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Regulatory Blog

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The revision of the EU securitisation framework is progressing

What's inside the EU COM’s proposals?

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Content

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Introduction

On 17th June 2025, the European Commission published proposals to amend the current regulatory framework for securitisations. These follow almost two years of political and supervisory dialogue and market debate, including the Draghi and Noyer Reports, the Commission's consultation on the functioning of the securitisation market, and various industry and political contributions.

The initiative is a targeted response to these discussions and recent market developments since the Global Financial Crisis. It aims to revitalise the EU securitisation market by reducing administrative burdens that have impeded issuance and investment. The proposals seek to streamline rules, minimise operational friction, and establish a more proportionate regulatory environment tailored to the EU's financial landscape—while maintaining strong safeguards.

Specifically, the changes affect the Securitisation Regulation (Regulation (EU) 2017/2402, SECR) and the Capital Requirements Regulation (Regulation (EU) 575/2013, CRR). They aim to improve usability for banks and institutional investors without undermining core principles like transparency, risk retention, or credit granting standards. Further pending reforms aim to harmonise prudential treatment across sectors, such as Solvency II for (re-)insurers and the UCITS framework for investment funds.

This blog post outlines the main elements of the proposed reforms to SECR and CRR and discusses their implications for market participants.

Proposal on Amending the Securitisation Regulation

The Securitisation Regulation forms the foundation of the EU's harmonised framework for securitisation, setting out common rules for all participants in securitisations —originators, sponsors, investors, and supervisors. It covers transparency, due diligence, risk retention, and the designation of simple, transparent and standardised (STS) securitisations. The current legislative proposal aims to amend several of these elements to improve practical usability, reduce regulatory burdens, and align the framework more closely with actual market practices and risk profiles.

Reduced transparency and reporting requirements

A key change is the clarification of the distinction between public and private securitisations. This clarification is essential, particularly in relation to transparency obligations. Specifically, the proposal introduces a legal definition for public transactions. Public transactions are transactions which are in essence either

- traded on EU exchanges,
- required to have a prospectus drawn up, or
- are non-negotiable among involved parties.

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The proposal foresees differentiated disclosure requirements for public and private transactions replacing the previously uniform templates applied to all transaction types. Public transactions will remain subject to comprehensive disclosure but with a planned reduction of at least 35% in the number of required data fields. Additionally, the classification of mandatory versus optional fields will be refined. For short-term and highly granular securitisations, aggregated reporting will be permitted instead of detailed loan-level disclosures, which are often outdated quickly and burdensome to maintain.

For private transactions, new and less granular templates are to be introduced. The EU COM explicitly refers to securitisation templates already used within the Single Supervisory Mechanism (SSM) as a reference and gives a mandate to the European Banking Authority (EBA) to lead the revision of technical transparency standards. It can be expected that the introduction of new level 2 reporting standards will also refer to ESMA's pending consultation on a simplified reporting template for private securitisations (see our previous blog post: ESMA consults on revised disclosure requirements for private securitisations). Another important message from the EU COM proposal is that private securitisations shall be subject to a reporting obligation to a securitisation repository, too. This answers the long-standing question of how transparency templates for private securitisation transactions should be handled. Securitisation repositories will be required to grant access to competent authorities only, not to the public.

Risk-sensitive due diligence requirements

In the area of investors' due diligence, the proposal moves towards a more principle-based and risk-sensitive framework. Investors will no longer be bound to lists of structural features or prescriptive procedures provided by SECR. Instead, the due diligence effort shall be proportionate to the transaction's risk characteristics. Notable elements include:

- Seniority: Investors may adjust the depth of due diligence based on tranche seniority—lower tranches require more scrutiny.
- Repeat transactions: A definition for these is introduced, allowing for simplified due diligence if the structure, underlying characteristics and parties remain materially unchanged.
- EU sell-side parties: Where originators, sponsors or original lenders are supervised under EU law, investors are exempted from verifying their compliance with relevant EU regulatory obligations. For non-EU sell-side parties, the current requirements remain.
- MDB guarantees: securitisation positions which are fully backed by guarantees from multilateral development banks will benefit from much lighter due diligence requirements. Hence, investors can invest "without doing extensive checks". This is justified by the significantly altered risk profile and aims to enhance market liquidity.
- First loss tranches: when a first loss tranche of sufficient thickness (15% of the underlying portfolios notional) is guaranteed or held by certain entities (sovereigns and regional governments, central banks, MDBs, promotional banks and qualifying commercial banks), verification and documentation requirements are waived for the other tranches of a transaction. This is reasoned by the thorough

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due diligence conducted by the guaranteeing entity.

These changes are designed to make investors' due diligence more efficient and proportionate, without weakening accountability. At the same time, the proposal strengthens supervisory powers: authorities will be equipped with clearer sanctioning powers in cases of non-compliance.

The delegation of due diligence tasks to third parties is explicitly permitted, provided the investor retains legal responsibility. This measure intends to align regulatory interpretation with market practice and facilitate the use of specialised service providers.

Furthermore, investors in secondary market securitisations will be granted up to 15 business days after acquisition to finalise their due diligence documentation—an adjustment meant to support market liquidity.

Waiving risk retention requirements

An important element of the securitisation regime is to require originators, sponsors or original lenders to maintain "skin in the game". The EU COM now proposes to waive these 5% minimum risk retention requirements in case the securitisation includes a first loss tranche that is guaranteed or held by a narrowly defined list of public entities (e.g. central governments, MDBs) and where that tranche represents at least 15% of the nominal value of the securitised exposures. It is reasoned by the Commission through the risk assumption of the guaranteeing entity.

Widening the scope of the STS framework

Regarding STS securitisations, two targeted key changes are proposed:

- Homogeneity: The current 100% homogeneity requirement for SME securitisations will be reduced to a 70% threshold, resultingly only 70% of the underlying SMEs need to fulfil the homogeneity requirements. This adjustment is intended to make the STS framework more accessible and better aligned with the reality of SME portfolios.
- Unfunded credit protection: The eligibility of protection providers will be expanded to include (re-)insurance undertakings subject to Solvency II, provided they meet specified credit quality and diversification criteria. Corresponding amendments to Solvency II are announced to accompany this change, aiming to enable broader investor participation and further support STS issuance.

Harmonised supervisory practices

Finally, the proposal introduces institutional improvements to ensure more coherent supervision across the EU. A new Committee on Securitisation shall be established under the Joint Committee of the European Supervisory Authorities (ESAs). This body will coordinate supervisory practices across Member States. It is intended to introduce the designation of lead supervisors for cross-border transactions and clarification of responsibilities between national competent authorities on securitisation.

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Proposal on Amending the CRR's Prudential Securitisation Framework

Complementing the proposed amendments to the Securitisation Regulation, the European Commission also sets forth targeted revisions to the securitisation provisions under the CRR. The CRR governs the prudential treatment of securitisation exposures held by banks in their capacity as investors, sponsors, or originators, and sets the framework for risk weighting and the assessment of significant risk transfer (SRT) for originators. The proposed changes seek to enhance risk sensitivity, foster capital relief transactions, and thus make securitisations a more attractive tool for credit risk and capital management across the EU banking sector.

In particular, four key changes have been proposed

- Replacing the mechanical SRT tests with a principal-based approach
- The introduction of resilient securitisation positions
- Revised and more risk-sensitive risk weight floors
- Amendments and alterations on the p-factor

Turning the Significant Risk Transfer principal-based

A key change lies in the Significant Risk Transfer (SRT) regime. The current reliance on mechanical tests is to be replaced with a principle-based approach. Under the revised approach, SRT is deemed achieved if an originator can demonstrate that:

- The lifetime expected loss is absorbed by the junior tranche(s), and
- At least 50% of the unexpected loss is transferred to third parties.

This approach eliminates the former first-loss/mezzanine categorisation and aligns with earlier recommendations from the EBA (2020). Legal certainty and procedural simplicity are expected to increase, particularly in jurisdictions with limited SRT usage to date. Nonetheless, it will be necessary to wait for the adjustment and introduction of level 2 or 3 guidance from EBA further outlining the principal-based approach.

Importantly, the originator's self-assessment will now be anchored in Level 1 legislation. This assessment must include a justification of SRT under stressed conditions and be submitted to national competent authorities (NCAs) along with relevant transaction data. The proposal also outlines a more harmonised supervisory process across Member States, including common criteria for information submission and assessment.

In this regard, it will be also interesting to see how current SSM practices and initiative ("SRT fast track") will influence the final CRR amendments and EBA's level 2 and 3 guidance.

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Introducing resilient securitisation positions

A central novation to the risk weight framework is the introduction of so-called “resilient securitisation positions” that would qualify for a more preferential risk weight treatment. These are senior tranches that meet specific structural and credit enhancement requirements that ensure low agency and model risk and a robust loss absorbing capacity for the senior positions. To qualify as resilient, senior tranches must meet both qualitative and quantitative criteria. On the qualitative side, requirements include:

- Sequential amortisation, or pro-rata amortisation with a trigger to switch to sequential;
- A maximum obligor concentration of 2% within the underlying pool;
- Mitigation of agency and model risk; and
- For synthetic transactions, the presence of high-quality collateral or guarantees provided by supra-nationals or sovereigns.

For STS-resilient positions, many of these features are already expected under the SECR and Article 243 CRR.

On the quantitative side, minimum levels of credit enhancement, i.e. minimum thickness of the non-senior positions, must be met, calculated via specific formulas tailored to each RWA calculation approach (SEC-IRBA, SEC-SA, SEC-ERBA). These formulas are broadly aligned between STS and non-STS transactions, with slight adjustments to reflect differing risk profiles.

Resilient securitisation positions can benefit from additional reductions to the risk weight floors and, for certain investor positions, also reductions in the (p) factor. As shown in the tables below, for resilient senior position in an STS securitisation, the originator or sponsor can apply a risk weight floor of 5% (compared to 10% under the current regime).

Introducing more risk-sensitive risk weight floors

In addition to the introduction of the specific framework for resilient senior positions, the generally applicable risk weight floors are also subject to revision. Adjustments apply across all RWA calculation methods, reflecting the introduction of resilient tranches and increased risk-sensitivity. Table 1 summarises the new minimum risk weight floors and provides the regulatory formulas to calculate transaction-specific risk weight floors. It differentiates between the types of transactions (STS or non-STS) and tranches (resilient) as well as the roles a bank may have (originator, sponsor or investor).

Table 1: New risk weight floors and floor calculation formula for SEC-IRBA and SEC-SA

	STS				Non-STS			
	Originator / Sponsor		**Investor**		**Originator / Sponsor**		**Investor**	
	SEC-IRBA	**SEC-SA**	**SEC-IRBA**	**SEC-SA**	**SEC-IRBA**	**SEC-SA**	**SEC-IRBA**	**SEC-SA**

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	STS	Non-STS	
Resilient senior	Formula: 10% * K_{IRB} or K_A * 12,5 Minimum: 5%	Formula: 15% * K_{IRB} or K_A * 12,5 Minimum: 10%	Formula: 15% * K_{IRB} or K_A * 12,5 Minimum: 12%
Senior	Formula: 10% * K_{IRB} or K_A * 12,5 Minimum: 7%	Formula: 15% * K_{IRB} or K_A * 12,5 Minimum: 12%	

For SEC-ERBA, a similar formula to the SEC-SA will apply, but only to the highest credit quality steps (CQS 1 and CQS 2), ensuring that only AAA or AA+ rated exposures benefit from the lower floor. In conjunction with a revised p-factor (see below), this results in a comprehensive re-calibration of the risk weight framework.

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.

Revision and differentiation of the p-factor

The final core pillar of the proposal is the reform of the non-neutrality or “p-factor”, which adjusts capital requirements for securitised exposures relative to the underlyings’ capital requirement without securitisation. The proposed reform introduces:

- a more nuanced, risk-sensitive structure;
- differentiated values for senior vs. non-senior tranches;
- separate calibrations for investor vs. originator/sponsor roles;
- for SEC-IRBA: revised parameters, new upper caps and lower floors; and
- for SEC-SA: revised factors

While this increases complexity—especially through the layering of resilient, non-resilient, STS and non-STS exposures, senior and non-senior tranches—it reflects the differentiation between actors with varying knowledge of underlying exposures and risks associated to the different tranches. Against this background, originators and sponsors may apply lower p-factors as they are not exposed to significant agency risks due to information asymmetry. For senior positions in an STS securitisation, the p-factor is floored at 0.2 (SEC-IRBA) or fixed at 0.3 (SEC-SA). Table 2 summarises and highlights the changes provided for the p-factor. The table differentiates between the characteristics of a securitisation positions (seniority, STS, resilient) as well as the role a bank can have.

Table 2: New (P) factor calculation formula for SEC-IRBA and SEC-SA (changes compared to the current framework are marked in **bold**)

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	STS				Non-STS			
	Originator / Sponsor		**Investor**		**Originator / Sponsor**		**Investor**	
	SEC-IRBA	**SEC-SA**	**SEC-IRBA**	**SEC-SA**	**SEC-IRBA**	**SEC-SA**	**SEC-IRBA**	**SEC-SA**
Resilient senior positions	Formula, **Scaling factor 0.3,** **Floor 0.2,** **Cap 0.5**	**0.3**	Formula, scaling factor 0.3, Floor 0.2, Cap 0.5	0.5	Formula, **scaling factor 0.7,** Floor 0.3, **Cap 1**	**0.6**	Formula, scaling factor 1, Floor 0.3, **Cap 1**	1
Senior positions	Formula, **Scaling factor 0.3,** **Floor 0.2,** **Cap 0.5**	**0.3**	Formula, scaling factor 0.5, Floor 0.3, **Cap 0.5**	0.5	Formula, **scaling factor 0.7,** Floor 0.3, **Cap 1**	**0,6**	Formula, scaling factor 1, Floor 0.3, **Cap 1**	1
Non-senior positions	Formula, scaling factor 0.5, **Floor 0.2,** **Cap 0.5**	0.5	Formula, scaling factor 0.5, Floor 0.3, **Cap 0.5**	0.5	Formula, scaling factor 1, Floor 0.3, **Cap 1**	1	Formula, scaling factor 1, Floor 0.3, **Cap 1**	1

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.

Transitional arrangements for CRR III Output Floor calculation

With the introduction of the CRR III Output Floor, banks using the SEC-IRBA have to calculate the output floor contribution of the securitisation portfolio by applying the SEC-SA. In order to reduce the introduction effect, Art. 465 (13) CRR III provides a transitional arrangement to apply halved p-factors for the SEC-SA until 12/2032. Considering the above-mentioned changes to the RWA framework, the EU COM now proposes to not further extend the transitional provision as main concern would already be addressed by the amendments.

It remains to be seen and clarified how potential overlaps between the new framework and the transitional provisions of the current framework may be treated.

Impact Assessment and Conclusion

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The EU COM proposals to amend the Securitisation Regulation and the CRR prudential framework aim to revitalise the EU securitisation market by reducing regulatory burdens while maintaining financial stability. The reforms improve clarity—particularly in distinguishing public from private transactions—and simplify transparency requirements through streamlined and reduced reporting obligations.

On the investor side, revised due diligence rules offer relief for exposures to EU-supervised entities and MDB-guaranteed transactions. New flexibilities in post-investment documentation and delegation options are expected to improve secondary market activity and align securitisation more closely with other asset classes.

The CRR changes—especially the introduction of resilient senior tranches, risk-sensitive floors and a revised p-factor —could substantially lower capital requirements for originators when combined with STS treatment. Banks aiming for SRT and capital relief may end up with a far more attractive cost-benefit analysis for future transactions.

If the shift to a principle-based SRT framework leads to more or less effort and more or less costs (e.g. in terms of minimum thickness of the protected tranche) remains to be seen. We assume that the impact is a very individual assessment on a transaction-by-transaction basis and may also be dependent on the competent authority performing the SRT assessment. In any case, it is highly appreciated and should be beneficial for the securitisation market to streamline the SRT assessment process across the EU by introducing a clear ruleset in the level 1 text.

Overall, the EU COM proposals are far more then technical nuances and can have an impact on the securitisation market. However, it has to be kept in mind that the upcoming EU-level negotiations in Parliament and Council may bring changes. Not everyone is convinced that the securitisation market needs to be revitalised. In particular, legislative appetite to reopen CRR so soon after CRR III – and with that deviating to the globally agreed Basel securitisation framework – remains highly uncertain.

Against this background, it is also questionable when the revision of the SECR and CRR will become effective. The current proposals do not entail any kind of transitional provision or grandfathering rules, i.e. if they remained unchanged, they would enter into force shortly after their publication in the Official Journal and would be applicable to all existing and future transactions.

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 case. 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.

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

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