
Connecting German businesses with investors through securitisation

February 2025

How German businesses benefit from securitisation

Summary of recommendations

- On an EU level, support the adoption of the following **package of measures** to revive the EU securitisation market, namely:
 - Improve the capital and liquidity treatment of securitisation under the Capital Requirements Regulation (CRR), the Liquidity Coverage Ratio (LCR) and Solvency II;
 - Introduce more proportionality for due diligence and reporting requirements; and
 - Simplify the STS criteria.
- On a national level, address German law specificities in order to eliminate uncertainty and regulatory gaps in the national legislation and extend thereby the use case for securitisation to help cover the large funding needs of the German economy.

This note is organised as follows:

- Context
- Case studies: Enpal, Europcar, Auxmoney, LBBW
- Securitisation regulatory framework
- Recommendations for the next German parliament
- Annex 1 – Defining Securitisation
- Annex 2 – AFME Publications

Context

German businesses which sell their goods and services on credit have for a long time used their trade receivables as a way of financing their working capital. They do this by connecting with investors who are interested in investing in the receivables.

Financial institutions which provide consumer or corporate loans or leases in Germany have similarly used these assets as a way of financing loans to new customers. They do this by connecting with investors who are interested in investing in corporate or consumer exposures.

The technique which is used to make the connection is **securitisation**.

The purpose of this note is to provide some case studies/examples of how securitisation is used by businesses and financial institutions in Germany, and to make some recommendations for the next German parliament. Annex 1 provides a brief description of the three different types of securitisation as recognised by the EU Securitisation Regulation (SECR),¹ whilst Annex 2 lists out various AFME publications which will allow readers to explore securitisation-related matters in greater technical detail.

¹ Regulation (EU) 2017/2402

Case Studies

1. Company accessing funding from the capital markets

Companies can use securitisation to raise capital and diversify their funding sources.²

Example: Enpal

- Enpal is a Berlin-based company which provides residential homeowners with renewable energy solutions, such as solar thermal and photovoltaic systems and heat pumps.
- It also provides financing solutions, such as solar instalment purchase loans³ with which customers can finance the costs of installation and commissioning.
- By using securitisation, Enpal can re-finance private bank financing with funds from institutional investors in the capital markets.
- For example, in November 2024, Enpal placed the first public residential solar asset-backed securitisation (ABS)⁴ in Europe. This transaction is “asset-backed” because the bonds issued in this structure are “backed” (i.e. secured) by a portfolio of c. 8,500 solar loans originated by Enpal.
- This debut transaction of €240 million, labelled “Golden Ray – 1”, was issued as a Green Bond complying with the Green Bond Principles of the International Capital Market Association (ICMA).
- The transaction was also verified by STS Verification International GmbH (SVI) as a securitisation meeting the requirements of the SECR for simple, transparent and standardised securitisations (STS).
- The investor demand for this deal was high with 18 investors having been involved. Among those, the European Investment Bank (EIB) acted as an anchor investor with €50 million, while the European Investment Fund (EIF) also provided an embedded guarantee of additional €50 million.⁵
- This deal is a prime example of how capital markets investors can channel private investment via securitisation to finance renewable lending. Securitisation has therefore a key role to play in financing the green transition in the EU which requires €620 billion annually as estimated by the European Commission.⁶

2. Company financing working capital

Companies can use securitisation to finance their working capital.

Example: Europcar⁷

- Europcar, a car rental company, can finance their working capital by selling their rights on rental revenues and resale proceeds on their revolving pool of cars/vans (i.e. receivables).

² Bank lending currently represents 76% of business financing in Europe ([here](#)). However, businesses can also access market-based financing via the capital markets. Securitisation, as a capital market instrument, can serve such function.

³ A solar loan is a loan intended only for financing solar thermal and photovoltaic systems. It is usually a low-cost instalment loan offered by credit institutions. As an instalment loan, it may, however, also be offered by businesses as the sellers for financing the acquisition of goods and services (such as solar thermal and photovoltaic systems) in instalments. For more information on Enpal's solar loans, please click [here](#).

⁴ “ABS” stands for asset-backed securities, i.e. securities backed by income-generating assets, such as receivables, mortgage loans, student loans, auto loans etc.

⁵ EIB press release ([here](#)).

⁶ European Commission, Strategic Foresight Report 2023 ([here](#)).

⁷ Acquired by Volkswagen Group in 2022.

- The rental receivables are sold to a legally separate, bankruptcy-remote entity⁸ which finances the acquisition by issuing asset backed bonds or asset-backed commercial paper (ABCP)⁹ to investors backed by these receivables.
- For example, in July 2021, Europcar refinanced their rental fleet securitisation programme backed by an average of 190,000 vehicles in their main continental European countries, namely France, Germany, Spain and Italy. Europcar has also linked their rental fleet securitisation programme to ESG principles. As part of their Corporate Social Responsibility framework and Carbon Reduction Plan, they incorporated an interest step-up or step-down mechanism depending on the achievement of a sustainability performance KPI covering the percentage of green vehicles (less than 50 g CO2/km) within its car and van fleet.
- The programme was refinanced, extended to Ireland and increased to €1.825 billion in 2024.

3. Credit platforms financing loans to new customers

Credit platforms can use securitisation to finance loans to new customers.

Example: Auxmoney

- Auxmoney, a digital lending platform, was founded in 2007 with the goal of providing consumer loans digitally to a wider customer base in Germany.
- Its technology-focused, proprietary risk framework, built on 15 years of collected borrower data, gives Auxmoney an edge over traditional banks in the German market – particularly in the underserved near-prime lending space.
- Auxmoney connects with new investors using securitisation.
- The legal process for the securitisation is that Auxmoney offers new investors the opportunity to invest in debt securities (ABS) backed by the consumer loans.
- Information about the offer is set out in a prospectus. This document is very detailed, so that investors can fully understand the offer.¹⁰
- In 2024, Auxmoney reached a new milestone issuing two bonds in one year with total volume of €1 billion.¹¹

4. Banks freeing up lending capacity through the purchase of credit protection

The most efficient way for a bank to increase its lending capacity and provide new loans is through Significant Risk Transfer (SRT) whereby the bank buys credit protection in relation to the loans it has made. (The idea is similar to insurance, i.e. if the loans default in an amount hitting the tranche of the seller of protection, the bank has a claim against the provider of the credit protection).

The credit protection is provided through a contract, for example through a guarantee agreement, whilst the underlying (“guaranteed”) loan receivables remain with the bank, i.e. are not sold and transferred. As the underlying assets are not sold in this transaction type, this securitisation structure is also referred to as on-balance sheet or synthetic (as opposed to traditional or true sale) securitisation.¹² Via the guarantee the bank can transfer the risk associated with the underlying loans (Significant Risk Transfer) and thereby can free-up regulatory capital, which the bank can then use for issuing new loans.¹³

Example: Landesbank Baden-Württemberg (LBBW) as lender with guarantee from the EIB group

⁸ For the definition, please refer to Annex 1.

⁹ For the definition of ABCP, please refer to Annex 1.

¹⁰ For an example, please click [here](#).

¹¹ [Here](#).

¹² For the definitions of traditional and synthetic securitisation, please refer to Annex 1.

¹³ For more information on the European SRT market, please refer to this [ESRB paper](#): Occasional Paper Series No 23, “The European significant risk transfer securitisation market” by Fernando Gonzalez & Cristina Morar Triandafil.

- In September 2023, LBBW bought credit protection against a loan portfolio of €3.2 billion.
- The loan portfolio consisted of loans to small and medium-sized companies and other corporates originated by LBBW in its ordinary business.
- The credit protection was provided by the EIB group through a €175 million guarantee contract.
- The transaction freed up capital that would then be used to channel €350 million in new financing from LBBW for clean power projects and supporting LBBW's lending in the renewable energy sector, thus contributing to the decarbonisation of the German economy and to Europe's energy independence. This was one of the first transactions of its kind in Germany.
- More background on the transaction is available [here](#).

Securitisation regulatory framework

The EU securitisation framework was adopted in January 2019 with the key objective of reviving the European securitisation market which remained subdued after the Global Financial Crisis (GFC). It is primarily governed by the SECR which established a harmonised set of rules across EU Member States and introduced a framework for STS securitisations.¹⁴ The SECR, which aimed to enhance transparency, reduce complexity and promote financial stability, imposed strict due diligence and reporting requirements which ended up constricting market activity to some extent.

On the prudential side, the CRR¹⁵ outlines the capital and risk management requirements that financial institutions need to comply with when engaging in securitisation activities. It establishes rules for calculating risk-weighted exposure amounts for securitised assets aiming to ensure that institutions hold adequate capital to cover potential losses. Similarly, Solvency II,¹⁶ the EU regulatory framework for insurance and reinsurance companies, includes capital calibrations for securitisation designed to determine the amount of capital insurers need to hold against investments in securitisations. Under both regulations, capital calibrations are overly conservative lacking risk sensitivity which is another factor that hinders growth in the EU securitisation market.

Lastly, the LCR,¹⁷ another key regulatory standard, aims at ensuring that banks maintain sufficient high-quality liquid assets (HQLA) to cover net cash outflows during a 30-day stress period. Only securitisations that meet stringent requirements, such as the STS criteria, and have high credit quality are eligible for inclusion as HQLA, whilst they're also subject to strict haircuts – all factors that disincentivise investments in securitisation as evidenced by the AFME LCR Survey published in June 2024.¹⁸

Consequently, although the EU securitisation framework aimed to resurrect the market (STS and non-STS), it is still struggling to reach its full potential. This becomes particularly apparent when one compares the EU market to other jurisdictions.¹⁹ Thankfully, the regulatory framework is currently under review by the European Commission (following its consultation which closed on 4 December 2024), which will hopefully lead to targeted amendments necessary to make the regulatory framework more proportionate and fit for purpose. AFME has made several recommendations in this respect which are briefly mentioned below.

Recommendations for the next German parliament

Germany should proactively support adjustments to the EU securitisation framework to reduce the existing unnecessary regulatory complexity so that the market becomes more attractive for companies, banks and

¹⁴ STS securitisations benefit from preferential capital treatment under the CRR provided they meet certain criteria.

¹⁵ Regulation 575/2013

¹⁶ Directive 2009/138 and Delegated Regulation 2015/35

¹⁷ Delegated Regulation (EU) 2015/61

¹⁸ The AFME LCR Survey can be found [here](#).

¹⁹ As noted [here](#) by the European Stability Mechanism, in 2008, the size of the European securitisation market (the UK included) was 75% that of the US, however it diminished to only 6% in 2020, a year after the implementation of the EU securitisation framework.

investors. AFME made the following recommendations in its 5-point plan (June 2024)²⁰ for the revival of the EU securitisation market:

- To **deliver capital to the real economy**, reforms should be made to:
 - The bank prudential framework (CRR) to ensure capital rules are proportionate to the relative riskiness of European securitisation and accurately reflective of the unique and extensive safeguards included in the EU securitisation framework (such as risk retention, ban on resecuritisation and credit-granting criteria).²¹
- To stimulate **demand**, reforms should be made to:
 - Solvency II capital calibrations to revive demand from the insurance sector;
 - LCR eligibility criteria and haircuts which currently disincentive investments in securitisation for HQLA purposes; and
 - Article 5 due diligence requirements under the SECR which currently create several challenges in the investment process and create disproportionate high costs to institutional investors.
- To stimulate **issuance**, reforms should be made to:
 - Article 7 of the SECR which imposes overly prescriptive, burdensome and complex disclosure requirements on originators, sponsors and SSPEs; and
 - The STS framework which prescribes highly granular and conservative STS criteria which negatively impact the take-off of STS securitisation.

Apart from these reforms which need to be endorsed collectively at an EU level, Germany should also aim to address German law specificities in order to eliminate uncertainty and regulatory gaps in its national legislation, as such issues were identified in the recently published BdB/TSI report titled “A strong, competitive Europe: unlocking the potential of securitisation”.²² Legislative measures at the national level should specifically aim to extend the use case for securitisation to help cover the large funding needs of the German economy, i.e. infrastructure, digitalisation and transition investments. By eliminating unnecessary restrictions and developing appropriate legislative frameworks, securitisation techniques can help bridge the funding gap by accessing private capital that has not been used so far. For example, with the appropriate legal framework, certain infrastructure and transition investments by municipal utility companies (*Stadtwerke*) could be refinanced by capital markets investors looking for stable inflation adjusted returns.

²⁰ The AFME 5-point plan can be found [here](#).

²¹ Articles 5, 8 and 9 of the SECR respectively.

²² The Bdb/TSI report can be found [here](#).

Annex 1 – Defining Securitisation

Securitisation represents a mechanism that financial and non-financial institutions deploy in order to raise finance and transfer credit risk. It is a process by which an entity uses its assets, mainly the income stream generated by them in order to support the issuance of securities. There are **three main types** of securitisation, namely traditional (or true-sale or cash) securitisation, synthetic (or on-balance-sheet) securitisation and asset-backed commercial paper (ABCP) which we define below. (Apart from these three, there are also other securitisations that meet the definition of “securitisation”, because there is credit risk tranching, and other elements of the “securitisation” definition are also met, such as managed CLOs, certain loan-on-loan structures and correlation trading.)

- **Traditional securitisation** is the process of pooling together a large number of receivables (such as mortgage loans, loans to purchase cars, car leases, trade receivables, loans to SMEs or rooftop solar loans) held on the balance sheet of a bank or other financial institution or businesses (the “originator”) and selling them to a newly created and legally separate entity (the “Securitisation Special Purpose Entity” or “SSPE”).²³ This SSPE finances the purchase of the receivables by issuing bonds to investors. The receivables generate cashflows (for example, monthly mortgage payments from homeowners), which are used to repay the investors. Investors have recourse only to the underlying securitised receivables and have no claim on the originator for credit losses.
- **Synthetic securitisation** is almost always executed via financial guarantee or credit default swaps (CDS). The assets or claims “securitised” are not sold or transferred but remain on-balance of the originating bank, which instead buys protection against credit risk on the reference portfolio. Payments due on the synthetically securitised pool of assets (reference claims) are tracked and lead to a reduction of the notional amounts of the credit derivative contracts. Losses that occur on the reference claims held on balance are allocated to the most junior investor first. Supervisors review such transactions to confirm if the requirements of the CRR to achieve SRT are met. If so, capital relief is achieved, namely regulatory capital is freed up, which then increases banks' capacity to provide new loans.
- **ABCP** is commercial paper backed by assets. It is a short-term money-market security that is issued by an SSPE (also known as “conduit”), which is set up by a sponsoring financial institution. The latter, a company or a bank, looking to enhance its liquidity sells receivables to the SSPE/conduit, which in turn issues them to investors as asset-backed commercial paper. The ABCP is backed by the expected cash inflows from the receivables. As the receivables are collected, the originator is expected to pass the funds to the conduit, which is responsible for disbursing the funds generated by the receivables to the ABCP noteholders. The maturity date of an ABCP is set (by the SECR) at no more than a year. ABCP financing is therefore an important source of funding for the real economy, as it provides working capital for corporates by financing not only trade receivables, but also leases, auto loans and SME loans.²⁴

²³ According to the SECR, SSPE means a corporation, trust or other entity, other than an originator or sponsor, established for the purpose of carrying out one or more securitisations, the activities of which are limited to those appropriate to accomplishing that objective, the structure of which is intended to isolate the obligations of the SSPE from those of the originator.

²⁴ Please refer to this [EBE report](#) for further information on this market.

Annex 2 – AFME Publications

Securitisation Framework as a whole

- AFME response to the Commission targeted consultation on securitisation, December 2024 ([here](#))
- AFME's 5-point plan for the revival of the EU securitisation market, June 2024 ([here](#))

Prudential Framework

CRR:

- Bank Capital Impact Analysis, December 2024 ([here](#))²⁵
- Adjustments to the Securitisation Framework – CRR3/CRD 6, February 2023 ([here](#))
- Research report: Impact of the SA Output Floor on the European Securitisation Market, November 2022 ([here](#))

LCR:

- AFME LCR Survey in relation to securitisation, June 2024 ([here](#))
- Comparing Covered Bond, ABS and Corporate Bond Liquidity, November 2022 ([here](#))
- Comparing ABS and Covered Bond Liquidity, March 2022 ([here](#))

Solvency II:

- AFME response to EIOPA consultation on the advice on the review of the securitisation prudential framework in Solvency II, July 2022 ([here](#))
- ABS and Covered Bond Risk and Solvency II Capital Charges, March 2022 ([here](#))

Due Diligence Requirements (Article 5 of the SECR)

- Article 5 Impact Analysis, January 2025 ([here](#))²⁶
- Article 5 Issues Report, June 2023 ([here](#))

Transparency Requirements (Article 7 of the SECR)

- Joint Associations' response to ESMA consultation of December 2023 on the review of the disclosure templates, March 2024 ([here](#))

Green Securitisation

- European Green Securitisation Regulatory State of Play: Obstacles to growth and opportunities for leadership, December 2022 ([here](#))

Private Securitisation

- European Benchmarking Exercise (EBE) report in collaboration with TSI and EDW, September 2024 ([here](#))²⁷

²⁵ Analysis in support of AFME's [response](#) to the Commission targeted consultation on securitisation.

²⁶ Analysis in support of AFME'S [response](#) to the Commission targeted consultation on securitisation.

²⁷ This is the latest publication, however the EBE report is published biannually. Previous iterations can be found on the AFME website ([here](#)).