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Memorandum

The EU Securitisation Deal: What Was Fixed, What's Been Deferred

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A Political Agreement, Not Yet a Finished Rulebook

On 21 October 2026, the European Parliament and the Council reached a provisional political agreement on the most substantial reform to date of the EU securitisation framework enacted in 2019. The agreement covers both the EU Securitisation Regulation[1] and the prudential treatment of securitisation exposures under the Capital Requirements Regulation[2]. The agreement's objectives are familiar: to reduce unnecessary operational burdens, make capital requirements more sensitive to actual risk and encourage a broader range of investors to participate in the European market.

The package will introduce a new category of "resilient" securitisations, recalibrate the capital treatment of lower-risk positions, simplify aspects of due diligence and reporting, increase the relevant UCITS investment limit and permit qualifying insurers and reinsurers to provide unfunded protection within the synthetic STS framework. It also makes targeted changes to the STS criteria and places third-party STS verifiers under supervision by the European Securities and Markets Authority (ESMA)[3].

The precise route by which several of these outcomes will be achieved is not yet clear. The legal texts have not been published and must still undergo technical finalisation before formal approval by the Parliament and Council. The Commission has indicated that, once adopted, the amendments will be published in the Official Journal and enter into force immediately[4]. Entry into force will not, however, mean that every detail is settled: commentators expect some elements, including CLO-related technical standards, not to be finalised until at least six months later. Until the final drafting is available, market participants are working from the institutions' high-level announcements, the Commission's original proposals, the respective negotiating mandates of the Parliament and Council, and post-trilogue accounts from industry bodies and practitioners.

Political agreement on an objective does not itself provide clarity on every operational detail. For example, the intention to accommodate third-country securitisations does not tell investors how "substantially equivalent" disclosure will be assessed. Agreement that sanctions should be proportionate does not reveal which Article 5

[1] Regulation - 2017/2402 - EN - securitisation regulation - EUR-Lex

[2] Regulation - 575/2013 - EN - Capital Requirements Regulation - EUR-Lex

[3] Council, European Union - Consilium

[4] Finance - Finance - European Commission

failures will be sanctionable, how negligence will be treated or how duplication with sectoral enforcement will be avoided. Similarly, an EBA review of the sole purpose test is materially different from an amendment of the same that would resolve the treatment of specialist lending platforms.

The appropriate response to the current developments is therefore neither to disregard the agreement nor to treat reported outcomes as settled law. Transactions must continue to comply with the existing framework. Documents for deals expected to remain outstanding after the reforms take effect should, however, preserve sufficient flexibility to accommodate revised reporting templates, due-diligence standards and regulatory classifications without requiring unnecessary consent procedures or wholesale amendments.

The political agreement reached shows that the EU intends to make securitisations easier to issue, invest in and use for capital management. Its technical implementation will determine whether the reforms achieve that objective in practice or merely replace familiar obstacles with new interpretative questions.

The Core Policy Question: Simplification or Genuine Market Revival

The political ambition behind the reforms is to reverse the stagnation of a market that the EU increasingly regards as essential to financing its strategic priorities. Securitisation is expected to help banks release balance-sheet capacity, diversify funding and transfer risk to non-bank investors, thereby supporting additional lending to households, businesses and infrastructure projects.

The reforms address two distinct barriers to that ambition: operational friction and, more importantly, prudential economics.

In respect of the former, the existing framework requires institutional investors to verify matters that are already direct regulatory obligations of EU originators, sponsors and original lenders. It imposes detailed disclosure requirements that can be disproportionate for private transactions and can make third-country securitisations particularly difficult for EU investors to access. These requirements create fixed costs that weigh most heavily on smaller investors, new issuers and transactions that do not benefit from an established programme. Reducing that friction could have real value. More proportionate due diligence, streamlined treatment for repeat transactions, simplified reporting templates and a workable approach to third-country disclosure could lower the cost of participation and make securitisation accessible to a broader range of investors. Increasing the UCITS investment limit may also remove a formal impediment to investment. But administrative simplification alone will not revive the market. An investor does not allocate capital to a securitisation merely because the compliance checklist has shortened. The investment must still offer an attractive return after capital charges, liquidity treatment, governance costs, valuation requirements and internal approval processes. Similarly, an originator will securitise only where the resulting funding or capital benefit justifies the execution cost, structural constraints and continuing obligations associated with the transaction.

In respect of the latter, the introduction of the "resilient" category and the reported reduction in risk-weight floors should improve the treatment of the safest STS positions. This change could support senior investor demand and improve the economics of certain traditional and synthetic transactions. The reforms also recognise that insurers and reinsurers may represent an additional source of unfunded protection in synthetic SRT.

However, the reported calibration is uneven. The most favourable treatment is concentrated in resilient STS and other lower-risk positions. The Association for Financial Markets in Europe (AFME) has warned that the treatment of non-STS securitisations, particularly under the Standardised Approach, remains overly conservative, noting that the agreement appears not to provide risk-weight floor caps for non-STS transactions and that the p-factor calibrations most relevant to those transactions remain largely unchanged. This matters because many transactions financing corporate loans, specialist credit, infrastructure and other real-economy assets will not qualify for the most favourable categories[5]. Some prudential questions have also been deferred rather than resolved: the calibration of the credit conversion factor (CCF) and the interaction with the output floor are expected to be addressed in the Commission's forthcoming Banking Competitiveness Package, which AFME expects in the first quarter of 2027.

There is also a risk of circularity. If the new benefits are available principally to transactions that already attract strong demand, the reforms may reduce the cost of established products without materially expanding the perimeter of the market. A genuine revival would require capital and operational improvements to support new issuers, new asset classes and a deeper mezzanine investor base, not merely cheaper holdings of already liquid senior STS paper.

The success of the reforms should therefore be assessed against practical outcomes rather than legislative activity. Do more investors enter the market? Do repeat and first-time issuers face lower execution costs? Can non-bank lenders use securitisation more readily? Does insurer capital expand synthetic risk-transfer capacity? And do the reforms improve the economics of transactions outside the safest STS segment?

The political agreement reached is a meaningful step towards a more usable framework. Whether it produces a larger and more diverse market will depend on whether the final text changes transaction economics—not simply the amount of regulation surrounding them.

Article 5 Due Diligence: Less Duplication but Responsibility Remains

The reported reforms should remove some of Article 5's least defensible duplication. Where EU originators, sponsors and original lenders are themselves directly subject to the Securitisation Regulation, investors should no longer have to re-perform prescribed checks merely to verify that those parties have complied with their own obligations.

[5] EU securitisation agreement delivers progress, but prudential shortcomings remain

This change represents a simplification, but the regulatory burden remains. Investors will still need to understand the securitisation positions and their underlying exposures, undertake a pre-investment risk assessment and monitor the investment on an ongoing basis. Due diligence may become more proportionate to the risk and seniority of the position, with streamlined treatment for repeat transactions. Secondary-market investors may also receive 15 calendar days after an acquisition to complete the written record of their assessment (the assessment itself must still precede the investment).

One unresolved point is delegation. The final text must identify who bears regulatory responsibility where an asset manager, adviser or other delegate performs such tasks. Delegation can reduce duplication within investment groups; it should not create uncertainty over which entity is liable when the process fails.

Investor Sanctions: Proportionality Prevails, but the Devil Will Be in the Detail

The proposed sanctions regime became one of the most contested parts of the negotiations. AFME and the European Fund and Asset Management Association (EFAMA) argued that imposing a separate securitisation-specific regime on institutional investors would duplicate existing sectoral sanctions and deter precisely the investors the reforms are intended to attract[6].

The reported compromise does not remove sanctions for Article 5 failures. Instead of the rigid, prescriptive regime originally proposed, it requires national competent authorities to put in place appropriate enforcement arrangements, promotes greater convergence and cooperation across Member States, and takes account of existing national and sectoral sanctions regimes (such as those applying under AIFMD, the UCITS Directive and Solvency II) with a view to avoiding duplication and preserving proportionality. It is therefore a recalibration rather than a complete turnaround.

The practical consequences of this agreement will turn on the drafting. Are sanctions limited to material or negligent failures? How will authorities avoid double punishment? Does an investor breach Article 5 whenever an originator representation proves inaccurate, or only where the investor's own processes were deficient?

Until those questions are answered, Article 5 compliance will remain a heavily negotiated closing condition. Investors are likely to seek clear undertakings, access to supporting information and express remediation rights rather than relying solely on representations that compliance has occurred.

Third-Country Securitisations: A Move Away from Strict EU-Template Equivalence

The existing regime makes EU investment in U.S., UK and other third-country transactions unnecessarily difficult. The problem is typically not an absence of information, but the expectation that information should be delivered in the precise form prescribed by EU templates.

[6] https://www.afme.eu/media/rtofzmei/joint-association-letter-secr.pdf

The political compromise reportedly permits greater flexibility where substantially equivalent information is available in another format. If the drafting is workable, this change could remove a major practical barrier to EU participation in global securitisations.

"Substantially equivalent" will require definition. It could mean equivalence of substantive information, equivalence assessed field by field, or merely sufficient information to discharge Article 5. The answer will determine whether investors can rely on standard U.S. or UK reporting, require a contractual gap analysis or continue commissioning shadow EU templates.

This is an area in which a seemingly small difference in drafting could have a meaningful effect on investor access.

Public and Private Securitisations

The agreement reportedly preserves the prospectus-based distinction between public and private securitisations. Public reporting templates should be streamlined, with a targeted reduction of at least 35% in mandatory fields and greater use of aggregated reporting for highly granular pools.

Private securitisations should receive a new, simplified template focused on information relevant to supervisory oversight. However, such private securitisations are also expected to become subject to reporting through securitisation repositories. This is a material change from the current position, under which private transactions remain subject to the applicable Article 7 disclosure obligations but are generally exempt from reporting through a securitisation repository.

A shorter template does not automatically mean a lighter regime. Repository submission brings validation, data-formatting and operational requirements of its own. The reform will succeed only if the private template is genuinely tailored to the regulator's supervisory needs rather than becoming a compressed version of public reporting.

No new definition of public securitisation has been introduced, but CLOs are expected to be subject to ad hoc reporting requirements and a CLO definition and template are likely to be set out in the technical standards. Some commentators, thus, suggest that the impact on CLOs may remain unclear for up to six months after the agreement is enacted in the Official Journal. The revised templates are expected to be developed by the Joint Committee of the European Supervisory Authorities under EBA leadership. As such, the technical standards will likely be as important as the legislative principle.

The Sole Purpose Test: A Review, Not Yet a Solution

The sole purpose test has become a serious impediment to the use of specialist lending platforms as risk retainers. The current framework prevents an entity from qualifying as an originator where it was established or operates for the sole purpose of securitising exposures. The risk retention regulatory technical standards (Commission Delegated Regulation (EU) 2023/2175, the EU Risk Retention RTS) then apply qualitative factors, including

whether the entity has a broader business model and whether the securitised assets and retained interests are its sole or predominant source of revenue[7].

Parliament proposed a more direct means of assessing sole purpose. Specialist SME, consumer and mortgage lenders could be treated as satisfying the test where the securitisation finances a genuine lending business. The reported final compromise is less decisive: the existing sole purpose test is retained, and the agreement provides for an EBA-led review of the test and its application to specialist SME, consumer and non-bank mortgage lenders. Some commentators report that the EBA may also be tasked with developing technical standards setting criteria for when such lenders satisfy the test.

This development is still significant. It acknowledges that a rule intended to prevent artificial retention vehicles may in fact be catching substantive origination businesses. However, the current agreement does not alter the existing sole purpose test, disapply the EU Risk Retention RTS or validate any particular platform.

The key question for the EBA should now be whether the sole purpose analysis has become too dependent on a mechanical revenue threshold. Capital support, origination capability, employees, decision-making, exposure to business risk and a continuing economic interest may provide better evidence of a genuine lending business than the proportion of a particular year's accounting revenue.

For transactions closing in the near future, the existing rules continue to bite. An announced review is not a safe harbour.

STS and Resilient Securitisations: Where the Prudential Benefits Sit

The reforms introduce "resilient" securitisations as a new prudential category layered upon the existing STS framework. Reported terms include an ultimate risk-weight floor of 5% for resilient STS positions (rather than the 6% previously proposed) and 7% for non-resilient STS positions (rather than 8%), a reduction of the non-resilient STS scalar under SEC-IRBA to 8%, preservation of the existing hierarchy of carve-outs with a 5% floor, and a return to a formula-based approach under SEC-ERBA[8].

These changes should improve the economics of the safest transactions, particularly for senior bank investors. It may also strengthen demand for structures designed from inception to satisfy both STS and resilient criteria.

The limitation of such changes is their scope. Non-STS securitisations appear to receive much less benefit, particularly under the Standardised Approach. That matters for corporate, specialist-credit, infrastructure and more bespoke private transactions that may be economically sound but do not satisfy the relevant formal criteria.

[7] https://www.esma.europa.eu/sites/default/files/2025-03/JC_2025_14_Joint_Committee_report_on_the_functionning_of_the_securitisation_regulation.pdf

[8] EU securitisation review: provisional agreement improves the framework, but implementation will be key | ABBL

The reforms therefore risk creating a divide: increasingly efficient capital treatment for the safest standardised products, with limited change for the transactions where additional capital may be most valuable.

The STS supervisory architecture is also changing. The Commission's proposed "lead supervisor" model for cross-border transactions will reportedly not be taken forward. Instead, ESMA will take direct responsibility for authorising, and withdrawing the authorisation of, third-party verifiers, while the EBA-led Joint Committee will conduct risk-based annual sample reviews of transactions to assess STS compliance.

Insurers and Synthetic SRT: New Capacity, New Conditions

One of the most important changes is the proposed admission of qualifying insurers and reinsurers as providers of unfunded protection in synthetic STS transactions. The Council presents this as a means of widening participation in the synthetic markets[9].

This change could unlock a substantial additional pool of SRT capacity. Insurers may prefer unfunded guarantees to funded credit-linked notes because the structure does not require them to supply cash at inception. Banks gain access to highly rated protection providers without depending exclusively on specialist SRT funds.

But insurer eligibility is not unconditional. Reported safeguards concern a protection provider's regulatory status, financial strength and creditworthiness. The final framework will need to address downgrade triggers, termination rights, claims-payment mechanics, maturity mismatch and concentration.

There is also a wider supervisory question. A straightforward guarantee from a well-capitalised insurer is different from a structure in which insurer risk capacity is combined with bank financing, a repack vehicle or collateralised notes. Regulators will need to look through the legal protection seller to the entire economic chain.

UCITS: Raising the Limit Is Helpful, Will It Create Demand?

The agreement reportedly increases the limit in Article 56(2)(b) of the UCITS Directive, which generally prevents a UCITS from acquiring more than 10% of the debt securities of a single issuing body, to 25% for debt securities issued in securitisations, subject to a review clause. This is below the 50% supported in the Council's negotiating position, although AFME regards it as sufficiently ambitious. Such change removes a formal constraint and may make larger positions viable for funds that previously found the applicable limit uneconomic.

It does not follow from this change, however, that UCITS will use the full capacity. Portfolio liquidity, valuation, credit expertise, internal governance and investor expectations remain important constraints. The ability to acquire 25% of an issuance is not the same as an investment mandate or risk appetite to do so.

[9] Savings and investments union: Council and Parliament strike deal to revitalise the EU's securitisation market - Consilium

The agreed change is nevertheless directionally important. It recognises that securitisation should not automatically be treated as an unusually concentrated asset class merely because the securities are issued by a single SSPE.

What the Agreement Means for Deals Already in the Pipeline

The political agreement does not displace current law. Transactions closing before the reforms take effect must continue to satisfy the existing framework.

Documentation should nevertheless anticipate change where a transaction will remain outstanding after implementation. Relevant points include:

- flexibility to adopt revised public or private reporting templates;
- cooperation obligations for repository reporting;
- regulatory-change provisions that do not require unanimous investor consent;
- third-country information covenants framed around substantive sufficiency rather than a permanently fixed template;
- Article 5 representations that distinguish sell-side compliance from the investor's independent duties;
- optionality between funded CLNs and qualifying insurer guarantees in synthetic SRT;
- downgrade, replacement and collateral mechanics for protection providers; and
- preservation of current retention analysis pending the EBA sole purpose review.

Parties should also examine any transition mechanisms included in the final enactment of the agreement carefully. The reported agreement does not include general grandfathering[10]. The final provisions will need to be checked transaction-by-transaction. Transaction parties should not assume that legacy deals are either fully protected or automatically brought into the new regime.

The Real Work Now Moves to Level 2

The political agreement between the Parliament and Council sets the direction for the proposed reforms to the EU securitisation rules. Much of its commercial effect will be determined below the level of the primary legislation.

The key workstreams are likely to include:

- the EBA review of the sole purpose test;
- revised public and private reporting templates;

[10] EU securitisation review: provisional agreement improves the framework, but implementation will be key | ABBL

- the meaning of substantially equivalent third-country information;
- detailed resilient-securitisation criteria;
- the eligibility conditions for insurer and reinsurer protection;
- supervisory standards for synthetic SRT;
- STS supervisory convergence;
- the definition of CLOs and any CLO-specific reporting requirements; and
- the allocation of responsibility where due diligence is delegated.

Poorly calibrated technical standards could reintroduce through Level 2 requirements much of the complexity removed from Level 1. Conversely, carefully targeted standards could deliver meaningful simplification without weakening the core safeguards of risk retention, transparency and investor understanding.

Conclusion: A Better Framework, Not Yet a Bigger Market

The agreement tackles duplicative due diligence, third-country access, private reporting, UCITS capacity, prudential calibration and insurer participation in synthetic SRT.

But the benefits appear concentrated in the areas of STS and resilient positions. Problems with the current sole purpose test have been referred for further review rather than resolved. The treatment of non-STS securitisations remains comparatively conservative, and the credit conversion factor and output-floor questions have been deferred to the Banking Competitiveness Package. Many of the operational consequences of these reforms will depend on technical standards that do not yet exist.

The reform should therefore be judged by what happens next: whether new investors enter the market, new originators gain access, insurer capital expands SRT capacity and execution costs fall across a broader range of transactions.

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