STRUCTURED FINANCE ASSOCIATION

Policy Position Paper

in relation to the European Parliament's Draft Report on the securitisation file

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January 9, 2026

The Structured Finance Association ("**SFA**") welcomes the European Parliament's draft report, which brings some significant improvements to the European Commission's proposed package of regulatory reforms relating to the securitisation framework.

As an association **representing participants across the full spectrum of the structured finance and securitisation markets** – including lenders, dealers, securities issuers, institutional investors, financial intermediaries, credit rating agencies, law firms, accounting firms, technology firms, servicers and trustees – SFA plays a vital role in the development of market consensus solutions that support efficient and stable markets.[1]

While our focus has historically been on the U.S. markets, we have members around the world, including in many EU Member States, and we have been following the proposed reforms of the European securitisation framework with interest. We see **significant potential in the European securitisation markets** and we are encouraged in general by the direction of the reforms, especially their drive towards **simplification of the framework**. Our goal is to act as a resource to help develop and grow the European markets in a prudent way that takes account of the lessons learned over the years, including during the Global Financial Crisis ("**GFC**").

While we are encouraged by the several improvements that the European Parliament's draft report makes to the original Commission proposal, we believe more can and should be done to **encourage greater participation from existing institutional investors as well as new participants** to join the EU securitisation markets. We focus our comments mainly on the Securitisation Regulation (find suggested text for amendment in separate document), and are particularly supportive of:

- **UCITS investment in securitisation:** SFA welcomes the Rapporteur's suggestion to improve the ability of UCITS funds to invest in securitisations by raising the **10% limit on UCITS investments** in the debt securities of a single issuer to 70% for <u>public</u> securitisations. This is a meaningful improvement on the current situation and also on the Council's position of raising the limit to 50% for public securitisations. That said, UCITS are a key potential source of demand for the securitisation markets and public securitisations represent only 35-45% of the liquid European securitisations potentially of interest to UCITS funds. Our members estimate that a **full removal of the 10% issuer limit for securitisations would generate €100bn-€150bn in immediate demand** for securitisations and €20bn-€30bn in annual demand thereafter. This is very significant in

[1] SFA is a member-based, trade industry advocacy group focused on improving and strengthening the broader structured finance and securitisation market. SFA provides an inclusive network for securitisation professionals to collaborate and, as industry leaders, to drive necessary changes, to be advocates for the securitisation community, to share best practices and innovative ideas and to educate industry members through conferences and other programs. While our members often have conflicting views and interests, our governance structure requires consensus from all stakeholders. Further information can be found at www.structuredfinance.org.

the context of a market where only €144bn of securitisation notes were placed in Europe in 2024.

Restricting the securitisation carve-out to 70% of public securitisations would therefore reduce the potential for additional demand considerably. There is also no good rationale for such a limitation. **The 10% issuer limit predates the existence of the European securitisation market** and is designed to prevent UCITS funds from becoming overly influential investors in trading companies. The fact that it applies to securitisations at all is an accident of history and not a deliberate policy choice – securitisation vehicles are **not** trading companies. Therefore, **securitisations should be carved out of the rule completely** to help unleash greater demand in the European securitisation market. Moreover, there are **strong safeguards for UCITS funds in the UCITS Directive relating to diversification, concentration limits and liquidity requirements** which would permit this to be done safely. These safeguards should be preserved and apply equally to securitisations.

- **Definition of "public securitisation":** We were concerned by the Commission's proposal to significantly widen the scope of the definition of a "public" securitisation, because it was both unclear and overbroad. We are therefore strongly supportive of the Rapporteur's position of preserving the substance of the current definition, but formalising this in the definitions section, which is consistent with the approach also adopted by the Council.

- **Simplification of due diligence:** We strongly support the simplification of the **due diligence** requirements proposed by the Commission, along with the further refinements proposed in the Rapporteur's draft report. Both are helpful, but **do not go far enough**. In particular, they miss the opportunity to address Article 5(1)(e) SECR, which effectively prohibits EU institutional investors from investing in most non-EU securitisations, thereby shutting them out of 70% of a €2.5 trillion global market and putting them at a competitive disadvantage compared to their global peers. The Council text makes a slight improvement; however, we believe that more should be done to align due diligence obligations when investing in EU and non-EU transactions. A more principles-based approach that would require EU institutional investors to ensure that non-EU issuers have made sufficient information available to allow them to make an independent assessment of the securitisation (without being too prescriptive about the specific information required) would be preferable. This would simultaneously expand the EU securitisation markets[2] and boost EU investor competitiveness without jeopardising transparency or increasing systemic risk. This is the route that the UK, for example, has decided to take, and is also comparable to the situation of US investors.

[2] By generating additional demand, including for EU issuance, from EU investors who are currently disincentivised from developing investment capabilities in this asset class given the limited size of the EU market and being effectively unable to access most of the non-EU market.

- **Investor sanctions:** We are concerned by the Commission's proposal to double up on sanctions for institutional investors while simultaneously removing their ability to delegate their due diligence obligations. This would unquestionably have a chilling effect on a market these reforms are intending to help grow. We are therefore very pleased to see the Council has rejected these changes and has helpfully proposed to refine the rules on delegation. We are equally encouraged by the Rapporteur's similar suggestion on delegation. However, on sanctions, we draw the Parliament's attention to the fact that capping sanctions at twice the amount of the investment could actually be more than the 10% of consolidated turnover proposed by the Commission, since asset managers typically invest their clients' money. Given that asset managers represent a large proportion of investors in the market, and that sanctions are already provided for in both sectoral and national legislation, we urge the Parliament reassure investors that they will not be subject to another layer of sanctions, and reject the insertion of investor sanctions in SECR altogether.

- **Simplification of transparency:** Simplification of these requirements is a key positive step that SFA strongly supports. Transparency is a key requirement of a well-functioning market, but SFA is keen to ensure that flexibility remains for parties to agree disclosure packages that work for them, particularly where transactions are private in nature, and avoid compliance costs that would discourage small transactions. For this reason, we support the Rapporteur's suggestion to remove the Commission's suggestion to require private securitisations to report to securitisation repositories. We also recommend imposing stronger safeguards to ensure information reported to repositories about private transactions is kept confidential.

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SFA SUGGESTIONS FOR SECR AMENDING REGULATION

Subject	SECR Article	Suggested amendment (Compared to COM text)	Justification
UCITS investment in securitisation	N/A	Amend Article 56 of the UCITS Directive (2009/65/EC), to add the following subparagraph immediately after point (d): **"The limit laid down in point (b) may be disregarded at the time of acquisition and throughout the time they are held where the debt securities represent securitisation positions as defined in Article 2(19) of Regulation (EU) 2017/2402 of the European Parliament and of the Council."**	UCITS are a key potential source of demand for the securitisation markets. Our members estimate that a full removal of the 10% issuer limit for securitisations would generate €100bn-€150bn in immediate demand for securitisations and €20bn-€30bn in annual demand thereafter. This is very significant in the context of a market where only €144bn of securitisation notes were placed in Europe in 2024. There is also no good rationale for such a limitation. The 10% issuer limit predates the existence of the European securitisation market and is designed to prevent UCITS funds from becoming overly influential investors in trading companies. There are strong safeguards for UCITS funds in the UCITS Directive relating to diversification, concentration limits and liquidity requirements which would permit this to be done safely. These safeguards should be preserved and apply equally to securitisations.

Subject	SECR Article	Suggested amendment (Compared to COM text)	Justification
Investor sanctions	32(1)	~~(17) in Article 32(1), first subparagraph, the following point (i) is added:~~ ~~'(i) an institutional investor, other than the originator, sponsor or original lender, has failed to meet the requirements provided for in Article 5.';~~	Adding sanctions under SECR for institutional investors on top of existing sanctions would unquestionably have a chilling effect on a market these reforms are intending to help grow. Capping sanctions at twice the amount of the investment (as the Rapporteur suggests) could actually be more than the 10% of consolidated turnover proposed by the Commission, since asset managers typically invest their clients' money. Given that asset managers represent a large proportion of investors in the market, and that sanctions are already provided for in both sectoral and national legislation, rejecting the insertion of investor sanctions in SECR altogether is preferable.

Subject	SECR Article	Suggested amendment (Compared to COM text)	Justification
Simplification of due diligence	5(1)(e)	(3) Article 5 is amended as follows: … (ii) points (e) and (f) are replaced by the following: '(e) if established in a third country, the originator, sponsor or SSPE designated in accordance with Article 7(2) has made available ~~the information required by Article 7(1) in accordance with the frequency and modalities provided for in that paragraph~~ **information sufficient to allow the institutional investor to make a well-informed, independent assessment of the securitisation, and has committed to make available further information of a type and with a frequency sufficient to allow the institutional investor to effectively and independently monitor the ongoing performance of the securitisation throughout the life of its investment**;	Article 5(1)(e) SECR effectively prohibits EU institutional investors from investing in most non-EU securitisations, thereby shutting them out of 70% of a €2.5 trillion global market and putting them at a competitive disadvantage compared to their global peers. A more principles-based approach that would require EU institutional investors to ensure that non-EU issuers have made sufficient information available to allow them to make an independent assessment of the securitisation (without being too prescriptive about the specific information required) would be preferable.

Subject	SECR Article	Suggested amendment (Compared to COM text)	Justification
Confidentiality of private securitisation data in repositories	10(7) and 17(1)	**Article 10(7) is amended to add the following point (d):** **"(d) the procedures which are to be applied by securitisation repositories in order to ensure that information regarding private securitisations is disclosed only in accordance with Article 17"** **ESMA shall submit new draft regulatory technical standards to the Commission reflecting this addition to Article 10(7) by [6 months after publication of the amending Regulation in the Official Journal]** **Article 17(1) is amended to add the following immediately after the first sentence:** **"The securitisation repository shall not disclose any information regarding private securitisations except as required by this Article 17."**	Information relating to private securitisations – including their existence, is often highly confidential and commercially sensitive. If any disclosure of private securitisations to securitisation repositories is required, then the legislation should be clarified to ensure that securitisation repositories disclose the information required to be reported to them only to the public bodies responsible for supervision of individual market participants and supervision of the market as a whole.

About the Structured Finance Association

The SFA's mission is: "*To help its members and public policy makers grow credit availability and the real economy in a responsible manner*."

The SFA is a consensus-driven trade association with over 370 institutional members representing the entire value chain of the securitisation market. By facilitating the responsible issuance of and investment in loans and securities, our members help to foster a market that provides trillions of dollars of capital to consumers and businesses in communities across the globe. SFA members include issuers, investors, broker-dealers, rating agencies, data analytic firms, law firms, servicers, trustees and accounting firms. As such, unlike many other trade associations, before we take any advocacy position our governance requires us to achieve consensus by agreement rather than majority vote, ensuring the perspectives of all our diverse membership are included. This diversity is our strength, as it builds healthy tension in arriving at our consensus position. Because of this, we are methodical and thoughtful as we analyze the pros and cons of regulatory proposals before we reach a mutually acceptable position.

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