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## Press release

### **Joint industry letter warns absence of EU securitisation market is a strategic loss for Europe**

Trade bodies call on policy makers to undertake targeted measures to support securitisation's role in financing the economy

Monday 7 November

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A group of nine organisations representing key participants in the European securitisation market have written a public letter to EU policymakers, calling on them to take urgent targeted measures to ensure that securitisation can support the European economy during a testing period marked by macroeconomic uncertainty.

The group includes the Association for Financial Markets in Europe (AFME), the Dutch Securitisation Association, the European Banking Federation (EBF), the International Association of Credit Portfolio Managers (IACPM), Leaseurope, Eurofinas, Paris EUROPLACE, PCS and True Sale International (TSI).

The letter calls for urgent action as it highlights how securitisation volumes in Europe have continued to decline in 2022<sup>1</sup>, in sharp contrast to the growth seen in other markets in recent years. The United States, for example, recorded its highest ever issuance levels in 2020 and again in 2021.

It is also a critical moment for the European securitisation market as key regulatory workstreams are underway which could contribute to the recovery of the market or exacerbate current regulatory imbalances. For example, targeted measures in the prudential requirements for banks under CRR3, and insurers under Solvency 2, together with a well-designed EU Green Bond Standard, would be important steps towards a better functioning market. The organisations are therefore calling on EU legislators to use these discussions to introduce immediate adjustments to securitisation-related calibrations and concrete mandates for more risk sensitive revisions to be undertaken as a subsequent step. There are also critical technical standards under preparation which could negatively impact the market if further disproportionate requirements are introduced.

The joint Association leaders write in the letter: *"The absence of a well-functioning securitisation market represents a strategic loss to the European financial system. It is undermining the competitiveness of European financial institutions and limiting their ability to recycle capital to support new financing. It has encouraged institutional investors to shift towards other products that do not offer the same advantages in terms of protection, transparency and liquidity."*

*"At the heart of the problem is a disconnect between the Commission's vision for securitisation in Europe – a tool making a significant contribution to a well-functioning financial system that efficiently finances the real economy – and aspects of the regulatory framework which remain miscalibrated and, in practice, disincentivise issuance and investment in securitisations, thus holding back the tool's potential to support the economy."*

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<sup>1</sup> In Q2 2022, EUR 34.5bn of securitised product was issued in Europe, a decrease of 45.9% from Q1 2022 and a decrease of 5.1% from Q2 2021. Of the EUR 34.5bn issued, EUR 16.4bn was placed, representing 47.4% of the total, compared to the 51.2% of issuance in Q1 2022 and 71.7% of issuance in Q2 2021. Outstanding volumes (ex-CLOs) decreased to EUR 964.1bn outstanding at the end of Q2 2022, a decrease of 2.38% QoQ and a decrease of 0.85% YoY. Source: [AFME Securitisation Data Report Q2 2022](#).

The full letter can be found [here](#)

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**About AFME:**

AFME (Association for Financial Markets in Europe) advocates for deep and integrated European capital markets which serve the needs of companies and investors, supporting economic growth and benefiting society. AFME is the voice of all Europe's wholesale financial markets, providing expertise across a broad range of regulatory and capital markets issues. AFME aims to act as a bridge between market participants and policy makers across Europe, drawing on its strong and long-standing relationships, its technical knowledge and fact-based work. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. AFME participates in a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) through the GFMA (Global Financial Markets Association). For more information please visit the AFME website: [www.afme.eu](http://www.afme.eu). Follow us on Twitter @AFME\_EU