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European Commission's proposed amendments to the Securitisation Regulation

25 July 2025

Dear Chair of the Council Working Party,

I am writing to you regarding the European Commission's proposed amendments to the Securitisation Regulation (SECR)¹ and Capital Requirements Regulation (CRR)², hereinafter called "the Proposal".

With the adoption of the SECR in 2019, the co-legislators entrusted the European Systemic Risk Board (ESRB) with the macroprudential oversight of the EU securitisation market, including the responsibility to assess the securitisation market to identify risks to financial stability.

Against this background, the ESRB welcomes the initiatives aimed at simplifying and optimising the EU securitisation framework while safeguarding financial stability. The ESRB has not assessed the full impact of all proposals from a financial stability perspective. I would, however, already like to highlight that certain key findings from the ESRB work on securitisation are not reflected in the Proposal. I would also like to draw your attention to a specific change that should be introduced to ensure that the ESRB can continue to fulfil its mandate related to securitisation effectively.

¹ [Proposal for a regulation of the European Parliament and of the Council amending Regulation \(EU\) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation.](#)

² [Proposal for a regulation of the European Parliament and of the Council amending Regulation \(EU\) No 575/2013 on prudential requirements for credit institutions as regards requirements for securitisation exposures.](#)

Findings of the ESRB that have not been sufficiently reflected in the Proposal

The ESRB published a report on 5 May 2025³ that evaluates the financial stability implications of extending the simple, transparent and standardised (STS) criteria to on-balance-sheet securitisations (hereinafter referred to as “synthetic securitisations”).

The report concludes that, to date, the extension of the STS framework in 2021 to include synthetic securitisations has not posed significant risks to financial stability within the EU. A key factor underpinning this conclusion is the requirement of the current SECR that credit protection provided by private entities must be funded (i.e. backed by collateral). In its report, the ESRB considered this requirement essential for effectively mitigating the counterparty risk faced by originator banks.

Nevertheless, the Proposal would expand the eligibility criteria for credit protection agreements under the STS framework to include unfunded guarantees provided by (re)insurance companies. While this proposed expansion in the eligibility criteria is accompanied by certain safeguards – such as restricting the provision of unfunded guarantees to (re)insurance companies that are large and diversified – these measures would not address the financial stability risks highlighted in the ESRB report.

The Proposal would increase both concentration risk and counterparty risk.

Concentration risk would increase because the proposed amendments would give (re)insurance companies a competitive advantage over other private investors in terms of the provision of credit protection. Such an unlevel playing field might result in (re)insurers becoming the primary providers of credit protection for STS synthetic securitisations within the EU. This concentration could result in procyclical effects, because under Article 249 of the CRR providers of unfunded credit protection are required to meet a minimum credit quality threshold to qualify as eligible credit protection providers. If a (re)insurer’s credit rating were to fall below this threshold, synthetic securitisations relying on their protection would become ineligible for both the STS and significant risk transfer frameworks. As a result, banks would lose the associated capital relief.⁴ This would likely occur during severe economic downturns, leading to an increase in capital requirements for originator banks at a time when their financial position – and therefore their ability to extend credit to the real economy – is already weakened.

³ ESRB (2025), [Unveiling the impact of STS on-balance-sheet securitisation on EU financial stability](#), May.

⁴ As highlighted in the aforementioned ESRB report, banks engage in synthetic securitisation to achieve significant risk transfer, as specified in Articles 244 to 246 of the CRR, thereby gaining associated capital relief. Synthetic securitisations that are STS-compliant benefit from a higher level of capital relief.

Counterparty risk would increase because the proposed amendments would amplify existing channels of contagion between the banking and insurance sectors, and also create new ones. In particular, during times of financial stress originator banks might be faced with credit losses on their securitised loan portfolio while simultaneously dealing with defaults by (re)insurers providing credit protection. In such scenarios, funded credit protection would mitigate the counterparty risk faced by the originator bank, ensuring that the agreed-upon credit protection remains effective even in the event of a default by the (re)insurers. In contrast, with unfunded credit protection, the lack of collateral would leave the originator bank exposed to the (re)insurers, rendering the protection agreement ineffective.

In the context of this assessment, which reflects the ESRB's recent report, I urge you to maintain the existing eligibility criteria for credit protections as set out in Article 26e(8) of the SECR. In other words, the requirement for STS synthetic securitisations that credit protection provided by private entities – including (re)insurance companies – must be funded should be upheld. This is crucial for mitigating counterparty risk and addressing the financial stability concerns highlighted by the ESRB.

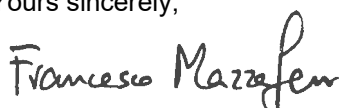
Ensuring the ESRB can continue to fulfil its mandate effectively

Considering the ESRB's mandate for the macroprudential oversight of the EU's securitisation market, I believe it is important for a reference to the ESRB to be included in Article 36(1) of the SECR. This article establishes the framework for cooperation between competent authorities and the European Supervisory Authorities (ESAs), stating that “the competent authorities referred to in Article 29 and ESMA, the EBA and EIOPA shall cooperate closely with each other and exchange information to carry out their duties pursuant to Article 30 to 34.” Adding a reference to the ESRB would further strengthen its ability to effectively fulfil its mandate, as it currently relies on data provided by the ESAs.

In light of these two observations, I trust that the EU co-legislators will carefully assess the systemic risks highlighted in the aforementioned ESRB report and ensure that safeguarding financial stability remains at the core of the ongoing revisions of the SECR and CRR frameworks.

I remain at your disposal should you or your staff wish to discuss any of the points raised in this letter further. Finally, please be informed that this letter is being sent in parallel to the relevant members of the European Parliament responsible for the related legislative file and will be published on the ESRB's website.

Yours sincerely,



Francesco Mazzaferro

Head of the ESRB Secretariat