
Press release

AFME welcomes EU proposal to boost EU securitisation market

17 June 2025

Commenting on the publication of the European Commission's legislative proposal on Securitisation today, **Adam Farkas, Chief Executive of the Association for Financial Markets in Europe (AFME)**, said:

"We welcome the Commission's legislative proposals that aim to address barriers to the development of the EU securitisation market. It is particularly positive that the Commission has adopted a holistic approach through a series of reforms. This approach has the potential to unlock the benefits of securitisation – an important financing tool that can contribute towards meeting Europe's significant investment needs and support growth and EU competitiveness. In this regard, it is also encouraging that the Commission's proposals acknowledge the current lack of sufficient risk sensitivity of the capital framework and the need to simplify due diligence and transparency requirements.

"While the proposals are a step in the right direction, it is crucial to avoid introducing any measures that may inadvertently undermine the core objective of the reform to stimulate both demand for securitisation - through a growing investor base - and supply. Of course, a thorough assessment of the initiatives is still needed to understand the potential impact of the proposed reforms on the market.

"As it is the first legislative initiative of the Savings and Investment Union strategy, it will be important that co-legislators take an evidence-based approach to the upcoming negotiations to help rebalance the financing structure of Europe's heavily bank-based economy toward capital markets."

Following a preliminary review of today's regulatory measures proposed by the Commission, AFME makes the following comments focusing on key positives and critical challenges to achieving the ultimate objective of effectively contributing to the Savings and Investment Union (SIU).

In respect of the Securitisation Regulation (SECR):

- We strongly support the Commission's intention to simplify the due diligence requirements under Article 5. For example, removing the requirement for EU investors to check the compliance of sell-side parties with the obligations stipulated in the SECR where the sell-side parties are based in the EU is a positive step in the right direction. However, these simplification efforts risk being undermined by the introduction of disproportionate sanctions, such as the ones which include fines of a percentage of global turnover. Not only will this measure discourage new investors from entering the market, but it could also end up driving currently active investors away, shrinking an already limited investor base.
- We also welcome the Commission's intention to ease the reporting burden for banks by significantly reducing the number of required fields in the disclosure templates, which is likely to support increased issuance. However, we are concerned by the following two proposals in relation to Article 7:

(a) Broadening the definition of public securitisation:

While the Commission's intention to lower the reporting burden currently faced by issuers is helpful, this objective risks falling short if listing to EU trading venues is used as a distinguishing feature for defining public securitisations. If these listings are considered public, the additional unintended effect of doing this will likely be to drive listing away from the EU to foreign jurisdictions, and EU authorities' oversight will decrease as a result.

More generally, if the definition of public securitisation is drawn too broadly, a very limited number of private deals will see the benefit of the envisaged simplified template for private securitisations. In effect, the revised definition will impose the full extent of "public" reporting obligations on deals currently considered private, in which investors already receive all information required. This duplicative reporting requirement increases operational costs and creates yet another serious disincentive, this time, to issuance.

(b) Requiring private deals to report to EU securitisation repositories:

Any requirement that private securitisations report to securitisation repositories would also have an adverse impact on issuance. This will increase both compliance and transaction costs. For example, it will particularly discourage first time issuers who may be considering using securitisation to fund their early-stage growth. In respect of third-country deals, EU template requirements already disincentivise non-EU clients from using EU banks, so requiring them to also report to EU securitisation repositories as a result of an EU investor's participation in the transaction would have the effect of increasing the regulatory burden even more and add further complexity to the reporting regime. In this regard, we welcome the recommendation of the Joint Committee of the ESAs in the [Article 44 Report](#) of 31 March 2025 not to require third-country securitisations to report to an EU-registered securitisation repository.

In respect of the prudential framework:

- We welcome that today's proposal acknowledges that the current prudential framework creates undue barriers for credit institutions to issue and invest in securitisation. However, and subject to further analysis, AFME cautions against changes to bank capital treatment that would unintentionally inflate capital charges beyond current levels under the current regime for banks in any role. In relation to the concept of resilient transactions - which represents an additional layer of complexity and comes on top of the Single Transparent and Standardised (STS) label - it is crucial that the cost of complexity is countered by appropriate capital benefits impacting a meaningful proportion of the market.
- We support the fact that the Commission decided to address the treatment of securitisation under the Liquidity Coverage Ratio (LCR) and the opportunity to contribute to the consultation on the proposed changes to the delegated act. While AFME will develop further views in the coming weeks, our initial observation is that the benefit attributed to STS or resilient eligible transactions falls short of the ambition indicated in other areas of the proposal.
- With respect to Solvency II, it is positive that the Commission also intends to introduce reforms that support the return of insurers as investors in the securitisation market. It is indeed particularly needed to recalibrate capital charges for non-senior STS and non-STS tranches for this category of investors. We look forward to the upcoming consultation on the Solvency II Delegated Regulation.

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Notes:

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