

Amending Regulation (EU) No 575/2013 as regards adjustments to the securitisation framework to support the economic recovery in response to the COVID-19 crisis

2020/0156(COD) - 10/11/2020 - Committee report tabled for plenary, 1st reading/single reading

The Committee on Economic and Monetary Affairs adopted the report by Othmar KARAS (EPP, AT) on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) No 575/2013 as regards adjustments to the securitisation framework to support the economic recovery in response to the COVID-19 pandemic

The proposed regulation aims to maximise the capacity of institutions to lend and to absorb losses related to the COVID-19 pandemic, while ensuring their continued resilience.

The Commission proposed three targeted amendments to the Capital Requirements Regulation (CRR) increasing the overall risk-sensitivity of the EU securitisation framework that would make the recourse to the

securitisation tool more economically viable for institutions within a prudential framework adequate to safeguard the EU financial stability.

The committee recommended that the European Parliament's first-reading position should amend the Commission proposal as follows:

Securitisation of non-performing exposures (NPEs)

A specific treatment for the securitisation of NPEs should be introduced building on the European Banking Authority's (EBA) opinion and taking due account of the Union specificities of the NPE securitisation market and the market for NPEs as well as of the developments in the international standards for exposures to NPE securitisations.

To allow for the due assessment of the relevant Basel standard once it is published, the Commission should be mandated to review the prudential treatment of NPE securitisations.

The EBA should be mandated to monitor the market for securitisations of non-performing exposures and to report to the European Parliament and the Commission on the convenience of reviewing the regulatory capital treatment of NPE securitisations, having regard to the state of the NPE securitisation market, in particular, and the market for NPEs, in general, following the COVID-19 crisis.

Specific framework for simple, transparent and standardised (STS) on-balance sheet securitisations

The regulation would introduce a risk-sensitive calibration more appropriate for on-balance sheet STS securitisations, building on the current preferential regulatory treatment of senior tranches in SME portfolios.

The amended text also provides for the application of a ‘grandfathering’ rule to the outstanding senior positions in synthetic on-balance sheet securitisations to which originator institutions applied the current Article 270 of the CRR before the entry into force of this Regulation.

Review of the Standard Approach to Counterparty Credit Risk (SA-CCR)

Given that the SA-CCR approach could have adverse effects on the availability and cost of financial hedges to end-users, the Commission should review before 30 June 2021 the application of the SA-CCR approach taking into account the specificities of the European banking sector and economy, the international level-playing-field and any developments in international standards and fora.

Collective Investment Undertakings (CIUs) with an underlying portfolio of eurozone sovereign bonds

In close cooperation with the European Systemic Risk Board (ESRB), the Commission should, as part of the upcoming implementation of the Basel III framework, produce a report by 31 December 2021 to duly assess the preferential regulatory treatment of exposures in the form of units or shares in Collective Investment Undertakings (CIUs) with an underlying portfolio consisting of sovereign bonds of euro area Member States, whose relative weight for each Member State’s bonds equals the relative weight of each Member State’s capital contribution to the European Central Bank (ECB).

In doing so, it should consider the European Parliament's position on the Sovereign Bond-backed Securities Regulation adopted on 23 March 2019.