
Press release

US and Asia securitisation markets contribute far more to financing their economies than Europe - "Now is the time to address the gap"

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The Association for Financial Markets in Europe (AFME) has today published new data highlighting the contrasting fortunes of the securitisation market in Europe (EU + UK) versus the rest of world, demonstrating that Europe languishes far behind its global competitors in terms of the amount its securitisation market contributes to the financing of its economy.

Over a period of 15 years, up to 2022, annual securitisation issuance in the EU+UK has experienced muted growth and in 2022, EU issuance was equal to 0.3% of EU GDP, and UK issuance equal to 0.9% of UK GDP. This contrasts with other global regions, where the product's contribution saw significant growth over the same time period (US issuance was at 1.4% of GDP and Australian issuance at 2.8% in 2022). The securitisation market in China only opened in 2012 but by 2022, annual securitisation issuance represented 1.8% of GDP.

As important EU inter-institutional negotiations are taking place this month on the capital requirements regulation and the UK kicks off its review of the securitisation framework, AFME is urging policy makers to introduce measures that enhance risk-sensitivity in the prudential framework for banks. A review of other frameworks and requirements applying to non-bank investors is also needed to achieve greater proportionality for this asset class.

Speaking ahead of Global ABS, the largest annual gathering of the securitisation industry and policy makers taking place next week in Barcelona, **Adam Farkas, Chief Executive of AFME**, said:

"Europe's securitisation market remains depressed while other large global capital markets reap the economic rewards of this financing tool. At a time when inflation continues to rise, monetary policy is tightening and capital becomes increasingly scarce, now is the time to address this gap. The competitiveness of Europe's financial services sector is at a key disadvantage without a vibrant securitisation market."

"The EU's financing needs are unprecedented, especially in light of recent economic shocks and the green and digital transitions. Banks can help finance economic growth through freeing up their balance sheets to facilitate lending through securitisation. Securitisation is a good bridge to channel liquidity from the capital markets to the real economy."

Speaking at the Global ABS next week, **Lord Hill, former EU Commissioner for Financial Services and Capital Markets Union** said: *"Europe needs to have a proper discussion about risk. It is 15 years since the Great Financial Crash, yet it still seems to dominate our thinking. For me, the biggest risk we face today is lack of growth, but we pursue regulatory approaches that make growth more difficult. We need to be honest about the trade-offs involved and ask ourselves whether we have struck the right balance, particularly when our international competitors are striking that balance in a different, more growth-friendly place."*

AFME has today also issued a stark warning that the disproportionate reliance on bank lending to finance growth in Europe has become ever greater, while the very market enabling banks to extend this lending is at risk. In June 2022, European (EU+UK) banks reported EUR 16.2 trillion in total outstanding loans to non-financial corporations and households (an increase of 3.5% from 2021).

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In comparison, outstanding volumes of EU+UK securitisation in 2022 were equal to EUR 1,109.4 billion, a decrease of 6.7% from 2021. This represents the continuation of a longer-term trend of decline in outstanding EU+UK securitisation volumes over time, with volumes falling 12.5% since 2014. This is in contrast to outstanding EU+UK bank loans, which increased 22.6% since 2014.

As of June 2022, annual securitisation issuance in the EU+UK represented just 1.2% of total outstanding bank loans, whereas in the US in the same period, annual issuance was equal to 12.6% of outstanding bank loans. This large gap highlights a significant opportunity for the EU and UK to further transform existing outstanding loans on their banks' balance sheets, via securitisation, enabling additional lending to the real economy.

In order to unlock the unprecedented amount of capital required to finance the green and digital transition in the years to come, the EU and UK will need to use securitisation to their advantage, especially in order to compete with global peers. This will not happen without policy action to revive the EU and UK securitisation markets.

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Notes:

AFME (Association for Financial Markets in Europe) promotes fair, orderly, and efficient European wholesale capital markets and provides leadership in advancing the interests of all market participants. AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. AFME participates in a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) through the GFMA (Global Financial Markets Association). For more information, please visit the AFME website: www.afme.eu. Follow us on Twitter [@AFME_EU](https://twitter.com/AFME_EU)