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POLICY BRIEF - October 2025

Reviving Securitisation in the EU: missed opportunities to fulfil priorities

Executive summary

Securitisation is a widely-used financial mechanism that enables banks to convert pools of loans into tradable securities, freeing up capital and diversifying funding sources. **While securitisation can be a useful financial tool, history has shown it can also create worldwide systemic risks, as seen during the 2008 global financial crisis (GFC)**. In response to the GFC, the EU introduced stringent safeguards - including risk retention rules, transparency requirements, the Simple, Transparent and Standardised (STS) framework, and higher capital charges on securitisation investments carried out by regulated investors - to restore trust and stability. As a consequence, the EU securitisation market shrank significantly.

Today, **securitisation is back on the EU policy agenda**, since the Draghi and Letta reports highlighted it as a potential tool to boost bank lending, strengthen competitiveness, and achieve EU priorities. In June 2025, the European Commission presented a package of reforms to revive the EU securitisation framework with the stated aim of channeling more investments in the real economy. In particular, amendments to the **Securitisation Regulation** and **Capital Requirements Regulation (CRR)** aim to simplify due diligence, reduce reporting costs, and better align capital charges with actual risk through a new category of "resilient securitisation." The reforms also aim to make Significant Risk Transfer (SRT) approvals more predictable and consistent across jurisdictions.

Positive Money Europe supports the responsible and sustainable use of securitisation as one of the means to drive investments in the green transition. However, key concerns remain in the current proposals. **Reviving the securitisation market should not be at the expense of transparency nor financial stability**: yet, an excessive simplification of reporting requirements, the waiver of the 5% risk-retention rule for publicly guaranteed securitisations, and miscalibrated capital requirement reductions would reintroduce risky practices, undermine trust in the market and ultimately prevent securitisation from becoming a change-maker.

Critically, the reform package fails to integrate sustainability objectives. Despite its stated goal of supporting the clean transition, the Commission's proposal fails to embed the securitisation review within a robust sustainability framework and to introduce concrete steps to ensure securitisation channels private capital effectively towards green investments. To make securitisation a genuine driver of Europe's sustainable transformation, the framework should:

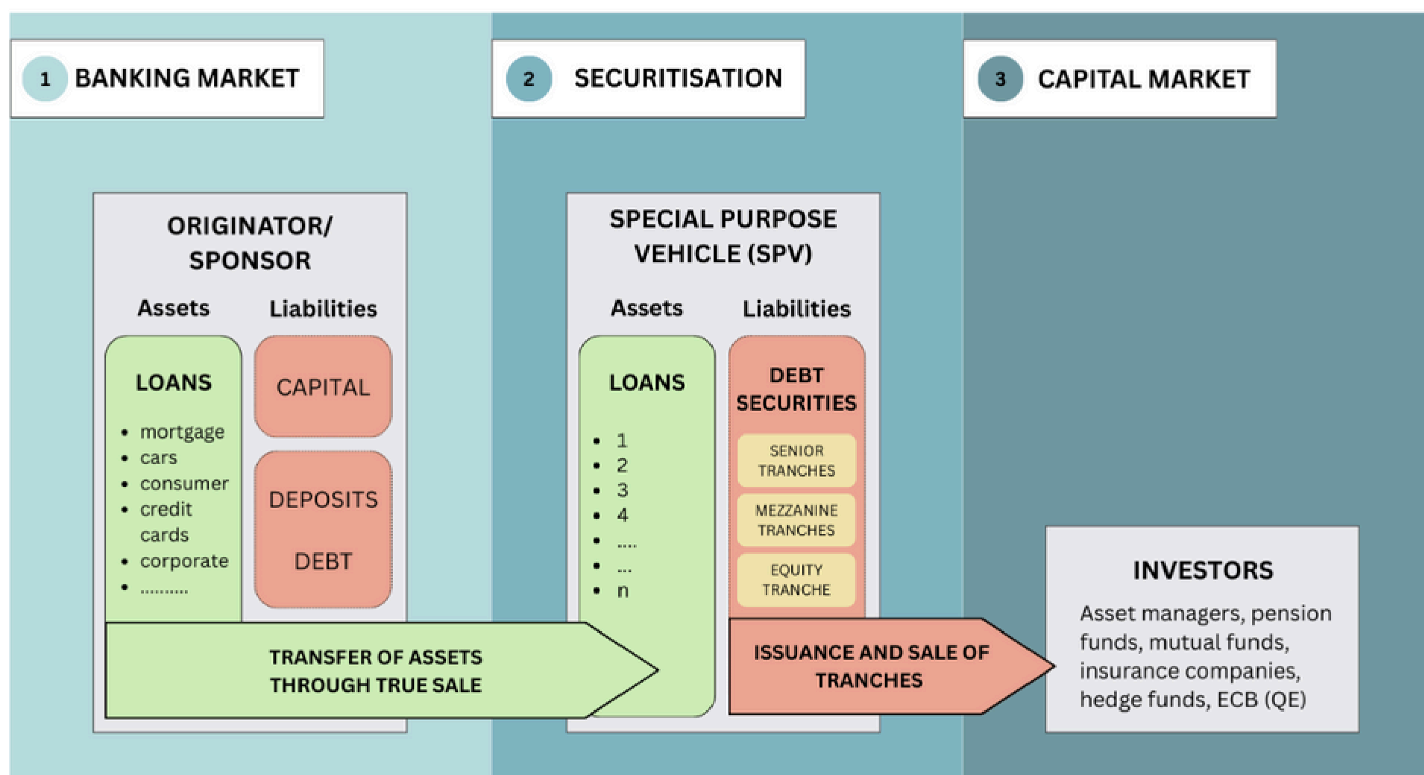
- Mandate ESG or at least climate disclosures under the STS regime.
- Exclude oil & gas loans from securitised portfolios.
- Link SRT transactions to green investment commitments.
- Leverage the EU Green Bond Standards or ICMA Green/ Social/Sustainable bond frameworks as a model for securitisation.

Ultimately, securitisation can only truly support the EU's Savings and Investment Union and the the Clean Industrial Deal if combined with robust safeguards and a strong sustainability focus. **Without this dual commitment to transparency and green alignment, the reform risks entrenching the status quo rather than advancing Europe's transition to a resilient, low-carbon economy.**

1. Background: understanding securitisation

Securitisation is a long-established financial tool that has been used for several decades by the banking sector. The process operates as follows:

1. A financial institution (the so-called **originator**) originates loans to people or businesses, Instead of keeping those loans on its books, the originator sells them to a specially created company known as **Special Purpose Vehicle (SPV)**.
2. The SPV bundles these loans together and issues securities, i.e. bonds backed by the loan repayments.
3. **Investors** purchase these securities, and receive payments funded by borrowers' repayments of the original loans.



These securities are structured in different layers, or 'tranches' with varying levels of risk and return:

- **Senior tranches** are the safest. Investors in this tranche get paid first and are protected from losses by the junior tranches (mezzanine and equity). Because they're safer, senior tranches have a good rating, offer lower returns and also require regulated investors to face lower capital requirements compared to other tranches.
- **Mezzanine tranches** sit in the middle (if issued). They carry more risk and slightly higher returns.
- **Equity tranches** are the riskiest. Investors in these tranches get paid last, only after all others have been paid. Because they're taking on more risk, these investors earn higher returns (from 8 to 15% in general) and are required to hold more capital to face potential losses.

Securitisation can be used either to raise funding or to free up capital. Most of the time, **lenders use securitisation as part of their funding mix,** alongside senior unsecured debt, covered bonds and ECB refinancing. **Securitisation also allows banks to free up capital on their balance sheet.** This process, called **Significant Risk Transfer (SRT),** is strictly regulated and must be approved by regulatory authorities.

Securitisation gained a controversial reputation during the 2008 financial crisis, when complex, opaque and risky securitised products amplified the U.S. subprime mortgage crisis. In response to the crisis, EU regulators introduced measures to protect financial stability by making securitisation safer. Key safeguards included:

- **Risk Retention rule of 5% minimum to keep 'skin in the game':** Originators are required to retain at least 5% of the risks when selling loans to the SPV. This can be achieved either by buying back the equity tranche (which should represent at least 5% of the portfolio) or by buying a minimum of 5% of each individual tranche.
- **Introduction of the Simple Transparent Standardised (STS) framework:** Banks have to comply with strict criteria that cover both the quality of the underlying portfolio and the way the securitisation is structured. Securitised products that comply with the framework benefit from favourable regulatory and market treatment.
- **Transparency and reporting rules:** Originators are required to provide investors with detailed disclosures (maturity, nominal, vintage...) about the underlying assets sold to the SPV
- **Higher capital charges:** Regulated investors such as banks and insurers, must respect strict capital requirements when investing in securitisation.

These rules have led Europe's securitisation market to shrink significantly over the past decade, both in absolute terms and compared with the US market. Recently, however, in the context of the **Savings and Investment Union (SIU), Enrico Letta and Mario Draghi have recommended revitalising securitisation to strengthen European banks' lending capacity, support EU priorities (including the green transition) and boost competitiveness.** The current review allegedly seeks to remove unnecessary obstacles while safeguarding financial stability, market integrity, and investor protection.

2. Analysis: unpacking the Commission's proposed regulation

The Commission's securitisation review package covers amendments to four legal acts, although only the first two have already been formally proposed:

1. Securitisation Regulation (EU 2017/2402) - Product and conduct rules for issuers and investors;
2. Capital Requirements Regulation (EU 575/2013) - Capital requirements for banks holding securitisation;
3. Liquidity Coverage Ratio Delegated Act (EU 2015/61) - Eligibility of securitisation as liquidity buffer assets;
4. Solvency II Delegated Act (EU 2015/35) - Capital requirements for insurers and reinsurers.

Securitisation Regulation

The Commission proposes to simplify rules for originators, making due diligence proportional depending on tranche risk (lighter for safer senior tranches). For consumer loans and credit cards, disclosure requirements may even exclude loan-level reporting. More generally, with the excuse of cost reduction, the EU suggests cutting required reporting fields by 35% without specifying which ones.

While simplification is important, it should not come at the expense of transparency. **Key data on assets, such as Loan to Value or loan vintages are essential to revive trust in the securitisation market. Positive Money Europe calls for more clarity on which reporting fields would be simplified or removed, and for strong safeguards to maintain transparency.**

The Commission also proposes lowering the requirements for SME securitisation from 100% SME loans to 70% without specifying what the remaining 30% could contain. **This lack of precision on tranches composition not only threatens transparency, but also complicates risk analysis and raises concerns about the Commission's rationale.**

Last, but not least, the draft legislation includes a waiver to the 5% retention rule, when a public guarantee covers at least 15% of the first-loss tranche. **This unequal treatment between public and private buyers is more than questionable.** A public entity does not have more information or skills to analyse a securitization than private ones. **Added to that, this could open the door to the former model of 'Originate-to-Distribute' that was responsible for the subprime crisis, when lenders originated low-quality loans with the primary intention of selling or securitizing them to investors.** Keeping skin in the game for originators is one of the best safeguards to avoid this risky practice.

Capital Requirements Regulation (CRR)

The main thrust of the Commission's proposals is to better align capital charges with the actual risk of securitisation tranches. In addition to the existing STS framework, the Commission has introduced the concept of **resilient securitisation positions.** To be eligible, resilient securitisation positions must satisfy specific conditions: they must be senior, granular, supported by a minimum level of credit enhancement, and structured with sequential amortisation rather than pro-rata repayment. Under the proposed approach, senior tranches qualifying as STS or the proposed 'resilient securitisation' would be subject to lower capital requirements in light of their lower risk profile.

For Significant Risk Transfer (SRT) transactions, the Commission proposes a Principle-Based Approach (PBA test). This would require banks to transfer a minimum of 50% of unexpected losses and to use cash-flow modelling to allocate expected and unexpected losses among tranches. Overall, while the details are still pending, this framework promises to increase predictability for banks seeking supervisory approval, reducing the uncertainty and discretionary interpretation that currently exists within EU jurisdictions. However, **while linking capital charges more closely to actual risk could support a more stable and efficient securitisation market, the calibration process should be carried out with the primary objective of maintaining a sound macroprudential framework. In addition, the proposed regulation fails to link the redeployment of freed up capital to the financing of activities in line with EU priorities.**

As it stands, the Commission's package risks undermining the very transparency and accountability needed to restore confidence in the market. **To ensure that simplification does not come at the expense of financial stability, the EU should maintain robust transparency standards, clearly justify any easing of capital requirements, and preserve strong safeguards to prevent a return to risky pre-crisis practices.**

The Commission argues that securitisation could play a role in financing the green transition by freeing up bank balance sheets and channelling capital toward sustainable investments**. Yet, the current reform package lacks any explicit measure to incentivise green finance and ensure alignment with the EU's climate objectives.** This inconsistency undermines the credibility of the proposals.

3. Recommendations: unlocking securitisation's sustainable dimension

The EU estimates that at least 2% of GDP is needed annually for climate mitigation alone, with additional costs for adaptation, biodiversity, and water protection. **To bridge this investment and successfully transition to a net-zero economy, it is crucial that financial regulation is aligned with the Green Deal and the sustainable finance agenda.**

Securitisation has the potential to become a powerful lever for financing Europe's green and just transition by unlocking liquidity, supporting investment, and directing capital towards activities that align with the EU's climate goals. However, without the explicit integration of green criteria, it risks reinforcing outdated, carbon-intensive financial flows instead of accelerating decarbonisation. **To become a driver of change, the securitisation framework must embed transparency and sustainability at its core.** This means ensuring that securitised assets reflect the EU's climate and social objectives, that investors can clearly assess environmental risks and impacts, and that banks are incentivised to use freed-up capital for green and socially beneficial purposes.

At the same time, **it is paramount to recognise that securitisation is far from being a panacea for the investment challenge:** while it could be a relevant tool to drive investments in profitable sectors (such as renewables, e-mobility and digital technologies), **less commercially viable areas (like climate adaptation and biodiversity restoration) will require significant public investments.**

The following recommendations outline how securitisation can be better aligned with EU climate commitments. Together, these measures would set securitisation up to the challenge of supporting the EU transition to a green economy while safeguarding financial stability.

01 Mandate ESG or at least climate disclosures under the STS regime

The STS framework should be updated to require **ESG or at least climate disclosures.** Disclosures should include information on:

- Energy Performance Certificate (EPC) on mortgages or renovation loans;
- CO2 emissions and energy propulsion type on car loans;
- carbon footprint/intensity of underlying exposures on corporate level.

In addition, **access to the ECB's liquidity operations should be limited to securitisations that provide such disclosures.** This would both reinforce financial stability and ensure that securitisation is aligned with the EU's climate commitments.

Transparency in securitisation is not only critical for investors, who need to understand the risks of what they are buying, but also for ensuring that both issuers and investors comply with the EU's broader regulatory framework including the Taxonomy, the Capital Requirements Regulation/Directive (CRR/CRD), and the Sustainable Finance Disclosure Regulation (SFDR).

Moreover, **climate-related data is not only about sustainability, it is also about credit risk**. Evidence shows that properties with a high EPC rating tend to have lower default rates, while renovated and energy-efficient buildings improve borrowers' repayment capacity. **Embedding EPC and similar climate-related**

information into securitisation would therefore strengthen the credit quality of the securitised portfolios over the long term. **By omitting green disclosures, the Commission's legislative drafts miss a major opportunity.** Securitisation could be a powerful tool to advance the goals of the SIU as accelerators of the green transition. Instead, without such disclosures, the framework risks falling short of these ambitions.

02 Exclude "oil & gas" loans from securitised portfolios

When using securitisation as a funding tool, **originators should be prohibited from including loans that financed fossil fuels projects or companies in securitised transactions.** Without such a measure, there is a real risk that banks could use securitisation to refinance carbon-intensive companies and sectors, effectively prolonging the flow of capital to activities that are incompatible with the EU's climate objectives. **An alternative approach would be to treat securitisations that include fossil fuel exposures as 'Not Rated' for regulatory purposes.** This would significantly increase their cost of issuance and make them less attractive to investors, thereby discouraging the practice indirectly.

03 Link SRT transactions to green investments

SRT transactions should be linked to sustainability criteria, ensuring that any additional released capital is directed towards the energy transition, green infrastructure, or projects that enhance EU sustainable competitiveness. Without clear green rules, banks could use the additional capital freed-up under the CRR proposal to fund new fossil fuel projects or other carbon-intensive industries, undermining the EU's climate and competitiveness goals.

04 Leveraging the EU Green Bond Standards or ICMA Green/Social/Sustainable bond frameworks as a model for securitisation

By structuring securitisations with the guidelines included in such frameworks, banks will be able to finance more green and social investments, while providing dedicated reporting to investors**. This would enhance transparency and allow investors to clearly see the environmental and social impact of their investment.**

For instance, the International Capital Market Association (ICMA)'s Sustainable-linked Bond framework could be applied to securitisation. Under this approach, the coupon could increase or decrease depending on the bank's ability to respect their commitments on CO2 reduction or social KPIs. **This creates a direct incentive for banks to allocate securitisation proceeds in alignment with sustainability objectives.**

To reinforce the impact, **such securitisations should receive preferential treatment under the STS label (or under the future "resilient securitisation" framework).** Senior tranches of these Green or Social securitisations should have lower capital charges and reduced haircuts under the LCR. This would reward sustainable practices and encourage banks to prioritize investments that advance the EU's climate and social policy goals.

4. Conclusion

As it is designed currently, the Commission's proposed reform of the securitisation framework amounts more to wishful thinking than a genuine game-changer for Europe's sustainable future. **Without clear rules to channel funding towards sustainable objectives and with little transparency on the simplification of reporting requirements, securitisation risks becoming yet another instrument that preserves the status quo rather than transforming it.**

If the EU is to revive this tool, it must ensure that it does not generate new risks for financial stability but instead becomes an effective driver of the transition. **This requires a dual approach: robust safeguards to prevent instability and ensure transparency, and sustainability criteria to guarantee that freed-up capital supports climate and social goals.**

Last, but not least, securitisation can be one instrument to tilt financial flows toward the transition, but it is not a panacea. **Public finance must remain central, especially in sectors that are vital to decarbonisation and resilience but unlikely to attract sufficient private investment. Only by coupling prudent regulation with strong public investment can securitisation contribute meaningfully to building a sustainable and resilient European economy.**

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