Insurance News Blog
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Revision of the EU Securitisation Framework for insureres

EU Securitisation Framework: Proposed Updates and Potential Impact

The European Commission has put forward a set of proposals to amend the EU Securitisation Framework with the aim of making the rules more targeted and practical. The changes seek to ease certain regulatory constraints, improve the capital treatment of specific securitisation positions, and maintain key requirements for transparency and risk allocation. Both banks and insurers are expected to be affected, with potentially significant implications for the attractiveness and functioning of the European securitisation market. Our blog post examines the main elements of the proposals, with a particular focus on their potential impact on the insurance industry and its capital requirements.

Revision of the EU Securitisation Framework

Securitisation is a financial technique that involves pooling various types of cash-flow-generating assets (such as mortgages, auto loans, or credit card receivables) and converting them into tradable securities. These securities are then sold to investors, who receive payments derived from the underlying asset pool. The process typically involves several parties, including the originator (e.g., a bank), a special purpose vehicle (SPV) that issues the securities, and investors. By transferring risk and freeing up capital, securitisation enables originators to enhance liquidity and extend new credit.

Under the EU Securitisation Regulation (Regulation (EU) 2017/2402), a securitisation is specifically defined as a transaction or scheme where the credit risk associated with an exposure or a pool of exposures is tranched, and where payments to investors depend on the performance of those exposures. The Regulation provides a unified framework for all types of securitisations, including a distinct regime for so-called "STS" (Simple, Transparent, and Standardised) securitisations, which benefit from more favourable regulatory treatment if they meet strict criteria. The aim of the regulation was after the Financial Crises to restore confidence in securitisation markets, enhance transparency, and reduce systemic risk.

On 17 June 2025, the European Commission published a set of targeted proposals to amend the EU Securitisation Regulation (Regulation (EU) 2017/2402). The initiative is part of a broader effort to revitalise the European securitisation market, following years of political, supervisory, and industry debate.

The amendments aim to reduce regulatory friction, improve practical usability, and enhance proportionality but without compromising core safeguards like transparency and risk retention.

Key changes include a clearer distinction between public and private securitisations, with differentiated disclosure requirements to reduce reporting burdens particularly for private transactions. Due diligence obligations will become more risk-sensitive and principle-based, giving investors more flexibility while strengthening supervisory powers. Risk retention rules may be waived where public entities guarantee a sufficiently thick first-loss tranche. The STS framework will also be widened: SME homogeneity thresholds will be relaxed, and (re-)insurers will be recognised as eligible protection providers under strict conditions. Finally, the proposals introduce steps toward more harmonised supervision across Member States, including the creation of a new EU-wide securitisation coordination committee.

For further details, see our dedicated post on the Securitisation Regulation amendments here: https://blogs.pwc.de/de/regulatory/article/249524/the-revision-of-the-eu-securitisation-framework-is-progressing/

Regulatory changes for insurers: Planned amendments to the Solvency II Delegated Regulation 2015/35

On 17 June 2025, the European Commission also adopted a legislative proposal as part of its review of the EU Securitisation Framework that includes amendments to Commission Delegated Regulation (EU) 2015/35 (the Solvency II Delegated Regulation). For insurers, these regulatory changes could significantly impact capital efficiency and investment strategies in securitisation markets.

The revision aims to increase the capital available to insurers beyond current solvency requirements. This freed-up capital can then be invested more actively in the EU real economy, supporting areas such as venture capital, SMEs, small mid-caps, as well as alternative assets like private equity and infrastructure.

The Commission emphasizes the insurance sector's potential role as a key long-term investor that can support sustainable and economic growth by increasing investments in equity and securitisation, the latter currently accounting for less than 1% of insurers' portfolios. The updated prudential framework encourages supervisory authorities to monitor how insurers deploy the additional freed-up capital, ensuring it contributes effectively to financing EU companies and the broader economy.

Next to the targeted evaluation of securitisations the review of Commission Delegated Regulation (EU) 2015/35 is also based on the recent broad Solvency II evaluation ("Solvency II review"). This evaluation found that while the framework remains generally effective, it suffers from excessive short-term volatility in insurers' solvency positions, insufficient risk sensitivity, and complex reporting burdens that particularly affect smaller insurers. Changes affected by the Solvency II review are not part of this blogpost.

STS Securitisations stand for "Simple, Transparent, and Standardised" securitisations. They are a set of criteria established by the European Union to make securitisation processes safer and more accessible. STS aims to enhance market confidence by ensuring that securitised products are easier to understand and evaluate.

Senior STS Securitisations refer to the highest-ranking tranche in the hierarchy of payments. In case of any defaults or financial problems, these tranches are paid out first, making them relatively safer and less risky.

Non-Senior STS Securitisations involve tranches that are lower in the payment hierarchy compared to senior tranches. They are generally riskier since they are paid out after senior tranches in case of defaults, but they may offer potentially higher returns to compensate for this increased risk.

All these amendments to Delegated Regulation 2015/35, along with other EU regulatory changes introducing a revised treatment of securitisations, are scheduled to apply from 30 January 2027.

The changes focus on improving the risk sensitivity of capital requirements and better aligning the treatment of securitisation exposures with banking rules, thereby facilitating the transfer of risk from banks to the wider financial sector.

Specifically, the regulation introduces **reduced risk factors for securitisation investments** to enhance bank lending capacity by allowing originating credit institutions to transfer risk outside the banking sector more efficiently.

The stress applied to STS securitisations is significantly lowered, for Senior as well as Non-Senior STS securitisations.

Current stresses according to DA 2015/35 for Senior STS securitisations

CQS

0

1

2

3

4

5+6

Proposal for Senior STS securitisations

1

CQS

0

1

2

3

4

5+6

Current stresses according to DA 2015/35 for Non-Senior STS securitisations

CQS

0

1

2

3

4

5+6

Proposal for Non-Senior STS securitisations

CQS

0

1

2

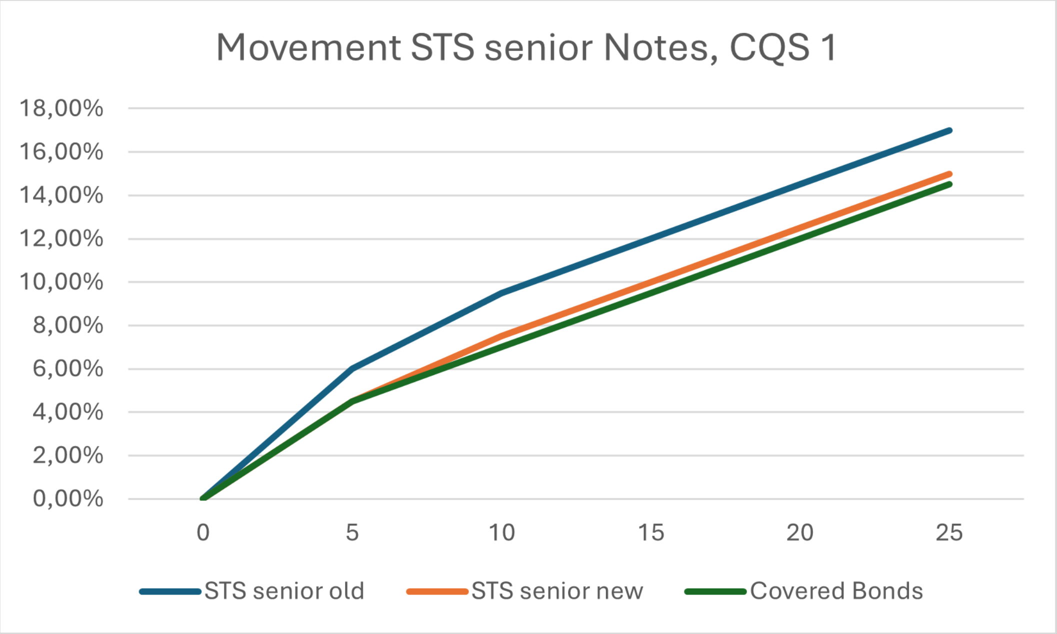
3

4

5+6

For **STS securitisations**, the prudential treatment of senior tranches is aligned with that of covered bonds, reflecting their similar risk profiles. Non-senior tranches' capital requirements are adjusted in the same proportion as senior tranches to maintain consistency.

Initially, EU regulations, notably Delegated Regulation (EU) 2018/1221, set higher risk factors for senior tranches of STS securitisations compared to similar financial products such as corporate or covered bonds, despite having comparable credit ratings. However, STS securitisations adhere to strict due diligence and transparency requirements under Regulation (EU) 2017/2402, which enhance insurer's ability to assess and manage the associated risks effectively. As a result of these comprehensive regulatory standards, the risk factors for senior STS tranches have been adjusted to align more closely with those of corporate and covered bonds of a similar credit quality. This amendment promotes a more balanced evaluation and treatment of STS securitisations within the financial sector.



Additionally, the current regulation does not differentiate between senior and non-senior tranches for non-STS securitisations, leading to an overestimation of spread risks for high-quality senior tranches. The amendment introduces lower risk factors specifically for senior tranches in non-STS securitisations, improving risk sensitivity and maintaining an appropriate capital requirement differential compared to STS securitisations, consistent with the treatment for credit institutions.

Risk factors for non-STS securitisations are the product of their durations and the factor from belows table:

CQS	Non-STS securitisations according to Delegation 2015/35	Proposal for Senior Non-STS securitisations	Proposal for Non-Senior Non-STS securitisations
0	12,50%	2,70%	7,40%
1	13,40%	3,30%	9,00%
2	16,60%	4,40%	12,00%
3	19,70%	7,50%	18,80%
4	82%	14,30%	38,90%
5	100%	23,50%	63,80%
6	100%	100%	100%

Overall, these changes aim to reduce prudential capital charges for insurers investing in securitisations, particularly in higher-quality tranches, to encourage more participation in this market segment and support productive risk transfer outside the banking sector.

What to do now?

Given the manifold uncertainties, we believe it is an important opportunity for current and soon-to-be participants in the securitisation market to look closer at their portfolio and the underlying business cases.

Please don’t wait to contact us to have a more detailed discussion on the proposed changes and to perform your individual impact assessment. In our EU-wide securitisation workstream, we combine the necessary knowledge to look at securitisations from all perspectives.

CRR Amendments: Toward More Risk-Sensitive Capital Treatment

In parallel with the amendments to the Securitisation Regulation, the European Commission has proposed revisions to the securitisation-related provisions of the Capital Requirements Regulation (CRR). These changes aim to improve the risk sensitivity of the prudential framework and promote the use of securitisation as a credit and capital management tool. Among the most relevant adjustments are the shift from mechanical Significant Risk Transfer (SRT) tests to a principle-based approach, the introduction of a new category of "resilient securitisation positions" with favourable capital treatment, revised risk-weight floors, and changes to the p-factor calibration.

Notably, the new SRT regime will require originators to justify risk transfer based on expected and unexpected losses, with documentation to be submitted to national supervisors signalling a move toward harmonised supervisory practices.

For further details, also see our dedicated post on the CRR amendments here:
https://blogs.pwc.de/de/regulatory/article/249524/the-revision-of-the-eu-securitisation-framework-is-progressing/

Get ongoing updates on the topic via regulatory horizon scanning in our research application, PwC Plus. Read more about the opportunities and offeringshere.

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Contact

Melanie Schlünder

Frankfurt am Main

melanie.schluender@pwc.com