Basis for EU action (legal basis and subsidiarity check)

Legal basis

The legal basis for the review will remain the same as the legal basis of the original legislative acts, namely Article 114 of the Treaty on the Functioning of the European Union for Securitisation Regulation and for the Capital Requirements Regulation (CRR), Articles 111(1)(c) and 135(2) of Solvency II Directive for the Solvency II Delegated Regulation, Article 460 of CRR for the Liquidity Coverage Ratio Delegated Regulation.

Practical need for EU action

Securitisation products are an important segment of EU financial markets, contributing to EU financial integration. Securitisation links financial institutions from different sectors of the financial markets as well as from different Member States and non-EU jurisdictions and can raise financial stability issues when not properly regulated. Therefore, securitisation requires regulation at the supranational level. The ability of Member States to adopt national measures is limited, given that the existing EU Securitisation Framework, including applicable prudential regimes related to securitisation, already provide for a harmonised set of rules at EU level and changes at national level would conflict with Union law currently in force. The objectives pursued by this Framework can therefore be better achieved at Union level rather than by different national initiatives. At the same time, the framework should ensure a level playing field in access to securitisation for institutions in all Member States.

B. Objectives and policy options

The purpose of the review is to better enable financial institutions across the Union to increase their use of securitisation by making the EU securitisation framework less burdensome, more principles-based, more proportional and more risk-sensitive, while continuing to safeguard financial stability. This is expected to result in the deepening of the EU capital markets, freeing up additional lending for EU households and businesses as well as financing EU transitions, to make the EU economy more competitive and resilient.

To achieve this objective, the European Commission will assess and where necessary remove existing barriers which unduly restrict issuance and investments in the EU securitisation market, while safeguarding financial stability. Potential legislative policy options will be focused in the areas that currently are perceived as a barrier to securitisation issuance and investment, such as certain transparency, due diligence, and prudential requirements for banks and insurance companies. The potential policy options will be assessed against a baseline scenario without legislative or non-legislative changes, which takes into account existing national and EU policies and tries to anticipate important technological and social developments.

C. Likely impacts

Reducing operational and regulatory costs in the EU securitisation market, without undermining the original objectives of the legislation, will facilitate securitisation issuance and investment. This will allow EU financial institutions to use securitisation to free up their balance sheets to provide more lending to EU businesses, including SMEs, and households. Moreover, this initiative will contribute to deeper capital markets and increase the EU's competitiveness. It will also facilitate the use of securitisation, currently concentrated in a handful of Member States, across the Union.

At the same time, a more developed EU securitisation market will increase interconnectedness and complexity in the financial system, thus highlighting the importance of maintaining, and where necessary updating, the embedded safeguards in the regulatory framework to mitigate financial stability risks.

We have not identified possible negative climate implications of this initiative. On the contrary reviving securitisation could be helpful in supporting green/renovation loans. The initiative will contribute to target 8.2 of the UN Sustainable Development Goals: "To achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors".

D. Better Regulation instruments

Impact assessment and evaluation

An evaluation and impact assessment are being conducted to support the preparation of this initiative. This work will also take into account the input and policy work undertaken by the European Supervisory Authorities, including the 2021 Art. 44 Joint Committee report on the implementation and functioning of the Securitisation Regulation, the 2022 Joint Committee advice on review of the securitisation prudential framework (12 December 2022), and the Art. 44 Joint Committee report due for publication by early 2025.

Consultation strategy

The following consultation activities are envisaged/or have taken place:

- A targeted consultation was carried out for 8 weeks between 9 October until 4 December 2024. The details and the replies can be seen on this page. The results of all consultation activities will be summarised in a synopsis report.

Continued outreach with key stakeholder representatives and expert groups (Expert Group on Banking, Payments and Insurance (EGBPI)). This engagement will cover both fundamental issues and specific technical issues.
Why we are consulting?
We aim to gather the views and experience of relevant stakeholders with experience of the functioning of the current Securitisation Framework and its subsequent amendments, as well as its possible evolution in the forthcoming review. Considering the technical and complex nature of the feedback sought, this consultation will be targeted specifically towards market participants with expertise in the European securitisation market (see section below for further details). Respondents to our recent targeted consultation need not to make their submissions again here.
Target audience
We aim to collect information from the population of stakeholders active in the EU securitisation market: issuers, investors, sponsors, servicers, arrangers, third-party verifiers, and all other established actors active throughout the securitisation market; data repositories and rating agencies, industry associations, competent authorities, research institutions, civil society; consumers and their organisations.