Prudential Regulation Authority
20 Moorgate
London EC2R 6DA
Submitted by email: CP2_26@bankofengland.co.uk

Financial Conduct Authority
Securitisation Policy
12 Endeavour Square
London E20 1JN
Submitted by email: cp26-6@fca.org.uk

In copy to:

HM Treasury
1 Horse Guards Road
London SW1A 2HQ
Submitted by email

18 May 2026

Response to the consultations published by the Prudential Regulation Authority (the "PRA") PRA CP2/26[1] and the Financial Conduct Authority (the "FCA") FCA CP26/6[2]

On behalf of the Association for Financial Markets in Europe,[3] the UK Finance,[4] the Commercial Real Estate Finance Council Europe[5] and the International Capital Market Association[6] (together, the "**Joint Associations**") and their respective members, we welcome the opportunity to respond to the PRA and the FCA consultations on further (non-prudential and prudential) securitisation reforms (PRA CP2/26 and FCA CP26/6).

The Joint Associations note that, in general, the PRA/FCA proposals have been very positively received by the industry. It is much appreciated that the proposals go a long way to address some of the industry feedback provided over the last few years in response to post-Brexit

[1] https://www.bankofengland.co.uk/prudential-regulation/publication/2026/february/reforms-to-securitisation-requirements-consultation-paper
[2] https://www.fca.org.uk/publications/consultation-papers/cp26-6-rules-reforming-uk-securitisation-framework
[3] The Association for Financial Markets in Europe (**AFME**) is the voice of the leading banks in Europe's financial markets, providing expertise across a broad range of regulatory and capital markets issues. We represent over 150 leading global and European banks and other significant market players. Our members play a vital role in Europe's financial ecosystem, underwriting around 90% of European corporate and sovereign debt, and 85% of European listed equity capital issuances. Importantly, AFME members are market makers, providing liquidity, which is essential for ensuring financial markets can function efficiently. We also represent law firms and other associate members which advise market participants and support AFME's legal and regulatory initiatives.
[4] **UK Finance** is the collective voice of the banking and finance industry. Representing over 300 firms, we're a centre of trust, expertise and collaboration at the heart of financial services, championing a thriving sector and building a better society.
[5] The Commercial Real Estate Finance Council (**CREFC**) Europe is the industry association representing commercial real estate (CRE) finance markets in Europe (our sister organisation in the United States is CREFC). Our membership comprises over 180 firms, including banks and non-bank lenders, debt investors, rating agencies, loan servicers, lawyers and other advisers, as well as real estate firms that use debt to fund their activities. We promote well-functioning, responsible and sustainable markets that are appropriately transparent and liquid, serving both institutions investing capital (their own or on behalf of others) and CRE businesses (large or small) borrowing to finance their investments, without unduly threatening financial stability. We do not favour any particular product, lender category or strategy, because we believe diversity makes markets more resilient.
[6] The International Capital Market Association (**ICMA**) promotes well-functioning cross border capital markets, which are essential to fund sustainable economic growth. It is a not-for-profit membership association with offices in Zurich, London, Paris, Brussels, and Hong Kong, serving over 630 members in 71 jurisdictions globally. Its members include private and public sector issuers, banks and securities dealers, asset and fund managers, insurance companies, law firms, capital market infrastructure providers and central banks. ICMA provides industry-driven standards and recommendations, prioritising three core fixed income market areas: primary, secondary and repo and collateral, with cross-cutting themes of sustainable finance and FinTech and digitalisation. ICMA works with regulatory and governmental authorities, helping to ensure that financial regulation supports stable and efficient capital markets.

securitisation reforms and that in several areas the proposals seek to minimise the friction associated with operating on a cross-border basis.

The Joint Associations strongly support the move to a principles-based approach and material simplification of the rules for due diligence, transparency and reporting, which we consider a significant improvement over the existing prescriptive framework. In this response we do, however, include some observations and recommendations aimed at further improving the application of the revised regime.

The Joint Associations also welcome the introduction of L-shaped risk retention as an additional eligible form of retention (noting that this has been a long-standing industry request) and seek confirmation that, on synthetic SRT securitisations, synthetic excess spread can be counted towards the first loss element of an L-shaped retention.

The Joint Associations also welcome proposals on re-securitisation-related matters but also seek some clarifications on several points.

The Joint Associations strongly support the effort to review the scope of application of the conduct rules and we are looking forward to further engagement with the PRA and the FCA on this topic.

The Joint Associations also use this response as an opportunity to raise certain additional points. These include certain comments on the PRA/FCA securitisation conduct rules raised previously in the Joint Associations' response of 30 October 2023 to PRA CP15/23 and FCA CP23/17 (the **Joint Associations' Response of 30 October 2023**).[7] These also include certain prudential regulation-related comments relevant for securitisation in the context of Basel 3.1 implementation.

The Joint Associations also urge the PRA to monitor and respond to the EU's more pro-growth prudential reforms to securitisation to avoid level playing field issues.

For ease of navigation, the table of contents is set out below.

[7] https://www.afme.eu/media/ysclyor4/afmeukfinancecrefceuroperesponsetoprafcacps.pdf

Table of Contents

1. DUE DILIGENCE (FCA Q1-7, PRA PROPOSAL 1)

1.1 Verification that sufficient information is made available

(a) ***FCA Question 1****: Do you agree with our proposals and their focus on ensuring that institutional investors obtain sufficient information from the manufacturer of the securitisation?*

We welcome PRA/FCA proposals on the simplification of the due diligence rules and moving some of the additional detail into the corresponding guidance.

We welcome the principles-based approach to the revision of the rules that enables investors to exercise their judgment as to the depth and extent of the due diligence required when assessing whether securitisation fits their risk appetite and mandate. It is also very encouraging to see that the simplification of the rules is being made in recognition that investors can exercise their judgment as to whether investment in securitisation is in line with all applicable sectoral rules, thus avoiding duplication of more general requirements contained in sectoral legislation that are applicable to all financial instruments, including securitisation.

We believe that the principles-based approach proposed by the PRA and the FCA is a great improvement of the existing drafting of the due diligence rules and would give UK institutional investors competitive advantage.

We are also very pleased to see greater harmonisation and alignment in drafting of the proposed changes in the PRA and the FCA rules.

We expect that the intention is to avoid fragmentation of the due diligence requirements for different types of UK institutional investor and that the requirements applicable to the occupational pension scheme (**OPS**) investor will be aligned with the proposed simplification of the PRA and the FCA due diligence rules. Therefore, we would welcome more clarity from HMT (and an opportunity to comment) on how the corresponding provisions on the OPS requirements in the Securitisation Regulations 2024 are proposed to be amended.

(b) ***FCA Question 2****: Do you agree with the proposal to remove the table at SECN 4.2.1 R (1)(e) and the addition of corresponding guidance?*

Yes, we agree that it is more proportionate and gives greater flexibility to the application of the principles-based approach to the due diligence rules for the additional detail to be provided in corresponding guidance to the FCA rules (or, in the case of the PRA, for it to be set out as guidance in a corresponding PRA supervisory statement).

1.2 Verification of credit granting standards

(a) ***FCA Question 3****: Do you agree with our proposals to require institutional investors to form their own view on the robustness of the credit granting processes without prescribing how this should be done?*

Yes, we agree that this is the right approach which enables the investors to exercise their discretion as to the level of due diligence that may be needed (if at all) in relation to the applicable credit granting standards, taking into account the nature of investment, applicable jurisdiction of the relevant sell-side parties,

the type of securitised exposure, the overall risk profile of the investment and other relevant factors.

1.3 Verification of risk retention requirements

(a) ***FCA Question 4**: Do you agree with our proposal to replace the requirement for institutional investors to verify manufacturers' compliance with the 5% risk retention rule with a requirement that the investor satisfy itself that a mechanism exists that aligns their commercial interest to that of the manufacturer of the securitisation?*

Yes, we welcome this pragmatic approach to the risk retention due diligence which significantly reduces the friction associated with operating on a cross-border basis and, among other things, minimises the negative impact of certain post-Brexit divergence between the EU and the UK risk retention regimes, gives UK investors broader access to securitisation products outside the UK (which enables greater diversification of their investments) and facilitates structuring of non-UK securitisations that may be aimed at UK investors.

(b) ***FCA Question 5**: Do you agree with our proposed guidance in SECN 4.2.1B G on how such alignment can be achieved?*

Yes, we welcome additional guidance that provides some further detail and examples of proper alignment of commercial interests which is clearly aimed at maintaining safeguards whilst allowing greater flexibility for relevant UK investors when investing in non-UK securitisations. More specifically, we welcome the PRA/FCA guidance that does not include in this regard an exhaustive list of "alternative means" and it is helpful to see in such guidance one example which refers to "management fees" with corresponding commentary in consultation papers making it clear that the UK regulators considered in this regard the U.S. open-market CLOs (which are exempt from U.S. risk retention).

We would note though that the market will need as much transparency as possible in terms of the supervisory expectations should the PRA and the FCA identify other specific examples of acceptable (or not acceptable) "alternative means" in this regard.

1.4 Due diligence before investing

(a) ***FCA Question 6**: Do you agree with our proposal to no longer prescribe the list of structural features investors are required to assess and to simplify due diligence requirements for STS securitisations?*

We agree that providing in the rules for a prescribed list of structural features that must be assessed is at odds with the principles-based approach. We believe that the proposals strike the right balance by moving some of the detail into the corresponding guidance thus allowing investors to exercise their judgment when carrying out appropriate due diligence and identifying what is most relevant for them to assess given the circumstances and the risk profile of their investment. Therefore, we support the proposed simplification of the due diligence rules of the FCA and the PRA in this regard.

1.5 Due diligence while holding a securitisation position

(a) ***FCA Question 7**: Do you agree with our proposal to remove the prescriptive elements in the due diligence requirements whilst holding a securitisation position?*

We agree and welcome this simplification for similar reasons already stated in responses to previous questions.

Regarding STS, we fully support the related commentary which notes that the STS status (or lack thereof) of a securitisation should not automatically impact the level of due diligence an investor must undertake.

1.6 Additional comments on due diligence

(a) Trigger for application of the PRA/FCA due diligence rules

By way of an additional comment, we want to repeat the point from the Joint Associations' Response of 30 October 2023 relating to the trigger for application of the PRA/FCA due diligence rules (and note that the same is relevant from the perspective of Part 7 of the Securitisation Regulations 2024 SI that sets out the OPS investor due diligence requirements).

Notwithstanding significant simplification of the PRA/FCA due diligence rules, which we welcome, the trigger for the application of such rules continues to be framed as "*holding a securitisation position*". As noted in our previous response, the industry will welcome further guidance on the interpretation of this trigger and whether, as was the case prior to 2019, it should be interpreted as being limited to exposures to the credit risk of a securitisation position (or securitised exposures), thereby exempting certain transaction parties from the application of the investor due diligence rules in certain circumstances.

By way of additional background, the pre-2019 EU CRR risk retention RTS helpfully clarified that where an institution acted "*as a credit derivative counterparty or as a counterparty providing the hedge or as a liquidity facility provider with regard to a securitisation transaction*" it was "*deemed to become exposed to the credit risk of a securitisation position*" only "*when the derivative, the hedge or the liquidity facility [assumed] the credit risk of the securitised exposures or the securitisation positions*".[8] Credit risk on the securitised exposures/securitisation positions would generally not be assumed by the counterparty to a currency or interest rate swap, but would be assumed by – for example – the counterparty to a total return swap/TRS on the securitised exposures providing credit enhancement to the securitisation. This guidance provided welcome clarification that, where a derivative, hedge or liquidity facility did not assume the credit risk of the securitised exposures/securitisation positions, the relevant counterparty was not required to comply with applicable due diligence obligations.

Therefore, it would be most helpful if the simplification of the PRA/FCA due diligence rules encompassed also amendments to the relevant trigger so that references in the existing rules to "holding a securitisation position" are replaced with references to assuming "exposure to a credit risk". An alternative approach would be to keep the existing text but to provide a corresponding PRA/FCA guidance that "securitisation position" in the context of the PRA/FCA due diligence rules is limited to exposures to the credit risk. For the avoidance of doubt, such guidance is to be provided without prejudice to the status of such exposures as "securitisation positions" for prudential purposes.[9]

We believe that such clarification is in line with the policy behind the current phase of the reforms to the UK Securitisation Framework, which is intended to

[8] See Article 2(1) and Recital 2: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2014.174.01.0016.01.ENG
[9] See for example Basel CRE 40.4, 40.35, 44.16, and Articles 4(1)(62), 5(1) and 256(4) CRR.

reduce the cost of regulatory compliance, make the UK regime more fit for purpose without leading to lower standards.

2. TRANSPARENCY AND REPORTING (FCA Q.8-32, PRA PROPOSAL 3)

2.1 Reducing the number of templates

(a) ***FCA Question 8****: Do you agree with our proposal to move to a more principles-based approach for disclosure of underlying exposures for certain asset classes and delete SECN 11 and 12 Annexes 3, 4, 7 and 9?*

Yes, we agree that this is the right approach. It is in line with the industry feedback and will help to reduce complexities of (and the cost of compliance with) the transparency rules. As noted in previously provided feedback, in practice, these prescriptive templates do not tend to be fit for purpose and are not considered to provide incremental value to investors. A principles-based approach therefore better reflects current market practice while avoiding unnecessary duplication.

In particular, for highly granular and short-dated asset classes such as credit cards and trade receivables, loan-level exposure templates offer limited insight due to frequent balance movements and portfolio churn. Aggregated disclosures and stratification tables provide a more meaningful, stable and comparable view of portfolio performance and risk characteristics.

For commercial real estate (**CRE**), we agree that it is important that the names of large tenants with information about their tenancy in CRE transactions are disclosed. On a case-by-case basis, sell- and buy-side parties negotiate the disclosure package on tenancies-related information (which can, and commonly does, go beyond three largest tenancies) which is provided for the purposes of pre-closing due diligence and post-closing reporting. Where the tenant profile is very granular, like in a lot of logistics transactions, the investors may only want tenants to be identified where there is significant exposure to individual tenants (for example, the names of any tenant comprising more than ~5% of rental income). Therefore, **we support the principles-based approach to the CRE reporting that leaves room for flexibility to provide relevant tailored disclosure**. In this regard, we recommend for SECN 11.3.1R(5)(c) and Article 7A(6)(c) of Chapter 2 of the Securitisation Part of the PRA Rulebook to be amended so that they are more explicit that "*granularity of information provided on tenants' identities should be appropriate to the tenancy profile*" so that it may range between information on "*at least*" each of the 3 largest tenants, information on any tenant comprising more than certain minimum percentage of the rental income or information on all tenants. Additionally, it would be helpful to specify that information on lease terms should be provided per property – either for each lease within a property or, dependent on the granularity of leasing, an overall profile showing contracted rent over time indicating sensitivity to break options and lease expiry. Weighted averages (as currently referenced) are of limited practical use.

Overall, we consider that a principles-based disclosure regime (which can be supplemented from time to time, if considered appropriate, by non-exhaustive guidance, which can be kept under review to address the developing market practice) with a focus on material metrics (rather than "one-size-fits-all" approach) and with ability to provide more tailored data will better serve investor needs while reducing unnecessary operational burden and complexity for issuers, without diminishing transparency. We understand in this regard that where such principles-based approach is applied for a loan-by-loan reporting

for CRE or other asset classes for which there is no prescribed template, it is not intended to reduce the amount and quality of material data and information provided to investors but rather it is intended to provide the flexibility for the delivery of such material information and data. As observed in the PRA/FCA commentary in the consultation papers, notwithstanding PRA/FCA proposals for material simplification of the rules, it remains vital that an investor possesses the information it considers necessary to conduct its due diligence. We therefore recommend that this overarching principle is more explicitly stated in the amended PRA/FCA rules.

(b) ***FCA Question 9****: Do you agree with our proposed changes to SECN 11.3?*

Yes, we agree with the proposed changes to SECN 11.3 and support the move to a more principles-based approach. We consider this to be clearer and more proportionate than the current prescriptive framework and to be better aligned to how investors use information in practice. We also refer to our comments in section 2.1(a) above.

2.2 Moving to a principles-based approach for ABCP securitisations

(a) ***FCA Question 10****: Do you agree with our proposal to replace the underlying exposures template for ABCP (SECN 11 and 12 Annex 11) with a more principles-based set of requirements as set out in SECN 6.2.1R(1)(b)?*

We welcome the proposals of the FCA and the PRA to remove requirements for template-based aggregated data reporting on underlying exposures for ABCP and to provide instead for principles-based approach to such reporting. However, the proposed amendments in SECN 6.2.3R and Article 7(1)(ab) of Chapter 2 of the Securitisation Part of the PRA Rulebook defeat such simplification as these provisions nevertheless require that the originator must make available information "*at an individual exposure level*" to sponsors and, upon request, to the relevant existing or potential investors, meaning that if such provisions are retained in the final amendments to the existing rules on transparency, the originators will need to have their systems set up to produce loan-by-loan data reporting anyway. In addition, the proposed requirement to provide information at an individual exposure level upon request to holders of a securitisation position and potential investors goes beyond the existing UK regime (and the EU regime) and such information is not typically provided to ABCP investors. It should be sufficient to provide ABCP investors with aggregate data as ABCP investors would not expect to receive loan-level data for the underlying transactions. We note also that ABCP programmes typically benefit from full liquidity support from the relevant bank sponsor. Therefore, SECN 6.2.3R and Article 7(1)(ab) of Chapter 2 of the Securitisation Part of the PRA Rulebook should be deleted as the proposed rules to require at least monthly aggregated data reporting for an ABCP programme are sufficient already.

2.3 Moving to a principles-based approach for ABCP and non-ABCP investor reports and inside information or significant event reporting

(a) ***FCA Question 11****: Do you agree with our proposal to replace the investor report and inside information or significant event templates (SECN 11 and 12 Annexes 12, 13, 14 and 15) with more principles-based requirements?*

Yes, we support the removal of the templates for inside information and significant event reporting as they are unduly burdensome, poorly designed and not fit for purpose, costly to prepare on an ad hoc basis and in many cases create unnecessary duplication with other forms of investor notifications (their

use on deals became a box ticking exercise and failed to deliver meaningful reporting).

We also support the removal of a prescribed investor reporting template as it gives the market much needed flexibility for providing more tailored reporting, avoids duplication with other forms of investor reporting that is commonly provided on many securitisations irrespective of regulatory reporting requirements. It also helps to move away from the culture of "one-size-fits-all" approach, which hinders development of better market standards.

We also want to raise a comment on provisions relating to synthetic securitisation-specific investor reporting requirements. First, we query the need for any difference in the drafting of the PRA and the FCA rules on how credit risk mitigation arrangements are described and we further note that, given that some synthetic securitisations may not involve SSPEs, it is important to frame the reporting rules with sufficient flexibility to accommodate different structures. Therefore, we propose to align SECN 6.2.1R(5)(g) with Article 7(1)(e)(vi) of Chapter 2 of the Securitisation Part of the PRA Rulebook and to make it explicit that the SSPE-related reference may not be always relevant – for further details see the proposed mark-up below:

Article 7(1)(e) of Chapter 2 of the Securitisation Part of the PRA Rulebook:

(vi) where the securitisation is a synthetic non-ABCP securitisation, information on:

A. all credit risk mitigation arrangements in the *securitisation*; and

B. all collateral received under credit risk mitigation arrangements including, as applicable, issuer collateral for each individual collateral asset held by the *SSPE* on behalf of *investors* that exist for the given protection arrangement.

For the purposes of sub-paragraph B. above, each asset for which an ISIN exists must be treated as an individual collateral asset; cash collateral of the same currency must be aggregated and treated as an individual collateral asset and cash collateral of different currencies must be reported as a separate collateral asset;

SECN 6.2.1R(5)(g):

where the *securitisation* is a synthetic non-ABCP *securitisation*, information on:

(i) ~~synthetic coverage for as many protection arrangements as exist~~ all credit risk mitigation arrangements in the *securitisation*; and

(ii) all collateral received under credit risk mitigation arrangements including, as applicable, issuer collateral for each individual collateral asset held by the *SSPE* on behalf of *investors* that exists for the given protection arrangement (each asset for which an ISIN exists must be treated as an individual collateral asset, cash collateral of the same currency must be aggregated and treated as an individual collateral asset, and cash collateral of different currencies must be reported as separate collateral assets);

Therefore, we support and welcome the proposals for more principles-based requirements for such reporting as the proposals strike an appropriate balance by ensuring meaningful and timely disclosure, while allowing flexibility for transaction-specific arrangements that better reflect how information is used by investors in practice.

2.4 Format of templates and data fields

(a) ***FCA Question 12****: Do you agree with our proposals to (i) stop requiring that transparency templates be made available in XML and (ii) no longer impose a uniform file format?*

The proposed flexibility on the format of the reporting is in line with the recommendations of the Joint Associations' Response of 30 October 2023 and previous industry feedback and we fully support it. In practice, XML has often proved difficult to read and operationally burdensome for many data users, particularly where it is not easily integrated into standard analytical workflows or commonly used investor systems.

We also note that it is likely that the securitisation reforms in the EU will also introduce changes that in due course result in mandatory use of XML for EU reporting falling away under the EU Securitisation Regulation.

We also recommend that the FCA transparency rules on the use of electronic and machine-readable format are aligned with a slightly amended version of the PRA transparency rules which helpfully ensure that information provided is immediately accessible to investors using a spreadsheet or similar application. That is, SECN 6.2.1AR, SECN 6.2.3R, SECN 11.14.1R should be aligned with Article 7F of Chapter 2 of the Securitisation Part of the PRA Rulebook (with the latter provision in the PRA Rulebook being also slightly amended as per the following mark-up) and also require that the information must be made available "***in an electronic and machine-readable, tabular or spreadsheet form (or other format which preserves data structure and allows data manipulation*** ***by an individual using standard spreadsheet software*** ***) such as CSV or Excel***".

(b) ***FCA Question 13****: Do you agree with our proposals as regards the format in which the various data fields within the retained templates are to be populated?*

We generally support maintaining common format requirements in the remaining templates.

2.5 Disapplication of underlying exposure templates for single-loan securitisation

(a) ***FCA Question 14****: Do you agree that provision of underlying exposure information in the proposed amended SECN 11 templates is not useful in the case of a securitisation with a single underlying exposure? Please elaborate on your response.*

We support the proposals that disapply template-based reporting for this type of securitisation. As noted in the commentary to the FCA CP26/6 already, the PRA has previously clarified that it is not minded to enforce the use of securitisation disclosure templates for single loans under the MGS and similar private schemes. We support this pragmatic approach not least because for the MGS, for example, HM Treasury requires information to be submitted in another format already and in other non-MGS cases any reporting provided needs to be tailored to the nature of the transaction rather than be prescribed by a securitisation-specific template.

2.6 Retaining certain templates while aligning them to the BoE templates

(a) ***FCA Question 15****: Do you agree with our proposal to retain underlying exposures templates for Residential Real Estate, Automobile, Consumer, Leasing and Non-performing exposures? Please elaborate on your response.*

We support the proposals to retain these templates subject to certain specific comments on individual fields set out in this response.

We also support comments in the IACPM response that recommend to the FCA and to the PRA not to apply the retained templates to **private synthetic securitisations** where template-based reporting is not suitable and has no added value, because it is normal market practice on such transactions (irrespective of application of any template-based reporting) for the originator and investors to negotiate the form of reporting required, consistent with any confidentiality or other restrictions applicable to information about the securitised exposures.

We would also recommend that the FCA provides specific **guidance** in relation to the retained templates that clarifies that the manufacturers are free to supplement the applicable templates with additional data as may be required on a case-by-case basis. For example, additional data may need to be reported because it is required by the rating agencies involved in the transaction and it will be simpler to report all information using the applicable FCA template as a base. Another example is where on certain transactions the manufacturers may wish to provide additional ESG/sustainability-related data reporting using the FCA template as a base.

Please also note our comments in response to Question 17 below.

(b) ***FCA Question 16****: Do you agree with our proposal to align the retained templates to the Bank of England loan level data templates?*

We support the proposals for the UK reporting templates being aligned with the BoE templates, but the proposed FCA templates do not achieve full convergence with the BoE reporting templates. Therefore, the need to maintain systems for multiple reporting formats is not removed.

In addition, there will be little incentive to adopt the new FCA templates in practice while it remains possible to meet the new UK reporting regime by providing currently applicable EU templates, given that the majority of the UK securitisations would continue to seek dual compliance with the EU and UK transparency requirements.

By way of additional analysis and using the proposed Annex 2 template for residential real estate exposures (**RRE**) as an example (although we separately note that we understand that some of our members in their individual responses will be providing further analysis of other proposed reporting templates), we note that the proposed new template reduces the total number of FCA fields to 96 (of which 71 are mandatory), compared with 107 fields in the current FCA Annex II template. However, this numerical reduction does not equate to full simplification in operational terms. Although the proposed template is structurally aligned with the BoE template, full convergence is not achieved. The revised template introduces BoE-derived fields that have no existing FCA equivalent, while retaining FCA-specific fields that have no BoE equivalent. Specifically:

(i) 74 BoE fields included in the proposal have an equivalent in the current FCA template;

(ii) 12 BoE fields included in the proposal do not have any equivalent in the current FCA template; and

(iii) 10 FCA fields included in the proposal do not have any equivalent in the current BoE template.

As a result, firms would still be required to support multiple data definitions, validation rules and reporting outputs. This materially limits the extent to which the proposed changes reduce operational complexity for firms subject to both FCA and the BoE reporting regimes.

Therefore, to achieve true simplification, there should be either a formal convergence with the BoE templates or full mutual substitution between different reporting regimes (e.g. acceptance of the BoE RRE template without the need to provide additional SECN 11 Annex 2 information, as currently proposed, and acceptance of other BoE loan-level data templates without the need to also provide the FCA template prescribed under SECN 11), otherwise, firms and service providers would need to implement additional data mapping and conversion solutions to transform existing BoE or legacy FCA data into the new FCA format. This introduces further transition complexity, implementation effort and cost.

Please also note our comments in response to Question 17 below.

(c) ***FCA Question 17****: Do you have any comments on the new templates for SECN 11 Annex 2 (Residential Real Estate), Annex 5 (Automobile), Annex 6 (Consumer), Annex 8 (Leasing) or Annex 10 (Non-performing exposures), for example on the fields included or excluded, the order of the fields or the inclusion of blank fields?*

Please refer to our comments in section 2.6(b) above and our comments and observations on certain fields in the proposed templates which are set out in a separately provided Excel document.

Some of the field-specific comments relate, for example, to the following points, but more details and further comments on other fields with applicable explanation are also being provided in a separately submitted Excel document that accompanies this response:

(i) The fields relating to County Court Judgments (CCJ), Bureau Score Provider/Date/Value and Bankruptcy or Individual Voluntary Arrangement (IVA) Flag should not be excluded from Annex 2 (RRE), Annex 5 (Auto), Annex 6 (Consumer) or Annex 8 (Leasing) as these are required to assess borrower credit risk.

(ii) The “Regulated Loan” field should not be excluded from Annex 2 (RRE), Annex 6 (Auto) and Annex 8 (Leasing) as it is required to assess relevance of consumer protection regulation.

(iii) The “Date of Purchase” field should not be excluded from Annex 2 (RRE), Annex 5 (Auto), Annex 6 (Consumer) or Annex 8 (Leasing) as it is necessary for reconciliation of data tape to investor report.

(iv) The "Resident" field should not be excluded from Annex 5 (Auto), Annex 6 (Consumer) or Annex 8 (Leasing) as it is required to assess borrower credit risk.

(v) In Annex 2 (RRE), certain optional fields should be made mandatory in line with the BoE template, this includes "Restructuring Arrangement", "Forbearance Type", "Gross Annual Rental Income", "Second Borrower's Employment Status"

(vi) In Annex 5 (Auto), certain optional fields should be made mandatory in line with the BoE template, this includes fields relating to "Fuel Type", "Net Losses", "Payment Method".

2.7 Developing a specific template for CLOs

(a) ***FCA Question 18:*** *Do you agree that this proposed new template SECN 11 Annex 4A is better suited to CLOs than the current one in SECN 11 and 12 Annex 4? Please elaborate on your response.*

If a UK CLO-specific reporting template is required, which we do not support for deals that seek dual EU/UK compliance on reporting, (or other CLO-specific conduct rules apply), it raises the **question of the definition** in order to establish the boundary between "CLO" and "non-CLO" corporate loan securitisation (including synthetic securitisations of corporate loans).

In most (if not all) cases UK CLOs would seek dual compliance because such deals commonly have EU nexus on the sell-side (eg EU SSPEs) and buy-side (EEA investors) and would be preparing applicable EU reporting templates. In such cases, it is disproportionate to make it mandatory to prepare a UK CLO template as it creates unnecessary duplicative reporting and administrative burden for both sell-side and buy-side. Whilst the proposed UK CLO template is a simplified version of the EU Annex 4 template, its design is quite different, so for the sell-side (or their relevant service providers) there will be additional resourcing needed and costs involved to redesign existing systems to produce new style UK CLO reporting.

Furthermore, there is an established market practice to prepare monthly and quarterly deal reports, produced by the CLO trustee and agent teams, which differ vastly in form, substance, flexibility and utility for investors from the EU regulatory templates (Annex 4 and Annex 12) and from the proposed new UK Annex 4A template. For instance: (i) their contents are dynamic, updating from deal to deal to reflect new pressure points and points of interest for investors in a way that a regulatorily prescribed report template never could (to the extent that individual investors frequently request specific additional information to be added to these reports on any individual transaction); (ii) they achieve the right balance between aggregate portfolio reporting (for instance, in respect of the numerous ratings agency collateral quality tests embedded in a CLO) and granular individual-asset reporting (for instance, where a particular credit is distressed or a specific event has occurred); and (iii) their form (consisting of a document containing tables of information relating to specific CLO portfolio-wide analysis, graphs etc. and the ability to access the standardised data analysis through subscription-based online platforms such as Bloomberg, Intex, Creditflux) is what investors actually want to, or rather – demand to, see in order for them to evaluate their investments.

Therefore, for investors, who will be receiving simplified UK CLO template-based reporting in the form of Annex 4A, alongside EU Annex 4 reporting and alongside other reporting driven by the market practice as described above,

this creates an unhelpful outcome which is at odds with the general move of the PRA and the FCA towards making the UK transparency rules more fit for purpose thus reducing the cost and burden of regulatory compliance. For agents and service providers that facilitate CLO reporting, this approach will also give rise to the challenge (and administrative burden) of having to reconcile and to maintain multiple systems for different reporting formats.

We also note that the FCA has not made it clear what benefit this new approach to UK CLO reporting would bring to either sell- or buy-side where the transaction seeks to achieve dual compliance with the UK and the EU reporting regimes (and where additional reporting in line with the market practice will continue being provided as well). If a regulatory reporting were to apply at all, it is simpler and less burdensome for all parties involved to have a single set of regulatory reporting templates to consider. Therefore, **as for other asset classes, the proposals should facilitate cross-border comparability and dual compliance so that UK CLOs are also allowed compliance on the basis of the reporting being prepared on the equivalent EU Annex 4 template** (and subject to review (as for other asset classes) in the light of the ongoing EU reforms).

If it is mandatory for the UK CLO reporting template to apply, which we do not support for deals that seek dual EU/UK compliance on reporting, then our recommendation will be to introduce **grandfathering provisions** for all existing UK CLOs that priced or closed prior to the publication of the final rules on amendments and that for all new UK CLOs **transitional provisions** of **12 months** otherwise apply so that the relevant transaction parties can deal with the resourcing and adjustments needed for their internal systems.

We note that CP26/2 mentions that the FCA might consider disapplying the requirement to complete the new UK CLO template during the **warehouse phase of a CLO**. We would support the flexibility of disapplying the UK CLO template for the warehouse phase.

See also our other responses on CLO matters in section 8.1(a) below.

(b) ***FCA Question 19:*** *Do you have any comments on the proposed fields included in (or excluded from) the proposed new SECN 11 Annex 4A for CLOs?*

If a UK CLO-specific reporting template is required, which we do not support for deals that seek dual EU/UK compliance on reporting, we want to raise a number of specific comments.

First, in relation to disclosure of the obligor name, which is proposed to be a mandatory field (CLO5), it should be made explicit in that field (as is the case in the current template for corporate loan reporting, see field CRPL4 of Annex 4) that it should be possible to use an identification number to protect the anonymity of the obligor: (i) given that the securitisation reporting links such obligor identifier to its financial data which effectively makes public financial information which may be commercially sensitive and which is not otherwise publicly available (especially for mid-market and private credit obligors); and (ii) given that confidentiality clauses in certain loan terms could prohibit disclosure of obligor names and/or its financial data.

We also agree with the commentary in the LMA response that seeks clarifications on the following fields in the CLO template:

(i) CLO16 (origination date): clarify that reference is being made to the original date of the credit agreement.

(ii) CLO27 (market value): clarify when the market value would be "applicable" (per the reference in the description of this field in the template).

(iii) CLO28 (total credit limit): clarify the reference in the fifth line is to not being "drawn down" in full.

(iv) CLO54 (defaulted obligations): align with the CLO definition (rather than the definition for regulatory capital purposes).

(c) ***FCA Question 20****: Should the requirement to complete SECN 11 Annex 4A apply during the warehouse phase of a CLO?*

See our response in section 2.7(a) above.

2.8 Simplification of 'no data' rules

(a) ***FCA Question 21:*** *Do you think that some significant information will be lost by making this simplification to the no data rules as they apply to completion of underlying exposure templates?*

No. The application ND1-5 options created unnecessary complexities and we generally welcome the proposals for the simplified approach to "no data" reporting. Multi-category "no data" options that currently apply can create ambiguity around whether data was expected, uncollected or inapplicable.

2.9 Removing the distinction in treatment between public and private securitisations

(a) ***FCA Question 22****: Do you agree with our proposal to remove the distinction in treatment between public and private securitisations regarding the majority of the transparency requirements?*

We support the simplification of the UK transparency rules that remove public/private distinction for investor reporting purposes provided the final rules result in the simplification of limited template-based reporting that remains and maintaining a principles-based approach for all other investor reporting.

2.10 Role of securitisation repositories

(a) ***FCA Question 23****: Do you agree with the removal of the requirement for information to be reported to securitisation repositories?*

Yes, we agree with the simplification of the UK transparency rules that remove the requirement for the information to be reported to securitisation repositories. It reduces the costs, administrative and regulatory complexities associated with such reporting.

We separately note that the proposed replacement regime for *where* information must be made available in SECN 6.3.4R builds on the existing provisions that would have applied as an alternative where no securitisation repository is registered. We support in general such principles-based approach in amendments to SECN 6.3.4R and welcome the drafting that deletes the reference to the use of "a website", which facilitates a broad range of practices and means by which information may be made available. However, some members raised concerns that it is unclear as to how compliance with this requirement might be supervised and how minimum acceptable standards

might be assessed. If the PRA and the FCA have specific expectations in this regard, it will be helpful for those to be shared with the industry.

2.11 Provision of documentation

(a) ***FCA Question 24****: Do you agree with our proposed changes to SECN 6.2.1R(2) which require the provision of all transaction documents as well as the offering circular, prospectus or term sheet?*

Yes, we agree with the proposals and also refer to our comments to Question 25 below.

In addition, we note that some of our members raised comments on exploring the possibility of expanding the UK transparency rules to address the availability of the auditors' agreed-upon-procedures (AUP) reports by analogy with a disclosure requirement associated with third party "due diligence services" that exists in the U.S. market under Rule 15Ga-2. The introduction of any guidance or rules on this topic in the UK would require further consultation with the auditors and the wider industry and we would generally welcome the opportunity for further engagement on this topic with the PRA and the FCA.

(b) ***FCA Question 25****: Do you agree with the deletion of the list of documents in sub-paragraphs (b) to (g) of SECN 6.2.1R(2)? Please elaborate on your response and indicate which documents are critical in order to reach an investment decision prior to investing in a securitisation.*

Yes, we agree with the proposals that it is not necessary to provide for a prescriptive list of the transaction documentation and that it is sufficient to focus the test on making available transaction documents essential to understand the deal (including offering document, prospectus or termsheet). Which transaction documentation is most crucial for an investor when making its investment decision will vary depending on the transaction structure, granularity of the underlying pool of assets, whether it is a publicly offered transaction or privately negotiated one, as well as other features of the deal. Therefore, it is disproportionate and unrealistic to have a prescribed list of all possible documentation that might be relevant to any given transaction.

(c) ***FCA Question 26****: Do you agree with our proposal regarding the timing to provide the final documents in SECN 6.2.2R(2)?*

Yes, we welcome the proposals for such helpful extension to 30 days.

(d) ***FCA Question 27****: Do you agree with our proposal to remove the requirement to make a transaction summary available as per SECN 6.2.1R(3)? Please elaborate on your response and explain the circumstances in which the transaction summary is useful.*

Yes, we agree with the proposals to remove the transaction summary requirements, which is in line with the prior industry feedback. On privately negotiated transactions, such requirement brings little value but adds to the administrative burden and costs of the transaction.

(e) ***FCA Question 28****: Do you agree with the changes we propose to SECN 5 and SECN 6.2.1R(2) regarding disclosure of risk retention as a result of the proposed removal of the requirement to provide a transaction summary?*

Yes, the proposed changes are in line with the existing market practice to provide disclosure of the transaction documentation that covers risk retention provisions, undertakings and disclosure.

The feedback from our members confirms that transaction summaries are of limited practical utility to investors. Typically, a summary does not contain sufficient detail to eliminate the need for a review of the transaction documents in the context of private securitisations. Therefore, investors typically undertake a full review of such documentation as part of their due diligence processes, rendering the transaction summary largely redundant.

Should an investor require a summary for a particular transaction, this can be requested on an ad hoc basis. However, we agree that this should not be a mandatory requirement imposed on all manufacturers.

Furthermore, given the proposal to include the termsheet within the scope of documents that may be provided under SECN 6.2.1R(2) (and Article 7(1)(b) of Chapter 2 of the Securitisation Part of the PRA Rulebook), we consider that there would be some material overlap between the termsheet and the transaction summary, which further supports the removal of this requirement.

2.12 Notifications of private securitisations to the FCA and PRA

(a) ***FCA Question 29****: Do you disagree with any of the changes we propose for private notifications?*

We welcome certain simplification of the private securitisation notification requirements under SECN 6.4, including the improved timeframe for making such notification. However, we recommend that in the private securitisation notification template set out in SECN 6 Annex 1R the proposed new field (**SECPR20**) requiring reporting of the expected WAL of assets in months is deleted as it makes the notification of private securitisations more burdensome (and thus out of step with the overall move towards material simplification of the UK transparency rules) given that reporting of WAL in this context may not be straightforward in all cases, as it can be impacted by replenishment, partial scheduled repayments etc. In addition, we also note that no arguments or explanation have been provided in the FCA consultation as to why this information should now be required.

We also note that the PRA rules on private securitisation notification (see **Article 3A of Chapter 2 of the Securitisation Part of the PRA Rulebook**) require that not only the relevant UK-established originator and sponsor but also the original lender must provide the notification to the FCA under the applicable FCA rules. However, SECN 6.2.1A, SECN 6.4 and SECN 6 Annex 1R only refer in this context to originator and sponsor. Therefore, to avoid compliance challenges in practice, this discrepancy between the PRA and the FCA rules must be reconciled so that either the "original lender" reference is deleted in Article 3A of the PRA rules noted above (which will be in line with the PRA/FCA Direction applied under regulation 25 of the Securitisation Regulations 2018 that did not include any references to original lenders established in the UK) or references to the "original lender" are added in SECN 6.2.1A and SECN 6.4 (with corresponding optional fields for original lender(s) and relevant LEI(s) added in the template set out in Annex 1R).

We would also welcome a clarification on the supervisory expectations regarding the position of **existing private securitisations** that have already been notified to the PRA and/or the FCA under the currently applicable regime. That is, it will be helpful to clarify (i) whether such transactions will be required

to complete the new applicable template in its entirety (e.g. for a non-ABCP transaction, the question is whether the main notification form *and* the supplementary notification form in SECN 6 Annex 1R will need to be completed) when providing ad hoc notification relating to significant events (or, if applicable, inside information-related disclosure) using the new templates; or (ii) whether it will be required for such existing securitisations to complete only the supplementary notification form of the applicable new template when making relevant ad hoc notification after amendments to the private securitisation notification rules come into effect.

2.13 Frequency of reporting and long first interest periods

(a) ***FCA Question 30**: Do you agree with our proposal to clarify the frequency of reporting for securitisations with a long first interest period?*

We recommend the following amendment to be made in SECN 6.2.2R(3) so that it is clear that this relates to the underlying exposure and investor reporting (rather than provision of other information, such as transaction documents essential to understand the deal and, if relevant, STS notification):

> "*Where a securitisation transaction has a first interest period that exceeds 3 months, the information described in SECNR 6.2.1R(1) and SECN 6.2.1R(5) must be first made available at the latest 1 month after the due date for the first payment of interest.*"

In the corresponding PRA rules, namely Article 7(1A) of Chapter 2, the clarification about the frequency of reporting in case of a long first IPD needs to move to the preceding paragraph that covers underlying exposure and investor reporting and be deleted from the paragraph after that that deals with disclosure of transaction documentation and, if relevant, STS notification. The mark-up below illustrates the required amendments:

> "*1A The information described in points (a) and (e) of paragraph (1) above shall be made available simultaneously each quarter or each month (as applicable) at the latest one month after the due date for the payment of interest with the data cut-off date not later than two months before the submission date or, in the case of ABCP transactions, at the latest one month after the end of the period the report covers with the data cut-off date not later than one month before the submission date (where a securitisation has a first interest period that exceeds three months, the information in final form must be first made available at the latest one month after the due date for the first payment of interest).*
>
> *The information described in points (b) and (d) of paragraph (1) above shall be made available in draft or initial form before pricing or original commitment to invest and in final form no later than 30 days after closing of the transaction or by the first scheduled interest payment date of the transaction if it falls within 30 days of closing of the transaction ~~(where a securitisation has a first interest period that exceeds three months, the information in final form must be made available at the latest one month after the due date for the first payment of interest)~~.*"

2.14 Approach to confidentiality and data protection

(a) ***FCA Question 31**: In light of the proposals set out in this paper, does the current formulation of SECN 6.2.5R create barriers to the issuance of*

securitisations by limiting its application to confidentiality and data protection laws which apply in the UK only?

The simplification of the transparency rules and the reduction in the number of the applicable reporting templates helps to remove some of the concerns relating to disclosure and reporting of information that gives rise to certain confidentiality and data protection issues. However, it may not remove all such concerns in practice. Therefore, we welcome the indication from the FCA that it might consider recognition of relevant laws applicable in other jurisdictions (beyond the UK) to facilitate the issuance of cross-border securitisations to which the laws of other jurisdictions may apply. We would support such a change, which can be helpful, for example, for CLOs if the UK CLO template applies (which we do not support and also refer in this regard to our comments in section 2.7(b) above).

(b) ***FCA Question 32****: If you disagree with our proposals on the transparency requirements, how could we change them?*

As per our comments above, we do not support the introduction of rules on mandatory use of a UK CLO template/Annex 4A.

2.15 Additional comments on transparency rules – designation of a reporting entity

We also recommend that the FCA and the PRA provide guidance for the purposes of SECN 6.3 and Article 7(2) of Chapter 2 of the Securitisation Part of the PRA Rulebook, respectively, clarifying that the designated reporting entity does not need to be a UK-established originator, sponsor or SSPE. This will ensure consistent interpretation of the PRA/FCA transparency rules in practice. Such clarification is also in line with the previous industry feedback and similar guidance already provided in the EU for the purposes of Article 7(2) of the EU Securitisation Regulation regime.

3. UK STS NOTIFICATION

(a) ***FCA Question 33:*** *Do you agree with our proposal to give originators and sponsors flexibility to decide whether the full details or anonymised version of STS notifications should be published for private securitisations?*

The proposed flexibility is in line with the recommendations of the Joint Associations' Response of 30 October 2023 and we fully support it.

(b) ***FCA Question 34:*** *Do you think the alternative proposal is preferable to our proposal?*

We agree with the FCA observations that the alternative proposals could run the risk of anonymised STS notifications being made on "public" (as defined) securitisations. We also agree with the FCA observations that such risk is relatively low as in most cases the originators and sponsors of such "public" securitisations are likely to be incentivised to promote STS designation and make it easier for investors to access relevant deal information on the FCA STS Notification Register. Therefore, this is also a viable option to pursue, although it will require further amendments to the existing proposals.

4. CREDIT GRANTING (FCA Q.36, PRA PROPOSAL 5)

FCA Question 36: *Do you agree with our proposals to clarify the rules surrounding credit granting in SECN 8.2? Please elaborate on your response and what alternatives should we consider?*

We support the proposed clarification that is intended to drive consistency of interpretation.

5. L-SHAPED RISK RETENTION (FCA Q.37, PRA PROPOSAL 2) AND OTHER COMMENTS RELATING TO RISK RETENTION

5.1 L-shaped risk retention

FCA Question 37: *Do you agree with the proposal to allow L-shaped risk retention as an eligible form of risk retention?*

We welcome proposals from the PRA and the FCA to introduce an additional L-shaped risk retention option. This is a positive development, as for several years, in many industry responses to post-Brexit UK reforms (including the Joint Associations' Response of 30 October 2023), the industry has advocated for this change.

This new flexibility for holding retained interest is most likely to gain early traction in private transactions, particularly where counterparties operate in non-European jurisdictions that already recognise or favour similar structures.

We greatly appreciate that in some other aspects of the proposed reforms the PRA and the FCA have sought to minimise the friction associated with operating on a cross-border basis. While the introduction of the L-shaped retention option is a divergence from the EU retention regime, this UK reform has the potential to shape the market more broadly and may set a useful precedent that could influence ongoing policy discussions in Europe, especially as the EU co-legislators and supervisors consider the degree of convergence or divergence desirable between the risk retention regimes in the EU and the UK.

For **synthetic SRT securitisations**, an additional consideration arises in relation to the L-shaped risk retention option. It would be helpful if the PRA could confirm, an approach to which they appeared open at the roundtable of 14 May 2026, that credit enhancement provided by synthetic excess spread (**SES**), which the PRA requires to be risk requested/deducted exactly like a first loss tranche – see 7.3 of the PRA Supervisory Statement 9/13,[10] can be used to satisfy the first loss element of any L-shaped retention – and, in general, counted towards first loss risk retention. The risk retention rules could otherwise be interpreted as prohibiting such an approach (notwithstanding their provision for off-balance sheet and contingent forms of first loss tranche) given the explicit prohibition on "excess spread" being taken into account in measuring the retention, if that prohibition is understood to include SES (the contrary view being that SES is not actually "finance charge collections and other fee income in respect of the securitised exposures net of costs" as referred to in the "excess spread" definition, but, rather, a threshold on credit protection payments that has some conceptual relation to anticipated levels of "finance charge collections and other fee income in respect of the securitised exposures net of costs"). In contrast, while the EU risk retention regime does not permit L-shaped risk retention, the EU RTS on risk retention[11] explicitly provide in Article 10(1)(d) for SES to count towards a retained first loss tranche. This change was introduced in the EU in July 2023 (after the end of the transition period in the Brexit process) in connection with the introduction, in the EU, of a capital charge in respect of SES (such a charge already being in force in the UK at that date).

We also observe that in SECN 5.2.8R(1)(f) where the text reads (emphasis added) "*sold or transferred **or sold** to investors*", there is a small drafting error (i.e. redundant "*or sold*").

[10] https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/supervisory-statement/2025/ss913update-july-2025.pdf

[11] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:L_202302175

5.2 Additional comments: Replacement of the risk retainer entity

We note that exemptions in the PRA and the FCA rules relating to replacement of the risk retainer entity are not proposed to be amended to include another exemption that is available in the EU regime, namely, an exemption "*for legal reasons*" beyond the control of the retainer or its shareholders. Whilst there is greater scope in the UK to apply for regulatory waivers, including in the context of risk retention, from a legal certainty and cross-border compliance perspective, it will nevertheless be helpful to include provisions that accommodate risk retainer replacement that is permitted under the EU risk retention regime to avoid non-compliance from the perspective of the relevant UK sell-side party on securitisations involving relevant European institutional investors. It would also be helpful if the risk retainer could be replaced in the event of a corporate reorganisation. Some leeway for the two situations described above would also be useful from a timing perspective – a UK investor in a securitisation may not be able to apply for and obtain a regulatory waiver in the relevant timeframe where it needs to make a timely decision as to whether to invest or continue investing in a transaction in the event of a potential change in the retainer in those circumstances.

5.3 Additional comments: UK risk retention rules and retention on a consolidated basis

We also wish to raise an additional comment relating to the PRA/FCA risk retention rules. It concerns retention on a consolidated basis, which is an area of post-Brexit divergence, as the UK rules require, broadly, retention within a UK prudential consolidation group, while the EU regime requires, broadly, retention within an EU prudential consolidation group.

We invite the PRA and the FCA to add some flexibility to the rules on retention on a consolidated basis and to permit UK subsidiaries of an EU prudential consolidated group to be able to meet the UK retention rules on the basis of such **EU prudential consolidation**. This change will go a long way to remove current compliance challenges on cross-border securitisations that need to meet both EU and the UK risk retention requirements. Such change will also be in line with the PRA and the FCA approach to the simplification of the due diligence rules on risk retention that provide for more flexibility to meet due diligence on risk retention notwithstanding the divergence (which will include the divergence relating to the retention on a consolidated basis) between the risk retention requirements in the UK and the EU.

In addition, the PRA and the FCA are also invited to consider permitting the satisfaction of the risk retention rules on the basis of the consolidated situation of the retainer entity determined in accordance with the **accounting** rules, standards and principles applicable to that group. We note that such change may be part of the ongoing negotiations at the European Parliament. Therefore, we want to draw the attention of the PRA and the FCA to the possibility of such EU change. Even if the EU does not go ahead with this change in the context of the ongoing negotiations on the EU securitisation reforms, this should not stop the PRA and the FCA from considering the introduction of such reform in the UK risk retention rules, as it would have (as with the L-shaped retention option) the potential to shape the market more broadly and may set a useful precedent that could influence policy discussions on further securitisation reforms in Europe.

6. RESECURITISATION (FCA Q.35, PRA PROPOSAL 4)

6.1 PRA Proposal 4 - Exemption 1: Resecuritisation of securitisations created by tranched credit protection on an individual exposure basis

We welcome the aspiration, evident in the PRA's proposal, to mitigate certain adverse consequences of HMT's Mortgage Guarantee Scheme (**MGS**) and private mortgage

insurance schemes with similar contractual features being interpreted as giving rise to synthetic securitisations. These schemes have (as previously flagged by AFME) been caught by full securitisation conduct and capital rules despite not exhibiting classic "originate-to-distribute" risk and hence subject to, in Members' view, disproportionate transparency, reporting and capital treatment, discouraging their use despite low structural risk. In addition, assets guaranteed under these schemes have - due to re-securitisation concerns – been unavailable for securitisation in order to obtain funding and/or liquidity.

Aspects of the proposed reporting reforms will assist in relation to the transparency burden for these schemes (the removal of prescribed loan-level disclosure templates, replacing them with principles-based disclosure requirements, the disapplication of securitisation repository reporting, subject to HMT legislation, and the reduction or elimination of requirements designed for multi-investor capital markets transactions).

PRA proposed re-securitisation Exemption 1 addresses the last adverse consequence: re-securitisation risk and is welcomed by Members.

We note, however, that the benefit of the proposed exemption is available only to PRA-authorised originators and sponsors and relevant UK investors and, as such, will not facilitate securitisations of assets guaranteed under MGS or private mortgage insurance schemes with similar contractual features where these have, or may have, EU parties involved on the sell- or buy-side. This is a significant restriction on the liquidity of such deals and on their viability. Nevertheless, we think that this UK reform sets a useful precedent that could influence future European policy discussions on the topic of re-securitisation.

As an aside we would also note that whilst this exemption is not proposed to benefit FCA regulated manufacturers, presumably, it does not mean to exclude SSPEs in-scope of the FCA conduct rules which are involved in a transaction with a PRA-authorised originator or sponsor that benefits from this exemption.

6.2 PRA Proposal 4 – Exemption 2: Resecuritisation of senior securitisation positions

We welcome the PRA's proposal to increase optionality in the treatment of re-securitisation of senior positions, which aligns with the broader intent of introducing proportionate flexibility into the UK framework.

As in relation to exemption one, we note, however, that the benefit of the proposed exemption is available only to PRA-authorised originators and sponsors and relevant UK investors and, as such, will not facilitate securitisations of senior securitisation positions where these have, or may have, EU parties involved on the sell- or buy-side. This is a significant restriction on the liquidity of such deals and on their viability. Nevertheless, we think that this UK reform sets a useful precedent that could influence future European policy discussions on the topic of re-securitisation.

We note the PRA's proposed safeguard to the effect that the exempted re-securitisation is expected to be homogeneous in terms of the asset class of the underlying exposures. Presumably this means that the underlying exposures of the securitised senior securitisation positions must be homogeneous, rather than that the underlying exposures of the exempted re-securitisation (senior securitisation positions) must be homogeneous? In this context, it would be good to clarify whether an exempted re-securitisation transaction could combine, as its underlying assets, senior securitisation positions in securitisations of a given underlying exposure class, with other non-securitised exposures of that class (provided that the exposures underlying the senior securitisation positions and the non-securitised exposures were homogeneous) – this would create helpful flexibility.

Greater clarity would also be helpful as to how these newly issued exempted re-securitisation securities should be categorised from an investor perspective: would they effectively constitute a new asset class, and if so, how would investors be expected to assess and price them? This would be relevant also in the context of the re-securitisations being pre-positioned with the Bank of England.

Clarity in relation to the above questions will be central to ensuring that the proposed optionality enhances, rather than complicates, market functioning.

It would be helpful if the PRA could clarify that the safeguard to both re-securitisation exemptions to the effect that the derogations "may only be applied once" means that the derogations "may only be applied once in relation to the same asset", rather than inviting interpretation that the derogation may, for example, be applied only once per originator.

We understand and assume that the re-securitisation exemptions would apply to securitisations, after the implementation date of the exemptions, of securitisation positions created before the implementation date of the exemptions.

6.3 PRA Proposal 4 - Alternative capital treatment for CRR firms' exposures to the exempted resecuritisations

We note the PRA's proposed capital treatment for the exempted re-securitisations involving:

(a) in relation to Exemption 1: firms calculating capital requirements for the underlying exposures (i.e. the single loans on which the tranched credit protection was written) disregarding the credit risk mitigation; and

(b) in relation to Exemption 2: firms treating the underlying senior positions as unsecuritised pro rata slices of the underlying exposures,

in each case subject to the 15% non-STS risk weight floor.

We note that these prudential treatments are conservative, reflecting no benefits associated with the original level of tranching, but understand the concerns relating to modelling complexity and cliff effects inherent in the tranching of tranched exposures, likely driving this treatment (as well as the general prohibition on re-securitisation), and note the superiority of the treatment to prohibition and penalty risk weighting (with a risk weight floor of 100% and p factor of 1.5) under current UK CRR Article 269.

6.4 PRA Proposal 4 - Amendment to the definition of re-securitisation

We note that an interpretation of the re-securitisation prohibition aligned with explicit statements in international standards (relating to the nature of re-securitisation, and to the impact of tranched credit protection on securitisation positions), as well as EBA Q&A and the securitisation CRM mechanics (which we would be happy to discuss with UK regulators in more detail bilaterally) makes the reference to the subdivision of an issued securitisation position into contiguous tranches, or consolidation of contiguous issued securitisation positions into one or a fewer number of tranches, being undertaken "by the securitisation's originator" superfluous and restrictive. Inclusion of the words "by the securitisation's originator" could be interpreted as preventing holders of securitisation positions other than the originator from undertaking examples of re-tranching that would – on the basis of those sources – be (clearly) permitted and not re-securitisation. Structures relying on this interpretation are not limited to those in which funded or unfunded credit protection is provided directly to the holder of a securitisation position on a tranched basis (protecting a senior and or junior portion of that securitisation position), but include structures in which an existing securitisation

position is the sole asset of an SPV that issues senior and junior pass through notes (pure pass through notes, no economic changes other than senior/junior subdivision) to achieve the same economic effect.

6.5 ***FCA Question 35**: Do you agree with our proposals to allow FCA regulated institutional investors to invest in these types of resecuritisations?*

It seems logical that if a resecuritisation is exempt and not subject to a ban it should be possible for relevant PRA- and FCA-regulated investors to invest in such transactions without breaching conduct rules applicable to them.

7. IMPLEMENTATION

7.1 Delayed entry into force

***FCA Question 38:** Is the proposed period of 6 months between publication of the final SECN instrument and the new requirements coming into force reasonable, assuming we proceed broadly as proposed?*

Please see our comments in section 2.7(a) above on the need for transitional provisions if it is mandatory to prepare the new UK CLO template. For UK CLOs, a grandfathering option (i.e. an opt-out right) in such a case would also be useful for transactions executed before the implementation date, for those sell-side parties for whom moving to a new (albeit simplified) reporting template would be prohibitively costly to implement (or to implement ahead of the application date).

7.2 Acceptance of EU underlying exposures templates for certain asset classes

***FCA Question 39**: Do you agree with the proposal to allow use of the current EU underlying exposure templates for certain asset classes instead of the new SECN 11 underlying exposure templates?*

Yes, we fully support this flexibility as most UK securitisations would seek to achieve dual compliance with the UK and the EU transparency rules, so this flexibility helps to avoid unnecessary duplication and reduces the cost and burden of compliance with ongoing reporting.

7.3 Guidance regarding the provision of underlying exposures information in the proposed new SECN 11 Annex 2 for residential real estate

***FCA Question 40**: Do you agree with the proposed guidance introduced in SECN 11.3.8G regarding the provision of underlying exposures information in the proposed new SECN 11 Annex 2 for residential real estate?*

We refer to our comments in section 2.6(b) above and note that, whilst the guidance that seeks to reduce duplicative reporting where a securitisation intends also to use the BoE template is helpful, it does not go far enough to simplify compliance because such guidance still requires that it will be necessary to supplement the BoE template with certain additional fields from SECN 11 Annex 2R. As noted above, UK manufacturers (or their agents that facilitate reporting) would therefore still be required to support multiple data definitions, validation rules and reporting outputs. This materially limits the extent to which the proposed changes reduce operational complexity for firms subject to both FCA and the BoE reporting regimes.

Therefore, to achieve true simplification, there should be either a formal convergence with the BoE templates or full mutual substitution between different reporting regimes (e.g. acceptance of the BoE RRE template without the need to provide additional SECN 11 Annex 2 information, as currently proposed, and acceptance of other BoE

loan-level data templates without the need to also provide the FCA template prescribed under SECN 11), otherwise, firms and service providers would need to implement additional data mapping and conversion solutions to transform existing BoE or legacy FCA data into the new FCA format. This introduces further transition complexity, implementation effort and cost.

8. SCOPE OF SECURITISATION RULES (FCA Q.41-47)

8.1 CLOs

FCA Question 41: *Do you have any views on the application of specific conduct rules (e.g. risk retention, credit granting standards) in regulating CLOs? What possible improvements, if any, do you consider could be made to address some of the concerns and criticisms articulated above?*

As noted above, we welcome the simplification of the due diligence rules of the PRA and the FCA that recognise that management fees payable to the collateral manager in U.S. open-market CLOs can be treated as permitted "alternative means" for meeting due diligence on sufficiency and appropriateness of the alignment of commercial interest of the relevant sell-side party with the institutional investor in the performance of the securitisation. **By analogy, it would appear logical to also permit managed CLOs with UK collateral managers to be exempt from the full scope of application of the risk retention rules of the PRA and the FCA and be permitted instead to demonstrate alignment of commercial interests in an analogous manner to what is accepted on U.S. CLOs.** We note in this regard that adopting such an approach in the UK would be in line with the recommendations of the Financial Stability Board set out in its report of January 2025,[12] which discussed geographical differences in implementation of the risk retention requirements, including specifically divergence of the U.S. and European risk retention rules for CLOs and noting that "*it would be important for authorities to consider the implications of these differences and explore opportunities to adjust their frameworks where possible*". This change will require further amendments to the PRA/FCA risk retention rules so that a more tailored to the CLO market risk retention regime is introduced with appropriate safeguards and the new definitions of such concepts as "collateral manager" (so that alignment of commercial interests does not require any analysis of eligibility of the collateral manager as "original lender", "originator" or "sponsor") and "collateral management fees". We would welcome further engagement with the PRA and the FCA on this topic and also note our related comments in section 2.7(a) above relating to the **CLO definition** and adjusted application of the **transparency rules** with the introduction of a new bespoke UK CLO template.

The application of the rules on credit granting standards, which is appropriate for more traditional securitisations, is less fit for purpose in the context of certain managed CLO transactions, in particular broadly syndicated loan (BSL) CLO where no single original lender/asset creator exists and the CLO collateral manager, which may in some (but not all cases) be identified as the relevant (so-called "limb (b)") "originator", acquires assets in the broadly syndicated bank loan market (i.e. these loans trade more actively in secondary markets). There is already sectoral legislation that regulates (outside the securitisation regime) participants at each "layer" of the BSL CLO structure. That is, any UK CLO collateral manager responsible for asset selection and portfolio management would be regulated under applicable to it FCA rules and the broadly syndicated loans themselves acquired by such collateral manager would have been originated by banks regulated in the UK, the EU or elsewhere. Therefore, if credit granting rules continue to apply to UK CLOs, it would be helpful to provide for more nuanced guidance as to what is required to demonstrate compliance for UK CLOs, aligning such guidance with that on risk retention due diligence which takes into

[12] https://www.fsb.org/uploads/P220125-1.pdf

account the collateral managers' fees as means for appropriate alignment of commercial interests that addresses "originate-to-distribute" risks.

8.2 Whole business securitisation (WBS)

FCA Question 42: *Do you have any views on the proportionality of applying the securitisation conduct rules to WBS?* ***FCA Question 43:*** *Do you consider that these kinds of structures should be exempt wholly or partially (e.g., as regards risk retention, transparency etc.) from some of those requirements?*

What is considered by the market as a WBS often involves structures that would fall outside the definition of "securitisation". Any introduction of an adjusted application of some (or all) of the conduct rules to WBS would require a definition as to what constitutes a WBS for these purposes, which will be challenging and likely to create unintended consequences for some new and/or existing securitisations. Therefore, we do not think it is necessary to adjust application of the conduct rules specifically for the purposes of WBS.

8.3 Correlation Trading Portfolio (CTPs)

FCA Question 44: *Do you have views on the application of the conduct requirements under the securitisation framework to CTPs?*

The securitisation rules of the PRA and the FCA already define[13] and exempt[14] CTPs from the risk retention rules. As noted in the Joint Associations' Response of 30 October 2023, correlation trading benefited from a special regime pre-2019, which also resulted in deemed compliance with investor due diligence, provided certain conditions were met. We believe that it was an oversight and an omission when the EU Securitisation Regulation regime was introduced not to address the appropriateness of the full scope of application of due diligence as well as credit granting standards and transparency requirements to this type of securitisation as it is self-evident that such requirements were introduced and designed without CTPs in mind.

Whilst proposals for significant simplification of the PRA/FCA due diligence rules can assist with addressing some of the concerns for CTPs, it will be more helpful to reinstate the position that existed pre-2019 that facilitated deemed compliance analysis.

We also agree with the feedback received by the FCA (as noted in its CP26/6) that fulfilling some of the other conduct requirements including credit granting and transparency is not always tenable or rational as this type of product does not entail granting credit, and, as these are publicly traded indices, there is little question of information asymmetry between the originator and the investor. Therefore, we recommend that the PRA and the FCA conduct rules provide for specific exemption for CTPs (similar to that for trade receivables) from the rules on credit granting standards and to expressly carve out CTPs from the transparency rules.

[13] SECN 5.2.11R: "*transactions based on a clear, transparent and accessible index, where the underlying reference entities are identical to those that make up an index of entities that is widely traded, or are other tradable securities other than securitisation positions*" (see also Chapter 2 Article 6(6) of the Securitisation Part of the PRA Rulebook)

[14] SECNR 5.13.1R: "*Transactions for which the retention requirement does not apply, as referred to in SECN 5.2.11R, shall include securitisation positions in the correlation trading portfolio, which are either reference instruments satisfying the criterion in Article 338(1)(b) of the UK CRR or which are eligible for inclusion in the correlation trading portfolio*" (see also Chapter 3 Article 13 of the Securitisation Part of the PRA Rulebook)

8.4 Other questions

(a) ***FCA Question 45:*** *For the securitisations discussed in this chapter, are there any other important factors that should be considered while examining the desirability of exemptions from specific conduct related SECN provisions?*

Assuming exemptions from full or partial scope of application of the UK Securitisation Framework are introduced for certain securitisations, it will be important to clarify how and whether such exemptions impact on the status of the existing (pre- and post-1 November 2024) securitisations. It would be helpful to ensure that there is some flexibility for existing securitisations to benefit, where relevant, from applicable exemptions that would enable such securitisations to reduce the cost and burden of regulatory compliance.

(b) ***FCA Question 46:*** *In the broader context of the discussion in this chapter, are there any other types of securitisations that should also be considered? Please elaborate on your response and explain what kinds of exemptions would streamline compliance responsibilities without compromising the soundness of the securitisation framework?*

We refer to the AFME response of December 2024[15] to the targeted consultation of the European Commission on the functioning of the EU Securitisation Framework (defined as SECR) that provided some feedback on possible revisions to the scope of the EU regime. Such feedback observed that the definition of the securitisation is set too widely to be appropriate for managing the mischiefs that the EU Securitisation Regulation seeks to address. For ease of reference, copied below is the relevant extract from the AFME response **(it is reproduced below without changes to illustrate earlier industry discussions on the issue of scope, but we recognise that some concepts in that extract are not defined and require further in-depth thinking on the appropriate scoping parameters)**. We would welcome further engagement on the matters discussed in this extract with the PRA and the FCA.

> "There are certain transactions that may meet the definition of securitisation but do not present the concerns that SECR is seeking to address. For those reasons, we would suggest leaving the definition of securitisation (which is cross referred to in many other pieces of legislation) untouched, but amending Article 1 of SECR to exclude certain transactions from its scope. The substance of SECR is largely to put in place measure to mitigate the risks that arise from (1) one entity originating debt while another takes the credit risk ("agency risks"); and (2) the complexity that arises from the portfolio effect when tranching a number of different credit risks ("model risks"). Agency risks arise in large part because of information asymmetry between the buy- and sell-side entities on transactions. AFME would therefore suggest that where these types of agency risk or model risks are not present – or when they are otherwise adequately addressed – then the transaction in question ought to be excluded from the scope of SECR. In particular, we would suggest excluding three categories of transaction from the scope of SECR via Article 1. These are as follows:
>
> (1) Transactions with fewer than ten underlying exposures where all materially relevant information on each underlying exposure is made available to investors and potential investors. (Minimal model risk because of the small number of exposures and minimal agency risk

[15] https://www.afme.eu/media/fqabc3pf/afmeresponsecommissionconsultationdecember2024.pdf

because of the full disclosure of information permitting meaningful, detailed due diligence by investors on each underlying exposure).

(2) Transactions where the underlying credit represents the credit risk of a single enterprise. (No model risk as only one credit).

(3) Transactions where the creation or management of the pool is already subject to another regulatory scheme, such as where the transaction is managed on a discretionary basis by an AIFM, a UCITS (or UCITS management company, or by an investment firm. (Presents mainly agency risks, but those are mitigated by an existing regulatory scheme.)"

(c) ***FCA Question 47:*** *Do you have any comments on our cost benefit analysis?*

We received no specific comments from our members to this question.

9. RISK-SENSITIVE IRB APPROACH TO SINGLE LOAN MORTGAGE SECURITISATIONS

9.1 PRA Proposal 1: Adjustment to Loss Given Possession (LGP)

We welcome the PRA's proposed refinement, for banks applying the IRB approach to credit risk, to the new prudential approaches to reflect the benefits of the guarantee in HMT's MGS, implemented under PRA Policy Statement 19/25 (**PS 19/25**).[16] Under PS 19/25, the PRA required banks applying the IRB approach to credit risk, to treat the guarantee received as pro rata, rather than tranched first loss, credit protection, with recognition being conditional on certain parameters relating to the tranche. This treatment was acknowledged to be conservative, creating a potential disconnect between AIRB and standardised approaches to RWA measurement, and industry requested development of an alternative approach allowing an LTV approach to loss given default (**LGD**) modelling. The PRA now proposes LGD modelling as an optional add-on to the existing IRB pro rata treatment making the treatment more risk sensitive. The PRA proposal permits firms to adjust the loss given possession (**LGP**) component of LGD models for the unprotected part of the exposure, but not other components (such as loss given cure (**LGC**), because the guarantee pays out only after the property collateral has been sold, and not probability of possession given default (**PPGD**), because possession policies should not be different for MGS exposures compared with other mortgage exposures).

Members agree that adjusting LGD (and not PD) is a proportionate reflection of how unexpected losses would materialise for affected customers and support the option to adjust the LGP component of the LGD model for the protected part of the exposure.

Certain Members would appreciate further clarification in relation to technical aspects of making the required adaptations to rating systems and are keen to understand whether the PRA would be willing to discuss approaches with individual lenders. Points for clarification would include:

- Specifics of how these changes would be applied e.g. specific adjustments to LGP / LGD estimates and whether adjustments should be made inside or outside the rating system.

- Governance expectations – whether the PRA considers this change to be a model or rating system change and therefore requires a pre-approval submission and

[16] https://www.bankofengland.co.uk/prudential-regulation/publication/2025/october/restatement-of-crr-requirements-near-final-policy-statement

allocation of a slot as part of the roll-out plan, or whether this should be done via pre-notification.

- Timelines – the CP refers to a target live date of Q2-2027; would the PRA have any appetite to accelerate this? This long lead time would limit / delay lenders' ability to change their approach and / or appetite for MGS lending.

10. ADDITIONAL COMMENT ON REQUIREMENT FOR CRM ELIGIBILITY OF HMT MGS

We note that, under Article 249(1) of the Securitisation Part, the unfunded credit protection constituting the tranches in a "qualifying securitisation", including HMT's MGS, can only be recognised where it complies with the applicable method in the Credit Risk Mitigation (CRR) Part. We have not undertaken a systematic review of the HMT MGS terms for compliance with the credit risk mitigation (**CRM**) requirements, however, aspects of the terms appear inconsistent with compliance. An example is provided below.

If this understanding is correct, then the lending bank beneficiaries of HMT's MGS will remain unable to recognise prudential benefits from the scheme, notwithstanding the PRA's helpful provision of dedicated rules in this respect. We would ask the PRA to consider amending the terms of the scheme, or the requirement for CRM eligibility in relation to the scheme in order to benefit from the prudential treatment for "qualifying securitisations", to address this issue.

Example CRM eligibility issue: LTV-Linked Prior Amortisation of the Guaranteed Tranche

Under the MGS terms, the (on the PRA's analysis) first loss tranche constituted by the HMT guarantee amortises before the (on the PRA's analysis) senior tranche retained by the mortgage lending bank due to the guarantee being of (very broadly) any excess of the actual LTV % over the target LTV of 80% applied to the value of the property[17], so that the guarantee reduces with loan repayment and/or property value increases before any reduction in the retained senior tranche) (the **LTV-Linked Prior Amortisation of the Guaranteed Tranche**).

Article 213(1)(c) of the Credit Risk Mitigation Part requires that a "*credit protection contract does not contain any clause, the fulfilment of which is outside the direct control of the [protection buyer]*", that (amongst other things) "*could prevent the protection provider from being obliged to pay out in a timely manner in the event that the original obligor fails to make any payments due*".

The LTV-Linked Prior Amortisation of the Guaranteed Tranche under the HMT MGS, however, involves the credit protection potentially decreasing with increasing property values, which are outside the mortgage lending bank's direct control, resulting in the protection being unavailable to pay out in the event that the original obligor fails to pay and causing prima facie CRM ineligibility.

Amortisation of credit protection *in line with the protected portion's pro rata share of repayments on the underlying obligation* is acceptable in non-securitisation credit protection (repayment of the underlying obligation is outside the protection buyer's direct control, but, since the protection amortises in line with the protected portion's pro rata share of repayment, the protection remains sized to cover the protected portion and does not prevent the protection provider from being obliged to pay in the event of payment failure on the protected portion). The LTV-Linked Prior Amortisation of the Guaranteed Tranche under the HMT MGS, by contrast, involves the credit protection

[17] See Recoverable Loss definition.

amortising *out of line with and faster than* the protected portion's pro rata share of repayments on the underlying obligation, causing prima facie CRM ineligibility.

In a synthetic securitisation – as the PRA characterises HMT's MGS (as opposed to non-securitisation credit protection) - the first loss tranche (here the MGS guaranteed tranche) would, moreover, be expected to amortise *after* the senior tranche (here the mortgage lending bank's retained tranche) has been fully repaid, rather than pari passu with the senior tranche (subject to a potential period of pro rata amortisation terminated by mandatory performance triggers and stress tested under the economic SRT assessment to ensure that sufficient protection will remain in place over the life of the transaction to ensure significant and commensurate risk transfer). The EBA SRT Guidelines (with which the PRA has indicated that it expects UK compliance) also articulate concerns (likely to be relevant to the LTV-Linked Prior Amortisation of the Guaranteed Tranche) about "*embedded mechanism[s]"* in credit protection capable of *"reducing the amount of credit risk transfer …disproportionately over time*".

The LTV-Linked Prior Amortisation of the Guaranteed Tranche under the HMT MGS could also, potentially, be regarded as creating uncertainty in relation to the maturity of the credit protection and the potential for maturity mismatch under the CRM rules[18].

11. ADDITIONAL COMMENT ON FALL-BACK RISK WEIGHTS PROVIDED FOR IN PRA 13/24

We propose to provide the PRA, by separate cover, with certain important technical considerations relating to the fallback investor risk weights provided for in PRA PS 13/24 and their interaction with the STS asset risk weights in revised Article 243(2)(b) of the Securitisation Part.

12. ADDITIONAL COMMENT ON IMPLICATIONS, FOR SECURITISATION, OF THE FUNDAMENTAL REVIEW OF THE TRADING BOOK (FRTB) ADVANCED STANDARDISED APPROACH (ASA)

We note that, in the context of the UK's implementation of Basel 3.1, both AFME and UK Finance have flagged up likely significant RWA increases for AAA senior securitisation positions in the trading book flowing from the implementation of the FRTB ASA (see AFME response of 12 September 2025[19] and the UK Finance response of 12 September 2025[20] to the PRA's consultation on Basel 3.1 (PRA CP 17/25)). These changes could have implications for banks' willingness to act as market makers, resulting in materially lower liquidity in public securitisation markets and

[18] See Article 249(3H)(b), Article 252(a) of the Securitisation (CRR) Part and Article 238 of the Credit Risk Mitigation (CRR) Part.

[19] Available at: https://www.afme.eu/media/s2el1hau/20250912-final-afme-response-cp1725.pdf. See the last paragraph on page 3 (and a related footnote), which reads as follows: "*Continued review is also important to ensure that the rules support the PRA and other UK authorities' other objectives. We note in particular that FRTB will increase market risk-weights for securitisation significantly [FN4], at a time when authorities are reviewing securitisation capital rules with a view to support securitisation. We would welcome clarification regarding the PRA's intentions to ensure the objective of developing the securitisation market is not undermined by the introduction of the rules.*

> *FN4: Industry analysis indicates that the change to RWA for a trading book for AAA securitisations could be as much as five times higher than under the current framework, particularly for the largest asset classes in securitisation. This would apply to trading books, not banking books, and therefore risks creating a bifurcated market as banking books would buy under one RWA framework but dealing desks would bid to a different RWA requirement. Ultimately these risks leading to reduced liquidity in the AAA market and increased underlying asset spreads which would logically feed through to increased costs for the consumer.*

[20] Available at: https://www.ukfinance.org.uk/system/files/2025-09/UK%20Finance%27s%20response%20to%20the%20PRA%27s%20consultation%20on%20Basel%203.1%20Adjustments%20to%20the%20market%20risk%20framework..pdf. See paragraphs 21-22 which read as follows:
"*21. We note that the transition from the current Basel 3.1 regime (aligned with the banking book treatment) to the FRTB ASA will significantly increase RWAs for senior securitisation tranches on the trading book. Large uplifts in capital requirements in the trading book, compared to the banking book for what are the same positions, will undermine competitiveness, and make it near impossible for firms to make attractive bids on the secondary markets, and the resulting illiquidity will make high grade securitisations less attractive to primary market investors.*
22. This is at odds with other efforts to deepen securitisation markets, for example the EU regulator is currently trying to reduce RWAs for senior tranches of STS transactions."

unintended systemic consequences in stress events. This also will discourage banks from investing in AAAs due to lack of liquidity and instead focusing on non-European securitisations. We would invite the PRA to engage with the securitisation industry directly on this topic.

13. ADDITIONAL COMMENT FOR THE PRA ON CONSIDERATION OF THE EU PRUDENTIAL SECURITISATION REFORM IN THE CONTEXT OF ITS IMPACT ON THE UK COMPETITIVENESS

As flagged in relation to previous PRA consultation responses, growth in the EU securitisation market – including through prudential reform – has been placed at the top of the agenda for Savings and Investment Union reform in the EU, with policymakers recognising its potential to facilitate (amongst other things) lending to the real economy and assist with the green transition, digital transformation and, increasingly, defence objectives. Following a consultation to assess the factors hampering the development of the securitisation market, including the prudential treatment of securitisation for banks and insurers, the European Commission has now published legislative proposals that envisage: significant reforms, under all risk weighting approaches, to the p factors and risk weight floors associated with securitisation positions, aiming to increase their risk sensitivity and decrease unjustified non-neutrality; significantly improved treatment of securitisation positions within the HQLA buffer for liquidity purposes; and simplification of the quantitative tests associated with SRT. The positions taken by co-legislators (although the negotiations are still ongoing at the European Parliament), are even more 'pro-growth' than the Commission's original proposals. The ECB has also launched a "fast track" notification process for more straightforward SRT transactions. The European Commission also adopted amending EU Solvency II legislation (that will apply from 30 January 2027) that, among other things, brings certain significant reductions in capital charges for investments in securitisation.

We note the potential level playing field/competitiveness issues that may arise from this divergence for UK CRR firms (assuming that the EU reforms are implemented in a form similar to those currently proposed) and UK Solvency II firms and would welcome further engagement with the PRA on how the existing prudential framework could be further improved with regard to the treatment of securitisation.

14. ADDITIONAL COMMENT FOR HMT (AND PRA) ON THE DEFINITION OF "FINANCIAL INSTITUTION" AND SSPE CARVE-OUT (BASEL 3.1 IMPLEMENTATION)

We refer to the Credit Institutions and Investment Firms (Miscellaneous Definitions) (Amendment) Regulations 2026[21] and the definition of "financial institution" in regulation 15(2),[22] which, unlike the EU Capital Requirements Regulation (as amended by EU CRR3),[23] does **not** include a helpful carve out for SSPEs. We therefore **recommend that** such **express clarification exempting SSPEs from the definition of "financial institution"** is made in the UK regime as there should be no reason why the EU and the UK definitions should differ in this regard. This clarification will ensure consistency of interpretation on the scope of prudential consolidation and consolidated reporting obligations and will help to avoid having to run otherwise more complex analysis in the UK as to whether SSPEs are in-scope.

[21] https://www.legislation.gov.uk/uksi/2026/480/contents/made
[22] https://www.legislation.gov.uk/uksi/2026/480/regulation/15/made
[23] See EU CRR (as amended by EU CRR3): EUR-Lex - 02013R0575-20260101 - EN - EUR-Lex
Article 4(1) para (26) (emphasis added):
*"financial institution" means an undertaking that meets both of the following conditions: (a) it is **not** an institution, a pure industrial holding company, **a securitisation special purpose entity**, an insurance holding company as defined in Article 212(1), point (f), of Directive 2009/138/EC or a mixed-activity insurance holding company as defined in Article 212(1), point (g), of that Directive, except where a mixed-activity insurance holding company has a subsidiary institution;[…]*

Contacts

AFME	UK Finance
Shaun Baddeley Managing Director, Securitisation Shaun.Baddeley@afme.eu +44 (0)20 3828 2698	Andrew Day Director, Prudential, Reporting and Taxation andrew.day@ukfinance.org.uk +44 (0)20 3934 1025
Maria Pefkidou Director, Securitisation Maria.Pefkidou@afme.eu +44 (0)20 3828 2707	Nala Worsfold Principal, Financial & Risk Policy nala.worsfold@ukfinance.org.uk +44 (0)20 3934 1345

CREFC Europe	ICMA
Peter Cosmetatos CEO PCosmetatos@crefceurope.org +44 7931 588451	Miriam Patterson Senior Director, Market Practice & Regulatory Policy miriam.patterson@icmagroup.org +44 (0)20 7213 0321