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Building on what has been achieved to date from the securitisation regulation

The impact of the Covid-19 health crisis is a major challenge facing the European and global economy. It is important that we take measures to support our economies and companies in whatever way we can.

The intervention of central banks globally has provided unlimited amounts of liquidity to the financial system. Despite this support, our banks will face pressures over coming quarters in generating the organic capital required to support lending to the real economy due to the impact of Covid-19 on our economies and from the low interest rate environment.

We see the use of securitisation as an important mechanism to ensure companies can access the financing they need to manage the post Covid-19 recovery and to ensure banks have the capital available to provide financing to them, especially to the SME sector. Securitisation allows investors access credit exposures such as SME loans that would not usually be available to them and provides a mechanism for banks to transfer credit risk to other parties, improving financial stability. In order to support this important alternative funding channel, it is key that we seek to make targeted amendments to the STS framework now and we fully support the Commission's inclusion of these amendments via the COVID-19 recovery package for financial services.

While the introduction of the Simple, Transparent and Standardised (STS) securitisation label has introduced welcome practices to Europe's securitisation framework, we should also acknowledge that since its introduction we have not seen the increased levels of issuance we would have hoped. The number of STS securitisations issued in Europe increased from 143 in 2019 to 183 year to date, but the overall volume of European securitisations fell between 2018 and 2019.

The introduction of the STS label to balance-sheet synthetic securitisations, along with extending the benefits of lower capital requirements to the senior tranche of the STS synthetic securitisation is a welcome development. These changes are timely, as they will help banks to undertake such transactions, in particular SME securitisations, freeing up balance sheet capacity to undertake new lending. Similarly, the changes to NPL securitisations will help reduce some of the obstacles to banks issuing such structures. In particular, the changes to the calculation of the risk retention part of the deal are sensible.

It is important that within Council and Parliament we reach agreement on the package quickly to ensure it has the best chance to support our economies and companies in the recovery phase. We must also remember that securitisation is only one funding channel available to our companies and banks.

It is important that we as policy makers continue to consider how we can support the increased use of different types of funding channels such as IPOs, easier debt issuance for smaller companies, increased availability of private equity and venture capital to support our companies at all stages of their growth. Therefore, the other proposals in the Commission package are as equally important for us to agree quickly, to ensure we achieve the maximum impact from the changes as soon as possible and help further develop our capital markets. ●