

General framework for securitisation and specific framework for simple, transparent and standardised securitisation to help the recovery from the COVID-19 crisis

2020/0151(COD) - 10/11/2020 - Committee report tabled for plenary, 1st reading/single reading

The Committee on Economic and Monetary Affairs adopted the report by Paul TANG (S&D, NL) on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) 2017/2402 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation to help the recovery from the COVID-19 pandemic.

The proposed regulation would amend the regulation on securitisations with a view to facilitating the use of securitisation in the context of Europe's recovery from the COVID-19 pandemic.

The proposed amendments would (i) expand the STS framework to include on-balance sheet synthetic securitisations; and (ii) remove regulatory obstacles to the securitisation of non-performing exposures (NPEs) to further increase lending capacity without lowering prudential standards for bank lending.

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

Non-performing exposures (NPEs)

The amended text emphasises that the COVID-19 crisis is likely to lead to an increase in the number of non-performing exposures and, therefore, increases the need for them to be traded on the market. Even if synthetic securitisation is a means of strengthening the capital position of lenders, banks should nevertheless strive at the same time to consolidate their capital position by raising new capital.

It is clarified that securitisation special purpose entities (SSPEs) should only be established in third countries that are not listed by the European Union as high-risk third countries having strategic deficiencies in their regime on anti-money laundering and counter terrorist financing or as non-cooperative jurisdictions for tax purposes.

Development of a sustainable securitisation framework

In order to integrate sustainability transparency requirements into the regulation under consideration, the amended text provides in particular for the development of a specific framework for 'sustainable securitisation'.

By 1 November 2021 at the latest, the European Banking Authority (EBA), in close cooperation with the European Supervisory Authority (European Securities and Markets Authority) (ESMA) and the European Insurance and Occupational Pensions Authority (EIOPA), should be mandated to publish a report on the development of a specific framework for 'sustainable securitisation'.

This report should duly assess in particular:

- the introduction of sustainability factors;

- the implementation of proportionate disclosure and due diligence requirements;
- the content, methods and presentation of information on negative environmental, social and governance-related impacts,
- any potential effects on financial stability, the development of the EU securitisation market and the bank's lending capacity.

Based on the EBA report, the Commission should present a report to the European Parliament and the Council on the creation of a specific sustainable securitisation framework, together with a legislative proposal, if appropriate.