

Paris, 19 September 2024

Press release

How can securitisation contribute to the financing of the EU agenda?

**Eight concrete, targeted and prudent recommendations
to accelerate the scale-up of the EU securitization market,
in line with recent policy statements**

Paris Europlace today published its report aimed at reviving the securitization market in Europe.

This report drafted by a working group co-chaired by Véronique Ormezzano and Gilles Saint-Marc including banks, insurance companies, asset managers, financial markets infrastructures, credit rating agencies, lawyers and consulting firms, intends to propose to the European Commission specific regulatory and prudential objectives and targeted policy recommendations, ahead of the upcoming consultation that has been called for by European leaders. The ambition of the report is to allow securitization to benefit from an appropriate regulatory framework, likely to contribute to the proper financing of the dual climate and digital transitions.

The report identifies four policy goals, and eight targeted recommendations that needs to be addressed as a package to restore a viable securitization ecosystem:

- Regarding the supply-side, reducing the existing disincentives for banks to securitise as issuers, by:
 - Reducing the excessive capital “non-neutrality” and implement a more risk based approach;
 - Reduce the excessive risk-weight floor applying to low risk senior tranches;
 - Reduce barriers to entry by streamlining the current burdensome assessment by the Competent authority of the “Significant Risk Transfer”;

- On the demand side, revive the appetite of the insurance sector as investors or protection sellers; by removing existing regulatory obstacles:
 - Amend Solvency 2 calibration to realign securitization capital charges with other assets of similar risk;
 - Make insurance companies as providers of credit insurance eligible to the less penalized STS segment.
- Removing obstacles for banks to invest in third-party securitisation and thus improving liquidity conditions for all market participants:
 - Revisit current punitive haircuts applied in the LCR framework;
- Enlarging the access to securitisation markets for financial and non-financial participants:
 - Review the current disclosure and due diligence rules, to better tailor them to specific types of instruments and types of investors;
 - Acknowledge the importance of avoiding de facto crowding out European players from non-EU securitization markets, by developing some form of equivalence or mutual recognition with other key jurisdictions.

“It is essential that the financing needs of the European Union can be met within the framework of an appropriate regulation, so that the financial sector can fully mobilise itself in this effort. Securitisation is a major tool that must be able to contribute to this: its controlled recovery is therefore desirable”, Mr. Augustin de Romanet, Chairman of Paris Europlace, indicated.

Paris Europlace will continue to promote these policy recommendations to the European and national authorities and calls for an ambitious implementation timeline, so that securitization can deliver its full potential to finance EU ambitions early in the new EU legislative cycle, in line with the sense of urgency put forward in the Draghi report, as well as earlier Noyer and Letta reports.

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