

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) - 25/03/2021 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 474 votes to 172, with 62 abstentions, a resolution 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 economic recovery in response to the COVID-19 pandemic.

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

The Commission has proposed three targeted amendments to the Capital Requirements Regulation (CRR) to increase the overall risk-sensitivity of the EU framework for securitisations so that the use of securitisation becomes a more economically viable tool for institutions within a supervisory framework that preserves EU financial stability.

The position adopted by the European Parliament at first reading amends the Commission proposal as follows:

Securitisations of non-performing exposures

The introduction of a specific treatment for securitisations of non-performing exposures should be based on the advice of the European Banking Authority (EBA) as well as internationally agreed standards.

Since the market for NPEs is very likely to grow and change quite substantially as a result of the COVID-19 crisis, the NPE securitisation market should be closely monitored and the prudential framework for NPE securitisation should be reassessed in the future in the light of a potentially larger pool of data.

EBA should assess the regulatory capital treatment of securitisations of non-performing exposures taking into account the state of the market for non-performing exposures in general and the state of the market for securitisations of non-performing exposures in particular and report its findings to the Commission no later than 18 months after the date of entry into force of the amending regulation.

No later than two years after the entry into force of the amending regulation, the Commission should submit a report to the European Parliament and the Council accompanied, if appropriate, by a legislative proposal.

Grandfathering of senior securitisation positions

The amended text provides for the introduction of grandfathering for senior positions in synthetic securitisations that met the conditions for the preferential prudential treatment that applied before the date of entry into force of this amending Regulation.

Review of the Standardised Approach for Counterparty Credit Risk (SA-CCR)

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

Prudential treatment of synthetic excess spread

The amended text introduces provisions on the specific supervisory treatment of synthetic excess spread in order to prevent synthetic excess spread from being used for regulatory arbitrage purposes.

Synthetic excess spread (SES) is a mechanism commonly used in the securitisation of certain asset classes for originators and investors to reduce the cost of protection and the exposure at risk, respectively.

EBA should be mandated to develop draft regulatory technical standards to ensure a harmonised determination of the exposure value of SES. Those regulatory technical standards should be in place before the new prudential treatment becomes applicable. In order to avoid disruptions to the synthetic securitisations market, institutions should be given sufficient time to apply the new prudential treatment of SES.

Collective investment undertakings (CIUs) with an underlying portfolio of euro area sovereign bonds

The Commission should, in cooperation with the European Systemic Risk Board (ESRB) and the EBA, produce a report by 31 December 2021 to assess whether changes to the regulatory framework are needed to promote the market and bank purchases of exposures in the form of units or shares of collective investment undertakings (CIUs) with an underlying portfolio composed exclusively of sovereign bonds of Member States whose currency is the euro, where the relative weight of each Member State's sovereign bonds in the total portfolio of the CIU is equal to the relative weight of each Member State's capital contribution to the ECB.

Sustainability

After consultation with the ESRB, the EBA should assess, on the basis of available data and the findings of the Commission's High Level Expert Group on Sustainable Finance, whether a dedicated prudential treatment of exposures related to assets, including securitisations, or activities associated substantially with environmental and/or social objectives would be justified.