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Association for Financial Markets in Europe

Consultation Response

Commission call for feedback on amendments to the Solvency II Delegated Regulation

5 September 2025

The Association for Financial Markets in Europe (AFME) welcomes the opportunity to provide feedback on the European Commission's draft amendments to the Solvency II Delegated Regulation. Please find our comments below:

- We applaud the Commission's engagement with industry feedback and its ambition in the interests of the EU real economy. In particular, we applaud the Commission's engagement with rigorous data-driven analysis, such as the one provided to it by AFME and Risk Control Limited (the "**AFME/RCL Study**") on the subject of Solvency capital requirements ("**SCRs**") in respect of insurance and reinsurance undertakings' (collectively "**insurers**") investments in securitisations.

- In particular, we applaud:

    - The proposal to level the playing field by bringing the SCRs for insurers' investments in senior STS securitisations into line with the SCRs for equivalently rated covered bonds.

    - The proposed significant steps to make SCRs for investment in both non-senior STS securitisations and non-STS securitisations more risk sensitive.

    - The proposal to include senior and highly rated STS securitisation positions in the liquidity buffers under the forced sale rules.

- Taken together, we believe these measures will significantly reduce the serious barrier to investment in securitisations by insurers caused by the current SCRs imposed under the Solvency II delegated act, which are 2-8x higher than those calculated in the AFME/RCL Study for non-STS securitisations. They also have the important effect of reducing the current cliff effects pursuant to which insurers are discouraged from investing in senior STS securitisations in case the transaction loses STS status and the insurers capital requirements suddenly jump by 10-12x.

- In addition to the proposed changes having a direct impact on standard model insurers, the proposed changes would also help reduce barriers to securitisation investment for internal model insurers. This is because we understand that supervisors are often unwilling to approve internal models which produce outputs that significantly deviate from the standard model SCRs. The implementation of the proposed changes would therefore also provide a more risk sensitive benchmark for the outcomes determined by internal models.

- We further note that introducing more risk-sensitive SCR calibrations for both non-senior STS and senior non-STS securitisations will better align regulatory capital with credit and market risk. In doing so, investment will be logically driven by credit analysis rather than regulatory returns. This counterintuitive behaviour will logically occur in a situation where the capital required for an investment grade exposure is approaching 100%, i.e. the maximum possible capital charge, which will drive investors down the credit curve to a point where returns on regulatory capital are more appropriate. For more detail, please see

AFME's Response to the Commission Call for Evidence on the EU Securitisation Framework dated March 2025 (the "**AFME SF Response**").

- While we appreciate the Commission's very significant steps toward bringing SCRs for securitisation investments into line with the real risk of these investments, we note that the Commission's proposed revisions would still leave SCRs for securitisation investments materially higher than is justified by the evidence of loss in the 99.5% scenario as set out in the AFME/RCL Study and further contextualised in the AFME SF Response. **We would therefore encourage the Commission to consider whether further adjustments might be made such that the SCRs for securitisation investments more closely match the real risks of those investments.** The shortfall of such mismatch is particularly stark for both non-senior STS and non-STS securitisations when comparing their relative value against other asset classes and when assessing the proposed framework against those of global competitors, as it discourages overseas insurance businesses from establishing in the EU and limits the capital flows that would otherwise follow.

- We note that the term "sufficiently fixed cash flows" in the proposed Article 54a is not explicitly defined in the draft Delegated Regulation. We understand this term to refer to assets whose cash flows, while not strictly fixed in a contractual sense, are nonetheless highly predictable and suitable for matching long-term insurance liabilities. This interpretation aligns with EIOPA's recent Opinion (and, more broadly, also with supervisory guidance from the Prudential Regulation Authority in the UK), which supports a more flexible approach to asset eligibility under the Matching Adjustment framework. It is, however, unclear to us whether this is intended to permit inclusion of appropriate securitisation investments in Matching Adjustment portfolios. We would welcome clarification of the "sufficiently fixed cashflows" concept. One way this might be approached could be by explicitly referencing "highly predictable cash flows" and setting out supervisory expectations regarding materiality thresholds and modelling standards. Such clarification would enhance regulatory certainty and support insurers in responsibly expanding their investment universe. The shift from requiring "fixed" cash flows to allowing "highly predictable" ones (with proper checks like attestation and external assurance) would in our view be a meaningful change as this may open the possibility for certain securitisations to be considered for MA portfolios, where insurers can demonstrate that they are well-structured and have stable cash flows. Even if the impact is not immediate, it could help insurers invest more in real economy assets, from long-term assets like infrastructure and sustainable finance securitisations to RMBS.

- In Article 2, the Commission proposes that the Delegated Regulation shall apply from 30 January 2027. We assume that this timing is chosen at least in part to coordinate with the application date of the separate securitisation framework amendments proposed on 17 June 2025 (to SECR, the CRR and the LCR Delegated Act). In any case, we are of the view that the part of the Solvency II Delegated Act amendment relating to securitisation should apply at the same time as the rest of the securitisation framework amendments.

- As always, we remain available to discuss any aspect of this response at your convenience.

About AFME

AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. We advocate stable, competitive, sustainable European financial markets that support economic growth and benefit society.

AFME is the European member of the Global Financial Markets Association (GFMA), a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) in Asia.

AFME is registered on the EU Transparency Register, registration number 65110063986-76.

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