Prudential requirements for credit institutions and investment firms

2015/0225(COD) - 12/12/2017 - Final act

PURPOSE: facilitate the development of a securitisation market in Europe.

LEGISLATIVE ACT : Regulation (EU) 2017/2401 of the European Parliament and of the Council amending Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms.

CONTENT: this Regulation amending Regulation (EU) No 575/2013 **lays down capital requirements for positions in a securitisation**. It amends the regulatory capital requirements for institutions acting as initiators, sponsors or investors in securitisation transactions, in order to **adequately reflect the specific features of simple, transparent and standardised (STS) securitisations** when such securitisations also meet the additional requirements to reduce risk laid down in this Regulation.

The lower capital requirements applicable to STS securitisations will be limited to securitisations where the ownership of the underlying exposures is transferred to a securitisation special purpose entity or SSPE (‘traditional securitisations’).

The Regulation defines the **methods for calculating the capital requirements for securitisation positions.** It should make it possible to address the shortcomings which became apparent during the financial crisis, namely mechanistic reliance on external ratings, excessively low risk weights for highly-rated securitisation tranches and, conversely, excessively high risk weights for low-rated tranches, and insufficient risk sensitivity.

The new rules are part of the EU's plan to build a fully functioning Capital Markets Union by the end of 2019.

By 1 January 2022, the Commission will report to the European Parliament and the Council on the application of the Regulation in the light of developments in securitisation markets, including from a macroprudential and economic perspective.

ENTRY INTO FORCE: 17.1.2018.

APPLICATION: from 1.1.2019.