
Press release

EU securitisation agreement delivers progress, but prudential shortcomings remain

22 October 2026

Following the provisional political agreement reached yesterday by the European Parliament and the Council on the review of the EU securitisation framework, AFME welcomes progress on the Securitisation Regulation, but warns that the absence of adjustments to certain conservative prudential requirements, particularly for non-STS transactions under the Standardised Approach, risk continuing to constrain banks' ability to finance Europe's economy.

Shaun Baddeley, Managing Director of Securitisation at AFME, said: *"AFME welcomes the conclusion of the trilogue negotiations on the EU securitisation review package. While we have not yet seen the final legal text, the agreement appears to deliver meaningful improvements in several areas.*

"However, the prudential reforms do not yet go far enough. The reported calibrations remain overly conservative, particularly for non-STS securitisations under the Standardised Approach, limiting the ability of banks to use securitisation to support lending to businesses and finance infrastructure and investment across Europe.

"If Europe is serious about strengthening its competitiveness and mobilising more capital for growth, securitisation needs to be able to play its full role. The forthcoming Banking Competitiveness Package provides an important opportunity to address the outstanding barriers and ensure the prudential framework supports that ambition while maintaining appropriate safeguards."

Securitisation Regulation

AFME welcomes a number of constructive outcomes reported under the Securitisation Regulation.

In particular, AFME takes note of the reported compromise on sanctions, which seeks to promote greater convergence across Member States in the enforcement of obligations under the Securitisation Regulation, including due diligence requirements. AFME members consistently encouraged co-legislators to avoid introducing a SECR-specific sanctions regime for institutional investors and have advocated an approach centred on proportionality. The extent to which the final compromise achieves this objective will depend on the legal drafting and its practical implementation.

The decision to preserve the current definition of public securitisation is positive. However, as discussions move to the technical level, it will be important to ensure that the future definition of a CLO is appropriately calibrated and that any CLO-specific reporting requirements remain proportionate, targeted and fit for purpose. The ultimate impact of this compromise will depend on those details and on the technical standards that will implement the framework.

AFME also welcomes the increase in the UCITS concentration limit to 25% which appears sufficiently ambitious to support broader investor participation. Third-country due diligence requirements remain a key priority for AFME members, and we are encouraged by the intention of co-legislators to move away from the existing template-based reporting approach. Here too, however, the detail will matter and further technical work will be required to ensure that the final legal text delivers this objective in practice.

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Prudential framework

On the prudential framework, AFME welcomes the reported agreement on a 5% ultimate floor for resilient STS securitisations and a 7% ultimate floor for non-resilient STS securitisations, although risk transfer will remain constrained for residential mortgages.

However, STS securitisation accounts for only a portion of the overall European market, with non-STS securitisation continuing to support significant financing across the real economy. It is therefore disappointing that the reported agreement appears not to provide risk-weight floor caps for non-STS transactions, despite the higher ultimate floors applicable to those transactions.

The reported p-factor calibrations also remain overly conservative, particularly for non-STS securitisations under the SEC-SA, where the calibrations most relevant to banks financing the real economy as lenders through traditional securitisation remain largely unchanged. Given the importance of the Standardised Approach for these banks and the central role that non-STS securitisation plays in supporting businesses, infrastructure and investment across Europe, the reported outcome falls short of delivering the meaningful reduction in conservatism needed to unlock additional financing capacity.

The calibration of the Credit Conversion Factor (CCF) also remains unresolved and is expected to be considered as part of the Banking Competitiveness Package in the first quarter of 2027. This is an important issue as the eventual calibration will have a direct bearing on bank clients' funding costs.

Finally, while it is positive in principle that unfunded credit protection provided by (re)insurers in synthetic STS transactions appears to become eligible for "resilient" treatment, the additional safeguards reportedly proposed by the European Commission add complexity to the framework and appear difficult to operationalise in practice.

AFME looks forward to reviewing the final legal text and continuing its engagement with policymakers and regulators as the package moves towards formal adoption. The forthcoming Banking Competitiveness Package will provide an important opportunity to address outstanding issues, including on the output floor and CCF, and ensure that the prudential framework fully supports Europe's competitiveness, growth and investment objectives while maintaining appropriate prudential safeguards.

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Notes:

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