REVIVING EUROPEAN SECURITISATION

CHRISTIAN NOYER
Honorary Governor – Banque de France

Making European securitization work for investment and growth

Europe's underinvestment challenge has been clearly diagnosed. The question is now whether the Savings and Investments Union can mobilise the right instruments to channel Europe's abundant savings towards productive investment. By enabling banks to transfer risk and free up capital for new lending, securitization creates an essential bridge between Europe's abundant savings and the investment needs of its economy. Against this background, relaunching the securitization market has rightly emerged as a priority track within the SIU agenda, in order to be able to finance Europe's priorities.

The European Commission's reform package presented in June 2025 represents more than a technical revision of the existing framework. It adopts a genuinely holistic approach, combining prudential recalibration with regulatory simplification. It pulls both demand and supply levers, with measures aimed at banks, insurers and all types of market participants.

The level of ambition of the package should not be underestimated. In many respects, it acknowledges that post-crisis reforms, while instrumental in ensuring financial stability, gradually resulted in an overly conservative framework that no longer adequately reflects the actual risk profile of European securitizations, and seeks to correct this imbalance. In this regard, a good illustration is the new treatment of risk weight floors, which determine the prudential weight of senior tranches retained by banks, and thus the attractiveness of securitisation transactions for issuers to transfer risk while keeping most of the value. Moving from fixed to genuinely risk-sensitive risk-weight floors better aligns capital requirements with underlying risks while preserving robust safeguards.

Of course, this does not mean that the Commission proposal is beyond improvement. Important challenges remain if securitization is to become economically viable across a wider range of asset classes.

On the prudential side, the proposed calibration still remained too conservative for certain low-risk securitizations, particularly where historical performance has consistently demonstrated strong resilience. If capital requirements remain disconnected from actual risk, many transactions will simply remain economically non-viable.

On the regulatory side, the Commission proposal also contained some inconsistencies. While welcome simplifications were introduced, certain precautionary measures were simultaneously integrated. This includes, for example, the broader definition of public securitisations, which risks increasing legal uncertainty and inadvertently subjecting transactions that are private by nature to disproportionate transparency obligations. The same can be said of the explicit extension of administrative sanctions to investors in case of due diligence breaches, which could discourage market participation.

The legislative process has fortunately demonstrated the value of European co-decision. Within the Council, Member States introduced a number of pragmatic adjustments, particularly on the regulatory framework, restoring greater proportionality while preserving investor protection. The European Parliament, for its part, has made useful progress on the prudential dimension by proposing a more appropriate treatment for certain categories of securitizations. Taken together, these improvements provide solid grounds for confidence that trilogue negotiations can deliver a balanced and effective final framework.

The immediate priority should now be to conclude these negotiations swiftly, in order to provide clarity to market participants. A rapid adoption would allow them to capitalise on the renewed momentum already visible in European securitization markets.

Beyond implementation, policymakers should closely monitor the market's response over the coming months. Issuance volumes, investor participation and diversity of transactions will provide the best indicators of whether the reforms have successfully addressed the structural obstacles facing the market. Should activity nevertheless remain significantly below potential, a second wave of evidence-based recalibration should of course not be excluded.

> **Relaunching the securitization market has rightly emerged as a priority track within the SIU agenda.**

Not all remaining barriers are, however, regulatory or prudential in nature. European securitization continues to suffer from structural market fragmentation and limited standardisation compared with larger jurisdictions. Addressing these obstacles requires complementary market infrastructure initiatives. In this respect, the European securitization platform currently being developed within the Competitiveness Lab, under Spanish leadership, deserves particular attention. By promoting greater standardisation, reducing fixed issuance costs and facilitating cross-border investor participation, such a platform could become an important catalyst for market development without requiring further regulatory intervention.

SIRPA PIETIKÄINEN
MEP, Committee on Economic and Monetary Affairs – European Parliament

Growth with resilience: Europe's securitisation debate must not forget history

Europe is once again debating how to unlock more capital for growth. We need to mobilise private investment, build a true Savings and Investments Union and improve financing opportunities for European businesses. Securitisation has an important role to play. But our objective cannot simply be more securitisation. It must be better securitisation.

Financial markets have an uncomfortable habit of forgetting their own history. Research by the Bank for International Settlements and the ECB suggests that financial cycles are typically much longer than business cycles, often lasting around 15–20 years. As memories of the previous crisis fade, periods of stability create confidence, confidence encourages leverage and leverage eventually creates new vulnerabilities. The next crisis rarely resembles the previous one, making systemic risks exceptionally difficult to identify in advance.

This is precisely why policymakers should remain humble. We face not only known risks but also unknown unknowns. Every financial innovation promises efficiency. Yet every innovation also changes incentives and creates new interconnections that are impossible to fully anticipate. As markets become more complex and less transparent, we might gradually lose visibility over where risks ultimately reside.

The reputational legacy of the global financial crisis therefore cannot simply be dismissed as yesterday's problem. Europe was right to respond with a robust regulatory framework that restored confidence and improved underwriting standards, transparency and risk retention. Those safeguards are not obstacles to growth; they are what make sustainable growth possible.

This does not mean Europe should reject securitisation. On the contrary, high-quality securitisation can free up bank balance sheets, diversify funding sources and help channel capital towards productive investment. But we should also ask ourselves a broader strategic question: what kind of growth are we trying to create?

Today, Europe broadly faces two paths.

One path is to pursue long-term productivity through innovation, industrial renewal and the green transition. Financing decarbonisation, digitalisation and technological leadership strengthens Europe's economic foundations while addressing strategic challenges. One cannot both finance the old economically and environmentally unsustainable fields of business and industry – while trying to fully boost up the new ones. Resources should be allocated from the recessive sectors to financing the twin transition of decarbonisation and digitalisation.

The second path is easier. We can seek growth primarily by increasing the volume of financial assets and leveraging products that already exist. That may support market activity in the short term, but without corresponding gains in productivity it risks building growth on increasingly fragile foundations. History reminds us that leverage can amplify prosperity during expansions, but it also amplifies losses when financial cycles inevitably turn.

This is why the discussion around securitisation cannot be separated from the wider structure of European capital markets. We should ask whether our financial system consistently rewards investments that genuinely enhance long-term productivity, or whether quarterly reporting cycles and short-term return expectations continue to favour financial engineering over entrepreneurial innovation.

Success should therefore not be measured by issuance volumes alone. If, after implementation, Europe simply produces more transactions without improving the allocation of capital, we will have missed the opportunity.

The reputational legacy of the financial crisis cannot simply be dismissed as yesterday's problem.

The decisive test will instead be whether we achieve a healthier balance across our financing ecosystem. That means a deeper and more diversified investor base with greater participation from long-term institutional investors. It means maintaining the strength of Europe's covered bond market while allowing high-quality securitisation to complement, rather than replace, traditional bank lending. It also requires ensuring that the rapid expansion of private credit does not create new pockets of opacity outside the regulatory perimeter.

Ultimately, resilient capital markets are built on diversity, transparency and trust. Europe does not need to choose between competitiveness and stability. Our competitive advantage can be precisely that we deliver both. Sustainable growth is not created by taking ever greater risks. It is created by allocating capital efficiently, managing risk intelligently with the sustainable transition in mind and remembering that financial stability is itself a prerequisite for long-term prosperity.

STEFANO CAPPIELLO

Director General, Directorate V, Regulation and Supervision of the Financial System – Ministry of Economy and Finance, Italy

Facilitating risk-sharing across the European financial system

Too often, securitisation is viewed as just a funding tool. However, one of its main added values is enhancing risk-sharing. By transferring credit risk from banks to a broader investor base, securitisation improves risk allocation, capital efficiency and the flow of credit to households and businesses.

This is especially relevant in Europe, where financial fragmentation still limits private risk-sharing and shock absorption across Member States.

The European securitisation market is recovering, but it remains below its pre-crisis depth. Issuance reached € 252.3 bn in 2025 (€ 244.9 bn in 2024), with placed issuance at € 156.3 bn (€ 144 bn in 2024), while outstanding volumes stood at around € 1,294.2 bn (€ 1,217.6 bn in 2024)[1]. The figures confirm renewed momentum, but also the need for greater scale and liquidity.

Importantly, the issue is clearly framed within the current political debate. The issue is no longer whether Europe needs securitisation, but whether it is willing to make the reforms needed for the market to scale up. Key principles of the new regulatory approach to securitisation include greater risk sensitivity, avoiding unnecessary complexity and conservatism, preserving robust safeguards and ensuring that capital relief appropriately reflects effective risk transfer.

Most of all, securitisation is a pillar of the Savings and Investments Union (SIU) agenda, in particular if we want a competitive SIU. It is clear to all that strengthening the European securitisation market is a necessary element to create a deeper and more integrated European financial system.

In light of these goals, the aim of the ongoing review should not be deregulation, but a more balanced and proportionate regulation to stimulate both supply and demand: banks should be able to issue more securitisations, and investors should not face unnecessary barriers to investment.

On the demand side, key priorities include mobilising insurers' balance sheets, facilitating greater participation by investment funds, reviewing prudential barriers (e.g. those linked to Solvency II and UCITS rules), enhancing secondary market liquidity and broadening the range of long-term investors.

The ongoing legislative process is therefore a test of whether the EU can move towards a more efficient and risk-sensitive regime, while preserving financial stability and without weakening core safeguards for both originators and investors.

However, regulation is not enough, complementary market-building initiatives are needed to remove structural barriers. Regulatory initiatives alone will not allow for the creation of a genuinely integrated European securitisation market. Structural obstacles remain, such as national fragmentation, concentration of issuance in few Member States, operational complexity for smaller originators, and limited standardisation and scale.

The debate should therefore also focus on complementary market underpinnings that could widen participation across Europe.

Possible avenues include: (i) greater standardisation of market practices; (ii) securitisation platforms, capable of aggregating assets across jurisdictions; (iii) greater involvement of European institutions in co-financing or guaranteeing public-private platforms.

On the last point, one option would be to introduce targeted European guarantees or backstops that catalyse, rather than replace, private capital. The Italian GACS experience shows how a targeted public guarantee at market terms can address a temporary market failure and operate as an accelerator to support the creation of a secondary market: its main value was not only to narrow the gap between ask and bid prices in secondary market of NPLs, but rather to accelerate the build-up of the capabilities and infrastructure needed for the market to function. This meant supporting investments in professional skills, data quality and standardised reporting, due diligence processes, digital servicing infrastructure and governance frameworks capable of giving investors greater transparency and confidence. Once the secondary market had become sufficiently mature and able to stand on its own, the support was phased out.

A stronger EU securitisation market needs proportionate rules and market enhancing tools.

The policy lesson once again is that public support can be most effective when it is temporary, targeted and conditional on market-building outcomes. A stronger European securitisation market requires not only proportionate regulation, but also targeted initiatives that build market capacity, broaden investor participation and support common infrastructures. Public intervention should therefore be designed as a temporary catalyst for private market development.

1. *AFME – European Securitisation Data Report, 2025.*

JANUŠ KIZENEVIČ
Vice Minister – Ministry of Finance of the Republic of Lithuania

Securitisation in smaller EU markets: Unlocking new opportunities for growth

Smaller EU markets, such as the Baltic countries, are well positioned to shape the next phase of Europe's capital markets by developing securitisation ecosystems tailored to their needs. While these markets are still emerging, this presents a unique opportunity to build modern, efficient frameworks. As Europe increases investment in defence, technological innovation and energy security, expanding securitisation can strengthen financial resilience, diversify funding sources and support more sustainable economic growth. It also supports the broader objectives of the EU's Savings and Investments Union by improving access to market-based finance and reducing reliance on bank lending. A well-designed securitisation market can also improve the allocation of capital across the economy, enabling savings to be channelled more efficiently towards productive investment while strengthening the resilience of the broader financial system.

Securitisation has a significant potential to support key regional priorities, including housing, SME financing and the green transition. By enabling banks to free up capital, it can facilitate additional mortgage lending and create greater financing opportunities for businesses. It can also help channel investment into renewable energy, energy efficiency and building renovation by combining numerous smaller projects into diversified investment portfolios that appeal to institutional investors.

Evidence shows that mortgage and SME loan portfolios in smaller markets are often too limited to achieve cost-efficient securitisation, making regional cooperation essential. Expanding participation from international asset managers, insurers and pension funds would further deepen market liquidity, enhance competitiveness and increase investment opportunities throughout the region. This collaborative approach would also encourage cross-border investment flows, strengthen investor confidence, and promote more integrated regional capital markets.

Creating an environment where the benefits of securitisation would be obtainable across all Member States, requires a regulatory framework that reflects the diversity of Europe's financial markets. Greater regulatory harmonisation would reduce fragmentation, provide legal certainty and enable smaller issuers to operate under common standards. Building on the current framework, particularly the Simple, Transparent and Standardised (STS) regime, there is an opportunity to introduce more proportionate and accessible approaches that reduce legal, advisory and structuring costs while maintaining high standards.

Reviving securitisation in smaller markets is an opportunity to strengthen Europe's capital markets.

An EU-wide package of standardised documentation, reporting templates and risk assessment methodologies could be a practical solution that smaller markets could adopt without significant additional costs. By reducing complexity and lowering implementation costs, such tools would allow banks and issuers to participate more efficiently while ensuring greater consistency across Europe. Building institutional expertise is equally important. EU-level training programmes, technical assistance and regional knowledge-sharing platforms can help build strong capabilities, which would contribute to sustainable market development and increase the capacity of local financial institutions. Stronger cooperation between public authorities, financial institutions and market participants can accelerate implementation, encourage innovation and improve long-term market resilience across Europe.

Digitalisation also offers an important opportunity to make securitisation more efficient and accessible. Standardised data systems, enhanced transparency and streamlined reporting processes can reduce administrative costs and improve confidence among market participants. Together with regulatory alignment and regional cooperation, digital innovation can make securitisation more attractive for smaller economies seeking to participate more actively in European capital markets.

Regional cooperation can become a powerful catalyst for market development. Joint securitisation platforms would create opportunities for larger and more diversified transactions that benefit from economies of scale. Reviving securitisation in smaller markets is an opportunity to strengthen Europe's capital markets, improve access to investment and promote balanced economic development across the Union. By combining proportionate regulation, regional cooperation and digital innovation, smaller economies can become active contributors to the success of the Savings and Investment Union.

DAMIAN JAWORSKI

Executive Director – European Insurance and Occupational Pensions Authority (EIOPA)

Reviving securitisation requires more than lower capital charges

Europe's ambition to deepen its capital markets has placed securitisation at the centre of the policy debate. The Commission presented its reform package in June 2025. The Council and Parliament have since adopted their positions, and trilogue negotiations moved into full swing in June 2026. There could hardly be a better moment to ask what would make securitisation a credible asset class for insurers.

Insurers have long been seen as natural anchors of a deeper market. As large institutional investors with long-dated liabilities, they can provide stable funding across market cycles. An active debate is underway over whether capital requirements are holding back their investment in securitisation. Yet, participation remains limited for reasons beyond capital requirements.

EIOPA's analysis found that investment decisions are driven mainly by risk-return profiles, asset-liability management and product complexity. Many securitisations have short duration and prepayment risk and thus cash flows that are difficult to match against long-term obligations. Fragmented issuance, limited liquidity and specialised expertise reduce their appeal. For these reasons, rather than because of capital requirements, the securitisation investments of insurers are low.

The Solvency II regulatory framework for European (re)insurers has recently been reviewed, with the revised framework taking effect in January 2027. One important change is a reduction in the capital requirements for investments in securitisations. While this may support the European Commission's broader objective of revitalising the EU securitisation market, EIOPA does not expect the Solvency II revisions, on their own, to be a significant driver of insurers' investment into securitisations. Among other reasons, the amendments to the standard formula will not directly affect large insurers that use internal models to calculate their capital requirements.

Other factors, however, could support insurers' investments in securitisations. Data quality and product design are at least as important as prudential calibration. Simplifying due diligence and transparency requirements can reduce costs, but must not weaken investors' ability to understand underlying exposures. Reliable loan-level data, consistent definitions and clear documentation are prerequisites for sound pricing and risk management. The Simple, Transparent and Standardised (STS) label should support standardisation, not replace investors' own assessment or dilute the originator's responsibility.

Products also need to reflect long-term investors' needs. More predictable cash flows, transparent prepayment assumptions, diversified pools and greater standardisation would help. European or national platforms could aggregate granular assets and create issuance at scale, particularly for SME, infrastructure or transition financing. But a platform cannot substitute for robust underwriting, pricing or risk retention. Public involvement should help catalyse market developments while maintaining transparent risk allocation.

In this context, the most sensitive question concerns unfunded credit protection for synthetic securitisations. Broadening eligible providers could increase risk-sharing and reduce costs. However, for insurers, the exposure is a contingent liability that may crystallise when credit conditions deteriorate. This creates counterparty and concentration risks and may strengthen interconnectedness between banks and insurers. Thus, it may increase the systemic risk and could be detrimental to policyholder protection. The monoline experience during the global financial crisis remains relevant: guarantees that appeared profitable generated severe losses when securitised portfolios deteriorated and aggravated the crisis. In EIOPA's view, the safeguards currently under discussion do not adequately address these concerns.

A durable market needs investable products, trustworthy data and genuine risk transfer.

Better alignment across the Securitisation Regulation, Solvency II and bank prudential rules should mean coherent incentives, not identical treatment. Risk retention must preserve alignment between originators and investors. Due diligence should be proportionate but substantive. Common data standards and coordinated supervision should reduce duplication and regulatory arbitrage. The final calibration should promote sound risk allocation to institutions best equipped to manage it, and limit incentives driven solely by prudential differences.

Europe can revive securitisation, but the objective should be a market built on investable products, trustworthy data and genuine risk transfer. Capital treatment is an important element of that ecosystem, but not its only foundation. A successful reform can expand funding for the real economy while keeping policyholder protection and financial stability non-negotiable.

ALEXANDER BATCHVAROV

Managing Director and Head of International Structured Finance Research – Bank of America

EUSR amendments: right direction, wrong destination?

EU securitisation regulatory framework (EUSR) is undergoing amendments to make it risk sensitive, proportionate and competitive. This is a commendable objective, but to what degree can it be achieved?

To answer this question, we must start from the EUSR - a panoply of multiple Level 1 and 2 regulations, overlaid by EU-level and member-state supervision. To achieve an overall risk-sensitive and proportionate regulatory framework, the above characteristics must be achieved at each level of regulation and supervision: these are the inputs. In some cases, the EU inputs are better (e.g. bank capital charges for senior tranches) than in other countries; in other cases, they are worse (e.g. insurers' capital charges for all tranches). But all inputs must be considered in their cumulative effect on the EU issuers' and investors'.

Competitiveness is the outcome: is the EU securitisation market attractive to both domestic and foreign issuers and investors, is it a major part of the EU capital markets, and does it act as a conduit to channel EU domestic savings to finance EU economy and strategic priorities? We do not believe this is the case at present. And, depending on the final EUSR amendments, it may only be marginally better in the future.

If we consider competitiveness as inputs in the regulatory frameworks, we may come to the wrong conclusions. For example, unlike other jurisdictions: A/ the EU STS regulation/ treatment allows for lower regulatory capital for senior tranches and higher capital for non-senior tranches, B/ the EU regulation allows for STS tranche eligibility in EU banks' LCR. But in both cases, securitisation is not present in the respective investor portfolios because: a/ for EU standard model insurers the STS tranche RAROC is much lower relative to other investments, and b/ for EU banks the LCR haircut is too high to make economic sense to include STS in LCR.

To add to these examples: C/ EU regulation imposes securitisation specific penalties on investors beyond the sector-specific penalties for, say, non-compliance with due diligence requirements; such penalties do not exist for any other investment or in any other jurisdiction. D/ EU regulation imposes on issuers centralised loan-by-loan reporting templates and repositories, which may differ from the ones investors use daily.

We believe that the proposed EUSR changes do not decisively stimulate EU supply and demand for securitisation.

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As far as issuers are concerned, they are likely to maintain the barriers to third-country issuers and discourage the participation of EU investors in third-country securitisations. While they may be helpful to third-country investors, the latter are return-dependent and have access to other markets, beyond the EU. By limiting domestic demand and favouring foreign investors the EUSR may effectively maintain high and uncompetitive cost of funding and risk transfer for EU regulated institutions.

The current proposals encourage synthetic securitisations. They create a large trough between IRB and Standardised bank. The resilient treatment favours senior tranche retention in synthetic securitisations by banks. Solvency 2, already adopted, will stimulate only marginally, we think, the demand for senior AAA and AA tranches. The secondary market liquidity may be helped somewhat, but not decisively, by the delay of due diligence filing by a couple of weeks.

We do not see major changes that equalize the treatment of cash instruments: CB and MBS, ESN and ABS. We see changes, which encourage the use of synthetic securitisation, but that, in our view, does not create a market transparency or expand the universe of large, safe, investible instruments. Private credit is ... private and likely to remain so; it is only indirectly captured by the proposed amendments to the EUSR and is flexible and creative enough to shift activities away from the securitisation market if need be. The definition and application of the sole-purpose test can have a big impact on who and how much can securitise. By targeting one product the wrong way, policymakers can easily, albeit inadvertently, undermine other products that they strive to encourage or vice versa.

The trialogue on the EUSR is entering its final stage. We understand that the co-legislators are focusing on the trees, i.e. are the proposals of the three co-legislators similar, marginally or radically different?, and how can a given tree be reshaped, i.e. what is the acceptable compromise for each amendment? We are concerned that the policymakers and the markets are losing sight of the forest, i.e. will there be a viable securitisation market in the EU?, what shape it will take? will it contribute to the EU big political and existential initiatives: the EU savings and investment union, the EU banking union, the capital markets and the financing of the EU economy and geopolitical priorities, and EU's global competitiveness. Some of the answers will be found in the final text of the EUSR amendments.

ANSGAR WEST

Senior Managing Director, Global Head of Direct Credit – Munich Re

From Dublin to deep markets: making SRT reform real

When Eurofi meets in Ireland in September 2026, the location will be more than symbolic. Dublin is a centre of insurance and reinsurance capacity. It is the right place to ask whether securitisation reform will unlock risk transfer, or merely produce a Potemkin reform: impressive, but too narrow or uncertain to be used at scale.

Europe's problem is not a shortage of mortgages, savings or regulated balance sheets. Banks hold roughly €8 trillion of residential mortgage exposures, yet less than €30 billion of mortgage risk has been mobilised through synthetic significant risk transfer (SRT). In the US, more than 40 insurer and reinsurer balance sheets support mortgage credit risk transfer. Europe need not copy the US model, but should learn the lesson: mortgage risk transfer works only when safeguards are combined with a workable provider base.

The July 7 trilogue confirmed a shared objective among the Council under the Irish Presidency, the European Parliament and the Commission: to ensure the STS unfunded credit protection (UFCP) market works in practice, that group support arrangements are operational, and that sufficient insurers and insurance groups can meet the eligibility criteria.

This shared objective must now survive the drafting. A reform open to insurers, but accessible to only a handful of balance sheets, will not build a market.

Three points are decisive. First, STS Resilient must be economically viable for originator banks. For mortgages, this depends above all on the senior risk-weight floor. If the floor is too high, banks will rely mainly on covered bonds, leaving credit risk on balance sheet. The floor should be calibrated as low as prudentially possible for granular, well-enhanced transactions. Otherwise the framework will be symbolic where Europe needs scale: housing finance and first-time buyers.

Second, the SECR eligibility improvements for insurers must be mirrored in CRR. Where a synthetic securitisation qualifies as STS and uses UFCP from an eligible EU-authorised insurer or reinsurer under Article 26e(8)(aa), it should be capable of accessing STS Resilient treatment under CRR Article 243(3). Without that link, insurer capacity will not translate into usable bank balance-sheet capacity.

Third, the eligible insurer and reinsurer base must be broad enough to matter. Parliament was right to insist that reinsurers should not be excluded from eligibility. This matters because insurers and reinsurers can support securitisation differently. Life insurers can be natural funded investors in senior and selected mezzanine tranches where assets match long-term liabilities. Reinsurers, by contrast, often add most value through unfunded protection: their comparative advantage lies in modelling correlated portfolio risk and providing robust UFCP backed by regulated claims-paying capacity. A workable reform should recognise both roles.

A reform that excludes real capacity is only a Potemkin reform.

Eligibility should therefore look at substance: risk-management capability, credit strength, diversification and appropriately calibrated size. If thresholds are set too high, credible EU-authorised undertakings should be able, where appropriate, to rely on the scale and support of their parent group. The objective is not to dilute safeguards, but to recognise real capital behind EU-supervised undertakings. In this context, reliance on Solvency II-equivalent third-country group supervision for parental support is not a loophole; it is a market capacity condition.

Beyond STS, such as for the Non-STS Resilient segment, reform should expand risk-transfer capacity, not shrink the existing market.

The need for legal certainty and workability applies to timing. Key criteria should be assessed at origination. A transaction should not automatically lose STS treatment because of a temporary change in Solvency II assets or a later rating movement, where counterparty risk is already managed under CRR and the insurer remains supervised. If an ongoing test is retained, targeted grace periods and transfer options are needed to avoid cliff effects.

A coherent framework for banks, private credit, insurance and reinsurance should follow one principle: risk should sit where it can be originated, supervised and managed most transparently. For SRT, this favours bank-originated portfolios, where underwriting, servicing and capital relief can be assessed within the prudential banking framework. Non-leveraged private credit can provide junior-risk capacity, while insurers and reinsurers take risk matching their liabilities, capital model and underwriting expertise.

At Eurofi Dublin, the choice facing policymakers is practical, not philosophical. Europe can adopt a reform that looks prudent because it is narrow, but fails because it is unusable. Or it can adopt one that is robust because it is workable: calibrated floors, explicit CRR recognition of eligible UFCP, assessment at origination, and a competitive insurer and reinsurer base. Only then will securitisation place risk where capital, expertise and incentives are aligned.

CHRISTIAN CASTRO
Head of Public Affairs – CaixaBank

Making securitisation a strategic financing tool for Europe

The Commission's securitisation package is a very much welcome and necessary step. For the Savings and Investments Union to deliver meaningful results, Europe should be able to revive the securitization activity and establish securitization as a strategic instrument to finance the European economy, supporting bank lending capacity and strengthening EU capital markets.

The SIU needs a deeper and more efficient securitization market. European banks are a primary source of financing for households and SMEs. Well-designed securitization allows banks to transfer risk, release capital and originate additional credit to support investment and growth. The debate should therefore move beyond treating securitization as a niche product and recognize it as a pillar of the SIU architecture.

The post-crisis regulatory framework was designed for a different environment. So, it should now be updated to reflect the profound structural changes in the European economy and its financial system, and to better align it with Europe's competitiveness and investment objectives. While it contributed to financial stability, it also created a framework that is not fully consistent with the actual performance of European securitization. The EU market remains significantly smaller than other major jurisdictions and is not fulfilling its potential as funding and risk-transfer channel for the real economy. The time has come to adjust its design and recalibrate the framework.

The Commission proposal rightly recognizes that inadequate capital requirements can be a barrier to market development. Prudential rules should remain robust, but they should also be proportionate to the actual risk profile of these exposures. In this sense, a more risk-sensitive calibration for high-quality senior securitisation positions would better reflect their underlying risk characteristics.

A successful securitisation market requires a balanced framework that creates incentives for both originators and investors. In this regard, prudential treatment should be aligned whenever possible between originators and investors when they are exposed to equivalent risks.

Similarly, any new reporting obligations should remain proportionate and avoid imposing unnecessary operational burdens, particularly for private securitisations. Additional reporting, repository submission requirements or compliance costs that do not generate clear supervisory or market benefits could ultimately reduce market activity and work against the objectives pursued by the Commission.

> **A balanced regulatory framework is key to unlocking Europe's securitisation potential.**

A limitation of the current framework is the stark regulatory divide in the treatment of STS and non-STS transactions. While STS remains an important quality label, regulatory treatment should increasingly reflect the underlying resilience and risk characteristics of transactions rather than relying on binary categorisations. A broader recognition of resilient securitizations could expand the investor base and increase the market's capacity to support economic financing.

The Commission's proposal to improve the treatment of securitisations under the Liquidity Coverage Ratio is particularly relevant. Eligibility beyond STS securitisation could be further explored, with haircut calibrations reflecting the underlying performance of high-quality EU securitizations. A more active role for securitisations within liquidity buffers would help to deepen secondary market activity.

Beyond banking regulation, securitization contributes directly to several EU priorities: supporting housing investment, increasing SME financing and strengthening European competitiveness. At a time when Europe seeks to mobilise private capital on an unprecedented scale, policymakers should view securitisation as part of the solution rather than as a residual legacy topic from the financial crisis.

The success of the reform will depend not only on the level of ambition but also on the predictability of the framework. Investors and originators require certainty when making long-term decisions. Europe should therefore avoid creating unnecessary review mechanisms, disproportionate enforcement measures or supervisory complexities that could undermine confidence just as the market begins to recover.

In conclusion, Europe has a unique opportunity to reposition securitisation as a strategic enabler of the SIU. The Commission's proposal moves in the right direction, but some further enhancements would help to ensure that its objectives are fully achieved.

A more proportionate prudential framework, broader recognition of resilient securitisations, improved liquidity treatment and greater supervisory convergence would help unlock the full potential of securitisation to support investment, competitiveness and economic growth across the European Union.

If Europe wants securitisation to become a strategic financing tool rather than a niche market, the regulatory framework must support both issuance and investment in a balanced, proportionate and predictable manner.