

## Key Points Summary:

# SFA Requests Guidance on European Union Securitization Regulation Issues

### Main Takeaway

In July 2019, the Structured Finance Association (SFA) [sought guidance](#) from European regulators on whether the Securitization Regulation requires institutional investors to verify compliance with transparency requirements when European Union originators, sponsors or securitization special purpose entities (SSPEs) are not involved.

### Background

Market participants and legal advisers have come to different conclusions on this issue. That has led to confusion and uncertainty in the market.

Some EU institutional investors are currently investing in non-EU securitizations based on legal advice that they do not have to verify compliance by non-EU originators, sponsors and SSPEs. However, the majority have refused to purchase non-EU securitizations without full compliance.

Unlike the EU under the new securitization regulations, the U.S. does not require the provision of asset-level data for most securitization asset classes.

SFA's letter asks the EU to consider clarifying regulations in a way that does not preclude EU institutional investors from participating in non-EU securitizations.

### SFA's Key Points

- Many legal advisors take the view that the EU Securitization Regulation does not require institutional investors to verify compliance with its transparency requirements when they invest in non-EU securitizations. However, the regulation's phrasing is not sufficiently clear, leaving its due diligence requirements open to interpretation.
- Some legal advisors have expressed the view that EU institutional investors seeking to invest in non-EU securitizations should comply in full, or substantively comply, with transparency requirements. That view creates significant practical challenges and compliance issues that would potentially exclude the majority of non-EU securitizations.
- If compliance is necessary, more nuanced guidelines would be necessary to help EU institutional investors conclude whether or not non-EU securitizations are in compliance. Most U.S. securitizations do not provide granular loan-level information on the underlying exposures, and asset-level data is not required for most U.S. securitization asset classes.
- SFA suggests that European regulators provide guidance to this effect: An EU institutional investor must be satisfied it has received sufficient information to carry out due diligence obligations proportionate to the risk profile of the non-EU securitization. But differences in reporting requirements outside the EU shall not mean an institutional investor cannot comply.

[Read SFA's request for guidance on certain EU securitization regulation issues.](#)