MORE CREDIT, BETTER RISK SHARING: WHY EUROPE NEEDS SECURITISATION

Apostolos Thomadakis

CEPS IN-DEPTH ANALYSIS

April, 2026-02

SUMMARY

Securitisation can strengthen the EU's financial system by expanding lending, supporting the green and digital transitions, and improving financing resilience, particularly in periods of stress. Although issuance remains well below pre-crisis levels and trails other major jurisdictions, the basic economic case for securitisation remains strong. With targeted legal, regulatory and institutional support, it can help channel long-term capital to underserved sectors and improve the efficiency of credit intermediation across the continent.

This study presents securitisation as part of a broader funding and risk-transfer ecosystem. Its value lies not only in mobilising additional financing for SMEs, households and infrastructure. It also complements other financing tools – from bank lending to covered bonds and more. Instruments like synthetic risk transfer, green asset-backed securities and public mezzanine support can help free up capital and broaden investor participation.

International experience shows that successful securitisation markets rely on legal clarity, proportionate disclosure, predictable supervisory treatment and institutional backing. Under realistic scenarios, a stronger EU securitisation market could free up EUR 16-32 billion in Tier 1 capital annually and support EUR 130-320 billion in new lending per year, amounting to more than EUR 1 trillion over five years. Reforms should therefore focus on making significant risk transfer more predictable, tailoring disclosure for private deals, recalibrating capital treatment for senior tranches and supporting the pooling of green and digital assets.

Apostolos Thomadakis is a Head of the Financial Markets and Institutions (FMI) unit at CEPS and Head of Research at the European Capital Markets Institute. The content of this report, including its analysis, findings, views expressed, and any remaining errors, is the sole responsibility of the author. ECMI, a separate entity managed by CEPS, focuses on capital markets policy.

CEPS • Place du Congrès 1 • B-1000 Brussels • Tel: (32.2) 229.39.11

CONTENTS

FIGURES

TABLES

Boxes

Abbreviations

ABS	Asset-backed security
CDC	Caisse des Dépôts et Consignations
CLO	Collateralised loan obligations
CRR	Capital Requirements Regulation
ECB	European Central Bank
EGF	European Guarantee Fund
EIB	European Investment Bank
EIF	European Investment Fund
ESCO	Energy service company
ESG	Environmental, social and governance
FCA	Financial Conduct Authority
GACS	Garanzia Cartolarizzazione Sofferenze
LCR	Liquidity coverage ratio
MBS	Mortgage-backed securities
NPL	Non-performing loan
PRA	Prudential Regulation Authority
RMBS	Residential mortgage-backed securities
RWA	Risk-weighted assets
SME	Small to medium-sized enterprise
SRT	Significant risk transfer
STS	Simple, transparent and standardised
UCITS	Undertakings for Collective Investment in Transferable Securities

EXECUTIVE SUMMARY

Securitisation could play a complementary and catalytic role in the EU's financial system by unlocking lending capacity, supporting the green and digital transitions, and strengthening financial resilience. While EU securitisation volumes remain far below pre-crisis levels and well below those of major international peers, the core mechanics of the instrument remain sound. With the right legal, regulatory and institutional framework, securitisation could help mobilise long-term capital, improve the efficiency of credit intermediation and enable credit to flow to underserved segments across the EU.

This study frames securitisation not as a standalone product, but as part of a broader continuum of funding and risk transfer. Its value lies not only in supporting housing, lending to small and medium-sized enterprises (SMEs), infrastructure finance and transition-related investment. It also complements other financing tools, such as bank lending, covered bonds, public guarantees, private credit, green bonds and central bank liquidity operations. Instruments like synthetic significant risk transfer (SRT), green asset-backed securities and public mezzanine support could help free up capital, broaden investor participation and underpin new lending.

International case studies show that safe and scalable securitisation depends on a combination of legal clarity, proportionate disclosure, predictable supervisory treatment and institutional backing. They also show that securitisation can operate effectively under different financial-system structures, provided that the underlying framework gives investors confidence and originators sufficient execution certainty. The European Investment Bank Group has already used several of these tools across Europe as part of SME, green and infrastructure lending, demonstrating how public risk-sharing and market structuring can help crowd in private capital.

The study also quantifies the potential macroeconomic impact of a stronger EU securitisation market. Under realistic scenarios, increased placed securitisation could free up EUR 16-32 billion in Tier 1 capital annually and support EUR 130-320 billion in new lending per year, accumulating to more than EUR 1 trillion over five years. These effects would depend above all on greater execution certainty, proportionate regulation and a broader institutional investor base, including through a more evidence-based calibration of Solvency II and clearer recognition of SRT.

The final section of the study sets out a practical reform package. At the EU level, this includes making SRT more predictable, tailoring disclosure for private transactions and recalibrating the capital treatment of senior simple, transparent and standardised tranches. It involves building platform-based approaches for green and digital assets, improving legal convergence on key cross-border issues and strengthening shared market

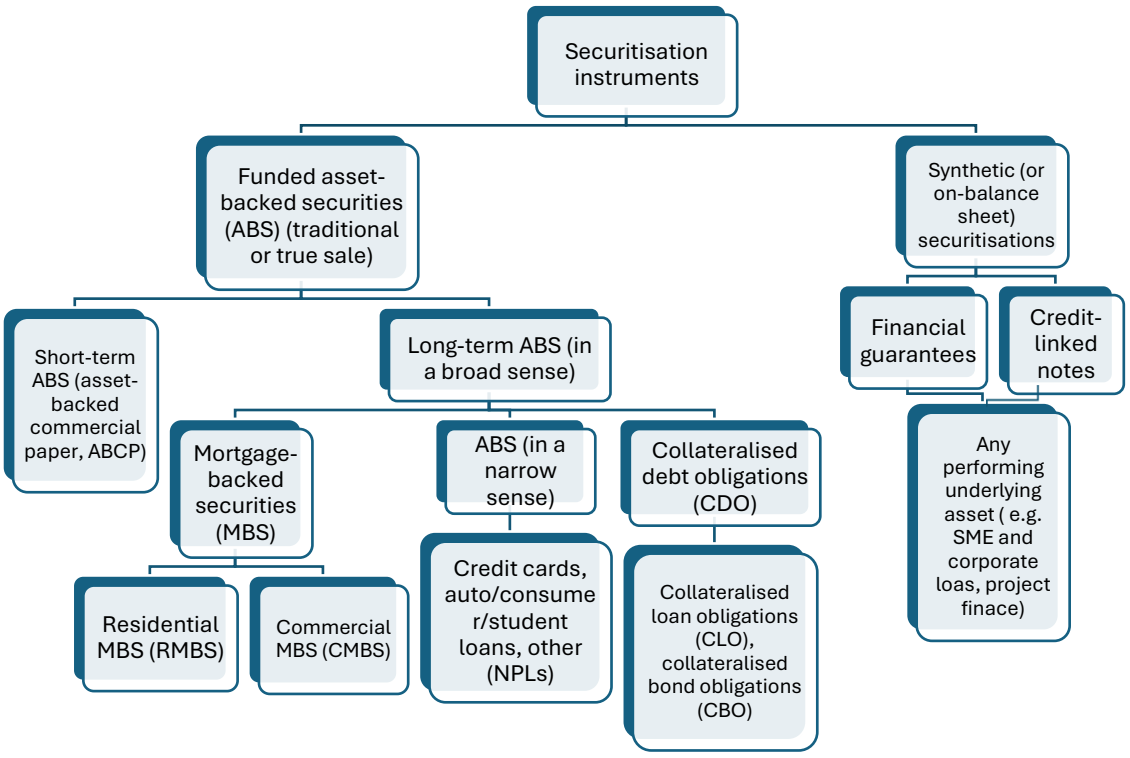
infrastructure for credit and sustainability data. It also calls for removing unnecessary barriers to investment in non-EU securitisations and supporting pilot transactions that can create repeatable issuance models.

Taken together, these steps could help re-anchor securitisation as a credible, policy-aligned channel for long-term finance – supporting Europe's competitiveness, its sustainability objectives and financial stability without recreating the excesses of the past.

1. INTRODUCTION

Securitisation is a financial technique that enables the transformation of illiquid credit exposures into tradable securities (see Figure 1). It involves pooling together various types of debt instruments – such as residential mortgages, consumer loans, loans for small to medium-sized enterprises (SMEs), leases or infrastructure receivables – and repackaging them into structured securities that can be sold to investors in tranches with different risk-return profiles.

Figure 1. Securitisation structures



Source: Gonzalez and Triandafil (2023).

Depending on how the transaction is structured, securitisation can serve different purposes for originators, typically banks or non-bank financial institutions. Where senior tranches are placed with investors and junior tranches are retained, the main benefit is often funding diversification, while the originator continues to bear the riskiest part of the credit exposure. Where junior or mezzanine risk is transferred and the senior exposure is retained, the transaction can shift a substantial share of credit risk to capital markets and, where recognised for prudential purposes, free up regulatory capital.

For investors, securitised products offer exposure to asset classes that might otherwise be difficult or unattractive to access directly. These products provide predictable cash

flows, granular diversification and the possibility to invest along the capital structure according to risk appetite and regulatory constraints. At the system level, securitisation can enhance liquidity in financial markets, support a more efficient allocation of credit and facilitate the channelling of capital towards new lending, particularly where balance sheet space is constrained or credit risks are unevenly distributed.

Securitisation operates through either true-sale structures, in which the underlying assets are legally transferred to a special purpose vehicle, or synthetic structures, in which risk is transferred through derivatives, guarantees or insurance contracts. Both models allow for significant flexibility in structuring and risk management, and both can contribute meaningfully to the functioning of modern financial systems, as they do in other jurisdictions.

When well regulated and transparent, securitisation serves as an essential component of market-based finance. It bridges the gap between originators with credit origination capacity and institutional investors seeking long-duration, risk-adjusted assets – contributing to credit expansion, capital efficiency and financial system resilience. Crucially, securitisation is a channel for risk reallocation, not risk creation: banks retain origination and servicing strengths while diversified investors hold calibrated risk, strengthening overall stability.

1.1. WHY SECURITISATION MATTERS FOR EUROPE TODAY

Despite its proven utility, securitisation remains underutilised in the European Union. Following the 2008 global financial crisis, the European securitisation market contracted sharply and has yet to recover in scale, depth or perception. The stigma associated with the role of complex and opaque securitisations in the collapse of US subprime mortgages continues to influence public sentiment, regulatory caution and investor appetite in Europe. Yet, outside a handful of stressed periphery markets, such as certain Irish deals on residential mortgage-backed securities (RMBS), prime European securitisations recorded very low default and impairment rates throughout the crisis[1]. Moreover, a significant share of the losses experienced by EU investors stemmed from exposures to US subprime securitisations, often linked to an excessive reliance on external credit ratings rather than to weaknesses in core European securitisation markets.

This underdevelopment comes at a time when the EU faces intensifying economic, financial and geopolitical challenges that require more effective mobilisation of private

[1] The cumulative default rate on European structured finance assets from the beginning of the financial downturn, July 2007, until Q3 2013 was 1.5%. Some asset classes experienced default rates well below this average: consumer finance asset-backed securities (0.04%), SME collateralised loan obligations (0.1%) and RMBS (0.4%). The performance of European structured finance products was substantially better than US peers. By way of comparison, ABS on US loans experienced default rates of 18.4% over the same period, including subprime loans.

capital. Green and digital transitions demand large-scale, long-term investment – estimated at over EUR 600 billion annually by 2030 for the green transition alone. SMEs, which form the backbone of the EU economy, continue to face structural funding gaps (in both equity and debt), particularly in cohesion regions or innovation-intensive sectors. Affordable housing shortages persist in many Member States, exacerbated by rising interest rate costs and macroprudential restrictions on bank lending. While mortgage lending continues to benefit from preferential regulatory treatment, including reduced capital requirements under the Standardised Approach, banks nonetheless face balance sheet constraints. These stem from legacy exposures, concentration limits and pressure from the final Basel III implementation (including the output floor and the increased focus on loan-to-value versus loan-to-income), which together may reduce households' overall debt capacity.

More broadly, differences across Member States show how institutional structures, supervisory attitudes and market depth shape the use of structured credit instruments. In some jurisdictions, securitisation remains underused because of lingering reputational concerns, legal uncertainty or limited investor familiarity. In others, alternative funding instruments and established market practices have reduced the incentives to develop securitisation more actively. These differences do not diminish the relevance of securitisation. Rather, they reinforce the need for a clearer and more coherent European framework that recognises securitisation as one element in a broader ecosystem of funding and risk-transfer tools.

Securitisation offers a structural solution to these constraints, by enabling significant risk transfer (SRT) and freeing up regulatory capital. This allows banks and non-banks – such as leasing firms, consumer finance companies and fintechs – to increase credit provision without proportionately increasing their credit risk exposure. That in turn supports countercyclical lending, smooths credit supply across jurisdictions and enables a broader investor base to participate in financing the real economy.

Importantly, securitisation is not just a tool of financial engineering; it is a lever for policy delivery. By improving secondary markets for real-economy credit, securitisation enhances market-based intermediation and financial integration. Moreover, it can channel retail and institutional savings into productive, long-term assets with defined environmental, social and governance (ESG) objectives. Green securitisations, if scaled, can help finance building retrofits, clean transport and renewable energy deployment. Loans linked to the digital sector and innovation can be aggregated into investable products, reducing reliance on subsidised finance and paving the way for successful scale-ups in the EU through access to finance, hence reducing their current incentive to delocalise to the US.

In sum, securitisation can support not only capital efficiency, but also operational delivery of objectives pertaining to the climate, industry, inclusion and financial sovereignty. It can help overcome structural imbalances in credit allocation across regions and sectors, while increasing the capacity of financial institutions to absorb shocks and sustain lending during periods of uncertainty.

Even so, realising this potential depends on more than formal regulatory acceptance. It requires legal certainty, proportionate and risk-sensitive prudential treatment, investor trust, data transparency and a coordinated political signal that securitisation is no longer a legacy risk, but a modern instrument of credit policy and strategic finance. Crucially, there is a real buyer base for placed transactions – insurers, pensions, bank treasuries, asset managers/asset-backed security (ABS) funds, infrastructure debt funds and specialist credit funds – providing credible offtake beyond banks.

1.2. PURPOSE AND STRUCTURE OF THE STUDY

This study provides a comprehensive assessment of the economic potential of securitisation in the EU and the barriers that prevent it from playing a more transformative role. It aims to inform EU institutions, Member States and market participants on how securitisation can contribute to growth financing, capital efficiency and strategic autonomy, while remaining consistent with regulatory integrity and sustainable finance goals.

The study is structured around seven further sections. Section 2 analyses the real-economy contribution of securitisation across key policy areas (e.g. housing, SMEs and infrastructure) and its multiplier effect on capital and lending capacity. Section 3 provides an overview of the EU securitisation market, while Section 4 provides an international perspective by looking at the US, the UK and other international benchmarks, drawing lessons from diverse, high-performing systems. Section 5 identifies cross-cutting barriers to the scaling of securitisation, including legal fragmentation, supervisory divergence and a lack of market infrastructure. Section 6 explores the complementarity of the securitisation market to other similar instruments. Section 7 presents a quantitative scenario analysis of capital unlocking and credit expansion under a revitalised securitisation market.

Then, Section 8 sets out targeted policy recommendations to recalibrate the securitisation framework and rebuild trust. These actions will enable the instrument to contribute fully to Europe's growth, resilience and competitiveness.

2. SECURITISATION AND THE REAL ECONOMY – SECTORAL USE CASES

Securitisation is not an abstract financial engineering tool. Its impact becomes tangible when analysed through its ability to support credit provision in strategically important sectors. By unlocking regulatory capital and diversifying funding sources, securitisation enhances credit availability where it is most needed – but often most constrained: in housing, SMEs and infrastructure. This section explores these use cases and the broader economic implications of securitisation's credit-multiplying effects.

2.1. HOUSING FINANCE – SCALING UP MORTGAGE AVAILABILITY

Nowhere is the credit-enhancing potential of securitisation more evident than in the housing sector. In the US, RMBS are a foundational component of the mortgage finance system. Government-sponsored enterprises such as Fannie Mae and Freddie Mac purchase mortgage loans from originators, standardise them and issue highly liquid securities with embedded credit guarantees. This model effectively delinks mortgage origination from the balance sheet capacity of individual banks, enabling broader access to home ownership and deepening the secondary market.

By contrast, the European landscape for housing finance remains highly fragmented and bank reliant. In most Member States, mortgage loans are retained on bank balance sheets and funded through deposits or covered bonds – while the risk, and hence the capital charge, piles up on the bank balance sheets. Although countries such as the Netherlands and Spain maintain active RMBS markets, securitisation plays a comparatively marginal role in mortgage funding across the EU. This reliance on balance-sheet lending constrains scalability – particularly in jurisdictions facing high capital requirements, macroprudential restrictions or persistent challenges in housing affordability. In covered-bond-centric systems, securitisation's role is primarily complementary and often lies outside core residential mortgages (e.g. in SME, energy-efficiency and consumer portfolios or synthetic SRT for capital relief).

A revitalised EU RMBS market could help attract long-term capital to support mortgage lending and reduce regional disparities in credit availability. By transferring mortgage exposures to capital markets, securitisation would not only relieve balance sheet pressure but also promote financial integration and risk sharing across Member States. Crucially, this could support housing construction and renovation efforts – objectives closely linked to the European Green Deal and the Renovation Wave – by channelling private capital into energy-efficient housing finance.

This is not to suggest that securitisation should displace other established housing-finance instruments. Covered bonds, for example, remain highly effective in many mortgage markets and continue to provide stable, low-cost funding. The point is rather that securitisation can complement the broader housing-finance toolkit by offering an additional channel for funding and risk transfer, particularly where bank balance sheets are constrained or where capital-market participation in housing finance remains underdeveloped.

More broadly, the comparison between RMBS and other mortgage-funding models illustrates a wider policy lesson: well-designed secondary-market instruments can scale housing credit while maintaining prudence and transparency. In the EU context, the issue is not whether one model should replace another, but how securitisation can expand the range of tools available for financing housing and renovation needs.

2.2. SME FINANCE – BRIDGING THE STRUCTURAL FUNDING GAP

SMEs account for more than 99% of EU firms and roughly two-thirds of employment, yet they face chronic difficulties in accessing affordable, long-term finance. SMEs generally lack the credit ratings, standardised documentation or scale required to tap bond markets directly, making them heavily dependent on bank lending. This bank dependency renders SME finance highly procyclical and sensitive to tightening financial conditions, regulatory constraints or changes in risk perception. More importantly, bank lending remains largely domestic, which makes the cross-border development of SMEs more difficult.

In the current EU SRT market, corporate and SME loan portfolios make up by far the largest share of issuance (72%), while real estate and mortgage exposures account for only a very small fraction of volumes (less than 5%). SRT is primarily being used as a capital-relief tool for corporate and SME credit, not as a substitute for existing mortgage-funding channels. A more predictable framework for SRT would therefore mainly support the policy objective of directing more private capital towards SMEs, start-ups and scale-ups. At the same time, the underlying agency problem remains central to the design of the framework[2]. Many of the weaknesses exposed during the financial crisis have already been addressed to a significant extent by the Securitisation Regulation, notably through risk-retention requirements, standardised disclosure and due-diligence obligations. Even so, robust underwriting standards, consistent reporting and effective supervision remain essential to ensure continued alignment of incentives between originators and investors.

[2] The agency problem in SME SRT refers to the potential misalignment between banks originating loans and investors purchasing the risk. Since SME loans are less standardised and more difficult to assess than consumer or mortgage credit, ensuring loan quality is crucial. This is typically mitigated through mechanisms such as minimum retention requirements (e.g. 5% net economic interest under Article 6 of the Securitisation Regulation), third-party verification and enhanced transparency via loan-level data templates.

Securitisation can serve as a mechanism to recycle SME credit risk into investable instruments, thereby enabling a broader set of investors (e.g. insurers, pension funds and asset managers) to support SME lending indirectly. While this is not a novel concept – countries like Germany and Italy actively used SME securitisations before the financial crisis – it remains underutilised in the post-crisis EU context.

Recent programmes involving the European Investment Fund (EIF), such as under the European Guarantee Fund (EGF) and InvestEU, have demonstrated how synthetic securitisation, paired with mezzanine risk sharing or guarantees, can support lending to SMEs. Nevertheless, significant barriers remain: investor concerns over credit granularity, limited availability of loan-level data and the legal complexity of SME portfolios continue to deter market development[3]. In addition, divergent tax treatments and legal frameworks across Member States raise the costs of structuring cross-border transactions in traditional securitisation. Synthetic securitisation may thus be better suited to cross-border SME portfolios, since it does not require the transfer of loan ownership from the originator to a special purpose vehicle and instead relies on contractual credit-risk transfer mechanisms, such as guarantees or credit derivatives, governed by standardised documentation. By reducing dependence on national rules governing asset transfer, insolvency and servicing, synthetic structures can make it easier to assemble multi-country portfolios and, in turn, broaden access to SME finance across the EU.

Despite these hurdles, securitisation has the potential to become a scalable channel for SME finance – particularly if supported by partial guarantees, greater standardisation of financial and credit data, and a more harmonised regulatory framework[4]. It would be particularly valuable in cohesion regions and emerging sectors (e.g. cleantech, digital services and advanced manufacturing) where local banking capacity is insufficient to meet growing credit needs.

Italy, for example, has demonstrated how securitisation can be mobilised at scale to support SME finance. The use of SME-backed securitisations, particularly through synthetic structures supported by the EIF, has enabled banks to transfer risk on performing loan portfolios, including those extended to smaller firms with limited collateral. In parallel, the GACS (Garanzia Cartolarizzazione Sofferenze) guarantee scheme has been instrumental in reviving investor confidence in Italy's securitisation market by facilitating the disposal of non-performing loans (NPLs) through senior tranche

[3] National supervisory attitudes also play a role. In Sweden, for example, the Financial Supervisory Authority has expressed caution over the risk of flow-back and the robustness of SRT in SME and real estate securitisations, contributing to the limited use of these instruments despite growing funding needs.

[4] While recent discussions on revising the Corporate Sustainability Reporting Directive run the risk of reducing the availability of non-financial SME data, improvements in loan-level data collection and standardised credit metrics remain essential for assessing SME risk and enabling investor confidence.

guarantees. A recent synthetic securitisation with Findomestic (EUR 855 million portfolio, EUR 94 million EIF mezzanine guarantee, counter-guaranteed by the European Investment Bank (EIB)) was used to finance energy-efficient loans for households. Together, these mechanisms show that, when risk is clearly tranched and public guarantees are present, securitisation can operate as a powerful enabler of SME credit growth even in less favourable market conditions.

More broadly, the EIB Group has acted as a 'market validator' for securitisation in Europe. The EIF has provided mezzanine guarantees in synthetic SRT deals on performing SME portfolios across multiple banks and Member States (often under the EGF and InvestEU), lowering mezzanine risk so that senior tranches could be placed with insurers and bank treasuries. The EIB has co-anchored true-sale transactions in green and public-purpose portfolios – most visibly via French platforms pooling building-retrofit and clean transport loans – helping to standardise documentation and pricing. These interventions do not crowd out private capital; they de-risk first deals and create templates others can repeat.

2.3. INFRASTRUCTURE FINANCE – CROWDING IN LONG-TERM CAPITAL

Infrastructure investment is central to Europe's long-term competitiveness and sustainability. From renewable energy and public transport to digital networks and water systems, the green and digital transitions depend on stable, long-term financing. More recently, the debate has also turned to the financing of Europe's 'réarmement' – the ramp-up of defence, dual-use and security-related infrastructure that requires similarly large-scale and long-dated capital commitments. Yet across these domains, many projects struggle to obtain sufficient funding due to a mismatch between the long-duration nature of the assets and the short-term funding horizon of banks. Capital charges, liquidity constraints and risk-weight penalties also deter long-duration credit exposures.

Securitisation offers a structural bridge between project origination and long-term investment capital. By pooling infrastructure loans (whether linked to renewable energy, broadband, transport, building retrofits or even defence-related projects) into diversified portfolios, securitisation can increase transparency, reduce project-level risk and create investable tranches aligned with different investor risk profiles. This is especially relevant for Europe's pension industry, which represents one of the largest pools of long-term savings and is structurally well suited to holding stable, predictable cash flows from infrastructure investments. However, unfavourable capital calibrations under Solvency II and limited experience with securitisation products have kept pension funds on the margins of the market.

Pilot transactions, particularly in green infrastructure, have already established the feasibility of this approach, especially when supported by public credit enhancement. In

France, securitisation platforms[5] backed by Caisse des Dépôts et Consignations (CDC) and supported by the EIB have pooled and refinanced green building and clean transport projects. These vehicles provide proof of concept that structured finance can work at the intersection of sustainability and infrastructure, especially when institutional anchors play a catalytic role. Their success has encouraged replication by sub-sovereign entities and green investment banks, illustrating the model's scalability across project types. Institutions such as the EIB and national promotional banks not only serve as anchor investors or mezzanine guarantors but also help raise transaction credit quality and close the pricing gap between infrastructure demand and long-term capital supply.

Importantly, securitisation can also serve to aggregate smaller-scale infrastructure loans across Member States – helping to overcome the fragmentation and scale problems that discourage institutional investors from participating in national project pipelines. A well-designed EU platform for infrastructure securitisation platform, potentially linked to the green taxonomy, could become a critical enabler of the EU's investment agenda.

2.4. CAPITAL RELIEF AND CREDIT MULTIPLICATION

Across all sectors (e.g. housing, SMEs and infrastructure), the strategic value of securitisation lies in its ability to amplify credit creation through capital relief. When originators achieve SRT, they can derecognise the securitised exposure from their risk-weighted assets (RWAs) and replace it by the RWA of the retained tranches. The difference between RWA before and after securitisation drives the Tier 1 capital relief and allows banks to expand their lending capacity. This 'capital recycling' effect allows banks to stay within prudential limits while continuing to meet real-economy financing needs. Seen through a stability lens, this reduces the build-up of concentrated losses in banks and supports a smoother supply of credit during stress.

Synthetic securitisation, in particular, has emerged as an effective mechanism for capital optimisation. It enables banks to transfer credit risk on performing loan portfolios (without moving assets off the balance sheet) by placing mezzanine tranches with investors or, in some cases, through the use of public guarantees. This reduces RWAs and provides room for new lending, including jurisdictions where banks operate close to their regulatory thresholds.

This capital multiplication effect is particularly relevant under tightening regulatory conditions. Synthetic securitisation structures, especially those incorporating mezzanine risk sharing or third-party guarantees, allow banks to manage their regulatory capital more efficiently while continuing to support real-economy lending. By transferring

[5] Such as those operated by CDC Habitat for energy-efficient housing and the CAFFIL green bond programme for local authority infrastructure.

specific layers of credit risk, banks can reduce their RWAs and expand credit supply without breaching prudential limits. These instruments can be especially valuable when lending demand remains strong, but balance sheet capacity is constrained.

In Germany, several large banks have used synthetic securitisations to achieve capital relief on SME and infrastructure loan portfolios, partnering with private investors and multilateral institutions to de-risk mezzanine tranches[6]. These transactions illustrate how securitisation – even without transferring the underlying assets off the balance sheet – can serve as a powerful tool for capital management and credit expansion[7]. Importantly, supervisory familiarity with synthetic risk transfer structures has further encouraged their uptake among global systemically important institutions (GSIBs) and beyond, with recent market evidence showing growing participation by non-GSIB issuers as the instrument has become more established across the European banking system.

This multiplier effect is also highly relevant in the context of Basel III's final implementation phase, which includes output floors and more conservative risk-weighting practices. As these measures increase the cost of holding low-risk exposures – such as mortgages, infrastructure loans or SME portfolios – securitisation becomes even more important mechanism for preserving credit capacity.

2.5. IMPLICATIONS FOR GROWTH, INCLUSION AND THE CLIMATE TRANSITION

The macroeconomic and policy implications of a more dynamic securitisation market are far-reaching. Even modest increases in issuance, if channelled into high-impact sectors, can yield disproportionately positive effects in terms of growth, employment and climate resilience. For instance:

- in housing, securitisation can lower the cost of funding for green mortgages and support the Renovation Wave;
- in SME finance, it can bridge regional disparities and support digital and industrial transformation; and
- in infrastructure, it can help close the investment gap and mobilise patient capital for sustainable and digital projects.

Moreover, securitisation supports financial inclusion by enabling credit to flow to underserved regions or segments. It allows for better alignment between the needs of

[6] One notable example is Commerzbank's 2022 synthetic securitisation with the EIF under the InvestEU programme, covering a EUR 1.5 billion SME and mid-cap loan portfolio. The transaction enabled significant risk transfer and freed up regulatory capital for new lending aligned with green and digital priorities.

[7] In synthetic structures, banks retain ownership of the assets but transfer the credit risk through credit protection instruments (e.g. credit default swaps or guarantees), thereby reducing RWAs.

long-term investors and the funding of productive economic activities. By unlocking balance sheet space, it also supports countercyclical lending during economic downturns, making it a tool not only for growth but also for financial stability and systemic resilience.

In the current environment – marked by rising interest rates, heightened credit risk, and intensifying investment demands – securitisation offers the EU a lever to align financial intermediation with its broader economic and policy objectives. Yet this potential remains unrealised without a framework that encourages innovation, cultivates a market that fosters demand for the asset class, ensures trust and recognises securitisation as a forward-looking instrument of strategic finance. Box 1 synthesises the key sectoral use cases where securitisation can effectively support long-term investment, SME lending and green infrastructure development in the EU context.

Box 1. Where securitisation delivers beyond mortgages: five scalable EU use cases

1) *SME and mid-cap credit (true-sale plus SRT).* Banks make lots of small business loans (e.g. term loans, revolving lines and equipment leases). These can be bundled and financed through a true-sale ABS (a bond backed by many small loans) to bring in stable funding. In addition, a synthetic SRT lets banks pass some of the credit risk to outside investors, which frees up capital for new lending. Insurers, pension funds and bank treasuries tend to buy the safer pieces; specialist credit funds buy the riskier slices. The payoff is twofold: more funding and more lending capacity – something covered bonds don't provide because they fund assets but keep the risk on bank balance sheets. In covered-bond-centric countries, this is the most direct way to expand SME lending without touching mortgages.

2) *Green upgrades and equipment finance.* Small 'green' items (e.g. heat pumps, rooftop solar, EV chargers, building controls and industrial efficiency kits) produce steady monthly payments that are easy to pool into a simple ABS. The structure should be plain and track a few basic, checkable indicators (for example, energy saved or CO_2 avoided). Warranties and accredited installers help investors trust the cash flows; straightforward 'green' reporting broadens demand beyond niche impact funds to mainstream ESG investors. In this way, securitisation can help channel long-term capital into the transition economy.

3) *Receivables from public/municipal efficiencies and energy service companies (ESCOs).* Cities and public bodies sign pay-from-savings contracts with ESCOs to retrofit schools, hospitals and other buildings. These receivables can be pooled and securitised with simple safeguards: dedicated collection accounts, clear performance guarantees and step-in rights if something goes wrong. Insurers and infrastructure debt funds like these long-dated, steady bonds; specialist ABS funds can take the mezzanine. Using standard contract terms cuts legal work and speeds execution. A small public guarantee or mezzanine piece (by the EIF, EIB or national promotional banks) can help the first deals.

4) *Digital and network infrastructure.* Fibre-to-the-home, smart meters and data-centre efficiency contracts start small and grow as users connect. A project-style ABS can handle that ramp by setting simple milestones and protections for investors. Senior bonds suit infrastructure debt funds and insurers; specialist ABS investors can take the mezzanine once permits and service agreements are in place and basic operating metrics (like churn and average revenue per user) are reported.

5) *Private-credit warehousing and refinancing.* Non-bank lenders in consumer finance, auto loans, equipment leasing or trade receivables can fund new lending through warehouses and then refinance seasoned pools into straightforward term ABS. Clear eligibility rules and early-amortisation triggers keep risk transparent. Senior tranches often go to bank conduits and insurers; the mezzanine goes to ABS funds familiar with platform data and servicing. Independent verification, clean representations[8] and warranties, and simple buy-back rules help build trust and reduce costs over time. In concentrated banking systems, this widens funding for productive credit, complements bank lending and creates a path from private deals to public markets for high-quality portfolios.

Cross-cutting guardrails. Securitisation works best when structures are simple, data and eligibility criteria are standardised and verification is independent. Early transactions should prioritise the straightforward amortising of senior tranches and, where necessary, be paired with targeted public risk sharing in the mezzanine or first-loss layer through funded tranches or capped guarantees. Clear and proportionate green reporting can support sustainable issuance, while stable regulatory recognition of SRT is essential for capital-relief structures. The objective should be to create a practical toolkit that mobilises private capital at scale while complementing, rather than displacing, other financing instruments such as bank lending, covered bonds, public guarantees and private credit.

[8] Representations are contractual statements the originator makes about the assets and servicing (e.g. that loans meet underwriting criteria, no fraud, no prior liens). If a representation is breached, the deal spells out remedies (typically repurchase (buy-back) of the affected asset or indemnification). Thus, clean representation means clear, standardised, and largely unqualified representations that are easy to verify and enforce, which lowers diligence frictions and investor risk.

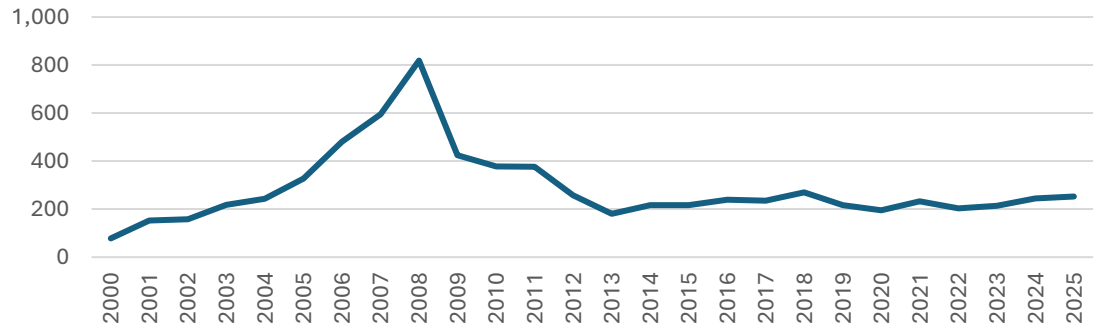
3. MARKET DEVELOPMENT AND INSTITUTIONAL LANDSCAPE

The development of a robust securitisation market depends not only on regulatory permissions but also on institutional depth, legal certainty and market infrastructure. While Europe has made progress in standardising its framework, securitisation activity remains subdued and unevenly distributed. This section analyses the evolution of the market, compares it with the structurally mature US system and draws insights from international case studies to distil lessons for Europe's future policy direction.

3.1. HISTORY AND CURRENT MARKET PERFORMANCE

The European securitisation market emerged in the late 1980s and early 1990s, led by jurisdictions such as the UK, the Netherlands, and later Spain and Italy. Early transactions focused on RMBS, auto loans and lease receivables. Market expansion accelerated in the early 2000s, supported by the clearer and more harmonised treatment of securitisation under Basel II, strong investor appetite for structured credit and banks' desire to manage regulatory capital (see Figure 2). By 2008, annual issuance had peaked at over EUR 819 billion.

Figure 2. European securitisation issuance (EUR billion, 2000-25)



Notes: Issuance includes placed and retained issued volumes. The figure includes the following countries: BE, CH, DE, EL, ES, FR, IE, IT, NL, PT and the UK, as well as 'Pan European' and 'Other Europe'.
Source: Author's calculations based on data from AFME.

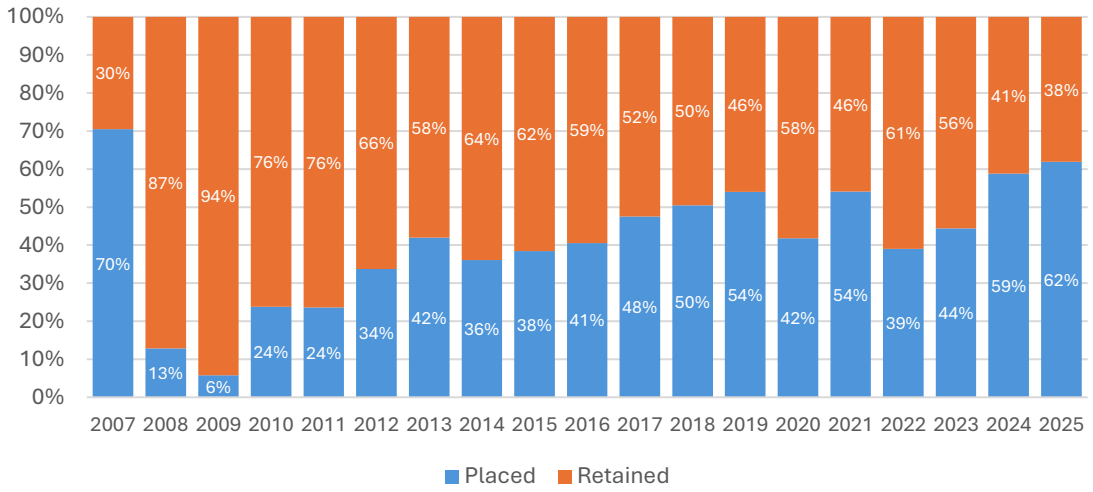
Despite this growth, the market exhibited significant limitations: activity was concentrated in a handful of Member States, lacked cross-border consistency and relied heavily on jurisdiction-specific legal frameworks. Although funds, insurers and other institutional investors were regular participants in securitisation transactions before the crisis, the European investor base remained less deep, less liquid and less geographically integrated than that of the US.

The 2008 global financial crisis marked a sharp turning point. While US subprime RMBS were at the epicentre of the turmoil, European securitisations (especially prime RMBS) proved relatively resilient, with default rates on AAA-rated tranches below 0.5%.

Nevertheless, the asset class suffered reputational damage by association. Issuance volumes collapsed, investor confidence deteriorated and political support waned.

Throughout the 2010s, securitisation issuance averaged around EUR 260 billion annually and even dipped below EUR 200 billion. In the aftermath of the crisis, the market became heavily reliant on retained securitisations – transactions in which the originating bank issues securitised instruments but retains most or all of the tranches on its own balance sheet. These are typically not placed with external investors and are therefore not considered public securitisations in the traditional sense. Instead, they are often structured primarily to serve regulatory or liquidity purposes, such as being used as collateral in refinancing operations with the European Central Bank (ECB) (see Figure 3). This dynamic reached its peak in 2009, when only 6% of issuance was placed with external investors.

Figure 3. Total European issuance by placed and retained (% of total issuance, 2007-25)



Source: Author's calculations based on data from AFME.

Since then, however, there has been a gradual rebalancing, with placed issuance rising to over 50%, reaching 62% in 2025. While this trend signals a partial recovery of investor confidence, retained deals continue to represent a substantial portion of the market. This is neither anomalous nor inherently undesirable. Retained securitisations serve legitimate funding and liquidity-management purposes, notably by transforming illiquid assets into instruments that can be used more easily as collateral in central bank refinancing operations, thereby supporting banks' funding resilience. Yet, by construction, retained transactions do not achieve SRT and hence do not generate capital relief; nor do they distribute credit risk across a broader external investor base. Their function thus differs from that of placed transactions. A deeper market for externally placed securitisation would not replace retained issuance but complement it by adding a genuine channel for

market-based risk transfer, capital recycling and broader investor participation. Expanding economically viable placed issuance to a wider, cross-border investor base would therefore strengthen the overall contribution of securitisation to Europe's financial system.

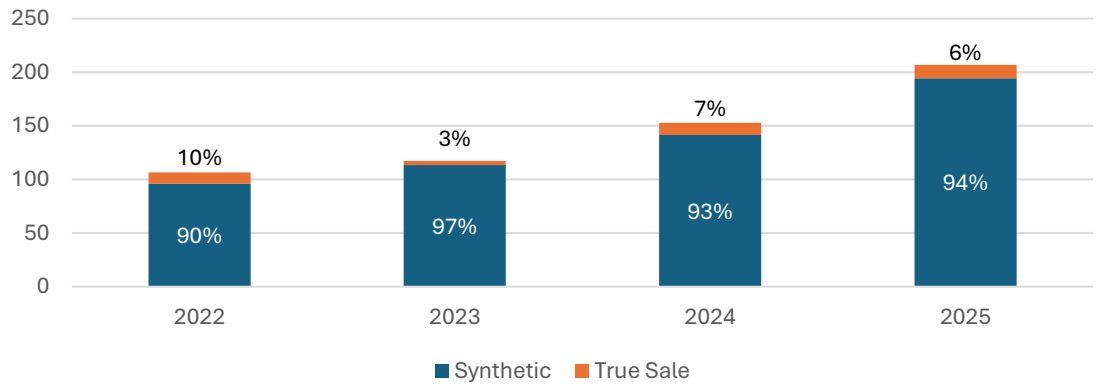
That said, the figures above relate primarily to the traditional cash securitisation market. They are useful for understanding overall issuance, placement and market structure, but not as a direct proxy for capital-relief activity. Because the current prudential debate under the Capital Requirements Regulation (CRR) (Regulation (EU) No 575/2013) is closely tied to SRT, it is important to consider separately the development of the European SRT market, including its predominantly synthetic structure.

3.1.1. Significant risk transfer and synthetic securitisation

As the ECB has underlined, securitisation can serve both funding and capital-management purposes, but capital relief requires a positive SRT assessment by the competent authority confirming that a sufficient amount of credit risk has been effectively transferred for prudential purposes. While true-sale securitisation can serve both funding and risk-transfer purposes, SRT can be achieved through either true-sale or synthetic structures.

In Europe, the SRT market is overwhelmingly synthetic (see Figure 4). This reflects the core economic logic of the instrument: banks use SRT primarily as a tool for capital management and risk transfer while keeping the underlying exposures on their balance sheets, rather than as a funding mechanism. The Joint Committee of the European Supervisory Authorities has likewise noted that the growth of synthetic securitisation in recent years suggests that securitisation in the EU is increasingly being used for capital management and risk-transfer purposes rather than as a primary funding channel.

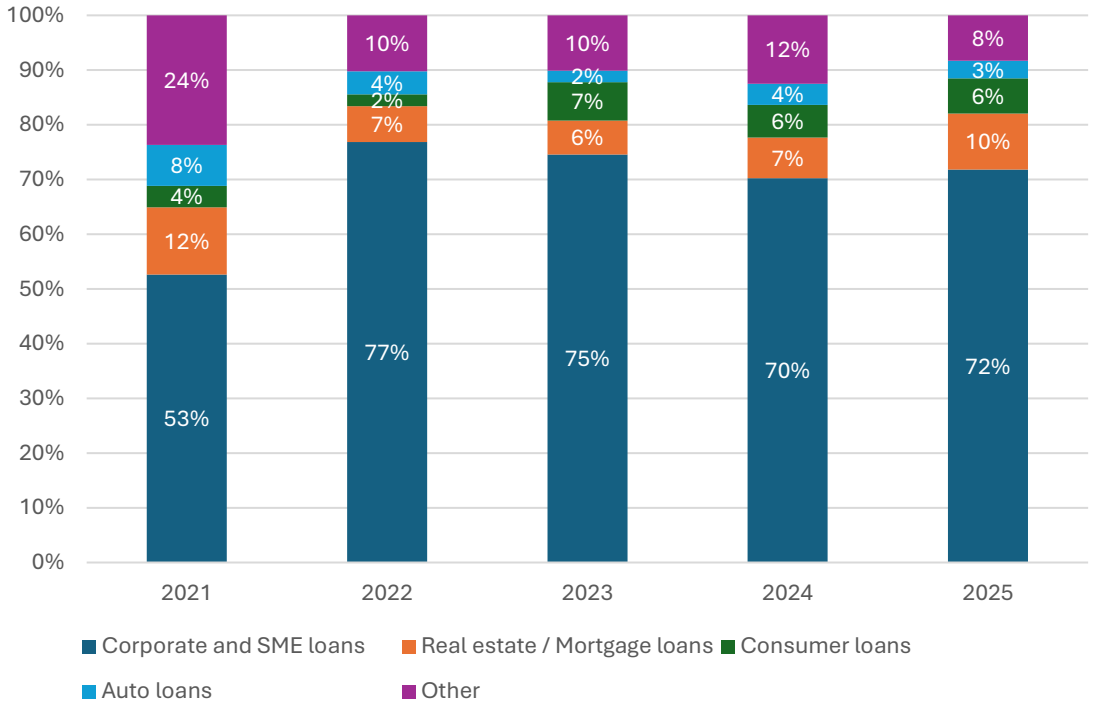
Figure 4. European issuance of SRT securitisation (EUR billion, 2022-25)



Source: Author's calculations based on data from AFME.

The composition of the SRT market is also highly concentrated by asset class (see Figure 5). Annual SRT issuance is dominated by corporate and SME loans, accounting for around 70-77% of total issuance in recent years, while real estate and mortgage exposures represent a much smaller share. This is an important point for the wider policy debate. In Europe, SRT is not primarily a mortgage-refinancing tool; it is mainly a mechanism through which banks transfer risk on corporate, SME and, to a lesser extent, consumer and project-finance portfolios in order to preserve lending capacity. That concentration is also consistent with broader supervisory evidence that the synthetic market for simple, transparent and standardised securitisation (STS) has been driven above all by SME and mixed SME-corporate portfolios.

Figure 5. Types of asset classes for annual issuance (% of total SRT issuance)



Notes: 'Other' includes project finance loans; leveraged loans; leasing; transport, infrastructure and energy loans; buy now pay later loans; undrawn corporate revolving facilities; capital calls; dealer floorplan; personal, debt consolidation and sales finance loans; and corporate revolver loans.
Source: Author's calculations based on data from AFME.

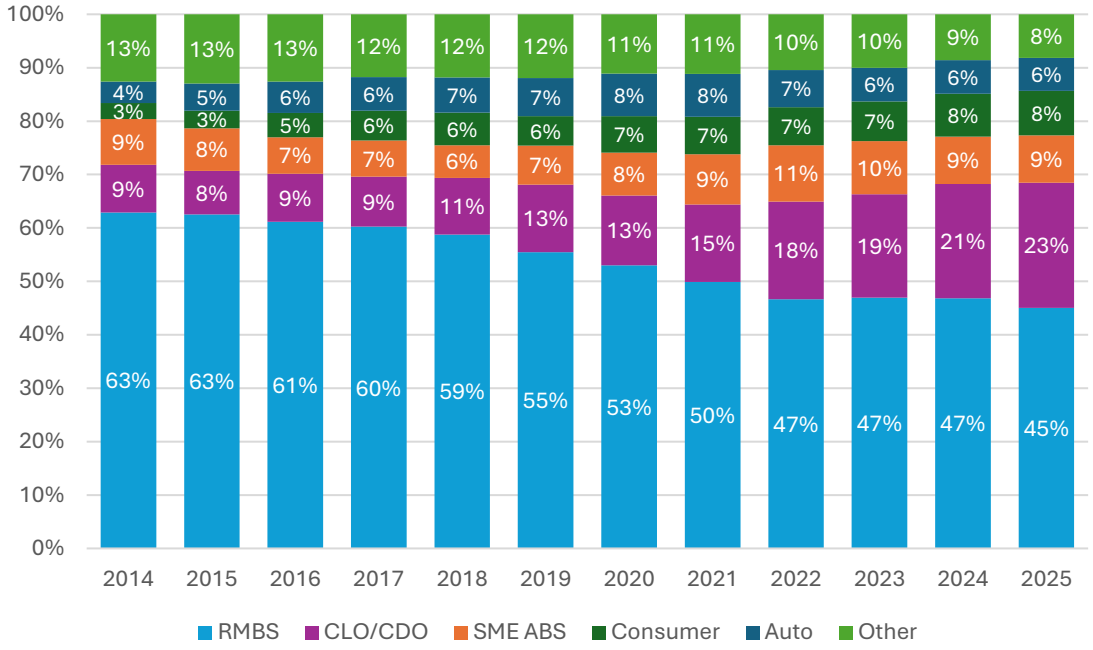
This distinction matters for the interpretation of current reform discussions. The cash securitisation figures presented above remain important for understanding funding patterns, investor participation and the evolution of the traditional market. But the CRR debate is, by definition, most directly relevant for SRT transactions, because these are the transactions through which banks obtain capital relief. The expansion of synthetic SRT sheds light on the prudential stakes of the reform package in a way that standard issuance and outstandings data cannot. At the same time, the predominance of synthetic

structures also helps explain why improvements in the prudential treatment of bank-originated SRT should not be conflated with developments in other parts of the securitisation market, such as collateralised loan obligations (CLOs)[9] or retained true-sale issuance, which respond to different business models and policy drivers.

3.1.2. *Collateral composition and geographical concentration of the traditional market*

In traditional securitisation, retail mortgages are the most common type of collateral, with RMBS accounting for 45% of outstanding European securitisation at the end of 2025 (down from 63% IN 2014) (Figure 6). This decline reflects a broader diversification of collateral types in the market, as well as structural shifts in investor demand and originator preferences. Among the other main collateral types were SME loan-backed securities (9%), consumer credit ABS (8%) and auto loan ABS (6%).

Figure 6. European securitisation outstanding by collateral (% of total outstanding, 2014-25)



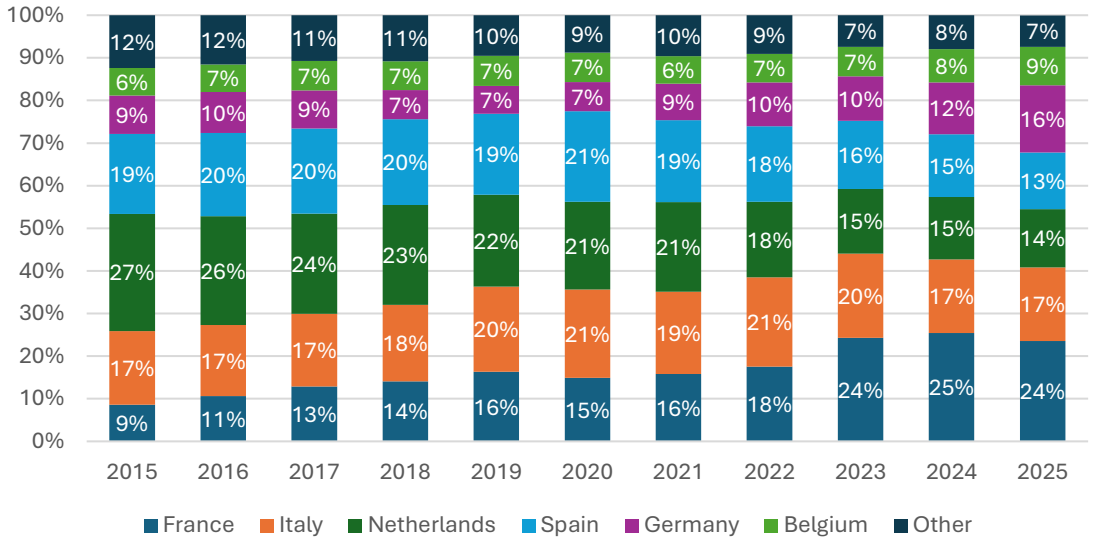
Notes: 'Other' includes cards, commercial mortgage-backed securities leases, and other. ABS = asset-backed securities; CDO = collateralised debt obligation; CLO = collateralised loan obligation; RMBS = residential mortgage-backed securities; SME = small to medium-sized enterprise.
Source: Author's calculations based on data from AFME.

[9] CLOs qualify as securitisations under Article 2(1) of the EU Securitisation Regulation (Regulation (EU) 2017/2402), which defines securitisation as a transaction or scheme where the credit risk associated with an exposure or pool of exposures is tranched and where payments depend on the performance of the exposures. CLOs meet these criteria by structuring tranches backed by leveraged loan portfolios.

One of the most dynamic segments is the category of collateralised debt obligations, which primarily consists of CLOs backed by leveraged loans to sub-investment-grade corporates. This segment has seen steady growth over the past decade, now representing 23% of total outstanding securitisation in 2025, up from 9% in 2014. Unlike traditional bank-originated securitisation, CLOs are typically associated with private credit and leveraged-loan managers, which use securitisation markets as a funding channel because they do not rely on deposits or other conventional bank funding sources. Their expansion reflects, in part, the broader growth of non-bank credit intermediation in Europe. This distinction matters for policy. The rise of CLOs and private credit may raise separate questions about the growth of non-bank finance, but these should not be conflated with the prudential treatment of bank-originated securitisation under the CRR. If anything, a more effective framework for bank securitisation could help preserve credit intermediation within the regulated banking system and reduce the relative migration of risk origination towards less prudentially constrained parts of the market.

The European securitisation market remains highly concentrated, with the bulk of activity limited to a handful of countries (see Figure 7). In 2025, approximately 84% of the collateral backing outstanding securitisation originated from just five Member States: France, Italy, the Netherlands, Spain and Germany. Despite efforts to promote greater cross-border integration, pan-European securitisations (i.e. those backed by assets from multiple jurisdictions) continue to play only a marginal role, accounting for just 1% of the market.

Figure 7. European securitisation outstanding by country of collateral (% of total outstanding, 2015-25)



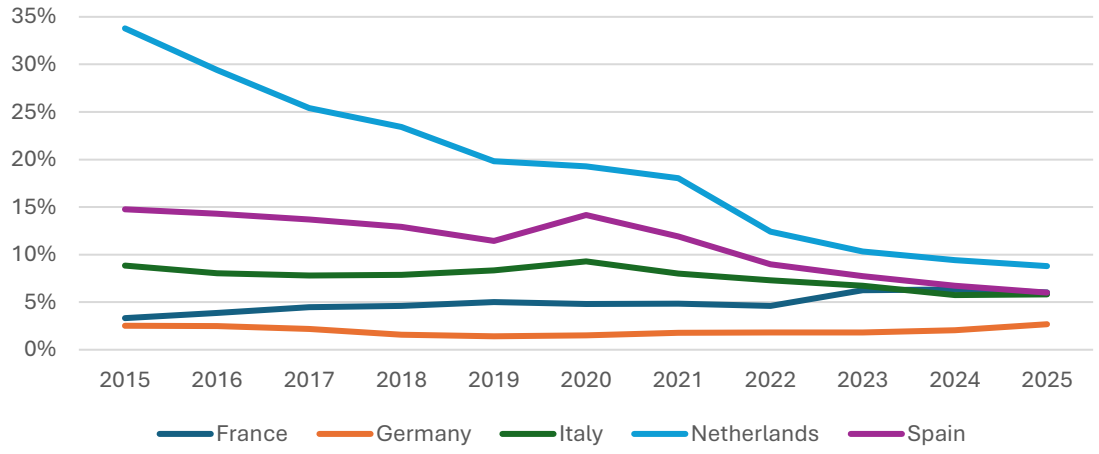
Notes: The figure excludes CLOs. 'Other' includes Greece, Ireland, Portugal, Pan-Europe, and Other Europe.
Source: Author's calculations based on data from AFME.

France stands out as the only major market to have recorded sustained growth in outstanding securitised collateral over the past decade, rising from EUR 73 billion in 2015 to EUR 179 billion in 2025. By contrast, other major markets have either stagnated or declined. The Netherlands and Spain have experienced a steady contraction in activity, while Italy's market has remained broadly flat. Germany, after years of limited issuance, has shown signs of renewed dynamism, although its overall share remains modest relative to its economic size.

The small German securitisation footprint must be seen in light of the longstanding role played by the German Pfandbrief system – a specialised form of covered bond that, like the Danish mortgage-bond model, provides banks with a stable and low-cost source of funding. Pfandbrief are not securitisations in the regulatory sense: loans remain on the issuer's balance sheet, and investors benefit from dual recourse – to both the issuer and the cover pool. This structure offers high credit quality and deep liquidity, making it a preferred funding tool for German banks, especially in the mortgage and public-sector lending segments. As such, Pfandbrief have historically crowded out the use of RMBS in Germany, helping to explain the country's relatively limited securitisation volumes despite its large banking sector.

When measured relative to the size of the economy, the picture diverges notably. While countries like France and Italy rank among the largest markets in nominal terms, the Netherlands has consistently maintained the largest securitisation market in relative terms, with outstanding volumes equivalent to 9% of GDP in 2025 (see Figure 8). This reflects both the historical depth of the Dutch market and its particular reliance on securitisation as a funding tool, especially in the mortgage segment.

Figure 8. Securitisation outstanding of the top-5 countries (% of GDP, 2015-25)

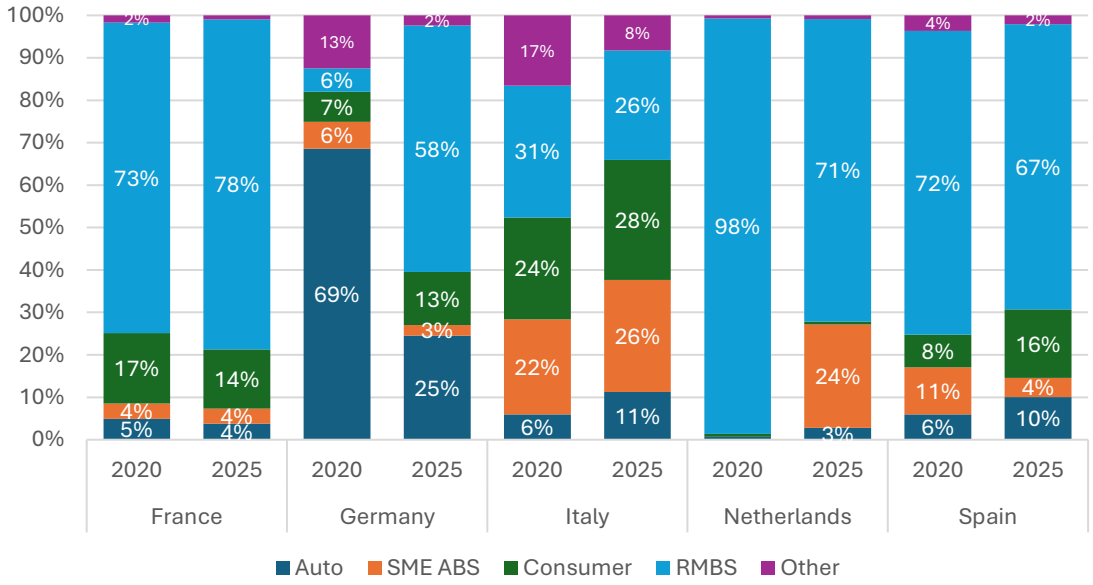


Note: The figure excludes CLOs.
Source: Author's calculations based on data from AFME.

However, the overall macroeconomic relevance of securitisation has declined significantly. In 2015, outstanding securitised assets represented 34% of GDP in the Netherlands and substantial shares in Spain and Italy. Since then, this figure has been on a steady downward trajectory in nearly all major jurisdictions. By 2025, securitisation accounted for 9% of GDP in the Netherlands, 6-7% in France, Spain and Italy, and a mere 3% in Germany. While the underlying drivers differ across jurisdictions, the decline appears to reflect a combination of factors, including the growing use of covered bonds, shifts towards non-bank mortgage origination in some markets and contraction in underlying mortgage stocks in others. There is also the fact that in some jurisdictions, securitisation activity has been sustained mainly by NPL transactions rather than by renewed growth in performing-asset issuance.

National securitisation markets across Europe exhibit considerable variation in the composition of underlying collateral, yet residential mortgages remain the dominant asset class in most jurisdictions (see Figure 9). France leads with RMBS accounting for nearly 80% of its outstanding securitisation market in 2025, up from 73% in 2020, reflecting a strong focus on housing finance and a well-established, mortgage-backed issuance model. Similarly, the Netherlands and Spain remain heavily concentrated in RMBS, with shares of 71% and 67% respectively in 2025, indicating a more specialised use of securitisation primarily tied to the housing channel.

Figure 9. European securitisation outstanding by country and collateral type (% of total outstanding, 2020 vs 2025)



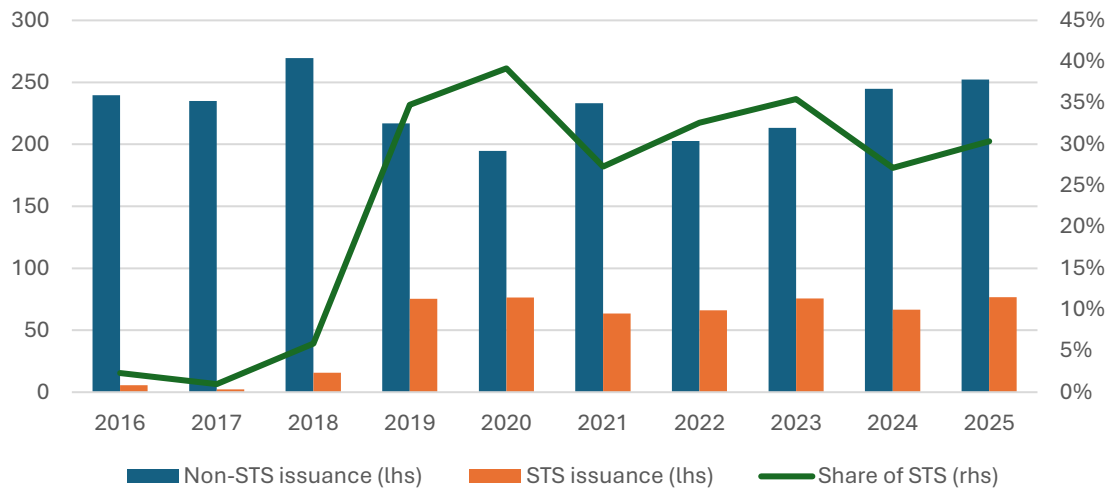
Notes: The figure excludes CLOs. 'Other' includes cards, commercial mortgage-backed securities, leases, and other. ABS = asset-backed securities; RMBS = residential mortgage-backed securities; SME = small to medium-sized enterprise.
Source: Author's calculations based on data from AFME.

By contrast, other countries display more diversified structures. In Germany, the market has undergone a notable shift: the share of auto ABS dropped from 69% in 2020 to 25% in 2025, with RMBS and consumer ABS growing in prominence. Italy, meanwhile, shows a relatively balanced mix across consumer ABS (28%), RMBS (26%) and SME ABS (26%), reflecting broader use of securitisation to support both retail and SME credit provision.

The post-crisis EU securitisation framework was consolidated through Regulation (EU) 2017/2402, which established a general architecture for securitisation, including requirements for due diligence, risk retention, transparency and granting of credit. It also set rules on re-securitisation, securitisation special purpose entities and securitisation repositories. From 1 January 2019, it introduced the 'simple, transparent and standardised' label for traditional securitisations. Preferential prudential treatment for STS positions was provided through the parallel amendment of the Capital Requirements Regulation. The STS framework was later extended to on-balance-sheet synthetic securitisations by Regulation (EU) 2021/557. Even so, capital charges for securitisation often remain higher than for comparable instruments such as covered bonds, limiting its relative appeal.

Uptake of the STS framework has been gradual. Since its entry into force in 2019, the share of new EU securitisation issuance qualifying as STS has fluctuated between 27% and 40% of total issuance (see Figure 10). In 2025, STS-compliant deals accounted for EUR 77 billion, representing 30% of total issuance, of which 77% (EUR 59 billion) was placed with investors. This suggests that STS remains more relevant for market-facing issuance than for retained transactions, even though the label can also matter for retained positions from a prudential perspective. At the same time, the STS framework does not apply uniformly across all segments of the securitisation market: in particular, actively managed CLOs are not eligible for the STS label. Despite this moderate traction, the STS label has not brought the hoped-for diversification of originators or a meaningful expansion of the investor base.

Figure 10. European non-STS and STS securitisation issuance (EUR billion, 2016-25)



Notes: Issuance includes placed and retained issued volumes. lhs = left-hand-side axis; rhs = right-hand-side axis. Simple, transparent and standardised (STS) issuance prior to the regulation coming into force (1 January 2019) is due to legacy transactions being notified as STS to the European Securities and Markets Authority.
Source: Author's calculations based on data from AFME.

Market participants continue to cite several obstacles to wider adoption: disproportionately conservative capital calibrations relative to historical performance and persistent legal fragmentation across Member States, as well as uneven supervisory interpretation and implementation, combined with an overly prescriptive regime for disclosure and investor due diligence. Compared with economically similar instruments for fixed-income – and with the approach taken in other major jurisdictions – securitisation is still treated more restrictively, with a heavier supervisory hand than other asset classes. These frictions suppress the growth of STS securitisation and curb institutional demand, particularly from insurers and pension funds, whose appetite is sensitive to regulatory capital treatment and legal certainty.

While issuance has partially recovered, placed volumes, investor composition and risk distribution remain uneven across countries and asset classes. To understand what is holding the market back and where demand could expand, the next section maps the investor landscape in European securitisation.

3.2. INVESTOR LANDSCAPE

A comprehensive view of securitisation requires examining the demand side. The diversity, motivations and constraints of investors shape market depth, liquidity and resilience. What are the main types of investors active in European securitisation? What motivates them to allocate capital to these instruments? How do their risk appetites influence their preferences across different asset classes and tranches? And how do these

patterns translate into the overall market presence and appetite in Europe compared with other jurisdictions?

3.2.1. Types of investors

The investor base in securitisation is broad, spanning both institutional and non-institutional actors. Among institutional investors, insurance companies are an important part of the buy-side, especially for senior tranches. They are typically long-term, buy-and-hold investors, attracted by the predictable cash flows and liability-matching characteristics of senior tranches, though their appetite is highly sensitive to capital charges under Solvency II. Pension funds also provide long-horizon capital, but they tend to invest indirectly, often delegating portfolio decisions to external asset managers. Their focus lies on investment-grade instruments and diversification benefits.

Insurance companies play two distinct roles in the securitisation ecosystem. On the asset side, life insurers and general-account investors may purchase securitisation tranches, especially senior notes, as part of long-term fixed-income portfolios. But insurers, and particularly non-life insurers and reinsurers, can also participate on the liability side of synthetic securitisation by providing credit protection through insurance policies or comparable unfunded risk-transfer arrangements. In such cases, they are not investing in the notes themselves; rather, they assume a defined layer of credit risk in return for premium income. This role is especially relevant in SRT transactions, where insurance-based credit protection can broaden the pool of non-bank risk absorbers and support capital relief for originating banks.

Mutual funds and other asset managers are more active across the capital structure, but they depend on sufficient liquidity and standardisation to support portfolio valuation and daily pricing. Banks occupy a dual position: as originators they supply securitised products to the market, but they also invest selectively in senior securitisation tranches for treasury, collateral and portfolio-management purposes. This breadth of long-term buyers (e.g. insurers, pension funds, asset managers and bank treasuries) means losses, when they occur, are shared across institutional balance sheets rather than concentrated in banks.

Non-institutional investors form a smaller, but important, segment. Hedge funds and credit opportunities funds tend to specialise in mezzanine and junior tranches, where spreads and structural complexity are higher. Family offices and private wealth platforms are occasional participants, usually through managed accounts or funds with a conservative focus on senior tranches. Private-credit funds are increasingly relevant, especially in Europe's growing non-bank lending sector, where they provide mezzanine risk or warehouse financing and rely on securitisation to scale origination and refinance portfolios.

Geographically, participation patterns differ: in the US, pensions, insurers, and mutual funds invest broadly across asset classes and tranches, supported by standardisation and a deep secondary market; in Europe, demand remains more concentrated in senior risk, with banks still accounting for a significant share of holdings (see Box 2).

Box 2. Who buys European securitisations? Typical offtake by asset and tranche

- Senior – the safest pieces (e.g. RMBS, consumer and auto loans, SME pools, green equipment and energy service companies)

These are the low-risk bonds in a deal, designed to pay steadily and on time. The main buyers are insurers and pension funds (they like steady income to match pensions), bank treasuries (they value reliability and the ability to use these bonds for day-to-day liquidity needs) and, for energy-saving contracts or digital network receivables, infrastructure debt funds. What they look for are simple and predictable payments, strong protection against losses, and widely accepted documentation so the bonds are easy to hold and, if needed, to sell.

- Upper-mezzanine – still conservative, but with a bit more yield (e.g. consumer and auto loans, SMEs, leasing and selected ESCO/project pools)

These pieces offer a higher return than senior bonds because they take on a little more risk. Typical buyers are multi-asset managers and dedicated ABS funds that can analyse the data and are comfortable with well-structured deals; some insurers and pensions buy selectively when the terms are clear and the track record is good. The appeal is the extra income for a manageable step-up in risk, with simple features that make performance easy to monitor.

- Mezzanine/junior – the risk-taking pieces (e.g. SME risk transfers and bespoke or newer asset types)

These slices carry the most risk and therefore offer the highest potential return. Specialist credit and hedge funds are the natural buyers because they have teams set up to dig into the details and actively manage positions. Originators often keep the very bottom piece to show alignment with investors. The draw here is straightforward: higher yield in exchange for absorbing losses first if things go wrong.

- Why do they buy?

Across all these groups, the reasons are consistent:

  - reliable data and simple structures that make cash flows predictable;
  - clear protections if performance weakens;
  - a good match with long-term liabilities (for insurers and pensions);
  - usefulness for liquidity management (for banks); and

- the ability to label part of the market 'green' (for assets like energy-efficient renovations, EVs or solar), which helps investors meet sustainability goals.

These bonds also help investors diversify away from government and corporate bonds without straying too far up the risk curve.

3.2.2. Investment motivations

Investors are drawn to securitisation for several reasons. Yield enhancement is a recurring theme: even senior ABS typically offers a spread pick-up over sovereign bonds, covered bonds or highly rated corporates. For institutions under pressure to deliver returns in a low-yield environment, this spread is material. Diversification is another key motivation. By pooling granular exposures – mortgages, auto loans, consumer credit and SME loans – securitisation provides access to credit segments that would otherwise be unavailable or costly to reach directly. Predictable cash flows and liability matching are particularly valued by insurers and pensions, which require long-dated assets to balance obligations. In many portfolios, well-structured securitisations also offer risk-adjusted returns that are competitive with, and in some cases superior to, other fixed-income instruments once diversification benefits are taken into account.

Regulatory considerations also matter. For banks, some senior securitisation tranches may have treasury and collateral value, including in certain cases eligibility for central bank operations, although their role in liquidity portfolios is typically more limited than that of sovereign bonds or covered bonds. For other investors, favourable risk-weight treatment or eligibility under prudential regimes can make securitisation more attractive relative to other fixed-income instruments. In addition, the emergence of green and sustainable securitisation is starting to appeal to investors with ESG mandates, who see opportunities to align their portfolios with energy-efficient housing, clean transport or renewable lending.

3.2.3. Risk appetite and tranche preferences

Investor demand is shaped not only by asset class but also by position in the capital structure. Senior tranches, typically rated AAA or AA, attract conservative investors such as insurers, pensions, banks and mutual funds. These instruments offer stability, strong credit enhancement and, in many cases, STS treatment or ECB eligibility. Mezzanine tranches, which carry higher yields but also more risk, are primarily taken up by hedge funds, specialist credit funds and some diversified asset managers willing to accept greater volatility. Junior or equity pieces are usually retained by originators for risk-alignment purposes but also draw niche investors with a high risk appetite and deep expertise in the underlying assets. CLOs deserve particular mention: while their equity

tranches appeal to hedge funds and specialist managers, their debt tranches are widely held by institutional investors looking for yield in a standardised and liquid format.

3.2.4. Market presence and investor appetite

The European market continues to show a relatively narrow investor base. As noted earlier, a large share of issuance is retained by banks for internal use, either to obtain capital relief or to serve as collateral for central bank operations. This limits the extent of genuine risk transfer and holds back the development of a diversified investor ecosystem. Where transactions are placed, demand is strongest in prime RMBS and consumer ABS, reflecting the asset classes' transparency and track record. CLOs have grown steadily, attracting global buyers, but the role of insurers and pensions in the European market remains modest due to the unfavourable capital treatment of securitisation under Solvency II[10]. SME ABS is a sector with clear policy relevance but still limited uptake, as investors are deterred by data granularity issues and compliance costs. Green securitisation is emerging as a promising niche, but growth is hampered by the absence of harmonised ESG disclosure frameworks tailored to securitised assets.

Several regulatory and operational frictions continue to shape investor demand. The most significant is capital calibration. Conservative treatment under the CRR and Solvency II reduces the risk-adjusted return on capital for senior securitisation tranches, making them unattractive despite historically low default rates. Supervisory divergence in the recognition of significant risk transfer adds uncertainty, particularly for banks considering synthetic structures, and this affects the reliability of issuance pipelines. Disclosure requirements under the Securitisation Regulation, while valuable for transparency, can be burdensome for smaller issuers and create barriers for investors when information from non-EU issuers does not align with EU templates, in practice locking EU investors out of much of the global securitisation market. Finally, the absence of deep secondary trading, standardised documentation and robust indices limits liquidity and reduces the appeal of securitisation for mutual funds and benchmark-driven mandates[11].

Many of these dynamics – particularly the breadth of the buy-side, standardisation and secondary-market depth – differ materially in the US. The next section compares the European picture with the US securitisation system, highlighting structural enablers and what they imply for investor demand.

---

[10] By contrast, in more mature markets securitised assets represent a materially larger share of life-insurance balance sheets, underscoring the gap between the potential demand from long-term investors and current allocations in the EU. According to Fitch Ratings (March 2025), nearly 15% of US life insurers' assets were invested in securitised products, compared with around 3% for EU life insurers.

[11] In the Nordics, where pensions are outsized market actors, this also matters for policy. If pensions are reluctant to scale direct venture exposure, well-structured securitisations offer a complementary, diversified path to absorb real-economy risk without breaching prudential constraints.

4. INTERNATIONAL PERSPECTIVES – WHY THEY MATTER

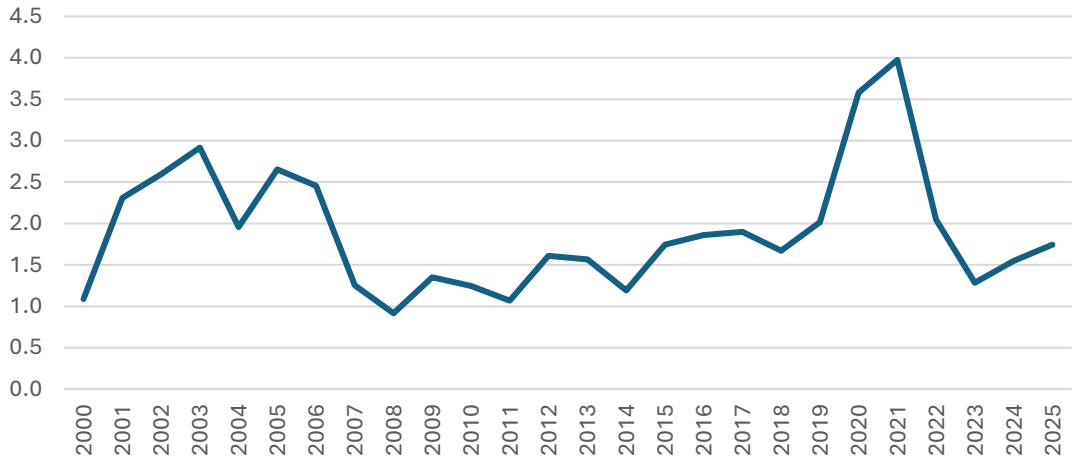
Having assessed the structure, performance and constraints of the European market, it is instructive to examine jurisdictions where securitisation is either a core funding channel or a targeted policy tool. These comparative perspectives help distinguish what is structural (e.g. institutional anchors, investor depth and legal certainty) from what is discretionary (e.g. calibration of prudential rules, disclosure design and supervisory practice). They also clarify which features are transferable to Europe – and which are context-specific.

This section begins with the US, the global benchmark in scale and institutional anchoring. It then turns to the UK, Europe's most dynamic market operating under a distinct post-Brexit regime. Next, it examines other successful models (e.g. Australia, Canada, Japan, Italy and South Korea) to illustrate how securitisation can complement existing financing systems without undermining stability. Across these cases, we extract lessons relevant to EU objectives (growth, resilience and transition finance).

4.1. THE US SECURITISATION SYSTEM – SCALE AND STRUCTURE

The US hosts the world's most mature, liquid and diversified securitisation market, with issuance volumes reaching an estimated EUR 1.7 trillion in 2025 and total outstanding securities nearing EUR 11 trillion by end-2021 (see Figure 11)[12].

Figure 11. US securitisation issuance (EUR trillion, 2000-25)



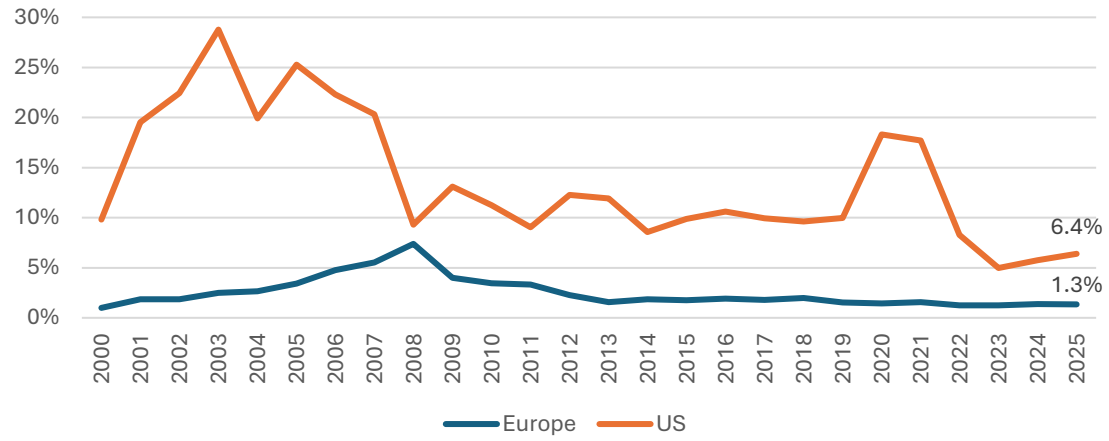
Note: Figures refer to placed issuance.
Source: Author's calculations based on data from AFME.

Securitisation in the US is not a niche activity but a core component of the financial system. It underpins a wide range of credit markets – from mortgage lending and

[12] Complete US outstanding data are only available until 2021.

consumer finance to SME credit and leveraged corporate loans – serving as a primary mechanism for funding and risk distribution. The scale and systemic relevance of the US market are clearly reflected in its macroeconomic footprint. Securitisation issuance in the US regularly exceeded 10% of GDP during the 2000s and peaked near 30% in 2004 (see Figure 12). Although the global financial crisis led to a sharp contraction, activity rebounded in the following decade and surged again in 2020-21, amid ultra-low interest rates and abundant central bank liquidity. Even after the recent correction, US issuance as a share of GDP remains three to five times higher than in Europe, where issuance has stagnated at around 1-2% of GDP. While the gap has narrowed in recent years, it continues to reflect deeper structural and institutional differences between the two markets.

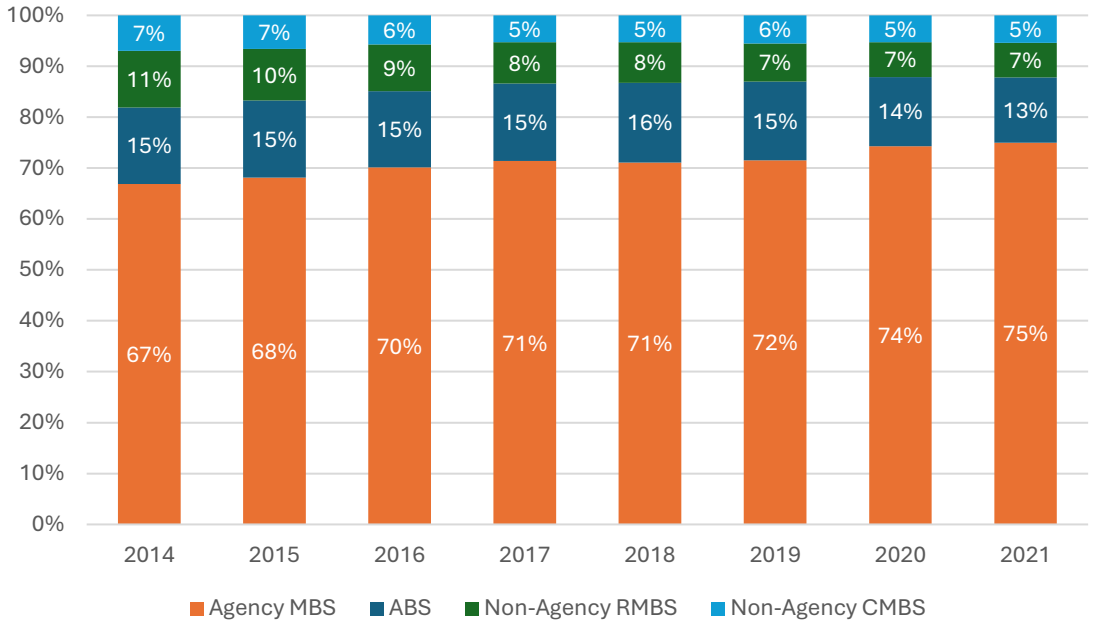
Figure 12. European and US securitisation issuance (% of GDP, 2000-25)



Note: Figures refer to placed issuance.
Source: Author's calculations based on data from AFME.

The defining feature of the US securitisation system is the dominant role of government-sponsored enterprises, notably Fannie Mae, Freddie Mac and Ginnie Mae. These agencies purchase mortgages from originators, provide credit guarantees and repackage the loans into agency mortgage-backed securities (MBS) with standardised terms and high credit ratings. This model ensures consistency in deal structure, enhances investor confidence and facilitates deep and liquid secondary markets. As a result, agency MBS account for the lion's share of US securitised assets – 75% in 2021 (see Figure 13).

Figure 13. US securitisation outstanding by collateral (% of total outstanding, 2014-21)



Notes: US outstanding data only available until 2021. ABS = asset-backed securities; CMBS = commercial mortgage-backed securities; MBS = mortgage-backed securities; RMBS = residential mortgage-backed securities; SME = small to medium-sized enterprise.
Source: Author's calculations based on data from AFME.

The GSE framework enables scale and efficiency in housing finance by pooling credit risk and removing lender-specific exposures. Ginnie Mae securities, which carry an explicit US government guarantee, further increase price transparency and investor trust. This institutional infrastructure has underpinned the high volume and resilience of US securitisation, making it a central component of credit intermediation.

Public guarantees are far more prominent in the US than in Europe. Between 2020 and 2023, GSEs accounted for an average of 81% of US securitisation issuance. By contrast, guarantees by the EIF for securitised products amounted to only EUR 2-3 billion per year between 2013 and 2023 – equivalent to just 1-2% of total European securitisation volumes. This structural disparity in public credit enhancement contributes to the persistent gap in issuance between the two jurisdictions. Even when comparing the non-agency segment alone, US issuance exceeds that of Europe in both absolute terms (EUR 426 billion in the US versus EUR 245 billion in Europe) and when measured relative to economic size, although the gap has narrowed in recent years.

Product diversity and functional segmentation

Beyond housing, the US market features robust segments in auto ABS, credit card ABS, student loans, equipment leases and CLOs. Indeed, CLOs alone exceed USD 1 trillion in outstanding volume and help support leveraged corporate credit markets. These

segments benefit from predictable performance data, standardised structures and dedicated investor bases.

Originate-to-distribute model and risk transfer

A defining feature of the US system is the originate-to-distribute model, where lenders originate loans with the intention of securitising them. This model supports capital recycling, improves balance sheet flexibility and enhances funding diversification. Importantly, it is backed by strong underwriting standards and risk-alignment mechanisms.

Legal certainty and regulatory clarity

The US legal framework provides consistent rules for asset transfers, trust structures, bankruptcy treatment and enforcement rights. The Uniform Commercial Code, trust law and federal bankruptcy statutes reduce legal uncertainty and due diligence costs. Post-crisis reforms under the Dodd-Frank Act introduced risk retention requirements (5%), detailed disclosure under Regulation AB and enhanced credit rating oversight. These reforms improved investor protection without stifling issuance. Notably, capital treatment for senior tranches remains risk-sensitive and proportionate, enabling continued bank and investor participation in the US market.

Capital charges play a decisive role in shaping investor behaviour. For instance, Solvency II capital charges on AAA-rated CLOs in the EU are up to 78 times higher than their US equivalents under the risk-based capital regime of the National Association of Insurance Commissioner. As a result, the risk-adjusted return on capital for EU insurers is severely compressed, discouraging investment in senior securitisation tranches. Paradoxically, the framework often makes riskier junior tranches more attractive, as capital requirements are capped at 100%. This regulatory asymmetry undermines the EU's ability to channel long-term institutional capital into relatively low-risk securitised assets, despite their strong performance history.

Market depth and investor participation

The US securitisation market is underpinned by a broad institutional investor base, including pension funds, mutual funds, insurers and hedge funds. Liquidity is supported by standardised documentation, benchmark indices (e.g. the ABX and CLO indices) and a well-developed secondary-market infrastructure. This ecosystem allows for price discovery, dynamic capital allocation and ongoing credit surveillance.

4.2. THE UK SECURITISATION MARKET – REGULATORY DEVELOPMENTS AND LESSONS FOR THE EU

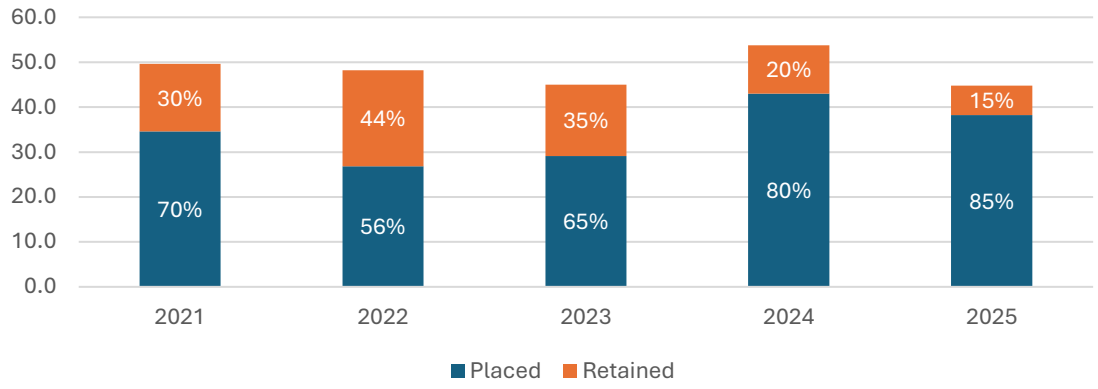
Following Brexit, the UK inherited the EU's Securitisation Regulation but has progressively adapted it to reflect domestic priorities. In 2024, this process culminated in a new legislative package comprising the Securitisation Regulations 2024, the Securitisation (Amendment) Regulations 2024, the Securitisation Sourcebook of the Financial Conduct Authority (FCA) and the Securitisation Part of the Prudential Regulation Authority (PRA) Rulebook. Together, these 'new rules' replaced the earlier UK Securitisation Regulation and apply to securitisations set up on or after 1 November 2024, with transitional provisions for legacy deals. While the new rules remain structurally close to the EU regime – covering risk retention, transparency, due diligence and STS designation – they also reflect a distinctly British approach, emphasising proportionality, market efficiency and regulatory flexibility.

Compared with the EU's prescriptive rules, the UK allows greater discretion in how risk retention is managed and simplifies disclosure for private deals by moving away from mandatory templates. It also provides more practical flexibility, such as permitting a change of risk retainer in the event of insolvency. While both the EU and UK maintain similar safeguards through their STS frameworks, they are no longer mutually recognised, reflecting the UK's shift towards a regime designed to reduce frictions for market participants while still ensuring investor protection.

A further area of divergence concerns SRT in capital relief deals. The PRA and FCA have signalled pragmatism, recognising securitisation as a legitimate tool for bank capital management. At the same time, the prudential requirements for insurers under Solvency II-equivalent rules remain under review, with regulators exploring whether capital charges for senior securitisation tranches could be better aligned with their historically strong performance.

Issuance volumes, while still well below the pre-2008 peak, remain substantial and underscore the UK's continued centrality to European securitisation. At the end of 2025, total issuance stood at EUR 54 billion (see Figure 14), representing around 22% of all European issuance. What is particularly striking is the changing composition of deals: whereas in the immediate post-crisis years retained transactions dominated, recent activity shows a decisive shift towards placed issuance, signalling greater investor confidence. By 2024, fully 80% of UK securitisation was placed with investors.

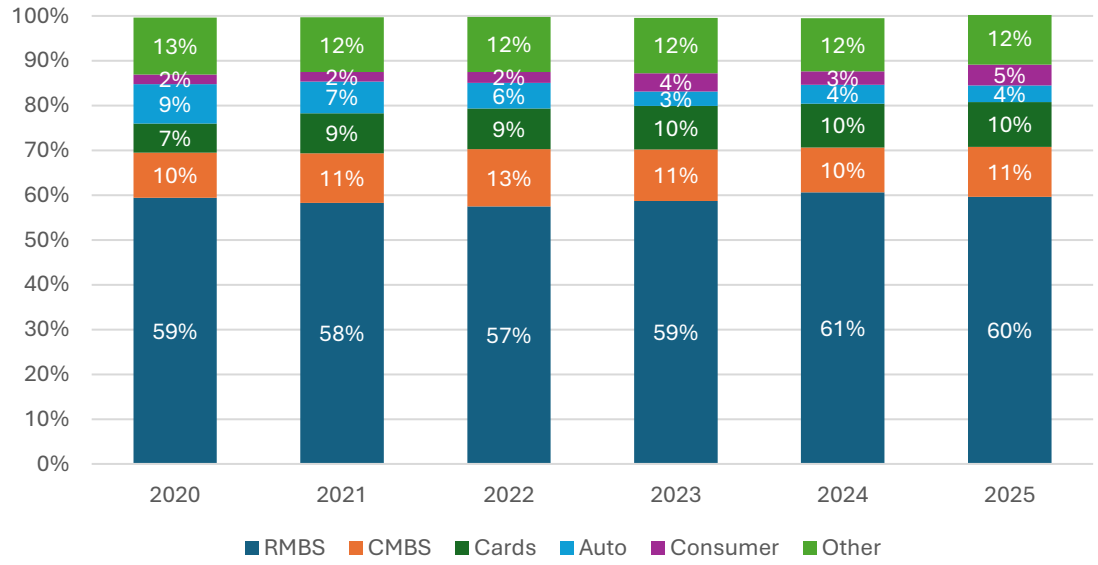
Figure 14. Total UK issuance by placed and retained (EUR billion and % of total issuance, 2021-25)



Source: Author's calculations based on data from AFME.

The UK has long been the most dynamic securitisation market in Europe, with deep traditions in RMBS, commercial mortgage-backed securities and credit card ABS (see Figure 15). Prime RMBS remains the dominant segment, underpinned by the size of the UK mortgage market and the appetite of institutional investors for high-quality sterling-denominated assets.

Figure 15. UK securitisation outstanding by collateral (% of total outstanding, 2020-25)



Notes: 'Other' includes leases, SME asset-backed securities and other. CMBS = commercial mortgage-backed securities; RMBS = residential mortgage-backed securities.
Source: Author's calculations based on data from AFME.

The UK is also a leading hub for CLOs, benefiting from London's role in leveraged finance and private credit. UK-managed CLOs attract a global investor base and account for a

growing share of securitisation activity, often with tranches distributed to US, European and Asian investors. In addition, synthetic securitisation has gained traction, with banks using it to obtain capital relief on corporate and SME portfolios. Private securitisations, though less visible in headline statistics, represent a significant part of the market, especially in funding trade receivables, consumer loans and non-bank origination platforms.

The investor base is relatively diversified. Insurers and pension funds provide long-dated capital but remain sensitive to prudential charges. Asset managers and mutual funds are active buyers across the capital structure, while hedge funds and credit opportunity funds concentrate on mezzanine and junior tranches. UK bank treasuries also play a dual role, as both originators and investors in senior ABS for liquidity management, particularly when securities are eligible for use in the Bank of England's collateral framework. Sterling-denominated issuance benefits from an established secondary market, with active dealers, indices and relatively high liquidity compared with most continental European markets.

For the EU, the UK experience is useful for at least five reasons. First, it shows the benefits of proportionate disclosure for private and club deals, which can lower issuance costs without undermining transparency in public transactions. Second, it illustrates the value of pragmatic and predictable treatment of SRT, allowing banks to structure capital-relief transactions with greater execution certainty. Third, it highlights the usefulness of a warehouse-to-term pathway, whereby portfolios are initially financed privately and later refinanced through term ABS once data and performance histories are established. Fourth, it provides examples of how straightforward non-mortgage ABS structures can be used to finance infrastructure-related and transition-related assets. Fifth, it underlines the signalling role of collateral eligibility and prudential clarity in supporting investor confidence and broadening the natural buy-side (see Box 3).

Box 3. UK practices with broader relevance for the EU

1. *Proportionate disclosure for private deals*

UK regulators allow simpler reporting for private/club transactions (rather than having one-size-fits-all templates). This makes it cheaper and faster to bring smaller, non-mortgage portfolios (e.g. SME or ESCO receivables) to market.

2. *Pragmatic SRT supervision*

The PRA and FCA have taken a relatively practical view of significant risk transfer. Where mezzanine risk is clearly placed, triggers are simple and retention is clean, recognition can be achieved without repeated redesign. This improves execution certainty for originators.

3. *A warehouse-to-term route*

UK originators commonly begin with warehouse financing and move seasoned portfolios into term ABS once data and performance have matured. This creates a scalable route from private funding to public markets.

4. *Straightforward templates for non-mortgage ABS*
The UK has repeatedly used standardised ABS structures to finance assets such as smart meters, digital infrastructure and energy-efficiency contracts. This shows how securitisation can support transition-related and infrastructure-related assets without excessive complexity.

5. *Collateral framework and signalling*
The eligibility of high-quality ABS within the central-bank collateral framework supports investor confidence and treasury demand. Clear signalling around collateral eligibility and prudential treatment can therefore materially improve market take-up.

Bottom line. The UK experience shows how simpler structures, proportionate reporting, clear supervisory expectations and a credible path from warehouse to term issuance can make securitisation more repeatable and marketable.

4.3. INTERNATIONAL CASE STUDIES

While the EU securitisation market has struggled to regain scale and confidence, several non-EU jurisdictions demonstrate that securitisation can thrive under the right conditions. These experiences can be grouped into two categories: (i) systemic models, where securitisation has become a core funding channel, and (ii) targeted applications, where it is used more selectively to address specific market gaps.

4.3.1. Systemic models

Australia – a well-regulated RMBS engine

Australia is often cited as a model of stability and transparency in securitisation, particularly in the RMBS segment. In 2024, total RMBS issuance reached an all-time-high of AUD 56 billion (approximately EUR 34 billion), making securitisation a vital funding source for smaller lenders. Non-bank financial institutions alone account for half (51%) of new RMBS issuance, using securitisation to compete with the major banks and access institutional capital. The Australian market demonstrates how securitisation can support lending diversity without compromising prudential standards.

Several factors contribute to the strength of Australia's securitisation framework. Robust, principles-based regulation by the Australian Prudential Regulation Authority and the Australian Securities and Investments Commission ensures market integrity. A strong credit culture and disciplined underwriting practices are reinforced by rigorous due diligence requirements. High levels of data transparency, driven in part by the Australian

Securitisation Forum's standardised reporting templates, support investor confidence and secondary-market activity. A well-developed domestic market for fixed-income assets, with active participation by pension funds and insurers, completes the ecosystem. Australia shows how securitisation can enhance competition in mortgage markets, improve funding access for smaller lenders and maintain systemic resilience. In practice, superannuation and pension investors commonly anchor senior RMBS because amortising cash flows, granular pools and long performance histories fit their liability-matching needs.

Canada – mortgage funding through public conduits

Canada has successfully institutionalised securitisation as a central pillar of its mortgage funding system. This is primarily achieved through the Canada Mortgage and Housing Corporation, a public agency that operates two key programmes: National Housing Act Mortgage-Backed Securities and the Canada Mortgage Bond. Both instruments securitise insured residential mortgages originated by banks and credit unions, creating highly standardised and widely accepted investment products.

Several structural features bolster the effectiveness of the Canadian model. Government guarantees on MBS significantly reduce funding costs and enhance investor confidence. A deep and liquid market has developed around these instruments, supported by a consistent investor base that includes domestic pension funds and foreign asset managers. Standardised underwriting and risk management procedures across originators ensure that loans can be aggregated and securitised at scale.

Similar to the US system, Canada's experience illustrates the importance of institutional anchors – such as a dedicated housing agency and sovereign credit support – in building trust, achieving scale and aligning securitisation with broader policy goals like housing affordability. Canadian pension plans participate as core buyers of high-quality senior mortgage-backed paper, attracted by standardisation, transparency and reliable cash flow profiles.

Japan – standardisation in a bank-heavy system

In Japan, securitisation is well established in asset classes such as auto loans, leases and consumer receivables. Despite the dominance of banks in credit intermediation, issuance volumes reached approximately JPY 6 trillion (around EUR 37 billion) in 2024, driven by consistent transactions from leasing companies, auto finance subsidiaries, and credit card issuers. A uniform legal framework for asset transfers, typically implemented through trust structures, helps reduce legal uncertainty and enables efficient structuring. Regulatory coordination between the Financial Services Agency and the Bank of Japan increases market confidence and contributes to system-wide consistency.

Investor familiarity with the underlying assets and deal templates is high, supported by standardised, granular data disclosure. The active involvement of rating agencies and specialised service providers further supports deal integrity and market depth. Japan illustrates that a vibrant securitisation market does not require a capital markets-centric financial system. Legal certainty, transaction efficiency and a high level of institutional trust matter more – conditions that Japan has successfully put in place.

4.3.2. Targeted applications

Italy – the use of guarantees to restart distressed asset markets

Italy provides a notable example of targeted public-private intervention to revive securitisation. The GACS scheme, introduced in 2016, offered state guarantees on the senior tranches of NPL securitisations. By reducing the risk for investors and creating a credible structure for loss absorption, GACS facilitated the sale of over EUR 100 billion in NPLs by Italian banks, materially improving their balance sheets.

Though focused on legacy assets rather than new credit origination, GACS helped establish an operational secondary market. It further attracted new investor classes (including international distressed debt funds) and created a template for public risk sharing that could be extended to performing assets in strategic sectors, such as SMEs or green infrastructure. Italy's success demonstrates how government-backed securitisation, if carefully designed and transparent, can unlock illiquid credit markets and catalyse broader financial sector reforms.

Greece – Hercules as a targeted balance-sheet repair mechanism

Greece offers an important example of how securitisation can be used as a tool for targeted crisis-management and balance-sheet repair. The Hellenic Asset Protection Scheme (HAPS), also known as 'Hercules', was introduced in 2019 to support the securitisation of non-performing loans through a state guarantee on the senior tranches of eligible transactions, provided at market-conforming remuneration. The scheme was later prolonged and reintroduced, reflecting its central role in Greece's NPL reduction strategy. By enabling banks to transfer large stocks of legacy problem assets off balance sheet, Hercules helped accelerate the clean-up of bank balance sheets and supported the normalisation of the Greek banking sector. The Greek experience shows that, where legacy asset overhang is the main constraint on credit intermediation, securitisation can function not only as a funding tool but also as a policy instrument for financial-system repair.

South Korea – a focus on public-sector infrastructure and SMEs

South Korea has developed a distinctive securitisation model anchored in public-sector leadership and policy alignment. Key institutions such as the Korea Credit Guarantee Fund (KODIT) and the Korea Asset Management Corporation (KAMCO) have played central roles in supporting the securitisation of SME loans, lease receivables and public infrastructure projects. By combining public credit enhancement with structured finance tools, South Korea has expanded access to capital for sectors traditionally underserved by private markets.

Several institutional features sustain the strength of the Korean market. A centralised credit registry and sound data infrastructure facilitate investor due diligence and risk assessment. Public guarantees for mezzanine and senior tranches reduce investor exposure and enhance the credit ratings of securitised products. The Financial Supervisory Service provides clear guidelines and standardised documentation, helping to lower legal and operational barriers. The market benefits from a steady deal flow and active participation by domestic institutional investors. The Korean experience illustrates how securitisation can be purposefully integrated into industrial and SME policy, with the public-sector shaping market conditions through targeted risk-sharing and origination platforms.

4.4. WHAT THE EU CAN LEARN

These case studies offer valuable insights into how securitisation can be made to work effectively under very different legal, institutional and market conditions. While no single model is directly transferable to the EU context, a number of recurring features and design principles emerge that can inform the EU's approach to revitalising its securitisation market.

First, institutional anchoring matters. A defining feature of successful securitisation ecosystems – from the government-sponsored enterprises in the US to Canada's Mortgage and Housing Corporation and Italy's GACS scheme – is the presence of a strong public or quasi-public institutional framework that provides credibility, standardisation and risk sharing. These institutions help aggregate and de-risk credit exposures, issue or guarantee high-quality securities and provide a consistent interface between originators and investors. While the EU lacks a federal housing agency or a centralised securitisation conduit, it could develop a functional equivalent: for example, a pan-European securitisation platform or a dedicated risk-sharing facility under the EIB or InvestEU. Such a structure would be particularly valuable for promoting securitisation in strategically important but underdeveloped segments, such as green mortgages, SME credit and cohesion-region infrastructure.

Second, legal and procedural clarity are essential. Jurisdictions like Japan, Australia and the US benefit from well-defined legal frameworks that reduce transaction complexity and foster investor trust. Key aspects include standardised trust structures, clear rules for asset transfers and insolvency treatment, and enforceable legal definitions of 'true sale'. By contrast, the EU continues to face extensive legal fragmentation, with divergent rules on servicer rights, bankruptcy proceedings and asset assignment across Member States. This patchwork raises transaction costs and deters cross-border securitisations. Rather than attempting full legal harmonisation, the EU could pursue targeted convergence or mutual recognition of critical legal features related to securitisation – especially around insolvency remoteness, servicing continuity and the enforceability of investor rights. Even incremental steps in this direction would reduce friction and improve structuring efficiency.

Third, proportionate and enabling regulation is critical. The US and Australian experiences illustrate that securitisation can thrive when prudential safeguards are balanced with regulatory flexibility and market incentives. Both jurisdictions impose risk retention and transparency rules, but these are tailored to material risks and applied consistently. In the EU, by contrast, the combination of conservative capital treatment, procedural rigidity and limited differentiation between high- and low-risk structures continues to discourage origination and investment. The STS framework, while conceptually sound, has yet to deliver its intended market revival. A recalibration of capital charges for senior STS tranches, clearer supervisory guidance on SRT and streamlined disclosure obligations (particularly for low-risk, standardised portfolios) could make a meaningful difference without compromising prudential integrity.

Fourth, robust market infrastructure underpins scale and resilience. Securitisation markets are most effective when supported by consistent data reporting, active servicing platforms and deep secondary-trading capacity. In many EU Member States, these conditions remain weak or absent. There is no pan-European repository for loan-level data, no harmonised ESG disclosure template for securitised assets and little liquidity in secondary markets for ABS products. Elsewhere, countries like Australia have developed industry-led data platforms and standardised templates, while the US benefits from indices, benchmark pricing and high dealer participation. EU institutions could support the creation of shared securitisation infrastructure (e.g. a European credit-data hub, common ESG disclosure tools and a multi-country securitisation warehouse), particularly for SME and green loans. This would reduce fixed costs, improve comparability and facilitate investor participation, especially from smaller or new market entrants.

Fifth, a cultural and political shift is needed to reposition securitisation as a public good. In jurisdictions such as the US, Canada and increasingly Australia, securitisation is recognised as a legitimate and necessary part of credit intermediation. In the EU,

however, it continues to suffer from reputational baggage linked to the global financial crisis, despite the consistently strong performance of European securitisations[13]. This stigma contributes to political hesitancy, regulatory conservatism and investor wariness. Reframing securitisation as a strategic policy tool – capable of supporting affordable housing, SME expansion, climate investment and financial resilience – requires visible leadership from EU institutions. Demonstration projects, improved communication and cross-institutional alignment (e.g. between the Commission, EIB, ECB and national authorities) could help shift perceptions and build trust in securitisation's public value.

In conclusion, securitisation can succeed under very different models, provided certain foundations are in place: legal clarity, institutional support, proportionate regulation and infrastructure that facilitates transparency and liquidity. The EU does not need to replicate the US model. However, it must stop treating securitisation as a legacy product and start viewing it as a strategic enabler of its broader economic, social and climate objectives. This requires a change in both mindset and architecture – recognising securitisation as a tool for integration, resilience and policy delivery, rather than as a technical or financial niche.

[13] Data show that AAA-rated RMBS and ABS in Europe had cumulative default rates below 0.5%, including during the global financial crisis. Unlike the US, the EU market is dominated by prime assets and has largely avoided high-risk structures such as subprime loans or synthetic collateralised debt obligations. During the Covid-19 shock, payment moratoria did not lead to significant credit losses or downgrades. European supervisors have repeatedly cited this performance to support recalibrated capital treatment for STS-compliant securitisations.

5. BARRIERS TO SECURITISATION

Securitisation in the EU remains an underutilised mechanism for credit intermediation, despite regulatory reforms and growing recognition of its potential to support strategic economic objectives. The gap between its theoretical utility and practical uptake reflects a series of persistent and interconnected barriers. These obstacles are not merely technical but stem from structural, institutional and cultural asymmetries that in turn constrain scale, efficiency and investor confidence.

5.1. LEGAL AND INSTITUTIONAL FRAGMENTATION

The EU's fragmented legal landscape creates foundational challenges for securitisation. Key aspects of the securitisation lifecycle – such as the transfer of receivables, legal recognition of true sale and bankruptcy remoteness – are governed by national law. Divergences in legal frameworks significantly increase transaction complexity, especially in cross-border deals. In some Member States, the transfer of loan receivables requires debtor notification or judicial validation, undermining the efficiency of true-sale structures and increasing operational costs[14].

Moreover, insolvency laws vary widely across jurisdictions. Differences in creditor hierarchy, automatic stay provisions, clawback rules and the treatment of special purpose vehicles affect investor recovery expectations and complicate credit modelling. While the Insolvency Directive (Directive (EU) 2019/1023) and the ELI/UNIDROIT (Unification of Private Law) model rules of civil procedure have promoted partial convergence, they fall short of harmonising the core aspects that influence securitisation execution. The absence of a unified legal base, such as a 28th regime-style securitisation law, continues to limit the emergence of a truly pan-European market.

In addition, taxation and accounting practices remain diverse. Legal uncertainties regarding withholding taxes, VAT on servicing income and the deductibility of losses vary by jurisdiction. Diverging rules on loan impairment, consolidation and off-balance sheet treatment in national implementation of the International Financial Reporting Standards further complicate structuring and risk modelling. This legal complexity erodes investor confidence, inflates transaction costs and deters issuance outside the most mature jurisdictions.

[14] For example, in France and Belgium, enforceability against the debtor typically requires formal notification, unless specific legal frameworks are used. In Italy, securitisations under Law 130/1999 benefit from streamlined procedures, but outside this framework, transfers may require registration or notarisation. By contrast, jurisdictions such as the Netherlands and Germany generally allow silent assignments, which are enforceable without debtor notification provided certain conditions are met. These divergences introduce transaction frictions and legal uncertainty, particularly in cross-border transactions where uniform treatment of true-sale and enforceability is essential for structuring efficiency.

5.2. SUPERVISORY AND REGULATORY BARRIERS

The barriers discussed below are not merely theoretical concerns. They are identified in the EU's current review of the securitisation framework, which focuses on operational costs, disclosure and due-diligence burdens, and the prudential treatment of securitisation for banks and insurers.

From a prudential perspective, securitisation continues to be treated conservatively relative to its actual performance. Under the CRR, senior tranches of STS securitisations do benefit from preferential treatment compared with non-STS transactions, but their risk weights often remain higher than those applied to comparable covered bonds and, in some cases, to direct loan exposures. For example, a senior STS tranche rated AAA and with short maturity may receive a risk weight in the range of 10-15% under the standardised approach, whereas covered bonds (and specifically those meeting the criteria of Article 129 CRR) can receive lower or equivalent treatment and often benefit from stronger statutory protection and overcollateralisation. Under internal ratings-based approaches, direct loan exposures may in some cases attract even lower effective capital charges depending on the borrower profile. As a result, securitisation often remains less capital-efficient than alternative funding or risk-transfer tools, despite strong performance and STS compliance.

Solvency II treatment of securitisation for insurance investors remains similarly cautious, limiting demand from a key segment of the institutional investor base, although the recent revision of the Solvency II Delegated Regulation partially addresses this by reducing barriers to insurer investment in securitisation.[15].

The distortion is particularly pronounced under the Solvency II standard formula, which applies capital charges of up to 100% for BB-rated tranches – while offering comparatively more favourable treatment to equities. This creates a counterintuitive incentive structure, whereby junior and mezzanine ABS tranches may appear more attractive to insurers than safer, senior STS tranches. As a result, investment in senior securitisations is often hampered by capital constraints, not credit concerns[16].

[15] Under Solvency II, insurance companies have historically faced comparatively high capital charges for securitisation investments, including senior tranches. This has been widely viewed as a material disincentive to insurer participation in EU securitisation markets. The recent revision of the Solvency II Delegated Regulation partially addresses this issue by recalibrating aspects of the treatment of securitisation positions, but concerns about insurer participation and relative capital efficiency remain.

[16] Empirical evidence confirms the effect of capital treatment on investment behaviour. Insurers using internal models (which allow for more risk-sensitive capital allocation) invest on average 3.45% of their portfolios in securitisation, compared with just 0.15% for insurers applying the standard formula. This sharp divergence cannot be explained by portfolio size or risk appetite alone but reflects regulatory-induced disincentives embedded in the capital framework.

SRT assessment has become more operational, notably with the ECB's introduction of a fast-track process for simpler and more standardised transactions. Even so, consistency and predictability still matter, particularly for transactions outside that streamlined channel and across different supervisory contexts. More fundamentally, the remaining constraint is increasingly the prudential treatment of securitisation under the CRR rather than the existence of an SRT process as such.

Disclosure and due diligence obligations under the Securitisation Regulation are designed to restore trust but have introduced substantial compliance costs. The templates of the European Securities and Markets Authority are standardised but not proportionate to transaction size or asset class complexity. For SME securitisations or non-standard portfolios, this creates a high entry barrier for smaller banks and non-bank lenders.

A further source of friction stems from investor due diligence requirements under Article 5. While recent proposals suggest easing obligations when the sell-side is based in the EU, the same prescriptive process remains for non-EU transactions. This creates a de facto barrier for EU investors (especially for Undertakings for Collective Investment in Transferable Securities (UCITS), alternative investment funds and insurers), which are unable to obtain full Article 7 documentation from non-EU issuers[17]. While there is no formal prohibition, this acts as a 'backdoor ban' on participation in the global securitisation market, effectively limiting EU investors to the domestic market[18].

This approach runs counter to the EU's stated goals under the Savings and Investments Union. It reduces diversification, lowers capital efficiency, discourages fund inflows and weakens the competitiveness of the EU asset management industry. Furthermore, the overlapping requirements under the UCITS Directive (Directive 2009/65/EC) and Alternative Investment Fund Managers Directive (Directive 2011/61/EU) already impose robust due diligence obligations, making the duplicative provisions of the EU's Securitisation Regulation excessive and redundant.

[17] In practice, UCITS are prohibited from investing in securitisations unless due-diligence information is provided in the specific administrative format set out in Article 7. Whereas originators in non-EU countries see little benefit in populating EU templates, European investors must either pay third parties to transpose the information into the required format or forego the investment altogether. This narrows the investible universe and makes securitisations operationally more burdensome than comparable bond exposures. The diversification limit under Article 56(2)(b) of the UCITS Directive can also be restrictive for amassing meaningful allocations in securitisations, given that individual issues are typically much smaller than standard corporate bonds. By contrast, eligibility under Article 50 and retail-suitability rules have not generally been identified as binding constraints; the more material obstacles are the operational burdens linked to the Securitisation Regulation templates and the portfolio-construction limits under Article 56.

[18] And this effectively locks them out of almost 75% of the global securitisation market: EU investors can access only about EUR 1.1 trillion of an estimated EUR 4.3 trillion in outstanding securitisations worldwide, while a further EUR 2.5 trillion remains out of reach due to regulatory constraints.

The issue is compounded by the introduction of administrative sanctions in Article 32(1). This enforcement layer duplicates sector-specific supervisory powers already embedded in existing legislation and may create additional investment disincentives, undermining the broader simplification agenda. Moreover, there is currently no mandatory or harmonised ESG disclosure framework for securitisation, complicating the development of green and sustainable securitised products.

5.3. CULTURAL AND MARKET TRUST ISSUES

Beyond structural and regulatory barriers, securitisation in Europe continues to suffer from reputational damage rooted in its association with the global financial crisis. Although European securitisations (particularly RMBS and ABS) have consistently demonstrated stronger performance than their US counterparts, perceptions of complexity, opacity and systemic risk have not disappeared entirely. Today, however, the more immediate constraint may be less a generalised stigma than the limited depth of the investor base, the reduced scale of specialist market participation and the time needed to rebuild market capacity and expertise after the post-crisis contraction.

A low level of secondary-market liquidity exacerbates these trust deficits. In practice, this reflects both market structure and regulation: issuance volumes remain limited, the investor base is relatively narrow and many transactions are held on a buy-and-hold basis, leaving little paper available for active trading. For private and synthetic securitisations, secondary trading is often minimal or altogether absent, which further reduces price discovery and benchmark formation. Thin trading volumes, limited market-making activity and a lack of uniform deal structures inhibit price discovery and deter active investor participation. The absence of EU-wide standardisation in documentation, servicing practices and reporting formats reduces comparability and increases due diligence costs. For many investors, especially those without dedicated structured-finance teams, the result is not only reputational caution but also a practical market-entry problem: rebuilding the specialist capacity, internal models and trading expertise needed to participate meaningfully takes time. For those not specialised in structured finance, the entry costs remain prohibitively high.

Rebuilding market trust requires a multi-dimensional effort.

- First, regulators and supervisors must consistently signal securitisation's legitimacy as a financing channel.
- Second, institutional convergence (particularly around SRT recognition and capital treatment) can reduce uncertainty for originators and investors alike.

- Third, EU-wide infrastructure improvements, such as a harmonised ESG reporting template, a centralised credit-data repository and multi-originator platforms for SME portfolios, would address operational and informational asymmetries.
- Finally, demonstration effects – through flagship green or digital securitisations backed by public institutions – could help shift market perceptions and generate a virtuous cycle of issuance, investment and standard-setting.

In sum, securitisation in the EU is held back not only by technical frictions but also by institutional hesitation and cultural inertia. Addressing these barriers requires more than incremental reforms. It demands strategic alignment, ecosystem-wide coordination and political leadership to reposition securitisation as a trusted and policy-relevant instrument for delivering the EU's financial and economic objectives – a shift that is already visible in the recent narrative of the European Commission and the ECB.

5.4. LEVEL PLAYING FIELD, COMPETITIVENESS AND REGULATORY LEAKAGE

The barriers discussed above don't just depress issuance, they also mean that securitisation in the EU operates on an uneven playing field – between instruments, across Member States and vis-à-vis non-EU country competitors. A more proportionate and coherent framework is not simply a market-development issue. It is a precondition for enabling securitisation to function as a tool for capital recycling, credit expansion and strategic investment.

A first dimension concerns relative treatment across instruments. For a given underlying pool of assets, securitisation often attracts more conservative capital charges and more demanding operational requirements than economically similar exposures held on the balance sheet or financed via covered bonds. In practice, this distorts the choice of funding and risk-transfer tools away from securitisation even where, from a prudential perspective, it would be an efficient way to share risk with long-term investors. A level playing field would not imply identical rules but would avoid systematic penalisation of securitisation where structures are simple, performance is strong and transparency is high.

A second dimension is cross-border and international competitiveness. As the comparative analysis in the previous section suggests, EU-originated securitisations often face less favourable prudential and process treatment than comparable transactions in the US or UK, including in areas such as capital calibration, recognition of significant risk transfer and the operational steps required to bring transactions to market. At the same time, EU investors are subject to relatively strict due diligence and documentation requirements when investing in non-EU securitisations. The combined effect is paradoxical: European originators find it harder to use securitisation as a scalable capital-

management tool, while European savings can still be channelled into structures originated under more permissive regimes abroad. This asymmetry weakens the EU's ability to mobilise its own savings for its own investment needs and runs counter to the objectives of the Capital Markets Union and the EU's broader agenda on strategic autonomy.

A third dimension is the interaction with shadow banking and regulatory leakage. When the prudential and conduct framework for regulated banks is calibrated in a way that makes certain activities uneconomic, those activities do not necessarily disappear; they can migrate to less regulated or unregulated parts of the system. In the context of securitisation, this can manifest as: (i) greater use of non-bank platforms and private funds operating under looser or more disparate oversight; (ii) growth of opaque structures outside consolidated supervision, where data are less standardised and risks harder to monitor; and (iii) fragmentation of markets as different investor classes and jurisdictions operate under divergent transparency and governance expectations.

Non-bank intermediation is not inherently undesirable and can be an important complement to bank lending. However, if regulation pushes too much structured-credit activity into corners of the system where oversight is weaker or information scarcer, the overall objective of the framework (i.e. containing systemic risk) may be undermined. A proportionate, predictable regime for bank-originated securitisation, combined with clear and enforceable standards for non-bank activity, can reduce incentives for such leakage and keep a meaningful share of risk transfer within the regulated core.

Finally, a level playing field has direct implications for financial stability. Properly calibrated rules allow securitisation to perform its risk-sharing and capital-recycling functions in a way that supports stability rather than undermines it. If banks can use well-regulated securitisations to manage concentration, maturity and sectoral exposures, they have more options to adjust balance sheets without abruptly cutting credit to households and firms in periods of stress. Conversely, an unduly restrictive or unpredictable regime leaves fewer orderly adjustment channels and may encourage more abrupt deleveraging or reliance on less transparent funding structures.

6. COMPLEMENTARITY

A more productive framing of securitisation situates it within a broader continuum of funding and risk-transfer instruments. Rather than viewing securitisation as competing with covered bonds, direct lending or public support mechanisms, it should be understood as a flexible complement that unlocks credit potential in harder-to-reach asset classes. Seen in this way, securitisation helps relocate risk to investors better placed to hold it, while supporting a more diversified and resilient financial system. This section illustrates how securitisation complements other major financing instruments, including covered bonds, synthetic transactions, public guarantees, private credit, green finance and central bank operations.

6.1. COVERED BONDS

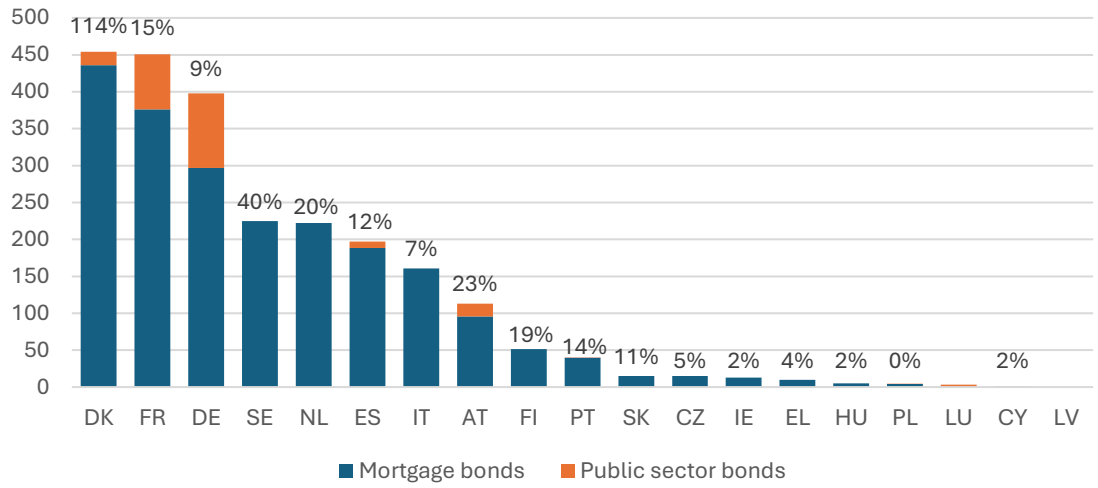
Covered bonds are one of the most successful and resilient long-term funding instruments in the EU. They offer banks a stable and low-cost source of financing, while providing investors with a high-quality, low-risk asset. The appeal of covered bonds lies in their dual recourse structure: investors have a claim on both the cover pool (typically consisting of mortgage or public-sector loans) and the issuing bank. This design, combined with strong legal frameworks and supervisory oversight, makes them particularly attractive for conservative institutional portfolios.

Covered bonds also benefit from a range of regulatory privileges. They receive preferential capital treatment under the CRR, are eligible for the liquidity coverage ratio (LCR) and are frequently accepted as collateral in central bank operations. As of end-2024, the volume of covered bonds outstanding in the EU reached approximately EUR 2.4 trillion, largely backed by residential mortgage loans and public-sector exposures. Where covered bonds already deliver low-cost, high-liquidity mortgage funding, policy should steer securitisation towards adjacent or non-mortgage assets and towards capital-efficiency tools (e.g. SRT) rather than parallel RMBS channels.

Denmark operates the largest covered bond market in Europe relative to GDP, with more than EUR 450 billion in outstanding bonds – equivalent to 114% of its GDP (see Figure 16). Its system is based on the balance principle, which requires a close match between the cash flows and maturities of the underlying loans and the issued bonds. This ensures strong transparency and asset-liability matching and supports a highly liquid and efficient market. Other major markets include France, Germany, Sweden and the Netherlands. Germany's covered-bond market is anchored in the Pfandbrief, one of the oldest and most stable forms of covered bonds globally. Governed by the Pfandbriefgesetz, it offers a high degree of legal certainty, strict asset eligibility criteria and extremely low default rates,

setting the standard for covered-bond legislation across Europe. Collectively, the top five countries account for 74% of the EU total.

Figure 16. EU covered-bond market outstanding (EUR billion and % of GDP, 2024)



Source: Author's calculations based on data from EMF-ECBC.

Despite their success, covered bonds are inherently limited in scope. Their use is typically restricted to high-quality, low-risk assets and they must remain on the issuer's balance sheet, offering no capital relief. In addition, they are subject to asset encumbrance limits, which constrain how much collateral a bank can ring fence without jeopardising its broader funding capacity. These characteristics make covered bonds well suited for funding but less effective for credit risk transfer or balance sheet optimisation.

Securitisation, by contrast, enables the transfer of credit risk to capital markets. It can be applied to a wider array of underlying exposures, including SME loans, consumer credit, leasing receivables and trade finance – segments often underserved by covered-bond structures. While securitisation carries different risk characteristics and requires more complex structuring and disclosure, it serves a distinct and complementary purpose.

In this context, covered bonds and securitisation should not be seen as substitutes but as complementary tools within a diversified funding and risk management strategy. Covered bonds are optimal for long-term, stable refinancing of low-risk assets. Securitisation, in turn, enhances capital efficiency and supports the funding of a broader set of economic activities, particularly in higher-risk or less standardised credit markets. The relevance of one instrument does not diminish the value of the other. On the contrary, the coexistence of both broadens the financing toolkit available to banks, non-bank lenders and policymakers. Table 1 illustrates how this complementarity operates across different market structures, indicating where securitisation adds most value, which forms are most relevant and where public support may help catalyse initial transactions.

Table 1. Complementarity between covered bonds and securitisation across different market structures

Market structure (illustrative examples)	Main features of the existing system	Where securitisation adds most value	Typical securitisation form	Possible role for public support
Deep covered-bond mortgage markets *(e.g. Denmark, Germany, Sweden)*	Stable, low-cost mortgage funding; strong investor base; high liquidity	Non-mortgage assets, including SME loans, consumer credit, equipment and leasing portfolios; capital relief on bank loan books	Synthetic SRT for SME and project portfolios; true-sale ABS for consumer, lease and other non-mortgage assets	Targeted mezzanine or first-loss support for inaugural green, SME or public-purpose transactions
Diversified bank-based systems with active ABS segments *(e.g. France, Italy)*	Broader mix of bank funding channels and established ABS capacity	Scaling SME lending, consumer finance, leasing, retrofit finance and selected infrastructure receivables	Mix of true-sale ABS and synthetic SRT	Public support can help standardise newer asset classes and lower first-deal costs
Mortgage-heavy securitisation markets *(e.g. the Netherlands, Spain)*	RMBS investor familiarity and the servicing infrastructure	Expanding beyond housing into SME, consumer and green asset pools; improving risk transfer	RMBS and ABS; synthetic SRT where capital relief is a priority	Selective support for SME, green and infrastructure pools rather than core housing finance
Smaller or less-developed securitisation markets *(e.g. Portugal, Greece)*	Limited market depth; fewer repeat issuers; weaker investor familiarity	First-time issuance in granular pools, including SME, consumer, auto and digital or green receivables	Simpler true-sale ABS; selective SRT as supervisory familiarity develops	Stronger role for national promotional banks, EIF and EIB to anchor or de-risk initial transactions

Public policy-led transition or infrastructure markets *(e.g. selected French, Italian -style platform models)*	Strong pipeline of green, municipal or infrastructure assets but fragmented origination	Pooling small-scale retrofit, energy-efficiency, transport and digital assets into investable structures	True-sale ABS with standardised contracts and reporting	Important role for guarantees, co-investment and platform-based aggregation

Notes: ABS = asset-backed securities; EIB = European Investment Bank; EIF = European Investment Fund; RMBS = residential mortgage-backed securities; SME = small to medium-sized enterprise; SRT = significant risk transfer. The country references are illustrative examples rather than exhaustive classifications.
Source: Author's elaboration.

6.2. SYNTHETIC SECURITISATION

Synthetic securitisation occupies a unique space in the EU funding ecosystem. Unlike traditional (or 'true-sale') securitisation, synthetic structures transfer credit risk through derivatives (e.g. credit default swaps) or guarantees, rather than asset sales. The underlying loans remain on the originator's balance sheet, but the credit risk is partially hedged and recognised as transferred under supervisory frameworks such as SRT. When clearly recognised as SRT, this reduces loss concentration in banks and preserves lending capacity during stress – an explicitly stability-enhancing outcome.

This form of securitisation has gained prominence among larger EU banks seeking capital relief without disrupting client relationships or operational control over the loan book. It is particularly well suited for granular SME, corporate, and project finance portfolios that are difficult to securitise through traditional means.

Despite its potential, synthetic securitisation remains underutilised. Although the 2021 amendment to the EU Securitisation Regulation extended the STS framework to certain synthetic deals, market activity has been modest. Legal complexity, uncertainties in supervisory recognition and lack of investor familiarity continue to act as constraints. Nevertheless, where properly structured and transparently executed, synthetic transactions can complement both covered bonds and traditional securitisation by facilitating tailored strategies for credit-risk transfer, especially in times of economic or regulatory pressure.

6.3. PUBLIC GUARANTEE SCHEMES

A final area of complementarity lies in the interplay between securitisation and public guarantee schemes, including those led by national promotional banks and the EIB Group. These institutions can play a catalytic role by offering first-loss guarantees, mezzanine risk sharing or co-investments that improve the credit quality of securitisation tranches. The EGF and InvestEU, for instance, have deployed such tools to crowd in private capital and stimulate SME lending. In practice, such credit enhancement is often the 'tipping point' that brings in insurers, pensions and bank treasuries at scale on senior notes, while specialist funds take mezzanine.

These arrangements are most effective when used in tandem with securitisation: the guarantees enhance credit and improve risk-adjusted returns, while securitisation provides the structural vehicle for investor participation and capital relief. This dual mechanism could be expanded to support green loans, digital investment or other strategic priorities, multiplying the policy impact (see Box 4).

In sum, securitisation should not be viewed in isolation but as part of a broader toolkit that includes covered bonds, synthetic transactions and public risk-sharing schemes. Each instrument serves a distinct function – secured refinancing, synthetic risk transfer or structured-credit distribution – but together they enable a more diversified and resilient financial system. The challenge for policymakers is to ensure that regulation fosters complementarities rather than imposing artificial hierarchies or crowding out market-driven choices.

Box 4. How the EIB/EIF have used securitisation in practice (illustrative examples)

- *SME SRT with mezzanine guarantees (EIF).* A bank carves out a granular SME/corporate loan pool and keeps a thin first-loss slice. Then the EIF provides a mezzanine guarantee (often via EGF/InvestEU) that de-risks the middle layer. With the mezzanine partly covered, senior notes are investment-grade and can be retained by bank treasuries or placed with insurers and pensions, delivering SRT and freeing capital for new lending. An example is the Findomestic synthetic securitisation (EUR 855 million pool) with an EIF mezzanine guarantee (EUR 94 million) counter-guaranteed by the EIB to finance household energy-efficiency loans.
- *Green/municipal retrofit platforms (EIB and public partners).* Local ESCO receivables and clean-transport/retrofit loans are pooled into simple true-sale ABS with the EIB as the senior co-anchor or mezzanine provider alongside, the Caisse des Dépôts et Consignations. The programme uses standard contracts, clear key performance indicators (kWh saved/CO_2 avoided) and plain reporting, which tightens pricing and broadens senior distribution to insurers, pensions and infrastructure debt funds. French retrofit/clean transport platforms backed by the CDC with EIB support have become replicable templates.
- *Counter-guarantees with national promotional banks (EIF).* A national promotional bank takes part or all of the mezzanine in an SME/green securitisation, and the EIF issues a counter-guarantee to that bank, lowering risk and capital usage. Senior tranches are placed with bank treasuries or insurers, while the mezzanine can be shared with specialist ABS funds. This arrangement scales local pipelines, keeps structures plain-vanilla and investable, and helps launch multi-originator or regional deals.
- *First-deal signalling and repeatability (EIB/EIF).* For new asset types (e.g. heat-pump loans, municipal ESCOs and EV leases) or new jurisdictions, the EIB/EIF deliberately back inaugural transactions – as a senior co-anchor, mezzanine provider or guarantor – and help set straightforward underwriting and reporting templates. Their presence reduces execution/model risk for conservative Solvency II investors, unlocks mainstream senior demand and creates blueprints that originators can rerun without official support.

6.4. PRIVATE CREDIT AND ALTERNATIVE LENDERS

The rapid growth of private-credit funds, non-bank lenders and fintech originators in Europe presents a significant opportunity for securitisation to serve as a bridge between non-bank credit origination and institutional capital markets. These actors are increasingly active in providing tailored financing to SMEs, consumers, real estate developers and specialised sectors – segments that may fall outside the risk appetite or operational scope of traditional banks.

However, unlike banks, most of these institutions lack access to stable, low-cost refinancing channels, such as central bank operations or deposit-based funding. Their ability to scale lending activity is constrained by balance sheet limitations and investor concentration. In this context, securitisation offers a powerful refinancing mechanism. By pooling originated loans and structuring them into tranches with different risk-return profiles, private lenders can tap a broader base of institutional investors (e.g. pension funds, insurance companies and asset managers).

This model is well established in the US, where securitisation of middle-market corporate loans, non-bank consumer credit and real estate bridge lending has enabled private credit to expand substantially. The US market benefits from standardised data infrastructure, deep investor familiarity and a permissive regulatory environment. By contrast, the EU lags behind due to fragmented regulatory frameworks, a lack of standardised disclosure templates and legal uncertainty around investor eligibility and servicing structures.

6.5. GREEN AND SUSTAINABLE FINANCE

Securitisation can play a critical role in scaling green and sustainable lending by repackaging eligible assets into investable capital market instruments. While green bonds are typically used to finance new projects aligned with sustainability goals, green securitisations offer the possibility to refinance existing loan books (e.g. energy-efficient mortgages, solar lease contracts, low-emission vehicle loans and SME sustainability upgrades), thereby accelerating the recycling of capital and enhancing lending capacity.

This approach creates important synergies with the EU's sustainable finance agenda, particularly the EU Taxonomy Regulation (Regulation (EU) 2020/852), the Sustainable Finance Disclosure Regulation (Regulation (EU) 2019/2088), and green bond labelling schemes. By applying ESG criteria at the asset level, green securitisation allows institutional investors to allocate capital in line with their sustainability mandates, while giving originators a means of monetising green lending pipelines.

Green securitisation is especially relevant for asset classes that are too small, granular or heterogeneous to attract direct institutional funding on their own. Building retrofits, heat

pumps, solar leasing, electric-vehicle finance and small-business sustainability investments are obvious examples. Through pooling and standardisation, securitisation can transform these fragmented exposures into investable products.

Green securitisation can also complement public support schemes. For instance, risk-sharing facilities like InvestEU or the EIB's Green Gateway programme could be combined with green ABS to enhance credit quality and promote market development. If appropriately scaled and standardised, green securitisation has the potential to become a cornerstone of Europe's toolkit for transition finance.

6.6. ECB LIQUIDITY-PROVIDING OPERATIONS

Securitisation also plays a strategic role in banks' liquidity and balance sheet management, especially through its eligibility in the Eurosystem collateral framework (see Table 2). STS-compliant asset-backed securities that meet the ECB's eligibility criteria can be used as collateral in refinancing operations such as targeted long-term refinancing operations and main refinancing operations, effectively turning securitised loan portfolios into a source of central bank funding.

This eligibility enhances the liquidity profile and utility of ABS instruments, even when private secondary markets remain shallow. For originators, it provides an additional incentive to pursue securitisation, as it supports more flexible treasury planning, reduces funding costs and improves resilience under stressed conditions. For the ECB, it allows for more diversified collateral pools and risk dispersion across institutions, asset classes and jurisdictions.

The ECB's role in stabilising ABS markets was evident during the global financial crisis and the Covid-19 pandemic, when it temporarily expanded ABS purchase programmes and relaxed eligibility criteria. These interventions provided essential backstops to market functioning and helped preserve securitisation as a viable funding tool.

Table 2. Comparative features and complementarity of securitisation with other financial tools

Instrument	Primary function	Asset scope	Balance sheet impact	Investor base	Liquidity/ECB eligibility	Key complementarity with securitisation
Traditional securitisation (non-SRT)	Refinancing	Broad: mortgages, SME loans, consumer credit, leasing, etc.	True-sale or risk transfer (synthetic)	Institutional investors, banks, asset managers	Eligible if STS-compliant and rated	Flexible structure enables access to capital markets
Covered bonds	Long-term secured refinancing	Primarily mortgages and public sector loans	On-balance-sheet; dual recourse	Insurers, pension funds, banks	High ECB eligibility and LCR status	Complements by funding high-quality assets; securitisation applies to a broader pool
Synthetic securitisation (SRT)	Credit risk mitigation without asset transfer	Granular SME, corporate, project finance	On-balance-sheet (assets retained)	Specialist investors, hedge funds	Not ECB-eligible	Enables capital relief where asset transfer is impractical
Public guarantee schemes	Credit enhancement and risk sharing	Focused on SMEs, green loans, infrastructure	Variable – guarantees complement originator holdings	Public and private investors	May improve tranche quality for ECB eligibility	Boosts credit quality of securitised assets, catalysing investor demand
Private credit	Direct lending by non-bank institutions	Niche/underserved segments (e.g. SMEs, real estate)	Held off-balance-sheet by funds	Private debt funds,	Rarely ECB-eligible	Securitisation enables refinancing and scaling of origination

				institutional investors		
Green bonds	Project-specific sustainable financing	New green or sustainable projects	On-balance-sheet unless proceeds are disbursed	ESG-focused investors, institutional funds	High if labelled and rated	Securitisation repackages existing green assets, enhancing recycling and diversification
Green securitisation	Structured refinancing of green portfolios	Existing eligible loans (e.g. mortgages, leases)	Off-balance-sheet	ESG-focused investors, general ABS market	Eligible if STS and meets ECB green criteria	Aggregates small green loans into investable instruments
ECB liquidity-providing operations	Monetary policy implementation via collateral	Eligible ABS, covered bonds, sovereign debt	Collateral pledged by banks	n/a (central bank operations)	High eligibility for ABS and covered bonds	Securitisation enables collateral optimisation and access to central bank liquidity

Notes: ABS = asset-backed securities; ECB = European Central Bank; ESG = environment, social and governance; LCR = liquidity coverage ratio; SME = small to medium-sized enterprise; STS = simple, transparent and standardised.
Source: Author's elaboration.

7. CAPITAL UNLOCKED, LENDING MULTIPLIED – A QUANTITATIVE SCENARIO

Reviving securitisation in the EU is not merely a technical or regulatory objective – it carries the potential to deliver substantial macroeconomic benefits by unlocking capital, expanding credit supply and facilitating financial intermediation. By enabling banks and non-bank originators to recycle existing exposures and optimise their balance sheets, securitisation enhances the efficiency and capacity of credit markets.

This section presents a forward-looking scenario and estimates how capital relief and funding diversification enabled by securitisation could translate into incremental lending. The goal is not to forecast exact volumes but to demonstrate directional effects, binding constraints and the policy levers that can multiply securitisation's impact under realistic conditions.

7.1. HOW SECURITISATION TURNS INTO LENDING

The transmission from securitisation to real-economy lending can be stated simply but rests on clear mechanics. When a bank originator executes a securitisation that transfers a defined slice of credit risk to third-party investors – whether through a true-sale structure or a synthetic transaction that achieves recognised SRT – it reduces the RWA associated with the underlying exposures. That reduction, in turn, releases Tier 1 capital that had been supporting those assets. The released capital can then be redeployed into new loans. Formally, the relationship can be expressed as:

$$\textit{New lending} = (\textit{Securitisation achieving effective third-party risk transfer}) \times (\textit{Capital relief per EUR securitised}) \times (\textit{Lending multiplier}) \quad (1)$$

where

- *Securitisation achieving effective third-party risk transfer* refers only to transactions in which sufficient risk is transferred to external investors and recognised by the competent authority for prudential purposes, whether through true-sale or synthetic structures. Retained transactions may serve treasury or collateral purposes but, by design, do not achieve SRT and therefore do not generate capital relief[19].

[19] Most true-sale securitisations today are issued for funding purposes and do not achieve SRT, so the growth in this segment will not create additional risk-taking capacity. That being said, we are starting to see the development of some 'full stack SRT', which entails true-sale transactions where the bank places all tranches (except for retention compliance) and achieves SRT.

- *Capital relief per EUR securitised* is the percentage reduction in Tier 1 capital requirement that results from the fall in RWA once risk is transferred. The capital relief depends on the RWA of the securitised exposure, the seniority of retained tranches, tranche attachment and the STS/SRT treatment of the structure.
- *Lending multiplier* reflects how mach additional lending a bank can support for each euro of Tier 1 capital (effectively the inverse of the capital ratio applied to the target loan mix).

A simple illustration makes the mechanics tangible. If an originator places EUR 1 billion of eligible assets and achieves recognised risk transfer that yields 9% of Tier 1 relief on that pool, approximately EUR 90 million of capital is freed. If the bank's target mix of new retail and SME lending requires about 10% of capital against RWAs, that EUR 90 million can support roughly EUR 900 million of new loans. Nothing 'new' has been created ex nihilo; the process simply recycles scarce capital from seasoned exposures into fresh credit while distributing risk to investors designed to hold it. This is the engine we size up in the scenarios that follow.

7.2. BASELINE CONDITIONS AND CURRENT BOTTLENECKS

Across the EU, annual issuance has hovered at around EUR 200-270 billion in recent years, but a large share is still structured as retained transactions (i.e. originators issue the notes and keep them on the balance sheet, mainly to optimise treasury and ECB collateral). That serves liquidity management, yet it only partially redistributes risk and brings in little third-party capital[20]. By contrast, where transactions are placed with external investors – whether as true-sale ABS/RMBS or as synthetic securitisations – and the competent authority recognises significant risk transfer, banks can achieve meaningful RWA relief on the securitised pools. For mainstream granular assets, such as prime consumer and auto loans, SME loans and equipment leases, a conservative working range of about 8-12% Tier 1 capital relief per euro securitised is realistic where mezzanine risk is clearly transferred and the structure is kept simple and, where possible, STS-compliant.

Typically, for plain-vanilla senior and upper-mezzanine tranches, the main constraint is not a complete absence of investor demand. Insurers, pensions, bank treasuries and specialist ABS funds are willing to buy straightforward paper with clear eligibility, robust reporting and predictable amortisation – especially where senior notes are STS- and ECB-eligible and mezzanine risk transfer is unambiguous. Yet in many Member States the pipeline of such transactions is thin. Three frictions dominate. First, supervisory uncertainty on SRT (e.g. timelines, evidence standards and iteration costs) makes the use of securitisation as

[20] Those transactions do not relieve any capital for the banks and thus do not create additional risk-taking capacity.

part of capital planning unpredictable for originators. Second, disclosure and due diligence frictions (e.g. one-size-fits-all templates for small/private deals and non-EU template misalignment) raise fixed costs and deter inaugural issuance. Third, set-up economics (e.g. legal work, data remediation, servicing and verification) are hard to amortise without a credible multi-deal programme.

Compounding this, insurers' appetite for seniors is dampened by Solvency II calibrations that compress risk-adjusted returns versus covered or corporate bonds, while the absence of harmonised ESG reporting for ABS slows the growth of green securitisation. Secondary-market liquidity remains patchy outside a few core asset classes, which further pushes issuers towards retained structures. The net effect is a market that could place more simple deals than it currently does, but doesn't – because the binding constraint is not end-investor demand, it is getting standardised, supervisor-clearable transactions to the starting line at a cost that makes repeat issuance viable.

7.3. SCENARIO SET-UP AND ASSUMPTIONS

We evaluate three modest trajectories relative to pre-crisis peaks. The horizon is 3-5 years, with steady state reached by year 3 and maintained through year 5 (see Table 3). The asset mix tilts towards non-mortgage pools (SMEs, consumer/auto, equipment/EV and ESCO/retrofits) together with synthetic SRT on granular bank portfolios (i.e. the parts of the market that benefit most from increased SRT recognition and proportionate disclosure).

Table 3. Scenario parameters and steady-state assumptions, 3-5 year horizon

Parameter	Prudent	Base	Upside
Total securitisation issuance / yr	EUR 300 billion	EUR 400 billion	EUR 450 billion
Share of issuance achieving effective third-party risk transfer	40%	50%	60%
Issuance with effective third-party risk transfer / yr	EUR 120 billion	EUR 200 billion	EUR 270 billion
Capital relief / euro securitised	7%	8-10%	10-12%
Lending multiplier (capital to lending)	7.5x	8-9x	9-10x

Source: Author's elaboration.

These inputs are intentionally conservative. In volume terms, EUR 300-450 billion remains well below the EU's 2008 peak and far below the US steady-state scale, yet is consistent with a return to simpler, repeatable structures and more predictable supervision. The assumed share of issuance achieving effective third-party risk transfer (40-60%) does not refer to the proportion of the capital structure sold within each transaction. Instead, it captures the share of total annual issuance represented by transactions in which sufficient risk is transferred to external investors, as opposed to retained transactions used primarily for treasury or collateral purposes. These assumptions imply no radical regime change, only incremental improvements such as modest Solvency II recalibration for senior STS tranches, proportionate reporting for private or club deals and clearer SRT checklists and timelines.

The capital-relief range of 7-12% does not depend on issuance size as such. Rather, it reflects plausible variation in transaction structure, asset mix, tranche design and the quality of recognised risk transfer across the three scenarios. The prudent scenario assumes simpler but less capital-efficient structures and more conservative execution conditions, while the upside scenario assumes stronger data, cleaner mezzanine placement, and, where relevant, public support or counter-guarantees that improve attachment points and increase achievable relief.

The lending multipliers (7.5-10×) mirror typical capital intensity for retail/SME/infrastructure-style credit under Basel III finalisation: as risk weights and target common-equity Tier 1 ratios vary by bank and portfolio, the base case centres on 8-9× with a prudent lower bound for heavier portfolios and an upside bound for lighter, granular books.

Our choices are underpinned by two practical anchors. One is demand depth. Insurers, pensions funds, bank treasuries and specialist ABS funds already buy straightforward senior and mezzanine tranches in Europe; the shortfall concerns the pipeline, not buyers. The other anchor is execution friction. Today's bottlenecks are SRT uncertainty, one-size-fits-all disclosure for non-public deals and set-up costs for initial transactions. The scenario simply relaxes those frictions, without assuming subsidy-driven growth or a wholesale shift in investor mandates.

7.4. CAPITAL FREED AND NEW LENDING

Securitisation lifts lending in two steps. First, only the share of issuance that achieves effective third-party risk transfer – that is, transactions in which sufficient risk is transferred to external investors and recognised by the competent authority for prudential purposes – reduces RWAs and therefore frees up Tier 1 capital at the originator. Second, that freed capital can be recycled into new loans. Formally:

Tier 1 freed per year = Issuance achieving effective third-party risk transfer × Capital-relief % (2)

and

New lending per year = Tier 1 freed × Lending multiplier (3)

Table 4 applies these mechanics to three scenarios. Issuance achieving effective third-party risk transfer is the annual flow that genuinely transfers risk and generates capital relief. Capital relief is the Tier 1 requirement avoided per euro securitised, as a function of tranche attachment points, asset mix, STS/SRT treatment and retained first-loss. The lending multiplier is the amount of new credit a bank can extend per euro of Tier 1 capital, given typical RWAs and minimum capital ratios for retail, SME and infrastructure-style portfolios. Plugging the scenario inputs into equations (2) and (3) yields the annual Tier 1 capital freed and the associated *new lending* flow, plus a five-year cumulative that assumes a linear ramp in years 1-2 and a constant steady state in years 3-5.

Table 4. Scenario outcomes: Tier 1 capital freed and lending capacity over 3-5 years

Parameter	Prudent	Base	Upside
Issuance with effective third-party risk transfer / yr	EUR 120 billion	EUR 200 billion	EUR 270 billion
Capital relief	7%	8-10%	10-12%
Tier 1 freed / yr	EUR 8.4 billion	EUR 16-20 billion	EUR 27-32 billion
Lending multiplier	7.5x	8-9x	9-10x
New lending / yr	EUR 63 billion	EUR 128-180 billion	EUR 243-320 billion
5-yr cumulative	EUR 252 billion	EUR 512-720 billion	EUR 972-1,280 billion

Notes: The five-year cumulative results assume a two-year linear ramp to steady state (on average 50% of steady state in years 1 and 2) and three full years at steady state. Steady state refers to the annual flow once placement ratios, relief percentages and multipliers stabilise at the scenario values. The figures are for flows, not one-off stock effects. Once steady state is reached, the system delivers the indicated volume of new lending each year so long as placed securitisation continues recycling risk. Put differently, policies that reliably convert pipelines into placed transactions (e.g. through supervisory alignment, proportionate disclosure for private/club transactions and pragmatic SRT) translate directly into measurable credit expansion.
Source: Author's elaboration.

Even on the base path, securitisation-driven capital recycling supports roughly EUR 130-180 billion of extra lending per year, accumulating to EUR 0.5-0.7 trillion over five years –

without new deposits, ECB liquidity or fresh equity. The effect comes solely from transferring a calibrated slice of credit risk to long-horizon investors (e.g. insurers, pensions, bank treasuries, ABS and infrastructure debt funds), thereby lowering RWAs and expanding lending headroom.

The placed volumes are well below pre-crisis peaks and still far from the US scale; the capital-relief bands align with plain-vanilla senior STS/SRT outcomes where mezzanine is clearly placed; and the multipliers reflect Basel III-final capital needs for diversified retail/SME books. Any combination of (i) slightly better calibration of senior capital, (ii) clearer, faster SRT recognition, or (iii) modest Solvency II easing for senior tranches would push results towards the upper end of the ranges by lifting placement ratios and achievable relief.

7.5. SENSITIVITY OF RESULTS

Although the direction of travel is robust (i.e. more placed securitisation means more credit), the size of the effect depends on a handful of levers. The first three levers discussed below operate mechanically in equation (1), while the last two are policy levers that push the first three.

Placement ratio

The model scales linearly with the proportion of total issuance actually sold to external investors (true-sale or SRT that achieves risk transfer). Moving from a 50% to a 60% placement ratio at EUR 400-450 billion of total issuance adds roughly EUR 40-45 billion of placed deals per year. With relief in the 8-10% range, that's EUR 3-4.5 billion of extra Tier 1 capital freed, which – at an 8-9× multiplier – means EUR 24-40 billion more for lending annually. In short, each +10 percentage points of placement is worth a lending boost of mid-double-digit billions.

Capital relief per euro securitised

Relief is the percentage drop in Tier 1 needed on the securitised pool once risk is transferred. Better designed structures (e.g. clean first-loss retention, plainly placed mezzanine and simple triggers) and clearer SRT recognition raise this number. On EUR 200 billion of placed issuance, a 2pp improvement (e.g. from 8% to 10%) frees up an extra EUR 4 billion of Tier 1 capital. At an 8-9× multiplier, that supports EUR 32-36 billion of more lending per year. This is why pragmatic, predictable SRT supervision is so valuable: it converts the same issuance into more capital headroom.

Lending multiplier

The multiplier is the inverse of the capital you must hold per euro of those loans – meaning 1 ÷ (capital ratio applied to the target loan mix). If the loan mix shifts to slightly lower RWA density (e.g. more granular, secured SME/consumer or more EIB/EIF-guaranteed lending), the required capital per euro of loans falls and the multiplier rises. In the base case, lifting the multiplier by just 1× (e.g. say from 8× to 9×) adds EUR 16-20 billion of lending per year for the same amount of freed capital. Guarantees and collateral policy therefore have second-order effects on the headline lending number.

Solvency II calibration (investor demand channel)

Even a modest improvement in capital treatment for senior STS tranches materially broadens insurer demand. More insurers showing up tightens spreads, increases deal take-up and pushes the placement ratio higher – feeding straight into the first lever above. Because the flow is linear, small changes add up: an extra EUR 20-30 billion of seniors absorbed by insurers at attractive spreads is already several billion more of Tier 1 freed and tens of billions of more lending per year.

Convergence of provisions on SRT can boost the supply of deals in the execution/pipeline channel. Clear, consistent SRT tests with short checklists and predictable timelines de-risk execution for originators. That does two things at once: (i) it raises the share of deals that actually reach the market (higher placement) and (ii) it supports straightforward mezzanine placement, which lifts the capital-relief percentage. In practice, SRT convergence is the gateway lever: it converts theoretical supply into repeatable, capital-efficient transactions.

Downside and upside bookends

If none of these levers improve – with placement stuck at below 40%, relief at close to 7% and the multiplier at about 7.5× – then the prudent scenario becomes a ceiling and the five-year uplift gravitates towards EUR 200 billion cumulative. Conversely, moderate gains on all three mechanical terms (placement of up to ~60%, relief at ~10-12% and the multiplier at ~9-10×), helped by modest Solvency II recalibration and pragmatic SRT, will lead to the upside path, i.e. EUR 1.1-1.4 trillion of cumulative new lending over five years.

What policymakers can move directly

Supervisors and legislators most directly influence (a) SRT clarity and timelines (which raise placement and relief), (b) proportionate disclosure for private/club deals (which lowers fixed costs and increases pipeline conversion) and (c) Solvency II calibration for senior STS tranches (which widens the natural buy-side). Because the lending result is multiplicative, incremental progress on each margin compounds into a large aggregate effect.

8. POLICY RECOMMENDATIONS

The recommendations that follow translate the study's findings into a practical reform package to unlock lending capacity, crowd in long-term investors and preserve prudential integrity. At the EU level, the focus should be on execution certainty and proportionate rules – making significant risk transfer predictable, tailoring disclosure for non-public deals and recalibrating capital for senior tranches that are simple, transparent and standardised. It also means addressing the legal and data frictions that raise fixed costs, narrow the investor base and prevent smaller or inaugural transactions from becoming repeatable.

Securitisation should also be framed more clearly in prudential and policy terms. When properly structured, transparent and subject to retention requirements, it reallocates risk from bank balance sheets to diversified professional investors. In doing so, it strengthens system resilience and supports through-the-cycle lending rather than undermining it.

Some of the measures proposed below align with the European Commission's current review of the securitisation framework. Others go further by specifying the operational tools – checklists, templates and shared infrastructure – that can convert policy intent into repeatable placed transactions. The package is designed for phased delivery, with immediate wins (SRT guidance, proportionate private reporting and pilots) within 6-12 months and deeper structural enablers (light legal convergence and a credit-data hub) over the medium term.

Make capital relief approvals faster and more predictable

A first priority is to make the recognition of SRT more operational, consistent and time-bound. At present, banks seeking capital relief through securitisation often face lengthy and uncertain approval processes, which discourages issuance and complicates capital planning. A more predictable framework would materially improve the supply of viable transactions.

The EU should therefore move towards more explicit and more standardised approach to SRT recognition. This should include a common supervisory checklist, clearer expectations on risk transfer, tranche structure and retention, and an indicative timetable for decisions. A 90-day target for standard transactions would significantly improve execution certainty. Coordinated guidance at the EU level would also help reduce divergence across competent authorities. If banks can predict supervisory outcomes more reliably, they will be more willing to originate and place securitisations that support SME lending, infrastructure investment and transition finance.

Introduce proportionate disclosure for private and smaller transactions

Current disclosure rules remain too burdensome for smaller transactions and private placements. Templates from the European Securities and Markets Authority were designed to restore transparency, but in practice they often impose public-market requirements on transactions that do not have the same scale, complexity or investor base. This is especially problematic for smaller banks, non-bank lenders and first-time issuers.

The framework should distinguish more clearly between public and non-public securitisations. A simplified and proportionate reporting regime for private deals would lower issuance costs without weakening oversight. Such a regime should allow concise explanations where certain data fields are irrelevant, align more closely with information already used for supervisory purposes, and reduce duplication across disclosure layers. This would make it easier to bring SME, clean-energy, equipment-finance and other smaller pools to market, while preserving full transparency where transactions are broadly distributed.

Recalibrate capital treatment for senior high-quality securitisation

EU prudential rules continue to discourage investment in the safest parts of the securitisation capital structure, even where historical performance has been strong. This is particularly important for insurers and pension funds, which are natural buyers of senior tranches but remain highly sensitive to regulatory capital charges. If the objective is to crowd in long-term institutional capital, this calibration problem has to be addressed.

A modest and evidence-based recalibration of capital treatment for senior STS tranches would improve demand without compromising prudential integrity. The aim should not be to privilege securitisation indiscriminately, but to ensure that high-quality securitisation is not systematically treated more harshly than economically comparable instruments. In practice, this means better reflecting historical loss performance, allowing certain simple and predictable structures to benefit from more favourable treatment, and clarifying the accounting and disclosure conditions that affect insurers' willingness to hold these assets. This would broaden the buy-side and improve the economics of placed issuance.

Build a European platform for small-scale green and digital assets

One of the most obvious barriers to market development is the difficulty of financing small and fragmented projects. Many green, digital and local infrastructure investments are too small to attract institutional capital on a standalone basis. This is precisely where

securitisation can add value, provided assets can be pooled, standardised and supported by a credible institutional platform.

The EU should support the development of a platform-based approach, potentially anchored by the EIB Group, InvestEU or national promotional banks. Such platforms could aggregate small-scale exposures, standardise contracts and reporting and create transaction sizes capable of attracting institutional investors. Temporary public guarantees or junior support could help initial transactions achieve sufficient scale and credit quality. This would be particularly valuable for municipal retrofit projects, energy-efficiency finance, digital networks and other transition-related assets that currently struggle to reach capital markets.

Create a limited common legal framework for key cross-border issues

Legal fragmentation remains one of the most important structural barriers to cross-border securitisation. Full harmonisation of insolvency and private-law regimes is neither realistic nor necessary in the short term. But the EU could do much more to reduce legal uncertainty in the areas that matter most for securitisation.

A pragmatic solution would be a limited common framework focused on the essentials: the transfer of receivables, the enforceability of true sale, the continuity of servicing and basic protections in the event of originator insolvency. Whether developed as a targeted optional regime or through mutual recognition of key legal effects, such an approach would lower structuring costs and improve investor confidence. It would be especially useful for cross-border SME and green securitisations, where the current legal fragmentation is a major impediment to scale.

Build shared market infrastructure for credit and sustainability data

Securitisation cannot deepen without better market infrastructure. Investors need reliable and comparable loan-level data, while issuers need common reporting tools that reduce due-diligence costs and facilitate repeat issuance. These needs are acute in green and transition-related securitisation, where uncertainty about metrics and asset-level sustainability characteristics remains a material constraint.

The EU should invest in shared data infrastructure. A European credit-data hub, or at least a more standardised framework for loan-level reporting, would improve transparency and lower barriers to entry. In parallel, a simple sustainability annex for securitised products, covering metrics such as energy savings, emissions avoided or installer standards, would help ESG-focused investors assess green ABS more consistently. Better data infrastructure would not only improve investor confidence but also help support secondary-market liquidity and benchmarking.

Remove unnecessary barriers to investment in non-EU securitisations

The current EU framework creates unnecessary obstacles for investors seeking exposure to non-EU securitisations. Because many non-EU issuers do not provide documentation that fully mirrors Article 7 requirements, EU investors often face practical barriers to investing even in otherwise high-quality transactions. The result is lower diversification, weaker competitiveness for the EU asset-management industry and a more inward-looking market than is economically justified.

The EU should allow a more flexible approach based on equivalent disclosure from trusted jurisdictions. This would not require lowering due-diligence standards, but rather recognising that equivalent outcomes can be achieved through different documentation regimes. A more workable approach would improve investor choice, reduce concentration risk and align better with the objectives of the Savings and Investments Union.

Support national pilot transactions and a clearer warehouse-to-term pathway

Alongside EU-level reform, market development will also depend on practical implementation at national and transaction levels. Many potentially viable portfolios never reach the market because initial transactions are too expensive, too uncertain or too bespoke. A clearer pathway from private warehousing to repeatable term securitisation is therefore essential.

Supervisors, promotional banks and market participants should support pilot transactions in asset classes where securitisation can clearly add value, such as SME lending, energy-efficiency finance, equipment and EV leasing, public-purpose receivables and certain forms of digital infrastructure. These pilots should use simple structures, standardised documentation and clear eligibility criteria. They should also be designed with repeatability in mind, so that inaugural transactions create templates rather than one-off exceptions. Where appropriate, public mezzanine support or guarantees can help the first deals achieve sufficient scale and investor take-up. In parallel, smaller lenders and non-bank originators should have a clearer route from warehouse financing to term ABS, including predictable reporting requirements and, where feasible, alignment with eligibility for STS and central-bank collateral.

Sequence reform in phases

Not all of these reforms require legislative overhaul, and sequencing matters. Some of the most important gains could be achieved relatively quickly through supervisory guidance, technical simplification and operational clarity. These include a more predictable SRT

process, proportionate disclosure for private deals and the launch of pilot structures supported by public institutions.

Other reforms will take longer, including legal convergence on core cross-border issues, changes to prudential calibration and the creation of common market infrastructure. But these should be understood as medium-term enablers rather than optional add-ons. Without them, securitisation in Europe is likely to remain episodic, concentrated and structurally subscale.

CEPS
PLACE DU CONGRES 1
B-1000 BRUSSELS