

Basic information	
2020/0151(COD) COD - Ordinary legislative procedure (ex-codecision procedure) Regulation	Procedure completed
General framework for securitisation and specific framework for simple, transparent and standardised securitisation to help the recovery from the COVID-19 crisis	
Amending Regulation 2017/2402 2015/0226(COD)	
Subject 2.50.03 Securities and financial markets, stock exchange, CIUTS, investments 2.50.05 Insurance, pension funds 2.50.08 Financial services, financial reporting and auditing 2.50.10 Financial supervision	
Legislative priorities Joint Declaration 2021 The EU's response to the Covid-19 pandemic	

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	ECON Economic and Monetary Affairs	TANG Paul (S&D)	07/09/2020
		Shadow rapporteur KARAS Othmar (EPP) GARICANO Luis (Renew) LAMBERTS Philippe (Greens/EFA) VAN OVERTVELDT Johan (ECR) ZANNI Marco (ID) MACMANUS Chris (GUE/NGL)	
Council of the European Union			
European Commission	Commission DG	Commissioner	
	Financial Stability, Financial Services and Capital Markets Union	MCGUINNESS Mairead	
European Economic and Social Committee			

Key events			
Date	Event	Reference	Summary
24/07/2020	Legislative proposal published	COM(2020)0282 	Summary
14/09/2020	Committee referral announced in Parliament, 1st reading		
10/11/2020	Vote in committee, 1st reading		
10/11/2020	Committee report tabled for plenary, 1st reading	A9-0215/2020	Summary
10/11/2020	Committee decision to open interinstitutional negotiations with report adopted in committee		
11/11/2020	Committee decision to enter into interinstitutional negotiations announced in plenary (Rule 71)		
13/11/2020	Committee decision to enter into interinstitutional negotiations confirmed by plenary (Rule 71)		
14/01/2021	Approval in committee of the text agreed at 1st reading interinstitutional negotiations	PE663.108 GEDA/A(2021)001303	
18/03/2021	Approval in committee of the text agreed at 1st reading interinstitutional negotiations	PE663.108 GEDA/A(2021)001303	
24/03/2021	Debate in Parliament		
25/03/2021	Decision by Parliament, 1st reading	T9-0099/2021	Summary
25/03/2021	Results of vote in Parliament		
31/03/2021	Act adopted by Council after Parliament's 1st reading		
31/03/2021	Final act signed		
06/04/2021	Final act published in Official Journal		
26/04/2021	End of procedure in Parliament		

Technical information	
Procedure reference	2020/0151(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Regulation
Amendments and repeals	Amending Regulation 2017/2402 2015/0226(COD)
Legal basis	Treaty on the Functioning of the EU TFEU 114
Mandatory consultation of other institutions	European Economic and Social Committee
Stage reached in procedure	Procedure completed
Committee dossier	ECON/9/03674

Documentation gateway				
European Parliament				

Document type	Committee	Reference	Date	Summary
Committee draft report		PE658.798	05/10/2020	
Amendments tabled in committee		PE658.992	14/10/2020	
Committee report tabled for plenary, 1st reading/single reading		A9-0215/2020	10/11/2020	Summary
Text agreed during interinstitutional negotiations		PE663.108	17/03/2021	
Text adopted by Parliament, 1st reading/single reading		T9-0099/2021	25/03/2021	Summary

Council of the EU

Document type	Reference	Date	Summary
Coreper letter confirming interinstitutional agreement	GEDA/A/(2021)001303	17/03/2021	
Draft final act	00070/2020/LEX	31/03/2021	

European Commission

Document type	Reference	Date	Summary
Legislative proposal	COM(2020)0282 	24/07/2020	Summary
Document attached to the procedure	SWD(2020)0120 	27/07/2020	
Commission response to text adopted in plenary	SP(2021)260	27/04/2021	

National parliaments

Document type	Parliament /Chamber	Reference	Date	Summary
Contribution	ES_PARLIAMENT	COM(2020)0282	23/10/2020	
Contribution	IT_CHAMBER	COM(2020)0282	08/03/2021	

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
ECB	European Central Bank: opinion, guideline, report	CON/2020/0022 OJ C 377 09.11.2020, p. 0001	23/09/2020	
EESC	Economic and Social Committee: opinion, report	CES3577/2020	29/10/2020	

Additional information				
Source	Document	Date		
EP Research Service	Briefing	15/12/2020		

Final act

Regulation 2021/0557
OJ L 116 06.04.2021, p. 0001

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) - 24/07/2020 - Legislative proposal

PURPOSE: to 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.

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: Regulation (EU) 2017/2402 on securitisations and Regulation (EU) 575/2013 on capital requirements establish a general EU framework for securitisation and a specific framework for simple, transparent and standardised securitisations (STS).

The new securitisation regime has been in place since January 2019 and is the cornerstone of the EU's efforts to create a capital market union. Its objective is to promote a safe, deep, liquid and robust market for securitisation, which is able to attract a broad and stable investor base to help allocate finance to where it is most needed in the economy.

It will remain key for the banks to be able to continue lending to corporates also in the coming months once the immediate shock of the COVID-19 crisis will have passed. Therefore, it is important to prepare or upgrade any tools allowing banks to maintain and even enhance their capacity to lend to the real economy, in particular to SMEs. Securitisation can be a key enabler in this respect. By transforming loans into tradable securities, securitisation could free up bank capital for further lending and allow a broader range of investors to fund the economic recovery.

The securitisation framework shall be subject to a comprehensive review by January 2022, including possible legislative changes if necessary. However, this proposal introduces targeted changes now, given their usefulness for economic recovery. It is part of a 'capital markets stimulus package' to facilitate economic recovery post-COVID-19, which also includes legislative proposals to amend the [Prospectus Regulation](#), the [Markets in Financial Instruments Directive](#) (MiFID II) and the [Capital Requirements Regulation](#).

CONTENT: the proposed amendments aim to (i) extend the STS securitisation framework to on-balance-sheet synthetic securitisation and; (ii) remove regulatory obstacles to securitisation of NPEs to further increase lending capacities without lowering the prudential standards for bank lending.

Creation of a specific framework for on balance-sheet synthetic securitisations

On-balance-sheet synthetic securitisation is a type of securitisation where the originator continues to own the underlying exposures (while normally in traditional securitisation the underlying exposures are sold to another entity). They are an important risk management tool for bank lending to corporates, in particular SMEs.

The proposal encourages a broader use of securitisation in the recovery phase, by freeing up bank capital and supporting banks in their effort to enhance lending to households and businesses. Investors wishing to participate in such securitisations shall also benefit from increased simplicity, standardisation and transparency. The amendments will not undercut the high standards of the current securitisation framework for investor protection in any way. The proposal neither changes the issuers' extensive disclosure requirements nor does it weaken the far-reaching restrictions that, as a general rule, ban the selling of securitisation to retail clients.

The proposed criteria are aligned as much as possible with those for traditional STS securitisation, but they also take into account the specificities of the synthetic product and the different objectives of synthetic securitisations and therefore seek to ensure protection for both originators and investors.

Securitisation of non-performing exposures (NPEs)

The proposal pursues the objective of expanding credit institutions' and investment firms' capacity to lend to corporates and SMEs and to free their balance sheets of non-performing exposures whilst maintaining the consistency of the prudential framework following the COVID-19 crisis.

In order to tackle comprehensively the regulatory shortcomings of NPE securitisation, this proposal puts forward a definition of NPE securitisation, which is aligned with the work of the Basel Committee on Banking Supervision.

In addition, the proposal:

- subjects securitisations of non-performing exposures to a special regime when it comes to fulfilling the risk retention requirement in order to better take account of their special characteristics;
- clarifies the verification duties on originators when it comes to securitising non-performing exposures.

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.

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) - 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) 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 seeks to amend the Securitisation Regulation to facilitate the use of securitisation in the context of the recovery in Europe from the COVID-19 pandemic.

The proposed amendments aim to (i) extend the framework for STS securitisations to 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 European Parliament's first reading position amends the Commission's proposal as follows:

Non-performing exposures

The amended text highlights that the COVID-19 crisis is likely to lead to an increase in the number of non-performing exposures and increases the need for institutions to address and manage their non-performing exposures. One way for institutions to do this is to trade their non-performing exposures in the market through securitisation. In the current context, risks need to be separated from the systemically important parts of the financial system.

Securitisation special purpose entities (SSPEs) established in third countries

It is clarified that SSPEs should only be established in third countries that are not on the EU list of high-risk third countries with strategic deficiencies in their anti-money laundering and anti-terrorist financing regimes, or on the list of non-cooperative countries and territories for tax purposes.

Risk retention requirement

The risk retention requirement in Regulation (EU) 2017/2402, which applies to all types of securitisations, helps to align the interests of originators, sponsors and original lenders participating in a securitisation. The amended text provides that this requirement should also apply to on-balance sheet STS securitisations.

As a minimum, the originator, sponsor or original lender should retain a significant net economic interest in the securitisation of at least 5% at all times.

The originator should ensure that it does not hedge the same credit risk more than once by obtaining credit protection in addition to that provided by the STS on balance sheet. On-balance sheet STS securitisations might feature non-sequential amortisation in order to avoid disproportionate costs for protecting the underlying exposures and the evolution of the portfolio.

Macro-prudential oversight of the securitisation market

Within its mandate, the European Systemic Risk Board (ESRB) would provide ongoing macro-prudential oversight of the EU securitisation market. When the ESRB deems it necessary, and at least every three years, the ESRB, in cooperation with the EBA, should publish a report on the financial stability implications of the securitisation market in order to highlight the risks to financial stability.

Transparency requirements

From 1 June 2021, originators of STS securitisations should also have the option to disclose specific information regarding the consideration of adverse impacts on sustainability factors, giving particular attention to climate and other environmental, social and governance-related impacts.

No later than three months after the date of entry into force of the Amending Regulation, the Joint Committee of the European Supervisory Authorities (ESAs) should develop regulatory technical standards, building as much as possible on their work under Regulation (EU) 2019/2088 on sustainability disclosures in the financial services sector and adapting them, where necessary and relevant, to the specificities of securitisations.

Development of a sustainable securitisation framework

By 1 November 2021, 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 publish a report on the development of a specific sustainable securitisation framework, in order to incorporate sustainability-related transparency requirements into this Regulation.

This report should duly assess in particular:

- the implementation of proportionate disclosure and due diligence requirements;
- environmental, social and governance-related adverse impacts;
- any potential effects on financial stability and on the scaling up of the Union securitisation market and of bank lending capacity.

On the basis of the EBA report, the Commission should present a report to the European Parliament and the Council on the development of a specific framework for sustainable securitisation, accompanied, if necessary, by a legislative proposal.