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From:	General Secretariat of the Council
To:	Financial Services Committee Financial Services Attachés

Subject:	FSC 14 April 2025 - Item 2 - Evaluation report on the functioning of the Securitisation Regulation (SECR) - ESAs presentation
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As per the revised annotated agenda, the numbering of the agenda items has been updated.

Evaluation report on the functioning of the Securitisation Regulation (SECR)

Financial Services Committee meeting (14 April 2025)

Objectives

=>The [JC report on Securitisation Regulation](#) forms part of the multi-year review mandated under Article 44 of SECR. It also aims to provide timely input to the European Commission ahead of its forthcoming legislative proposal.

1. **Evaluation of the functioning** of the key components of SECR, including:
 - Due diligence, risk retention and transparency rules
 - STS framework
 - Supervisory framework
2. **Identify opportunities to enhance the effectiveness** and simplify the SECR, while **safeguarding financial stability** and **ensuring robust investor protection** – by clarifying the regulatory framework and enhancing proportionality.

Key recommendations: scope and definition

=> Issue: Challenges with SECR application to geographically mixed securitisations, where some but not all the securitisation parties are established in the EU.

=> Issue: The current definition of public securitisation does not capture the full range of securitisations which are public 'in substance'.

Recommendation: Clarifying the scope of SECR

- The application of SECR should be triggered in both of the following cases if any of the following conditions are met:
- at least one of the sell-side parties is established in the EU (with buy-sides that may be established in EU and/or outside EU);
 - at least one buy-side party is established in the EU (with sell-side parties that may be established in and/or outside EU).

Recommendation: Broadening the definition of public securitisation

- Securitisation should be defined as "public" if they have any of the following characteristics:
- Transaction with EU-approved prospectus; or
 - Notes admitted to EU-regulated markets or multilateral trading facilities (MTF) or organised trading facilities (OTF) or /and any other trading venue ; or
 - Transactions marketed to a broad range of investors, where the relevant terms & conditions are not negotiable, subject to a market test.

Key recommendations: Due diligence and transparency rules

=>Issue: Detailed and prescriptive due diligence requirements

Recommendation: Simplified & more proportionate due diligence requirements

In particular:

- Apply due diligence requirements to all institutional investors, irrespective of transaction type or sell-side location.
- Prioritise substance over format, ensuring investors receive sufficient information for meaningful risk assessment.
- Establish an STS equivalence/recognition regime only when EU investors seek preferential treatment
- Introduce flexibility in the timing of due diligence documentation in secondary markets.
- Remove the requirement for investors to check STS criteria where (i) originator/sponsor supervision is enhanced ; and/or (ii) a supervised third-party STS verifier is involved.

=>Issue: The current disclosure regime is considered insufficiently fit for purpose

Recommendation: Simplifying the transparency framework including for public transactions

In particular:

- Introduce greater flexibility within the transparency framework
- Harmonisation and simplification of transaction-level information and by removing duplication or inconsistencies and unnecessary asset-class sections
- Allowing aggregated or stratified data for some assets.

Meanwhile, ESMA is consulting on simplified templates for private securitisations.

Key recommendations: STS framework and risk retention rules

=>An overhaul of the STS framework is unnecessary, instead, targeted enhancements to specific STS criteria & quick fixes to improve efficiency, particularly for on-balance-sheet securitisations

=> Interpretative issues related to risk retention rules

Recommendation: remove the risk retention and general transparency rules from the STS criteria to avoid duplication.

- **Targeted changes to STS criteria for on-balance-sheet securitisations**
- Pros/cons of allowing to Solvency II-regulated entities to provide unfunded guarantees to on-balance-sheet securitisations under the STS framework.

Recommendation: Reducing ambiguity in the interpretation of the risk retention requirement.

Collateralised loan obligations (CLOs)

- Provide specific clarifications on the term “predominant source of revenues”.
- Consider the possibility of broadening the definition of “sponsor” to include other regulated entities, such as alternative investment fund managers.

Definition of sponsor for ABCP

- Clarifying the definition of sponsor in asset-backed commercial paper (ABCP) transactions.

Key recommendations: Options for supervision

=> Supervisory issues that could hinder the long-term revival of the EU securitisation market:

- ✓ Fragmentation of supervisory practices and reporting burden
- ✓ Cross-border coordination challenges
- ✓ Potential resource constraints
- ✓ Need for further convergence in supervisory approaches

Recommendation: a road map for transitioning to a more centralised supervisory model, subject to future market developments

=> Options for addressing these challenges

- ✓ Option 1 - Short term: strengthen coordination via ESAs Joint Committee
- ✓ Option 2 - Long term: developing a more consolidated supervisory model

Questions?