Amending Regulation (EU) No 575/2013 on prudential requirements for credit institutions as regards requirements for securitisation exposures

2025/0825(COD) - 17/06/2025 - Legislative proposal

PURPOSE: to simplify the EU framework for securitisations and make it more fit for purpose.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: relaunching the European securitisation market can help increasing the amount of financing available to the real economy and enhancing risk diversification within the single market. Well-functioning securitisation markets can contribute to higher economic growth and facilitate funding of Union strategic objectives, including investments in the green, digital and social transition by allowing credit institutions (i.e. banks) to transfer risks to those that are best suited to bear them and thereby free up their capital.

The reports from Enrico Letta and Mario Draghi have recommended **securitisation as a means of strengthening the lending capacity** of European Union’s banks for the financing needs of EU priorities including defence, creating deeper capital markets, building the Savings and Investments Union and increasing the EU’s competitiveness. The European Council asked the European Commission to identify measures to relaunch the European securitisation market.

The EU securitisation framework was established following the 2008 financial crisis, in response to concerns about subprime securitisations in the United States. The existing framework entered into application in 2019 and introduced a set of rules which strengthened investor protection, transparency, and financial stability.

Based on the implementation of the framework over the past six years, the Commission has identified that some aspects of the existing rules are hindering market developments. The proposed targeted regulatory changes aim to address these shortcomings and ultimately **strengthen the EU securitisation market**. They are one of the elements of the Savings and Investment Union, which is a cornerstone of the Commission's mandate for 2024-2029.

CONTENT: the proposal to **revise the EU securitisation framework** aims to remove undue barriers to issuance and investment in the EU securitisation market, and in particular:

- to **reduce undue operational costs** borne by issuers and investors, while ensuring a balance with appropriate standards of transparency, investor protection and oversight;

- to **adapt the prudential framework applicable to banks and insurers**, take better account of real risks and eliminate unnecessary prudential costs for insurers when investing in securitisations.

The review of the EU securitisation framework includes:

- a legislative proposal amending the Regulation (EU) 2017/2402 of the European Parliament and of the Council (the 'Securitisation Regulation'), which sets out product rules and conduct rules for issuers and investors;

- this proposal amending Regulation (EU) No575/2013 of the European Parliament and of the Council (the 'Capital Requirements Regulation' or 'CRR'), which sets out the capital requirements for banks holding and investing into securitisation.

This proposal introduces targeted changes to the current prudential framework for credit institutions to achieve the following objectives:

- introduce greater risk sensitivity into the existing framework;

- reduce unjustified levels of capital non-neutrality;

- differentiate between originators/sponsors and investors with regard to the prudential treatment of securitisations;

- mitigate undue discrepancies between the standardised approach (SEC-SA) and internal rating-based approach (SEC-IRBA) for the calculation of capital requirements for securitisations;

- make the significant risk transfer framework more robust and predictable.

The proposed amendments to the CRR concern the following **two areas**:

(1) the calibration of the two key parameters that set the level of non-neutrality, used in regulatory capital calculations to capture securitisation inherent risks, i.e. the risk weight floor for senior securitisation positions, and the (p) factor, and

(2) the framework for significant risk transfer. A number of additional technical amendments are proposed to address certain technical inconsistencies in the framework, as recommended in the Joint Committee of the European Supervisory Authorities' 2022 report, and as proposed by the stakeholders in the Commission consultation.

The proposals are expected to be effective in reducing undue prudential impediments for credit institutions to engage in securitisation. They are also expected to increase the economic viability of securitisation as a risk transfer tool.