



UCITS Investments in
European Securitised
Products

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The UCITS Directive only allows UCITS funds to buy up to 10% of the debt securities of a single issuer. **The Structured Finance Association (“SFA”) supports the removal – in respect of securitisations – of the 10% limit on UCITS investments in the debt securities of a single issuer.** This limitation is a meaningful barrier to UCITS investments in securitisations which should be removed.

Proposals to amend the UCITS limitation

In its General Approach, the **Council** of the European Union proposed to raise the limit to 50%, but for *public* securitisations only. Members of the **European Parliament** have proposed a variety of amendments on this subject, suggesting a range of different outcomes – from a modest limit of allowing a UCITS fund to buy 25% of a securitisation (with no restriction to public securitisations), through to eliminating the limit entirely. The Rapporteur’s proposed compromise is to raise the limit to 70%, also for *public* securitisations only.

SFA recommendation on UCITS limitation on investments in securitisations

SFA membership remains persuaded that the rational policy outcome is to eliminate the limit entirely, with respect to all securitisations, *both public and private*. However, there is ample room for a compromise solution that would achieve many of the benefits of removing the limit, without having to do so entirely. For example, **a limit of 50% for all securitisations**, measured at the point of acquisition, appears reasonably designed to mobilise sufficient capital to ensure the success of the reform of the EU securitisation framework.

Whatever percentage on UCITS investments in securitisations is eventually agreed, **it is very important that the expanded limit not be restricted to only “public” securitisations.** SFA estimates that only 35-45% of the liquid European securitisations of interest to UCITS funds are “public” by the definition currently included in the Securitisation Regulation. Perhaps counterintuitively, large sections of the “private” securitisation market are extremely liquid – often more liquid than “public” securitisations – and thus more desirable for UCITS funds. Consequently, introducing such a qualifier would be problematic because it would prevent UCITS funds from providing financing to the real economy directly via securitisation and indirectly by freeing up capacity for additional lending by banks. It would deprive UCITS managers of the possibility to choose the types of securitisations that can best suit their investment strategy, and also deny UCITS investors the benefits of stable, secure and predictable income securitisations can provide. Moreover, the UCITS Directive already contains protections

to ensure UCITS funds will maintain sufficiently liquid investments – protections which extend to securitisation investments and which SFA strongly supports.

The rationale for limitations on UCITS investments does not apply to securitisations

As noted by several commentators, including in the Danish Presidency's discussion note of 1st December 2025 on the securitisation package, **the 10% threshold on holdings of debt securities from a single issuing body was never intended to apply to securitisations**. In fact, the limitation, found in Article 56(2)(b) of the UCITS Directive, predates the first European securitisation by two years. Rather, it is intended to prevent a fund from acquiring a controlling or dominant position in an issuer's securities, thereby preventing undue influence or control over the corporate issuer. Of course, securitisation issuers are SPVs with no corporate strategy, so this concern does not apply to securitisations.

Perhaps even more important, the **provision is not aimed at addressing investor protection concerns related to concentration risk**. Instead, concentration risks are covered elsewhere, in Article 52 of the UCITS Directive, which limits the portion of a fund's assets that may be invested in instruments issued by the same entity to 5%. Additionally, UCITS have numerous other restrictions under the UCITS Directive regarding risk management and liquidity that fund managers must consider when evaluating the size and nature of any single position.

Specifically, in the case of securitisations, the concerns around excessive influence over an issuer and excessive concentration of risk in one credit either don't arise or are mitigated by the nature of the product. The issuers will generally be single transaction vehicles with no meaningful business other than that of running the transaction. Furthermore, the credit of the portfolio is naturally diversified because securitisations generally have many underlying assets.¹

This limitation is a practical and meaningful barrier to scaling up the EU securitisation market

The limit is also a meaningful barrier to investment by UCITS funds in securitisations because large UCITS funds need to make large investments in order to ensure the return on the investment outweighs the transaction costs (including due diligence) for making the investment. Securitisation transaction sizes in the EU are typically small enough that it would not be unusual for a UCITS fund to need to buy more than 10% of a transaction in order to address these concerns.

¹ SFA considers it unlikely as a matter of practice, but certain critics have suggested a securitisation exemption from Article 56(2) could create a loophole whereby corporates could "repackage" their debt into a securitisation in order to circumvent the general 10% issuer limit. In the event policymakers consider this a concern to be worth addressing, SFA would suggest clarifying that securitisations of debt from a single issuer should be subject to the limit.

European securitisations are typically bespoke with an average size of approximately €300 million. Under the 10% limit rule, a UCITS fund is limited to purchasing only about €30 million of the typical securitisation – an especially small amount given that many UCITS funds are larger than €1 billion, if not considerably larger. The growth of the UCITS platform and the size of UCITS funds over the years have only exacerbated this practical limitation, as funds have grown considerably while securitisation deals have remained small.

And although smaller in number, large UCITS funds – with more than €10 billion in assets under management – are growing in size and number. At the end of 2024, they accounted for 25% of the UCITS market, up from 20% of the market at the end of 2023 – all while the market share of funds with less than €100 million continues to decline.² The trend towards larger UCITS fund sizes is overall good news, meaning that UCITS funds are increasingly able to benefit from economies of scale, but it does also mean that limitations like the 10% issuer limit for securitisations become increasingly meaningful limitations on the ability of UCITS funds to be a vehicle for redeploying European capital to European projects via securitisations.

Consequently, **there is no apparent concentration risk that might be exacerbated by raising this limitation**, given the small sizes of the potential investments when compared to the large sizes of the UCITS funds that could be making them.

The limitation encourages UCITS investments in products that are riskier than securitisations

It is unfortunate that UCITS funds often have to invest in credit products other than securitisations, such as unsecured corporate bonds, because this limit prevents them from gaining sufficient exposure to the securitisations that they would like to invest in to diversify their portfolios. This is not only disadvantageous for European fund managers who may assume more risk than they would like, but also for European investors, retirees and savers who fail to benefit from the diversification and income potential of this attractive, safe, and highly regulated asset class.

Eliminating or significantly raising the UCITS limitation will grow the securitisation investor base and diversify funding sources

In Europe, banks and insurance companies are the primary investors in securitised products. However, if the European Union is serious about developing the European securitisation market, relying solely or primarily on banks and insurance companies will likely not only fail to produce the desired growth in that market, but also introduce cyclical economic and financial risks because of a lack of diversity of funding sources. European policymakers

² https://www.efama.org/sites/default/files/fact-book-2025_lowres.pdf

committed to increasing securitisation to promote European economic growth and deepen European capital markets should go beyond relying on banks and insurers as sources of demand. This will further mitigate any concentration risks that may exist in the market, however minimal they may already be, while boosting the capital available in an already liquid market.

Eliminating or significantly raising the UCITS limitation will in turn help strengthen and deepen the secondary market in securitisation

Making more capital available to invest in European securitisations is likely to make the market for such investments more liquid, not less. More capital tends to make markets more, not less, liquid.

Concerns about allowing large investments by UCITS funds creating an oligopoly effect by concentrating investments in the hands of a few large players fail to take account of the existing structure of the market. As it stands, it is not uncommon for large anchor investors to take down up to 75% of a transaction – sometimes before it is ever offered more generally. UCITS funds are the only investors in the market who are prevented by regulation from making such large investments. Adding to the number of investors interested in acquiring large positions in securitisations, far from encouraging oligopoly and dominant positions, would add competition. That, in turn, would tend to reduce issuer dependence on any particular investor, reduce spreads (and therefore the cost of credit to the real economy) and increase liquidity.

Indeed, despite the tendency in the securitisation market for large positions to be acquired by single investors, the securitisation market enjoys ample liquidity to absorb any shock. In fact, securitisation liquidity has only grown more robust over time. For example, in 2022, when a surge in UK government bond yields forced leveraged Liability Driven Investment (LDI) funds to sell gilts to meet margin calls, causing a vicious cycle of falling prices that ultimately forced Bank of England intervention, securitisations performed just as well, if not better, than corporate credit. Approximately \$12 billion in securitisations were traded in a three-week timeframe, or approximately eight to twelve times the weekly trading volume in “normal” markets, and all supply was absorbed by trading desks or end-investors, demonstrating market depth even during a time of distress deep enough to require central bank intervention. Further deepening the pool of readily available capital available in Europe to absorb capacity in the secondary market during times of forced sales or redemptions would further support these already liquid markets.

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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