

## The European Union Kicks Off Its Consultation on the Reform of Its Securitisation Framework

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The European Commission has produced the first leg of its long awaited [consultation on the function of the EU Securitisation Framework](#) ("ESF") in the form of a paper setting out consultation questions.

The ESF consists of the Securitisation Regulation ("SECR"), the Capital Requirements Regulation ("CRR") and Solvency II Delegated Act, as well as certain liquidity requirements for banks in the Liquidity Coverage Ratio Delegated Act. SECR has been under review since 2022 in the context of the functioning of the EU securitisation market relative to its competitors. That review revealed that improvements were needed in order to achieve a more effectively functioning EU market, particularly around due diligence, transparency and proportionality. To that end, this first consultation paper is asking for industry input on a number of topics, including:

- the overall effectiveness of the ESF relative to its objectives which include the revival of safe securitisation markets and making sure that securitisations play their full part in funding the EU economy;
- impediments to securitising in SME loans or investing in SME loan securitisations;
- the scope of the application of SECR, including jurisdictional scope and the definitions of a securitisation and a sponsor;
- due diligence requirements;
- transparency requirements and the definition of 'public securitisation';
- prudential and liquidity risk treatments of securitisation for banks with a view to establishing how the prudential treatment of securitisation in the CRR can be calibrated to support an improved profile of the attractiveness of securitisation instruments for banks as originators, investors and servicers;
- risk weight floors and European proposals to lower those when banks act as originators;
- the (p) factor and whether it could potentially be reduced – questions are also raised about proposals to adjust the (p) factor on a temporary basis to adjust for the introduction of the 'output floor' under Basel 3.1;
- the tests in the CRR for the conditions to be met for significant risk transfer or 'SRT' to take place; and
- eligible asset classes for the purpose of inclusion in banks' liquidity buffers.

### Next Steps

Responses to the questionnaire should be submitted online before 4 December 2024.