EUROPEAN CAPITAL MARKETS INSTITUTE

ECMI Commentary no 110 | June 2026

If Europe wants securitisation, it must have the investors on board

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Europe's securitisation debate rightly pays close attention to banks, reflecting the bank-based nature of the EU financial system and the central role they play in origination, risk transfer and credit provision. But securitisation is a capital markets instrument, not simply a way for banks to release capital. A functioning market needs both sides: issuers willing to bring transactions to market (including non-bank originators), and investors willing to buy, hold and price the risk.

If the EU wants the market to scale, the framework must be balanced across both the sell side and the buy side. Without investors, there's no securitisation market to develop.

A market cannot function with sellers alone; it also needs buyers

Following the European Commission's June 2025 proposal to reform the EU securitisation framework, the legislative process has now entered a decisive phase. The Council has agreed its position, the European Parliament's ECON Committee has now voted and the file will move into the trilogue, where political ambition meets the reality of workable legislation.

The overall direction should be broadly welcomed. The Commission has rightly identified the framework as one where operational costs for issuers and investors are too high, while the EU securitisation market remains underdeveloped. Reform should remove unjustified obstacles to issuance and investment while maintaining adequate safeguards for financial stability, market integrity and investor protection.

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But the debate still risks treating securitisation too narrowly as a banking instrument. Much of the discussion focuses on whether EU banks and other EU originators will be able to issue more transactions, achieve significant risk transfer and release capital for additional lending. These are important objectives.

Yet securitisation isn't a closed banking loop. It's a market mechanism. Banks are central to the European market but they aren't the whole market. Securitisation can also involve non-bank originators, from leasing and consumer finance firms to specialist lenders. In all cases, however, the market only works if investors are willing and able to buy the securities, hold them and absorb the risk. EU issuers can create securitised assets – but the market only works if EU and non-EU investors are willing and able to buy them, hold them and absorb the risk.

This is a very important distinction, as the political logic of securitisation reform differs from that of investors. Political logic is policy-led: Europe needs more market-based finance, more risk sharing and more lending capacity for households, SMEs, infrastructure, security and defence, the green and digital transitions. Investor logic is portfolio construction: this means risk-adjusted return, diversification, liquidity, regulatory treatment, operational feasibility and legal certainty. Investors don't buy securitisations to ensure that the EU's Savings and Investments Union is a success, they only do so if the asset class is investable.

Simplification continues to operate unevenly

The Commission's proposal does recognise part of this problem. It proposes changes to Article 5 of the Securitisation Regulation on investor due diligence and Article 7 on transparency. For EU institutional investors investing in EU securitisations, the proposal removes certain verification requirements where the relevant EU sell-side party (e.g. the originator, sponsor, original lender or SSPE responsible for compliance) is established and supervised in the EU. It also makes parts of the investor risk assessment more principles-based, gives more time to document due diligence in secondary-market transactions and aligns the delegation of due diligence with sectoral legislation. These are justified adjustments because all relevant sell-side parties in the EU are already subject to EU rules and supervision. Requiring EU investors to duplicate that verification adds cost without necessarily improving risk understanding.

The proposal also makes useful changes to Article 7. It calls for a review of reporting templates, a reduction of mandatory data fields by at least 35 %, a clearer distinction between mandatory and voluntary fields and a lighter template for private securitisations focused on supervisory needs. These are important steps. Transparency is key to securitisation but what's needed is decision-useful information rather than a tick-the-box exercise that becomes increasingly costly for the market players.

The problem is that the simplification is asymmetric. For EU institutional investors investing in non-EU securitisations, the proposal continues to place the compliance burden on the investor. This is difficult because non-EU issuers and other third-country sell-side parties are not directly subject to the EU Securitisation Regulation and are not required to produce Article 7 disclosures in the EU format. While this isn't a formal ban on EU investors purchasing non-EU

securitisations, it will have the effect of a functional barrier, as EU investors will need, for their own compliance, to verify elements of a framework that the non-EU issuer is not legally required to follow. The Commission proposal itself states that, for investments in positions issued by non-EU issuers, investors will continue to be required to verify that the transaction complies with EU rules.

A further concern is the proposed introduction of a separate sanction regime for investors that fail to comply with due diligence requirements. This would add another layer of legal and operational risk for EU institutional investors, precisely when the reform is meant to make securitisation more investable. It also risks duplicating existing sectoral sanction regimes under frameworks such as AIFMD, IORP II and Solvency II, which already regulate the conduct and governance of the relevant investor categories. Rather than improving investor protection, a separate securitisation-specific sanction regime could make the asset class less attractive by increasing compliance uncertainty and reinforcing the perception that securitisation is harder to hold than comparable fixed-income instruments.

This is where the reform risks becoming counterproductive. If the compliance burden for EU institutional investors acquiring or holding non-EU securitisations remains high, such investors may not automatically reallocate into EU securitisations. Their allocation decision isn't based only on regulatory access but involves portfolio diversification, market depth, liquidity, relative value and operational risk. If securitisation becomes too expensive or legally uncertain to operate as an asset class, they will reduce their overall exposure and substitute into other fixed-income instruments with less operational and legal friction.

By contrast, non-EU investors investing in the global securitisation market don't face a similar due-diligence burden. This puts EU investors at a relative disadvantage and narrows their ability to build diversified global securitisation portfolios.

Why international access is important for EU demand

This matters for the EU market. The political assumption is that blocking access to international securitisation markets will redirect issuance to Europe. But investor logic works differently. An active EU securitisation market will most likely develop if European investors are able to gain deep expertise in the asset class, scale up their exposures and diversify across issuers – including non-European ones. A narrow investable universe doesn't mechanically translate into stronger domestic demand. Instead, it may instead make securitisation less attractive compared with covered bonds, corporate bonds, private credit or other structured credit instruments.

The demand side is already one of the EU market's weaknesses. As a recent CEPS-ECMI study showed, the European securitisation market still has a relatively narrow investor base, with participation shaped by capital treatment, legal certainty, liquidity, standardisation and disclosure complexity. Insurers, pension funds, asset managers, bank treasuries and specialist credit funds can all play a role, but their participation depends on whether securitisation is operationally workable and economically attractive. The same study notes that disclosure

requirements can create barriers where information from non-EU issuers don't align with EU templates, effectively limiting EU investors' access to much of the global securitisation market[1].

This isn't an argument for weakening safeguards. Risk retention, transparency, sound credit-granting standards and the ban on re-securitisation remain central to the post-crisis framework. Nor does it mean that EU investors should invest blindly in non-EU securitisations. It means that due diligence should be calibrated to what investors need to assess risk and to the information that can realistically be obtained from non-EU issuers. Article 5 should not turn EU investors into quasi-supervisors of third-country sell-side parties. Article 7 should not require EU-style templates to become the *de facto* passport for accessing global securitisation markets.

The investor perspective on trialogues

As the file moves into the trilogue process, the key question should be practical: does the final framework make securitisation investable while preserving the safeguards that matter?

Reducing issuance-side barriers (e.g. excessive reporting costs, operational complexity, constraints on capital relief) is necessary but not sufficient on its own. Adjusting bank capital treatment may encourage more supply but supply won't create a market unless there's demand. And there won't be demand if EU institutional investors face disproportionate due diligence requirements, rigid transparency expectations or a separate and duplicative sanction regime that makes securitisation harder to hold than comparable assets.

The EU has reopened the securitisation debate because it needs more efficient channels to transform savings into productive investment. Thus, securitisation should be treated as part of Europe's financial infrastructure, not as a legacy risk or niche product. That remains the central point: securitisation can connect bank lending with capital markets, mobilise long-term capital and distribute risk more broadly across the financial system. But this will only happen if the framework works for both sides of the market.

Political logic can put securitisation back on the agenda. Investor logic will determine whether the market develops. Policymakers should now keep one principle in mind: securitisation reform must pass the investor test.

Because without investors, there's no securitisation market.

[1] This doesn't necessarily require a full equivalence regime, but it does point to the need for a more workable third-country approach, for example through principles-based due diligence, recognition of substantively equivalent disclosures or clearer guidance on what EU investors can reasonably rely on when investing in non-EU securitisations.