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Targeted consultation on the functioning of the EU securitisation framework

Fields marked with * are mandatory.

Introduction

When soundly structured, [securitisation](#) can play a positive role for the economy as a tool for attracting new investor money, and a risk management tool transferring credit risk from banks (or non-bank lenders) to a broad set of EU or third country institutional investors, which in turn would benefit from greater exposure diversification. Securitisation can help deepen capital markets and provide greater financing opportunities. It should also free up the balance sheets of banks and non-bank lenders, thereby enabling them to provide additional lending to the real economy. Promoting sustainable growth of the EU securitisation market is a key initiative under the [2020 capital markets union action plan](#).

With future investment needs for the green and digital transition projected to grow, and in order to enhance the EU's productivity, competitiveness, and resilience, optimal allocation of capital will become increasingly necessary. It is important to ensure that bank and non-bank lenders have at their disposal all the necessary tools, including securitisation, to fund strategic priorities, while safeguarding financial stability.

The overall size of the European securitisation market has decreased significantly since the 2008-2009 global financial crisis (GFC), from [approximately EUR 2trn at its peak](#) to [EUR 1.2trn at the end of 2023](#). In the meantime, securitisation has recovered fully and even surpassed pre-GFC records in non-EU jurisdictions like the US where it increased from USD 11.3tn in 2008 to [USD 13.7tn in 2021](#), and this despite the higher default rates of US-originated securitisations in the wake of the GFC.

In light of the above, the 2019 EU securitisation framework^[1] was introduced with the core objective of reviving an EU securitisation market that helps finance the economy without creating risks to financial stability. In particular, the Securitisation Regulation introduced common rules on due diligence, risk retention and transparency, and created a category of simple, transparent and standardised (STS) securitisation products. While the 2019 framework and its subsequent amendments^[2] improved transparency and standardisation in the securitisation market, stakeholder feedback gathered in preparation of the [Commission Report on the functioning of the Securitisation Regulation](#), and subsequent stakeholder engagement^[3], indicates that issuance and investment barriers remain high, impeding the EU economy from fully reaping the benefits that securitisation can offer. Originators and investors argue that issuance and investment barriers are partly driven by the conservativeness of specific aspects of the regulatory framework, such as transparency and due diligence requirements, as well as the capital and liquidity treatment of securitisations.

Against this background, the [Eurogroup statement of 11 March 2024](#) invited the Commission to assess all the supply and demand factors hampering the development of the securitisation market in the EU, including the prudential treatment of securitisation for banks and insurance companies and the transparency and due diligence requirements

(while taking into account international standards). Similarly, the [ECB Governing Council statement of 7 March 2024](#) suggested exploring the use of public guarantees and further standardisation. The [European Council conclusions of 18 April 2024](#) reinforced this call to relaunch the European securitisation market, including through regulatory and prudential changes, using the available room for manoeuvre. The [European Council conclusions of June 2024](#) called again on the Council and the Commission to accelerate work on all identified measures under the [capital markets union](#).

Relaunching securitisation has been recommended in the reports from [Christian Noyer](#), [Enrico Letta](#) and [Mario Draghi](#) as a means of strengthening the lending capacity of European banks, creating deeper capital markets, building the European savings and investments union and increasing the EU's competitiveness.

The [political guidelines of re-elected Commission President Von der Leyen from July 2024](#) announced that the next Commission will develop the proposal in the Enrico Letta report and propose a European savings and investment union, including banking and capital markets.

This consultation seeks stakeholders' feedback on a broad range of issues, including:

- The effectiveness of the securitisation framework
- Scope of application of the Securitisation Regulation
- Due diligence requirements
- Transparency requirements and definition of public securitisation
- Supervision
- The STS standard
- Securitisation platform
- Prudential and liquidity treatment of securitisation for banks
- Prudential treatment of securitisation for insurers
- Prudential framework for IORPs and other pension funds

This consultation paper has benefited from technical exchanges at staff level with the [European Banking Authority](#), the [European Securities and Markets Authority](#), the [European Insurance Occupational Pensions Authority](#) and the [European Central Bank](#).

In view of the technical nature of these issues, the questionnaire is targeted to market participants, including data repositories and rating agencies, industry associations, supervisors and research institutions. While some questions are general, others are directed towards specific participants in the securitisation market, i.e. issuers, investors, or supervisors. As not all questions are relevant for all stakeholders, respondents should not feel obliged to reply to every question.

Respondents are encouraged to provide explanations for each of their responses. Where possible, respondents are encouraged to provide quantitative data in their responses to justify and substantiate their reasoning.

The targeted consultation is available in English only and will be open for 8 weeks.

The responses to this consultation will feed into the review of the securitisation framework to be considered by the Commission in the next mandate.

¹ The framework consists of the [Securitisation Regulation \(SECR\)](#), which sets out a general framework for all securitisations in the EU and a specific framework for simple, transparent, and standardised (STS) securitisations, as well as prudential requirements for securitisation positions in the [Capital Requirements Regulation \(CRR\)](#) and in [Solvency II Delegated Regulation](#), and liquidity requirements in the [LCR Delegated Regulation](#).

² The framework was complemented on 6 April 2021 in the context of the efforts to help the post-COVID-19 economic recovery by extending the scope of the STS label to on-balance-sheet synthetic securitisations and by addressing regulatory obstacles to securitising non-performing exposures.

³ This includes bilateral and group-based outreach to the population of stakeholders active in the EU securitisation market, including issuers, investors, sponsors, third-party verifiers, and all other established actors active throughout the securitisation market, data repositories, industry associations, competent authorities, and research institutions.

Please note: In order to ensure a fair and transparent consultation process **only responses received through our online questionnaire will be taken into account** and included in the report summarising the responses. Should you have a problem completing this questionnaire or if you require particular assistance, please contact fisma-securitisation-consultation@ec.europa.eu.

More information on

- [this consultation](#)
- [the consultation document](#)
- [securitisation](#)
- [the protection of personal data regime for this consultation](#)

About you

* Language of my contribution

- Bulgarian
- Croatian
- Czech
- Danish
- Dutch
- English
- Estonian
- Finnish
- French
- German
- Greek
- Hungarian
- Irish

- Italian
- Latvian
- Lithuanian
- Maltese
- Polish
- Portuguese
- Romanian
- Slovak
- Slovenian
- Spanish
- Swedish

* I am giving my contribution as

- Academic/research institution
- Business association
- Company/business
- Consumer organisation
- EU citizen
- Environmental organisation
- Non-EU citizen
- Non-governmental organisation (NGO)
- Public authority
- Trade union
- Other

* First name

Veronica

* Surname

Olsen

* Email (this won't be published)

veol@ftnet.dk

* Scope



International

- Local
- National
- Regional

* Level of governance

- Parliament
- Authority
- Agency

* Organisation name

255 character(s) maximum

The Danish government

* Organisation size

- Micro (1 to 9 employees)
- Small (10 to 49 employees)
- Medium (50 to 249 employees)
- Large (250 or more)

Transparency register number

255 character(s) maximum

Check if your organisation is on the [transparency register](#). It's a voluntary database for organisations seeking to influence EU decision-making.

* Country of origin

Please add your country of origin, or that of your organisation.

- | | | | |
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| <input type="radio"/> Afghanistan | <input type="radio"/> Djibouti | <input type="radio"/> Libya | <input type="radio"/> Saint Martin |
| <input type="radio"/> Åland Islands | <input type="radio"/> Dominica | <input type="radio"/> Liechtenstein | <input type="radio"/> Saint Pierre and Miquelon |
| <input type="radio"/> Albania | <input type="radio"/> Dominican Republic | <input type="radio"/> Lithuania | <input type="radio"/> Saint Vincent and the Grenadines |
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| <input type="radio"/> Andorra | <input type="radio"/> El Salvador | <input type="radio"/> Madagascar | <input type="radio"/> |

- Angola
- Anguilla
- Antarctica
- Antigua and Barbuda
- Argentina
- Armenia
- Aruba
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- Austria
- Azerbaijan
- Bahamas
- Bahrain
- Bangladesh
- Barbados
- Belarus
- Belgium
- Belize
- Benin
- Bermuda
- Bhutan
- Bolivia
- Bonaire Saint Eustatius and Saba
- Bosnia and Herzegovina
- Botswana
- Bouvet Island
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- Equatorial Guinea
- Eritrea
- Estonia
- Eswatini
- Ethiopia
- Falkland Islands
- Faroe Islands
- Fiji
- Finland
- France
- French Guiana
- French Polynesia
- French Southern and Antarctic Lands
- Gabon
- Georgia
- Germany
- Ghana
- Gibraltar
- Greece
- Greenland
- Grenada
- Guadeloupe
- Guam
- Guatemala
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- Malawi
- Malaysia
- Maldives
- Mali
- Malta
- Marshall Islands
- Martinique
- Mauritania
- Mauritius
- Mayotte
- Mexico
- Micronesia
- Moldova
- Monaco
- Mongolia
- Montenegro
- Montserrat
- Morocco
- Mozambique
- Myanmar/Burma
- Namibia
- Nauru
- Nepal
- Netherlands
- New Caledonia
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- São Tomé and Príncipe
- Saudi Arabia
- Senegal
- Serbia
- Seychelles
- Sierra Leone
- Singapore
- Sint Maarten
- Slovakia
- Slovenia
- Solomon Islands
- Somalia
- South Africa
- South Georgia and the South Sandwich Islands
- South Korea
- South Sudan
- Spain
- Sri Lanka
- Sudan
- Suriname
- Svalbard and Jan Mayen
- Sweden
- Switzerland
- Syria
- Taiwan
- Tajikistan
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- Brazil
- British Indian Ocean Territory
- British Virgin Islands
- Brunei
- Bulgaria
- Burkina Faso
- Burundi
- Cambodia
- Cameroon
- Canada
- Cape Verde
- Cayman Islands
- Central African Republic
- Chad
- Chile
- China
- Christmas Island
- Clipperton
- Cocos (Keeling) Islands
- Colombia
- Comoros
- Congo
- Cook Islands
- Costa Rica
- Côte d'Ivoire
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- Guinea
- Guinea-Bissau
- Guyana
- Haiti
- Heard Island and McDonald Islands
- Honduras
- Hong Kong
- Hungary
- Iceland
- India
- Indonesia
- Iran
- Iraq
- Ireland
- Isle of Man
- Israel
- Italy
- Jamaica
- Japan
- Jersey
- Jordan
- Kazakhstan
- Kenya
- Kiribati
- Kosovo
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- New Zealand
- Nicaragua
- Niger
- Nigeria
- Niue
- Norfolk Island
- Northern Mariana Islands
- North Korea
- North Macedonia
- Norway
- Oman
- Pakistan
- Palau
- Palestine
- Panama
- Papua New Guinea
- Paraguay
- Peru
- Philippines
- Pitcairn Islands
- Poland
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- Puerto Rico
- Qatar
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- Tanzania
- Thailand
- The Gambia
- Timor-Leste
- Togo
- Tokelau
- Tonga
- Trinidad and Tobago
- Tunisia
- Turkey
- Turkmenistan
- Turks and Caicos Islands
- Tuvalu
- Uganda
- Ukraine
- United Arab Emirates
- United Kingdom
- United States
- United States Minor Outlying Islands
- Uruguay
- US Virgin Islands
- Uzbekistan
- Vanuatu
- Vatican City
- Venezuela
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| <input type="radio"/> Croatia | <input type="radio"/> Kuwait | <input type="radio"/> Romania | <input type="radio"/> Vietnam |
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Tristan da Cunha | <input type="radio"/> Zambia |
| <input type="radio"/> Democratic
Republic of the
Congo | <input type="radio"/> Lesotho | <input type="radio"/> Saint Kitts and
Nevis | <input type="radio"/> Zimbabwe |
| <input checked="" type="radio"/> Denmark | <input type="radio"/> Liberia | <input type="radio"/> Saint Lucia | |

* Field of activity or sector (if applicable)

- Banking
- Insurance
- Pension fund
- Legal advisory
- Investment management (e.g. portfolio manager or manager of hedge funds, private equity funds, venture capital funds, money market funds)
- Other

* Please specify your activity field(s) or sector(s)

The Danish government

* Type of involvement in the securitisation market

Please select as many answers as you like

- Originator of traditional securitisations
- Originator of synthetic securitisations
- Sponsor
- Investor in traditional securitisations
- Investor in synthetic securitisations
- Arranger
- Legal adviser
- Third-party STS verifier
-

Credit rating agency

- Market infrastructure (e.g. data repository, stock exchange)
- Supervisor
- Other role in the securitisation market
- No role

If applicable, considering your role in the securitisation process, please provide the following information about the volume of securitisation activity of your organisation.

Note that this information will not be published.

Average annual volume of new securitisations that you originate or securitisation positions that you invest in (flow) in EUR

 EUR

Average annual transaction number of new securitisations that you originate or securitisation positions that you invest in (flow)

Total stock of securitisation positions in EUR

 EUR

Other relevant quantifiable measure of securitisation activity (please explain briefly)

The Commission will publish all contributions to this targeted consultation. You can choose whether you would prefer to have your details published or to remain anonymous when your contribution is published. **For the purpose of transparency, the type of respondent (for example, 'business association, 'consumer association', 'EU citizen') is always published. Your e-mail address will never be published.** Opt in to select the privacy option that best suits you. Privacy options default based on the type of respondent selected

* Contribution publication privacy settings

The Commission will publish the responses to this public consultation. You can choose whether you would like your details to be made public or to remain anonymous.

Anonymous

Only the organisation type is published: The type of respondent that you responded to this consultation as, your field of activity and your contribution will be published as received. The name of the organisation on whose behalf you reply as well as its transparency number, its size, its country of origin and

your name will not be published. Please do not include any personal data in the contribution itself if you want to remain anonymous.

Public

Organisation details and respondent details are published: The type of respondent that you responded to this consultation as, the name of the organisation on whose behalf you reply as well as its transparency number, its size, its country of origin and your contribution will be published. Your name will also be published.

I agree with the [personal data protection provisions](#)

1. Effectiveness of the securitisation framework

The EU securitisation framework has been in application since January 2019. The framework consists of the [Securitisation Regulation \(SECR\)](#), which sets out a general framework for all securitisations in the EU, including increased transparency, due diligence, risk retention and other requirements, and a specific framework for simple, transparent, and standardised (STS) securitisations, as well as prudential requirements for securitisation positions in the [Capital Requirements Regulation](#) and in [Solvency II Delegated Act](#), and liquidity requirements for credit institutions in the [Liquidity Coverage Ratio \(LCR\) Delegated Act](#).

The framework was complemented on 6 April 2021 in the context of post-COVID-19 economic recovery efforts by extending the scope of the STS label to on-balance-sheet synthetic securitisations and by addressing regulatory obstacles to securitising non-performing exposures.

The general objective of the securitisation framework was the revival of a safe securitisation market that would improve the financing of the EU economy (see the [impact assessment accompanying the proposal for a Securitisation Regulation](#)). In the short run, it envisaged a weakening of the link between banks' deleveraging needs and credit tightening. In the long run, the aim was the creation of a more balanced and stable funding structure of the EU economy, for the overall benefit of households, SMEs, and larger corporations. Specific policy objectives included the destigmatisation of European securitisation in the wake of the global financial crisis, an appropriate risk-sensitive regulatory capital treatment, and the reduction/elimination of unduly high operational costs for issuers and investors. To achieve these specific policy objectives, two operational objectives were identified: differentiating STS securitisation products from more opaque and complex ones and supporting the standardisation of processes and practices in securitisation markets and tackling regulatory inconsistencies.

The 2022 review of the functioning of the SECR, which resulted in the publication of the Commission Report on the Functioning of the Securitisation Regulation in December 2022 (later referred to as 'the [Commission 2022 report](#)'), looked at the impact of the SECR on the functioning of the EU securitisation market. A majority agreed that the SECR provided a high level of investor protection, and it was generally acknowledged that the SECR had facilitated further integration of the EU securitisation market. At the same time, respondents underlined the need to improve certain parts of the framework, such as due diligence and transparency requirements, to increase proportionality and reduce compliance costs for market participants. Considering that the securitisation framework was amended in April 2021 in response to the unprecedented exogenous factors related to COVID-19, and that the complete application of the framework was yet to be fully realised at the time of writing of the Commission 2022 report, the Commission decided that more time was needed to fully assess the impact and effectiveness of the framework.

Looking to the post-2019 evolution of the EU securitisation market, it is appropriate to consider whether the original policy objectives have been achieved, in full or in part, before proceeding to examine the necessity of any future adjustments to the regulatory framework.

This section of the questionnaire looks into the impact of the securitisation framework on the market and the policy goals of the capital markets union, including improving access to finance and supporting the EU's competitiveness.

Question 1.1. Do you agree that the securitisation framework (including the Securitisation Regulation and relevant applicable provisions of the CRR, Solvency II and LCR) has been successful in, or has contributed to, achieving the following objectives:

	1 (fully agree)	2 (somewhat agree)	3 (neutral)	4 (somewhat disagree)	5 (fully disagree)	Don't know - No opinion - Not applicable
1. Revival of a safer securitisation market	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2. Improving financing of the EU economy by creating a more balanced and stable funding structure of the EU economy	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3. Weakening the link between banks' deleveraging needs and credit tightening	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
4. Reducing investor stigma towards EU securitisations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
5. Removing regulatory disadvantages for simple and transparent securitisation products	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
6. Reducing/eliminating unduly high operational costs for issuers and investors	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
7. Differentiating simple, transparent and standardised (STS) securitisation products from more opaque and complex ones	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
7.1 Increasing the price difference between STS vs non-STIS products	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

7.2 Increasing the growth in issuance of STS vs non-STS products	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
8. Supporting the standardisation of processes and practices in securitisation markets	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
8.1 Increasing the degree of standardisation of marketing and reporting material	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
8.2 Reducing operational costs linked to standardised securitisation products	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
9. Tackling regulatory inconsistencies	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

2. Impact on SMEs

Exposures to SMEs, in the form of direct lending, trade receivables, auto loans / leasing, mortgage lending, or other commercial credit, are categories of assets that can readily lend themselves to be securitised. Access to securitisation and its economic efficiency for originators can therefore have an impact on the availability of credit for SMEs and its cost. This section aims to gather insights into the impact of the securitisation framework on SME financing.

Question 2.1. Have you come across any impediments to securitise SME loans or to invest in SME loan securitisations?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 2.1:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We have a very limited market for securitisation in Denmark. We are not aware of any particular impediments relating to SME securitisations.

Question 2.2. How can securitisation support access to finance for SMEs?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

3. Scope of application of the Securitisation Regulation

Jurisdictional scope

In 2021, the Joint Committee (“JC”) of the [ESAs published an Opinion to the European Commission on the Jurisdictional Scope of Application of the SECR](#). The opinion was divided in two parts:

1. the application to third country-based entities of Article 5 to 7 and 9 of the SECR
2. the application of the SECR to investment fund managers

Both issues were subsequently clarified by the Commission in the [2022 report from the Commission to the European Parliament and the Council on the functioning of the Securitisation Regulation](#). Despite these clarifications, some market participants point out that the SECR does not clearly set out its jurisdictional scope, creating considerable legal uncertainty in cases where not all parties to the securitisation are located in the EU.

Question 3.1. In your opinion, should the current jurisdictional scope of application of the SECR be set out more clearly in the legislation?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 3.1:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Denmark is not aware of any significant issues pertaining to the jurisdictional scope of the SECR. We share the assessment made by the Commission in its 2022 report to the European parliament and the Council on the functioning of the SECR, pertaining to both third country sell side entities and third country AIFMs. In particular, we agree that buy-side due diligence requirements should be able to ensure compliance of third country sell-side entities with the SECR, and that third country AIFM should also comply with the SECR when their funds are marketed or managed in the EU.

Question 3.2. If you answered yes to question 3.1, do you think it would be useful to include a specific article that states that SECR applies to any securitisation where at least one party (sell-side or buy-side) is based or authorised in the EU, and to clarify that the EU-based or EU-authorized entity (ies) shall be in charge of fulfilling the relevant provisions in the SECR?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 3.2:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Legal definitions

The SECR defines the key concepts in the securitisation market to appropriately delineate the legal scope of the Regulation. The definitions seek to align as far as possible with pre-existing legal concepts in EU legislation (i.e. existing definitions in the CRR), and with international standards.

Certain stakeholders have raised concerns that the legal definitions result in a potentially too broad or too narrow scope of application. For instance, a too broad scope might impose an undue regulatory burden in terms of higher standards for disclosure, due diligence, etc. Conversely, too narrow a scope may pose risks to financial stability, resulting from the non-application of the safeguards in the securitisation framework to certain transactions or vehicles that could be considered securitisations from an economic perspective. For example, the categorisation of a given transaction under the definition of a “securitisation transaction” might be contested on the basis of whether a transaction involves tranching of credit risk, considering the economic purpose of the transaction. In addition, the definition of a sponsor is limited to credit institutions, whether located in the Union or not, and to EU investment firms, which could limit the ability of the market to structure securitisation in an economically efficient way by limiting the pool of eligible sponsors.

Definition of a securitisation

Question 3.3. Do you think the definition of a securitisation transaction in Article 2 of SECR should be changed?

You may select more than one option.

Please select as many answers as you like

- Yes, the definition should be expanded to include transactions or vehicles that could be considered securitisations from an economic perspective
- Yes, the definition should be narrowed to exclude certain transactions or introduce specific exceptions
- No, it should not be changed
- Don't know / no opinion / not applicable

Please explain your answer to question 3.3, and specify, if necessary, how the definition should be expanded or narrowed in your view:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Denmark is of the view that the legal definition of a securitization should encompass all transactions that are economically equivalent to a securitization transaction, and thus be neutral to the way in which the tranching of credit risk is achieved. It is our impression that the current legal definition of securitization, already accomplishes the above.

Question 3.4. Should the definition of a securitisation exclude transactions or vehicles that are derisked (e.g. by providing junior equity tranche) by an EU-level or national institution (e.g. a promotional bank) with a view to crowding-in private investors towards public policy objectives?

- Yes
- No
- Don't know / no opinion / not applicable

Question 3.5. If you answered yes to question 3.4., what criteria should be used to define such transactions?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Denmark has no concrete transaction in mind, but are of course open to discuss well founded proposals of such criteria based on thorough analysis or impact assessment.

Notwithstanding our response to point 3.3, certain narrow exceptions to the scope of what constitutes securitisations could potentially be allowed, to cater for unique cases where the general requirements of SECR would not be appropriate to apply. Any such exemptions should however be strictly defined and limited in nature, and based on a very clear rationale for why such a transaction does not warrant the protections envisaged by the SECR.

Definition of a sponsor

Question 3.6. Should the definition of a sponsor be expanded to include alternative investment firm managers established in the EU?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 3.6, including if the definition should be expanded to any other market participants:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We would in general advocate that AIFMs activities are limited to managing AIFs. We do not consider it obvious that exactly AIFMs should be particularly suited to be sponsors for securitizations.

Question 3.7. If you answered yes to question 3.6., are any specific adaptations or safeguards necessary in the [Alternative Investment Firms Directive \(AIFMD\)](#), taking into account the originate-to-distribute prohibition in the AIFMD, to enable AIFMs to fulfil the functions of a sponsor in a securitisation transaction, as stipulated in the SECR?

You may select more than one option.

Please select as many answers as you like

- An AIFM should not sponsor loans originated by the AIFs it manages
- AIFs should not invest in securitisations sponsored by its AIFM
- Minimum capital requirements under the AIFMD should be adapted to enable AIFMs, in particular to fulfil the risk retention requirement under SECR
- Other safeguards
- No safeguards are needed

Please explain your answer to question 3.7:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

4. Due diligence requirements

A thorough due diligence process is key to ensure that investors are aware of what they are buying and appropriately assess the risks of their investments (this principle is well recognised by the International Organisation of Securities Commission (IOSCO) in their [report on the subprime crisis](#), as well as their [report on good practices in relation to investment managers' due diligence when investing in structured finance instruments](#)). Article 5 of the Securitisation Regulation imposes due diligence requirements on EU investors both prior to investing and while holding the securitisation position.

While due diligence is an integral part of the risk assessment process, feedback gathered by Commission services since the entry into force of the Securitisation Regulation in 2019 suggests that due diligence requirements under Article 5 might be disproportionate. Stakeholders highlight that the legal text is mostly interpreted in a way that

1. subjects all institutional investors to the same due diligence requirements regardless of the type of securitisation that they invest in
2. and applies stricter and more prescriptive due diligence requirements than those that apply to other financial instruments with similar risk characteristics

As a result, smaller players might not be able to enter the securitisation market, because they lack the resources and/or necessary infrastructure to comply with the due diligence requirements. Due diligence requirements that do not properly take account of the mitigated agency and operational risk characteristics of STS transactions might also be hampering the growth of the STS market.

Question 4.1. Please provide an estimate of the total annual recurring costs and/or the average cost per transaction (in EUR) of complying with the due diligence requirements under Article 5.

Please differentiate between costs that are only due to Article 5 and the costs that you would incur during your regular due diligence process regardless of Article 5.

Please compare the total due diligence costs for securitisations with the total due diligence costs of other instruments with similar risk characteristics.

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As the question is aimed at institutional investors, we refrain from answering.

Question 4.2. If possible, please estimate the total one-off costs you incurred (in EUR) to set up the necessary procedures to comply with Article 5 of SECR.

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As the question is aimed at institutional investors, we refrain from answering.

Question 4.3. Please select your preferred option to ensure that investors are aware of what they are buying and appropriately assess the risks of their investments:

- Option 1: The requirements should be made more principles-based, proportionate, and less complex
- Option 2: The requirements should be made more detailed and prescriptive for legal certainty
- Option 3: There is no need to change the text of the due diligence requirements
- Don't know / no opinion / not applicable

Due diligence requirements prior to holding a securitisation position

Question 4.4. Should the text of Article 5(3) be simplified to mandate investors to assess at minimum the risk characteristics and the structural features of the securitisation?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 4.4:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Due diligence into the risk characteristics of the underlying exposures or groups of underlying exposures also seem warranted and thus should not be excluded from the due diligence requirement.

On a more general note, Denmark believes that effective due diligence requirements are an important aspect of a prudent securitization framework. Due diligence ensures that institutional investors acquire an understanding of the particular securitisations that they invest in, mitigating the risk that the underlying credit risk of the securitized exposures is left unassessed and potentially passed on to parties that are not equipped to handle such risks. Any substantial changes should be based on concrete problems or identified gaps in the regulation. The work should be supported by impact assessments.

Question 4.5. If you answered yes to question 4.4., please specify how this could be implemented:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 4.6. Taking into account your answer to 4.4, what would you estimate to be the impact (in percent or EUR) of such a modification in Article 5(3) on your one-off and annual recurring costs for complying with the due diligence requirements under Article 5?

Please explain:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As the question is aimed at institutional investors, we refrain from answering.

Question 4.7. Should due diligence requirements differ based on the different characteristics of a securitisation transaction?

- Yes
- No
- Don't know / no opinion / not applicable

Question 4.8. If you answered yes to question 4.7., please select one or more of the following options to differentiate due diligence requirements:

Please select as many answers as you like

- Due diligence requirements should differ based on the risk of the position (e.g. senior vs non-senior)
- Due diligence requirements should differ based on the risk of the underlying assets
- Due diligence requirements should differ based on the STS status of the securitisation (STS vs non-STs)
- Other

Please explain your answer to question 4.8:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In general, Denmark would generally be cautious to differentiate the due-diligence requirements based on the perceived risk of the underlying or seniority in the securitization positions. In particular, the perceived risk of a securitization will only be known after due diligence have been conducted presenting an issue of circularity with conditioning the due diligence requirements on such metrics.

Above being said, we are open to discuss easing of due diligence requirements for investments in STS-securitisations, seeing as these securitisations are less opaque. Again, any substantial changes should be based on concrete problems or identified gaps in the regulation. The work should be supported by impact assessments.

Question 4.9. Taking into account your answers to 4.7 and 4.8, what would you estimate to be the impact (in percent or EUR) of differentiating due diligence requirements on your one-off and annual recurring costs for complying with the due diligence requirements under Article 5?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As the question is aimed at institutional investors, we refrain from answering.

Question 4.10. For EU investors investing in securitisations where the originator, sponsor or original lender is established in the Union and is the responsible entity for complying with those requirements, should certain due diligence verification requirements be removed as the compliance with these requirements is already subject to supervision elsewhere?

This could apply to the requirements for investors to check whether the originator, sponsor or original lender complied with:

	Yes	No	Don't know / No opinion / Not relevant
(i) risk retention requirements	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
(ii) credit granting criteria requirements	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

(iii) disclosure requirements	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
(iv) STS requirements, where the transaction is notified as STS	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

Please explain if you see any risks arising from the removal of these requirements, and if so, how they should be mitigated:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Denmark is of the view that supervision of buy-side firms' compliance the SECR cannot substitute proper due diligence of investors of these requirements. Supervision is usually conducted on a risk-based approach, rely on random samples and periodic examinations, as such supervision cannot guarantee compliance of every securitization with the requirements of SECR and is thus not an appropriate substitute for due diligence by investors.

Question 4.11. Taking into account your answers to Q.4.10, what would you estimate to be the impact (in percent or EUR) of removing those obligations on your one-off and recurring costs for complying with the due diligence requirements?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As the question is aimed at institutional investors, we refrain from answering.

Question 4.12. Do the due diligence requirements under Article 5 disincentivise investing into securitisations on the secondary market?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 4.12:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As we have no insight into the secondary market, we refrain from answering this question.

Question 4.13. If you answered yes to question 4.12., should investors be provided with a defined period of time after the investment to document compliance with the verification requirements as part of the due diligence requirements under Article 5?

- Yes
- No
- Don't know / no opinion / not applicable

Question 4.14. If you answered yes to question 4.13., how many days should be given to investors to demonstrate compliance with their verification requirements as part of the due diligence requirements under Article 5?

- 0 – 15 days
- 15 – 29 days
- 29 – 45 days
- Don't know / no opinion / not applicable

Question 4.15. If you answered yes to question 4.13., what type of transactions should this rule apply to?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 4.16. Do the due diligence requirements under Article 5 disincentivise investing into repeat securitisation issuances?

- Yes
-

No

- Don't know / no opinion / not applicable
-

Question 4.17. If you answered yes to question 4.16., how should repeat or similar transactions be identified in the legal text and how should the respective due diligence requirements be amended?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 4.18. Should Article 32(1) be amended to require Member States to lay down rules establishing appropriate administrative sanctions, in the case of negligence or intentional infringement, and remedial measures in case institutional investors fail to meet the requirements provided for in Article 5?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 4.18:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Denmark is of the view that article 32(1) should be amended to include due diligence requirements of institutional investors. Due diligence requirements are a central part in ensuring that securitisations are and remain compliant with the securitization regulation, as such these requirements should be covered by the sanction regime.

Question 4.19. Taking into account the answers to the questions above on due diligence requirements, do you think any safeguards should be introduced in Article 5 to prevent the build-up of financial stability risks?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Seeing as we have not suggested any material changes to the current due diligence framework, we are of the view that no additional safeguards are necessary to prevent the buildup of financial stability risks. If any changes should be suggested, we would need to reevaluate our position.

Question 4.20. Taking into account your answers to the previous questions in this section, by how much would these changes impact the volume of securitisations that you invest in?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As the question is aimed at institutional investors, we refrain from answering.

Question 4.21. If you are a supervisor, how would the changes to the due diligence requirements suggested in the previous questions affect your supervisory costs?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Denmark does not envisage that the suggested changes to the due diligence framework would affect the resources going into supervision of due diligence requirements materially.

Delegation of due diligence

Question 4.22. Should the National Competent Authorities (NCAs) continue to have the possibility to apply administrative sanctions under Article 32 and 33 of SECR in case of infringements of the requirements of Article 5 SECR to either the institutional investor or the party to which the institutional investor has delegated the due diligence obligations?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 4.22:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Denmark believes that it is necessary to maintain the ability to sanction both the institutional investor that has the due diligence obligation and any party to whom the due diligence obligations have been delegated too on the institutional investor's behalf.

First and foremost, the institutional investor should be required to make assurances that the party to whom it has delegated its due diligence obligations, is handling this responsibility with care and expertise.

Secondly, if the due diligence obligations are delegated to a party in a third country, sanctioning this party might present an issue and will thus challenge the accountability and enforcement of the due diligence framework.

Question 4.23. If you answered no to question 4.22, which party should be subject to administrative sanctions in case of infringement of the due diligence requirements?

- the institutional investor
- the party to which the institutional investor has delegated the due diligence obligations
- don't know / no opinion / not applicable

5. Transparency requirements and definition of public securitisation

Public interventions after the GFC significantly improved the level of transparency in the EU securitisation market starting with the introduction of loan level templates by the European Central Bank. The current transparency regime enshrined in Article 7 of the SECR aims to ensure that investors in a securitisation have all the necessary information for their due diligence needs. In addition, National Competent Authorities (NCAs) should have access to sufficient information to properly supervise the participants in the securitisation market.

However, the application of some legal provisions of the transparency regime have nonetheless shown some gaps and inefficiencies. For instance, the disclosure requirements are seen by stakeholders as overly prescriptive and

insufficiently adapted to the actual needs of investors into the various types of securitisations. This limits the usefulness of certain disclosures, i.e. investors/NCA's may not use all the information disclosed under Article 7, because it might not be tailored to their specific information needs.

Under the SECR, public securitisations are those that require publishing a prospectus, and yet this captures only a subset of what the market would consider as public securitisations from an economic perspective. Consequently, only a subset of the 'truly' public market is obliged to report to securitisation repositories. However, a separate significant part of the market, in particular many collateralised loan obligations (CLOs), is public in nature but is not classified as such under the SECR and therefore it does not report to the securitisation repositories ("SRs"). This curtails supervisors' ability to adequately analyse and supervise cross-border markets and might limit overall market transparency.

On the other hand, bespoke transactions or intra-group securitisations (i.e. ones without an external investor) might be subject to unduly high transparency requirements because they have to report using the same disclosure templates as public transactions, which might not be fit for purpose.

Feedback gathered during the preparation of the Commission's report on the functioning of the Securitisation Regulation showed wide support for amending the definition of private securitisations to focus on truly bespoke transactions, while at the same time reducing the mandatory transparency requirements for these types of transactions. The [Joint Committee report](#) also favoured amending the definition of private securitisations to make it more precise and to exempt from all transparency requirements a sub-set of transactions that are private in nature. At the same time, the Commission report also highlighted that a better definition of private securitisation would be difficult to find. For this reason, it is worth considering whether amending (i.e. widening) the definition of public securitisations would be useful instead. This would have the dual benefit of:

1. reducing the reporting burden for truly private transactions should transparency requirements be simultaneously amended
2. and ensuring that transactions that are public in nature but currently considered private because they do not have a prospectus (such as CLOs), would be categorised as public, thereby entailing direct reporting to repositories, and enhancing market transparency.

Question 5.1. Please provide an estimate of the total annual recurring costs and/or the average cost per transaction (in EUR) of complying with the transparency regime under Article 7.

Please differentiate between costs that are only due to Article 7 and costs that you would incur during your regular course of business regardless of Article 7.

Please compare the total transparency costs for securitisations with the total transparency costs of other instruments with similar risk characteristics.

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As the question is aimed at the sell-side of a securitisation, we refrain from answering.

Question 5.2. If possible, please estimate the total one-off costs you incurred (in EUR) to set up the necessary procedures to comply with Article 7 of SECR.

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As the question is aimed at the sell-side of a securitisation, we refrain from answering.

Question 5.3. How do the disclosure costs that you provided in Question 5.1. compare with the disclosure costs for other instruments with similar risk characteristics?

- Significantly higher (more than 50% higher)
- Moderately higher (from 10% to 49% higher)
- Similar
- Moderately lower (from 10% to 49% lower)
- Significantly lower (more than 50% lower)
- Don't know / no opinion / not applicable

Please explain your answer to question 5.3:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As the question is aimed at the sell-side of a securitisation, we refrain from answering.

Question 5.4. Is the information that investors need to carry out their due diligence under Article 5 different from the information that supervisors need?

- Significantly different
- Moderately different

- Similar
- Don't know / no opinion / not applicable

Please explain your answer to question 5.4:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Information that is necessary for supervision will usually consist of governance documents that are used to assess whether sell-side parties have a prudent framework for ensuring compliance with SECR. Whereas investors are expected to be more focused on information that underpin their investment case and that are related to their instrument specific due diligence obligations.

Question 5.5. To ensure that investors and supervisors have sufficient access to information under Article 7, please select your preferred option below:

Option 1:

- Streamline the current disclosure templates for public securitisations
- Introduce a simplified template for private securitisations and require private securitisations to report to securitisation repositories (this reporting will not be public)

Option 2:

- Remove the distinction between public and private securitisations.
- Introduce principles-based disclosure for investors without a prescribed template
- Replace the current disclosure templates with a simplified prescribed template that fits the needs of competent authorities, with a reduced scope/reduced number of fields than the current templates

Option 3:

No change to the existing regime under Article 7.

Question 5.6. If you are a supervisor, what impact (in percent or EUR) would you anticipate Option 1 would have on your supervisory costs?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Denmark does not envisage that option 1, would lead to significant savings on supervisory costs. The more readily availability of information on private securitisations could however lead to some efficiencies, the benefit of which is hard to quantify.

Question 5.7. Assuming that transparency requirements are amended as suggested in Option 1, by how much would the volume of securitisations that you issue, or invest in, change?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As the question is aimed at the sell- and buy-side of a securitisation, we refrain from answering.

Question 5.8. What impact (in percent or EUR) would you anticipate Option 1 would have on your one-off and annual recurring costs for complying with the transparency requirements in Article 7? Please explain your answer.

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As the question is aimed at the sell-side of a securitisation, we refrain from answering.

Question 5.9. Do you see any concerns, impediments, or unintended consequences from requiring private securitisations to report to securitisation repositories?

- Yes
- No

- Don't know / no opinion / not applicable

Please explain your answer to question 5.9:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 5.10. Under Option 1, should the current definition of a public securitisation be expanded to a securitisation fulfilling any of the following criteria?

- 1. a prospectus has been drawn up in compliance with the EU Prospectus Regulation**
- 2. or notes were admitted a trading venue**
- 3. or it was marketed (to a broad range/audience of investors) and the relevant terms and conditions are non-negotiable among the parties**

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 5.10:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Denmark believes there could be merits in revising the current legal definition of private securitization to exclude securitisations that are more widely available and thus also warrant increased transparency.

Denmark can support a general review/streamlining of the disclosure templates. Denmark is hesitant to introduce a simplified template for private securitisations, taking into account the width of the current legal definition of private securitisations. With this in mind, we are of the impression that a more simplified disclosure template would only be appropriate with a narrowing of the legal definition of private securitizations. Finally, we are not yet decided that the reporting of disclosure templates to securitization repositories are necessary for private securitisations, especially if the scope of what constitutes private securitisations is narrowed.

Question 5.11. If you answered yes to question 5.10., what criteria should be used to assess point (3) in the definition above (i.e. a securitisation marketed (to a broad range/audience of investors) and the relevant terms and conditions are non-negotiable among the parties)?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We have no opinion on the precise criteria yet.

Question 5.12. If the definition of a public securitisation is expanded (for example, to encompass securitisations fulfilling the criteria set out in question 5.10), what share of your existing private transactions would now fall under this newly-expanded public definition?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We are not currently aware how a narrowing of the definition of private securitisations would affect existing securitisations.

Question 5.13. Under Option 1, what would you estimate to be the impact (in percent or EUR) of changing the definition of public securitisation on your one-off and annual recurring costs for complying with Article 7?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As the question is aimed at the sell-side of a securitisation, we refrain from answering.

Question 5.14. Assuming that transparency requirements are amended as suggested in Option 2, by how much would the volume of securitisations that you issue, or invest in, change?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As the question is aimed at the sell- and buy-side of a securitisation, we refrain from answering.

Question 5.15. What impact (in percent or EUR) would you anticipate Option 2 would have on one-off and annual recurring costs for complying with the transparency requirements in Article 7? Please explain your answer.

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As the question is aimed at the sell-side of a securitisation, we refrain from answering.

Question 5.16. Under Option 2, what should be included in the principle-based disclosure requirements for investors to reduce compliance costs while ensuring access to information?

How should investors access this information?

Please explain your answer, listing all relevant information that you think investors need to do proper due diligence that could be common across all securitisations.

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Denmark is skeptical toward “option 2”, and mindful that such an approach would be vulnerable to both missing key information and reduced comparability across different securitisations.

Question 5.17. Under Option 2, should intra-group transactions, and securitisations below a certain threshold, be excluded from the reporting requirements in Article 7?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 5.17, and, if you answered yes, please specify how should intragroup transactions be defined and how should the threshold be determined:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 5.18. Under Option 2, what would be the impact (in percent or EUR) on your one-off and annual recurring costs for complying with the transparency requirements of excluding intra-group transactions and securitisations below a certain threshold from the reporting requirements in Article 7? Please explain your answer.

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As the question is aimed at the sell-side of a securitisation, we refrain from answering.

Question 5.19. Should the text of Article 7 of the SECR explicitly provide flexibility for reporting on the underlying assets at aggregated level?

- Yes
- No
- Don't know / no opinion / not applicable

Question 5.20. If you answered yes to question 5.19., which categories of transactions should be allowed to provide reporting only at aggregated level?

You may select more than one option.

Please select as many answers as you like

- Granular portfolios of credit card receivables
- Granular portfolios of trade receivables
- Other
- Don't know / no opinion / not applicable

If you answered “other” to question 5.20, please explain:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

On a general note, Denmark is supportive of a high degree of transparency when it comes to securitization transactions, as such any flexibility to reporting on the underlying assets on an aggregate basis should be based on strict criteria that ensures that relevant information, such as for instance concentration risks or other correlations, are not present in the underlying exposures.

Question 5.21. If you are a supervisor, what impact (in percent or EUR) would you anticipate Option 2 would have on your supervisory costs?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Denmark does not envisage that “Option 2” would lead to significant change in the supervisory burden.

6. Supervision

Securitisation entails many actors, in some cases also based in different jurisdictions. This can result in several national competent authorities being involved in the supervision of one transaction. Market participants cite that differences in the supervisory approaches of Member States create uncertainty. This has been [raised in the Joint Committee of the ESAs’ report on the implementation and functioning of the securitisation framework](#) and in the [Commission 2022 securitisation review report](#). Diverging supervisory practices create resource and cost inefficiencies due to the multiplication of common functions across many Member States. Divergence and ensuing legal uncertainty can create an unlevel playing field and are detrimental to the growth of the securitisation market and its proper functioning. In addition, fragmented responsibility and access to data can create loopholes and potentially lead to the emergence of

risks. For these reasons, it is important to consider how to streamline and improve supervision in the EU to ensure consistency, better coordination, and a proportionate approach to avoiding divergent practices. This could be achieved through a more efficient and effective use of the existing powers which are allocated to the ESAs and competent authorities.

Ideas for improvement include the creation of supervisory hubs, building on the model of the SSM securitisation hub. In the case of cross-border transactions, a lead coordinator could be appointed under the joint oversight of the ESAs. NCAs' participation could be mandatory, requiring all or some NCAs to participate based on a set of relevant criteria. Alternatively, participation could also be voluntary so only interested NCAs join the new supervisory structure. This would, however, limit the degree of supervisory convergence that can be achieved. This section seeks to gather feedback in relation to these ideas.

Question 6.1. Have you identified any divergencies or concerns with the supervision, based on the current supervisory set up?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 6.1 and give specific examples:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Denmark have not identified any particular issues that can be attributed solely to the current supervisory setup.

Question 6.2. Would you see merit in streamlining supervision to ensure more coordination and supervisory convergence?

- Yes
- No
- Don't know / no opinion / not applicable

Question 6.3. If you answered yes to question 6.2., what should be the scope of coordinated supervision?

- STS securitisations only
- All securitisations
- Other
- Don't know / no opinion / not applicable

If you responded "other" to question 6.3, please specify to what you refer:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 6.4. If you answered yes to question 6.2., what should be the supervisory tasks of coordinated supervision?

- Compliance with Securitisation Regulation as a whole
- Compliance only with STS criteria
- Compliance with Securitisation Regulation and prudential requirements for securitisation
- Other
- Don't know / no opinion / not applicable

If you responded "other" to question 6.4, please specify to what you refer:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Denmark considers the existing supervision of securitisation broadly suitable, but we support exploring possible shortcomings that could lead to material inefficiencies.

In this regard, we support looking at possible adjustments to the supervision of securitisation across different jurisdictions within the current framework. A guiding principle should be standardizing the supervision, so the process is streamlined and optimized thereby creating certainty for market participants.

The securitization regulation place certain requirement on actors participating in a securitization transaction. These requirements can to a large degree be viewed in isolation and thus are not at odds with national supervision.

Furthermore, it is worth considering that national supervisors typically also supervise the actors in a securitization transaction based on other pieces of financial regulation. As such, national supervisors would typically have a holistic understanding of the particular actors, that could greatly benefit also the supervision under the securitization regulation.

We would however like to be quite explicit that we believe that the prudential supervision of securitisations should not be transferred from national authorities in any magnitude.

Question 6.5. If you answered yes to question 6.2., which model would you prefer?

- Setting up supervisory hubs
- Having one national authority as lead coordinator in the case of one issuance involving multiple supervisors

- Another arrangement

Please explain your answer to question 6.5. If you selected “Another arrangement”, please specify:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

If you responded "another arrangement" to question 6.5, please specify to what you refer:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 6.6. If you answered yes to question 6.2, would you require participation by all NCAs or only some?

- All
- Some
- Don't know / no opinion / not applicable

Question 6.7. If you answered “Some” to question 6.6., based on what criteria would you select NCAs? Please specify.

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 6.8. If you are a supervisor, how would the changes to supervision suggested in the previous questions affect your supervisory costs?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We have no reliable assessment of the effect on supervisory cost and will refrain from answering this question.

7. STS standard

The STS standard identifies criteria for simplicity, standardisation and transparency designed to address those aspects of the securitisation practice that had proven problematic during the global financial crisis. It aims to address and mitigate major drivers of operational and agency risks arising in securitisation, by enabling investors to differentiate STS-designated products from more opaque and complex ones.

In recognition of their less complex structure, STS positions entail lower capital requirements than non-STS in the banking and insurance prudential regulations. It was expected that the introduction of the STS standard in the EU would have a significant positive impact on the scaling up of the EU securitisation market, by incentivising standardisation of the securitisation transactions across the EU and attracting new issuers and investors to the market. Stakeholders have flagged some of the STS criteria as burdensome to comply with or otherwise constraining further development of the STS market. Such criteria include the homogeneity of underlying assets, the collateral requirement for on-balance-sheet securitisations, the ban on including exposures to credit impaired obligors, the information to be provided prior to pricing and/or closing, and others.

In order to protect the integrity of the STS standard, it is important to ensure that a transaction that is notified as STS really complies with the criteria. Third-party verifiers (TPVs) are a voluntary, but important link in the chain of verifying that a securitisation complies with the STS criteria, alongside originators, sponsors, national competent authorities and investors. However, in the current text of the SECR, TPVs are authorised at national level but are not supervised after authorisation, and they do not lift the ultimate responsibility from the originator and sponsor for ensuring compliance with the STS criteria.

Some indications suggest that the STS label has been successful – the label is used by the market and recognised by investors. Moreover, some transactions appear to be structured almost exclusively to be STS-compliant, such as prime Residential mortgage-backed securities (RMBSs) and auto-loans asset backed securities (ABSs). On the other hand, the size of the securitisation market in general has not shown significant recovery since the introduction of the STS label, and STS-compliant transactions amount to less than half of the public securitisation market, which in itself represents a declining portion of the overall securitisation market. This section seeks stakeholders' feedback on the use of the STS label, including how to increase its attractiveness for both originators and investors.

Question 7.1. Do you think that the STS label in its current form has the potential to significantly scale up the EU securitisation market?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 7.1:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 7.2. Which of the below factors, if any, do you consider as holding back the expansion of the STS standard in the EU?

You may select more than one option.

Please select as many answers as you like

- Overly restrictive and costly STS criteria
- Low returns
- High capital charges
- LCR treatment
- Other
- Don't know / no opinion / not applicable

Please explain your answer to question 7.2:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 7.3. How can the attractiveness of the EU STS standard be increased, for EU and non-EU investors?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

STS criteria

Question 7.4. In the case of an unfunded credit protection agreement^[*] where the protection provider provides no collateral to cover his potential future liabilities, should such an agreement be eligible for the STS label, to facilitate on-balance-sheet STS securitisations?

* According to Article 26e(8)(c) eligible credit protection for STS on-balance-sheet securitisation should be “secured by collateral meeting the requirements laid down in paragraphs 9 and 10 of this Article.

- Yes
- No
- Don't know / no opinion / not applicable

Question 7.5. If you answered yes to question 7.4., what safeguards should be put in place to prevent the build-up of financial stability risks arising from the provision of unfunded credit protection?

- The protection provider should meet a minimum credit rating requirement.
- The provision of unfunded credit protection by the protection provider should not exceed a certain threshold out of their entire business activity.
- Other
- Don't know / no opinion / not applicable

Please explain your answer to question 7.5:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 7.6. What would be the implications for EU financial stability of allowing unfunded credit protection to be eligible for the STS label and the associated preferential capital treatment?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Uncollateralised credit protection agreements gives rise to additional interdependencies and can lead to a build up for financial stability risks.

Seeing as uncollateralized credit protection agreements are vulnerable to defaults by the protection seller, securitisations structured around these agreements does not entail the same surety of credit risk transfer, and should thus not be able to benefit from the preferential capital treatment of STS-securitisations.

As such Denmark is of the view that securitisations using such arrangements should not be eligible under the STS-label.

Question 7.7. How would allowing unfunded credit protection to be eligible for the STS label and the associated preferential capital treatment impact EU insurers' business model of providing credit protection via synthetic securitisation (for example, would EU insurers account such transactions as assets or as liabilities)?

Please explain your answer.

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As the question is aimed at EU insurers, we refrain from answering.

Question 7.8. If you are an originator, what impact on the volume of on-balance-sheet securitisations that you issue do you expect to see if unfunded credit protection becomes eligible for the STS label and the associated preferential capital treatment?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As the question is aimed at originators, we refrain from answering.

Question 7.9. If you answered no to question 7.4., do you see merit in expanding the list of eligible high-quality collateral instruments in Article 26e (10) to facilitate on-balance-sheet STS securitisations?

- Yes
- No
- Don't know / no opinion / not applicable

Question 7.10. If you answered yes to question 7.9., which high-quality collateral instruments should be added to the list?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 7.11. What would be the implications for EU financial stability of extending the list of high-quality collateral arrangements under Article 26e (10)?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In line with our answer to point 7,4 and 7,6 credit protection agreements that do not provide for a very high level of surety of sufficient coverage, can result in the built-up financial stability risks. As such, any additions to the set of eligible collateral for credit protection agreements should only be considered if the collateral is the highest quality.

Question 7.12. Do the homogeneity requirements for STS transactions represent an undue burden for the securitisation of corporate loans, including SMEs?

Please explain your answer.

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We have no concrete suggestions regarding amendments for the STS-criteria.

Question 7.13. Should the STS criteria (for traditional, asset backed commercial paper (ABCP) or on-balance-sheet securitisation) be further simplified or amended?

Please explain your answer and provide suggestions.

- Yes
- No
- Don't know / no opinion / not applicable

Please provide a justification for your answer to question 7.13:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Third-Party Verifiers (TPVs)

Question 7.14. On a scale of 1 to 5 (1 being the least valuable), please rate the added value of TPVs in the STS securitisation market.

- 1 - Very low added value
- 2 - Low added value
- 3 - Medium added value
- 4 - High added value
- 5 - Very high added value
- Don't know / no opinion / not applicable

Please provide a justification for your answer to question 7.14:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 7.15. If you answered yes to question 4.10.(iv), should the TPVs be supervised to ensure that the integrity of the STS standard is upheld?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 7.15, including where necessary whether TPVs should be supervised at EU level:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Third Party Verifiers (TPV) must be authorized by their National Competent Authority. The National Competent Authority is required to withdraw this authorization from TPVs if they are no longer in compliance with the requirements of SECR, as such it is our impression that TPVs are already under supervision.

Question 7.16. To what extent would supervision of TPVs increase the cost of issuing an STS securitisation?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 7.16, and if available, estimate the total costs in EUR:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

8. Securitisation platform

One issue which is mentioned in the public debate is the possibility of setting up a securitisation platform, with various ideas being put forward on the possible characteristics and functions of such a platform. One of the proposals (see [Noyer report](#), developing European capital markets to finance the future: Proposals for a savings and investments union),

inspired by the US model, envisages the use of public guarantees both at national and EU-level to scale up the market and create a new common 'safe asset' across the EU. Other suggested designs are more circumspect (for example see [TSI report](#), the challenge of financing the transformation for companies and banks in Germany – securitisation as an instrument for linking bank loans and capital markets) and entail the pooling of resources and information to reduce issuance costs and encourage standardisation.

In its [statement of 7 March 2024, the ECB Governing Council](#) highlighted the need to explore 'whether public guarantees and further standardisation through pan-EU issuances could support targeted segments of securitisation, such as green securitisations to support the climate transition'.

Question 8.1. Would the establishment of a pan-European securitisation platform be useful to increase the use and attractiveness of securitisation in the EU?

- Yes
- No
- Don't know / no opinion / not applicable

Question 8.2. If you answered yes to question 8.1., which of the following objectives should be main objective(s) of the platform?

You may select more than one option

Please select as many answers as you like

- Create an EU safe asset
- Foster standardisation (in the underlying assets and in securitisation structures, including contractual standardisation)
- Enhance transparency and due diligence processes in the securitisation market
- Promote better integration of cross-border securitisation transactions by offering standardised legal frameworks
- Lower funding costs for the real economy
- Lower issuance costs
- Support the funding of strategic objectives (e.g. twin transition, defense, etc.)
- Other

Please explain how the platform could be designed to achieve the objectives that you selected in your answer to question 8.2:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 8.3. If you answered yes to question 8.1., how would access to a pan-European securitisation platform increase the use and attractiveness of securitisation in the EU?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 8.4. Should the platform target specific asset classes?

- Yes
- No
- Don't know / no opinion / not applicable

Question 8.5. If you answered yes to question 8.4., which asset classes should the platform target?

- SME loans
- Green loans (i.e. green renovation, green mobility)
- Mortgages
- Corporate loans
- Other
- Don't know / no opinion / not applicable

Please provide a justification for your answer to question 8.5:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 8.6. Are guarantees necessary?

- Yes
- No
- Don't know / no opinion / not applicable

Question 8.7. If you answered yes to question 8.6., please explain who (private or public) would provide it and how you would design such a guarantee

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 8.8. What do you view as the main challenges associated with the introduction of such a platform in the EU, and how could these be managed?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Denmark is fundamentally against the use of public guarantees to support a securitization platform, as we firmly believe that the transfer of credit risk should be conducted on markets terms. As such, Denmark does not support that public guarantees are part of the envisaged solution for a securitization platform. In Denmark's view, the establishment of a securitization platform should only be attempted after a thorough assessment that provides clear indications that such a platform would provide material efficiencies to buy- and sell-side actors, for example through easier marketing and further product standardization.

In relation to "Foster standardization", "Enhance Transparency", "Lower issuance costs", mentioned in 8.2., Denmark have no concrete proposals on how to design a securitization platform, but would like to reiterate that such a platform should be designed without the use of public guarantees and only after a thorough assessment that the platform would provide worthwhile benefits.

Taking note that no market lead initiative has led to the establishment of the envisaged platform yet, Denmark question the actual added value of such a platform. As previously stated, Denmark does not support "subsidizing" a securitization platform with an offer of public guarantees. If however, after a thorough assessment, it is concluded that there exists certain technical hindrances to a market lead platform solution, Denmark would be open to discuss the removal of such elements.

Question 8.9. What key considerations need to be taken in designing a pan-European securitisation platform, for such a platform to be usable and attractive for originators and/or investors?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 8.10. Besides the creation of a securitisation platform, do you see other initiatives that could further increase the level of standardisation and convergence for EU securitisations, in a way that increases securitisation volumes but also benefits the deepening and integration of the market?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

9. Prudential and liquidity risk treatment of securitisation for banks

Banks are central players in the EU securitisation market. On the issuer side, securitisation is a useful tool in banks' toolkit for diversifying funding sources, and for balance sheet and credit risk management purposes. On the demand side, while banks hold significant exposures towards EU securitisation transactions and in particular to senior tranches, most are in the form of retained securitisations, including asset-backed securities (ABS) that are used as collateral for central bank operations to obtain liquidity. Exposures to other banks' securitisations are overall limited. The high percentage of retained securitisations limits the depth and liquidity of the securitisation market in the EU.

The prudential treatment of securitisation is set out in [Regulation \(EU\) No 575/2013 \(Capital Requirements Regulation - CRR\)](#). It specifies requirements for the prudential treatment of securitisation exposures by banks, acting as originators, investors and sponsors in securitisation. The main features of the prudential treatment are defined in the Part Three, Title II, Chapter 5 of the CRR, which sets out the regulatory capital calculation approaches, a specific risk-sensitive treatment for STS securitisations and additional criteria for the STS securitisations to be eligible for that treatment, the framework for the significant risk transfer (SRT), specific treatment for securitisation of non-performing exposures and other specific requirements. Besides, the prudential treatment under the CRR, the liquidity risk treatment of the securitisation exposures under the [LCR Delegated Regulation \(Delegated Regulation \(EU\) 2015/61 on liquidity coverage requirements for credit institutions\)](#) is also relevant for banks.

In their [advice from December 2022, the European Supervisory Authorities \(ESAs\)](#) concluded that the prudential and the liquidity treatment of securitisation is not the key obstacle to the revival of the securitisation market, and that the subdued status of the securitisation market is rather the result of a series of factors, including the interplay between low supply and low demand. At the same time, the ESAs also recognised in their report that it is possible to increase the risk sensitivity of the prudential framework. Many stakeholders consider the prudential and liquidity treatment as having a decisive impact on the attractiveness of the securitisation instrument for banks and in addition point out in particular to a relative disadvantage of the prudential treatment for some types of securitisations in comparison with other financial instruments.

Question 9.1. What concrete prudential provisions in the CRR have the strongest influence on the banks' issuance of and demand for those types of traditional, i.e. true sale, securitisation which involve the senior tranche being sold to external investors and not retained by the originator?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 9.2. Please explain how possible changes in the prudential treatment would change the volume of the securitisation that you issue, or invest in (for the latter, split the rationale and volumes for different tranches):

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As the question is aimed at the sell- and buy-side of a securitization, we refrain from answering.

Question 9.3. Based on your answer to 9.1, please explain how possible changes in the prudential treatment could support the supply for and demand of SME and corporate exposure-based securitisation transactions:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 9.4. Does the prudential treatment of securitisation in the CRR appropriately reflect the different roles a bank can play in the securitisation chain, concretely the roles of originator (limb ‘a’ and limb ‘b’ of the definition of the originator in the [Securitisation Regulation^{\[*\]}](#)), servicer and investor?

* According to Article 3(2) of the [Securitisation Regulation](#), an originator can be an entity that has originated the exposures that are securitised (letter (a)), or has purchased a third party’s exposures on its own account and then securitises them (letter (b))

- Yes
- No
- Don’t know / no opinion / not applicable

Question 9.5. If you answered no to question 9.4., please explain and provide suggestions for targeted amendments to more appropriately reflect the different roles of banks as originator, investor, and servicer:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 9.6. Have you identified any areas of technical inconsistencies or ambiguities in the prudential treatment of securitisation in the CRR (other than the ‘quick fixes’ identified by the [ESAs in the report JC/2022/66](#)) that could benefit from further clarification?

- Yes
- No
- Don’t know / no opinion / not applicable

Question 9.7. If you answered yes to question 9.6., please explain and provide suggestions for possible clarifications:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 9.8. Are there national legislations or supervisory practices which in your view unduly restrict banks in their potential role as investor, originator, servicer or sponsor of securitisation transactions?

- Yes
- No
- Don't know / no opinion / not applicable

Question 9.9. If you answered yes to question 9.8., please explain and provide examples:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 9.10. How do banks use the capital and funding released through securitisation?

Please explain your answer and if possible, quantify how much of the released capital and funding is used for further lending to the EU economy.

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Due to limited supervisory experience with securitisation, we are unable to provide an answer to this question.

Risk weight floors

The risk weight floors, the p-factor and the requirement of risk weighting at 1250% for the securitisation positions up to KIRB/KSA are key measures, ensuring the non-neutrality of the securitisation capital framework.

The main objective of non-neutrality is to protect against certain structural risks, including agency and model risks, that are more prevalent for securitisations than for other financial assets and give rise to some degree of uncertainty in the calculation of capital requirements for securitisations, even after all appropriate risk drivers have been taken into account. To capture those risks adequately, the CRR sets out a 15% risk-weight floor for non-STS securitisation positions and a 10% risk-weight floor for STS securitisation positions (positions in resecuritisations – generally not admitted under the EU securitisation framework – when allowed by supervisors, are subject to a more conservative 100% risk-weight floor), irrespective of the approach for calculation of capital requirements and the role of the bank in the securitisation (originator or investor with respect to the securitisation position).

ESAs contend that originators, unlike the investors, are subject to reduced model and agency risk in relation to their own originated securitisation. The ESAs found that the current risk-weight floors on retained tranches are unjustifiably high and operate to dissuade banks from originating a larger volume of SRT trades. Accordingly, the ESAs recommend lowering the risk weight floors for originators being the original lenders^[1] (in STS deals, under SEC-IRBA, from 10% to 7%, and under non-STS for all approaches, from 15% to 12%), subject to safeguards. These safeguards would seek to ensure an adequate reduction in the credit risk of the underlying exposures retained by the originator and prevent undercapitalisation of the underlying risk of the respective securitisation positions retained by the originator (criteria in relation to the thickness of the sold non-senior tranches, amortisation structure, granularity and, for synthetic securitisations only, counterparty credit risk).

While the safeguards aim to ensure the resilience of the transactions, they have been conceived for future issuances, rather than for existing trades (indeed only a minority of the existing transactions would pass the criteria). The criterion on the thickness of the non-senior tranche has been perceived by various stakeholders as particularly conservative and prescriptive.

* For instance, only originators involved in the origination of the underlying exposures as referred to in point (3)(a) of Article 2 of the Securitisation Regulation. This would exclude any originator that “purchases a third party’s exposures on its own account and then securitises them”, according to point (b) of the same Article, to avoid that credit institutions would expand beyond core businesses just for the purpose of securitising the respective exposures in order to benefit from the reduction in the risk weight floor.

Question 9.11. Do you agree that securitisation entails a higher structural model risk compared to other financial assets (loans, leases, mortgages) due to, for example, the inherent tranching?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 9.11:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As securitisation does not play a role in the funding markets in Denmark, there is similarly limited supervisory experience with securitisation. But we do consider that securitisation entails a higher structural model risk as it is a complex product compared to other financial assets.

Question 9.12. Do you consider that scope and the size of the reduction of the risk weight floors, as proposed by the ESAs, is proportionate and adequate to reflect the limited model and agency risks of originators and improve the risk sensitivity in the securitisation framework, taking into account the capital requirements for other financial instruments?

- Yes
 - No
 - Don't know / no opinion / not applicable
-

Question 9.13. If you answered no to question 9.12., should the scope and size of the reduction of the risk weight floors be amended?

For example, should it be extended to investors in a targeted manner (such as, for example, to investors in STS securitisations and under SEC-IRBA approaches only, to prevent discrepancies with the prudential treatment of covered bonds under the SA approach)?

Or, on the contrary, should the scope be reduced to only include originators who are servicing the underlying exposures?

Please justify your reasoning:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Any amendments to the scope and size of the reduction of the risk weight floors should be based on thorough analysis and assessments of the impacts on potential risks to avoid unintended consequences in terms of reduced robustness and resilience of the markets, especially when considering deviations from Basel standards/IOSCO recommendations. We do not find a reduction of the risk weight floors to be sufficiently documented or analyzed and therefore we do not support such reduction. The risk weight floors should reflect the risk.

For any other changes to the established framework on topics such as in questions 9.6. and 9.20, we would also highlight the need for thorough analysis and impact assessment before making any changes, especially regarding any considerations to deviate from calibrations following from Basel standards and IOSCO recommendations.

Question 9.14. Do you consider that the ESAs' proposed accompanying safeguard, with respect to the thickness of the sold non-senior tranches, is proportionate and adequate in terms of ensuring the resilience of the transactions?

- Yes
- No
- Don't know / no opinion / not applicable

Question 9.15. If you answered no to question 9.14., please provide and explain alternative proposals to ensure a sufficient thickness of the sold non-senior tranches to justify a possible reduction of the risk-weight floor in an efficient and prudent manner.

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 9.16. Do you consider that the other three safeguards as proposed by the ESAs (amortisation structure, granularity and, for synthetic securitisations only, counterparty credit risk) are proportionate and adequate in terms of ensuring the resilience of the transactions?

- Yes
- No
- Don't know / no opinion / not applicable

Question 9.17. If you answered no to question 9.16., please provide and explain alternative proposals for safeguards that would effectively ensure the resilience of the transaction and would justify the reduction of risk-weight floors.

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 9.18. If you answered no to question 9.16., as an alternative, instead of these three safeguards, taking into account the need to ensure simplicity, would it be preferable to limit the reduction of the risk weight floor to STS transactions only? Please explain.

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Any amendments to the scope and size of the reduction of the risk weight floors should be based on thorough analysis and an and assessments of the impacts on potential risks to avoid unintended consequences in terms of reduced robustness and resilience of the markets.

Question 9.19. What would be the expected impact of a possible reduction of the risk weight floor on EU securitisation activity?

Please explain any possible impact on different types of securitisations (traditional securitisation, synthetic securitisation), from both supply and demand sides.

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The (p) factor

The (p) factor is the main parameter of non-neutrality in the securitisation framework. Besides incorporating the capital non-neutrality, it also serves as a smoothing parameter to mitigate the so-called 'cliff effects' that arise when small changes in input parameters under the current risk weight functions result in comparably large changes in risk weights (the lower the (p) factor, the higher the cliff effect). The (p) factor aims to capture the structural risks of securitisation^[*] in particular agency and model risks, and to some extent correlation (risk of correlated defaults, particularly present in non-granular pools). A p-factor of "1" means that for the whole securitisation structure (i.e., all the tranches) there is 100% more capital required (doubling the capital required) compared to the requirement that applies to the underlying portfolio of assets.

In their [2022 advice, the ESAs](#) did not support the reduction of the (p) factor. In particular, they considered that lowering the (p) factor, without making other changes to the risk-weight function underpinning the SEC-IRBA and the SEC-SA formulae, might increase the risk of cliff effects and of undercapitalisation of the mezzanine (non-senior) tranches.

Overall, the reduction of the (p) factor seems to have the most significant impact on the capital treatment of the mezzanine tranches, where more bank investments may not be desirable, and a less significant impact on the capital treatment of senior tranches, where the risk weight floor has a more significant impact.

The issue is whether the (p) factor could potentially be reduced, in a targeted manner and on a limited basis only (equivalent to, for example, a [x%] reduction, compared to the existing treatment), to improve the coherence between the actual risks and the capital treatment, while avoiding the unwarranted risk of increased cliff effects and undercapitalisation of the mezzanine tranches in particular. Possible targeted reductions could focus on originators, STS transactions, or senior tranches.

* Under SEC-SA, there is a fixed (p) factor of 1 (for non-STs securitisations) and 0.5 (for STs securitisations). Under the SEC-IRBA, banks may calculate their own supervisory parameter based on four risk factors, i.e., the framework (correlation effect), the granularity of the securitised pool for wholesale, the capital charge for the underlying exposures, the average loss given default of the securitised pool, plus one non-risk parameter (tranche maturity MT, capped at 5 years), which is subject to a floor of 0.30. There is no (p) factor in SEC-ERBA where the capital requirements are set out in the look-up tables, to ensure consistency compared with the capital requirements with SEC-SA.

Question 9.20. Do you consider that the current levels of the (p) factor adequately address structural risks embedded in securitisation, such as model risk, agency risk and to some extent correlation, as well as the cliff effects?

- Yes
- No
- Don't know / no opinion / not applicable

Question 9.21. If you answered no to question 9.20., please provide the justification, and provide quantitative and qualitative data, for whether and how the (p) factor overestimates the risks and inappropriately mitigates the cliff-effects, for specific types of securitisation exposures.

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 9.22. Do you consider that potential targeted and limited reductions to the (p) factor may increase securitisation issuance and investment in the EU, while at the same time keeping the capitalisation of the securitisation tranches at a sufficiently prudent level?

- Yes
- No

- Don't know / no opinion / not applicable

Please explain your answer to question 9.22:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Denmark is of the view that a reduction of the p-factor – even if targeted and limited – could result in undercapitalization of some tranches, thereby not ensuring an overall sufficiently prudent level of capitalization. As securitisation does not play a role in the funding markets in Denmark our supervisory experience is limited, but any changes to the p-factor should be based on thorough analysis and assessments of the impacts on potential risks to avoid unintended consequences in terms of reduced robustness and resilience of the markets. The need for thorough analysis and assessment also follows from the fact that current level of the p-factor is calibrated on the Basel standards and that any deviations should be carefully considered.

Question 9.23. If you answered yes to question 9.22., what criteria should be considered when considering such targeted and limited reductions?

You may select more than one option.

Please select as many answers as you like

- Exposures held by originators versus investors
- Exposures in STS versus non-STS securitisations (beyond the differentiation already provided for in Article 260 and in Article 262 CRR)
- Exposures in senior versus non-senior tranches
- Exposures calculated under different capital approaches
- Other criteria
- Don't know / no opinion / not applicable

Please explain your answer to question 9.23:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 9.24. As regards your answer to 9.22., please provide quantitative and qualitative data on the likely impact of possible targeted and limited reductions to the (p) factor as investigated above, in particular how such targeted reductions would avoid cliff effects and undercapitalisation of mezzanine tranches and, how they would not create incentives for banks to invest in mezzanine tranches.

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We are unable to provide the requested data, as securitisation does not play a role in the funding markets in Denmark. But a thorough analysis and impact assessment should be undertaken before considering recalibrating the p-factor, so as to ensure an overall sufficiently prudent level of capitalization for all types of tranches.

Question 9.25. As regards your answer to 9.22, please provide the data on how they would have a positive impact on the issuance of securitisation, the investments in securitisation, and the placement of securitisation issuances with external investors, for different types of securitisations (traditional securitisation, synthetic securitisation).

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We are unable to provide the requested data, as securitisation does not play a role in the funding markets in Denmark.

Question 9.26. Do you consider that the current approach to non-neutrality of capital requirements as one of core elements of the securitisation prudential framework, leads to undue overcapitalisation (or undercapitalisation) of the securitisation exposures, in particular when compared to the realised losses and distribution of the losses across the capital structure (different tranches of securitisation) over a full economic cycle?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 9.26:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Due to limited supervisory experience with securitisation, we are unable to provide an answer to this question. Any changes to the capital requirements should be based on thorough analysis and assessments of the impacts on potential risks to avoid unintended consequences in terms of reduced robustness and resilience of the markets.

Question 9.27. If you answered yes to question 9.26, please justify your reasoning and provide quantitative and qualitative data to show the extent of the undue non-neutrality (overcapitalisation or undercapitalisation), in particular when compared to the realised losses and distribution of the losses across the capital structure, taking into consideration the need to cover a full economic cycle.

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 9.28. Based on your answer to 9.26., do you consider that alternative designs of the risk weight functions, such as an inverted S-curve, or introducing a scaling parameter to scale the KA^[*] downwards, within the current halfpipe design, as investigated in the Section 3.3.2 of the [EBA Report](#), have potential to achieve more proportionate levels of capital non-neutrality and capital distribution across tranches, address the potential cliff effects more appropriately and achieve prudential objectives?

* KA factor as specified in paragraph 2 of Article 261 of the CRR, for the purpose of calculation of the capital charge under the standardised approach (SEC-SA).

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 9.28:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Due to the technical nature of this question coupled with our limited supervisory experience, we are unable to answer this question. But we stress the importance of thorough analysis and impact assessments before considering any changes to the established framework.

Question 9.29. If you answered yes to question 9.28, please specify the impact of such alternative design compared to the existing risk weight functions and explain an appropriate calibration of such alternative designs and possible safeguards for the measures to achieve prudential objectives.

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Significant risk transfer (SRT)

The concept of significant risk transfer ('SRT'), i.e. transfer of a sufficient quantum of credit risk from the bank's balance sheet to a third party, is a crucial regulatory and supervisory concept in the EU securitisation framework. It is a precondition for a bank originator to benefit from capital relief from securitisation, and therefore one of the critical considerations for a bank originator when structuring a securitisation transaction. Achieving SRT requires complying with various quantitative and qualitative tests that are defined in high level terms in the CRR. The current framework provides for two 'mechanical' tests (the 'mezzanine' and 'first loss' tests), which the competent authority supplements with a case-by-case assessment, as to whether the originator has transferred an amount of credit risk which is 'commensurate' to the capital relief. The 'permission-based' approach is an alternative to the existing mechanical tests and may ensure that a commensurate transfer of risks is achieved. The originator has an interest in receiving the assessment of compliance with those tests by the Competent Authorities for reasons of legal certainty, and the Competent Authorities' decision on SRT is consequential for the economic viability and ultimate structure of a securitisation executed with a capital relief intent.

In its [report published in 2020](#), the EBA identified a series of structural limitations of the existing SRT regulatory framework in the CRR and it proposed a set of recommendations to enhance the efficiency and robustness of the SRT framework and strengthen the consistency in the SRT outcomes (in particular in three areas: in relation to the SRT tests, the process applied by the competent authorities to assess the SRT, and the structural features of securitisation transactions which may affect the effectiveness of the risk transfer).

As one of the recommendations, the EBA recommends replacing the mechanical tests with a single comprehensive test based on the principle-based approach (PBA) test which aims to make the SRT framework less complex and more flexible. Under the PBA test, the SRT can be achieved in case at least 50% of the unexpected losses (UL) are transferred to third parties. The EBA also provides recommendations with respect to the allocation of the lifetime expected losses (LTEL) and unexpected losses to the tranches for the purposes of the PBA test. Those recommendations have received only limited support from stakeholders, given the alleged conservativeness of the proposals as regards the suggested back-loading of UL in a stressed scenario.

Recently, improvements have been achieved in both the convergence of assessment and the process of the SRT assessments. The recent market data confirm a considerable increase of SRT securitisation transactions.

Generally, the SRT market continues to grow as these transactions allow banks, that operate in an environment with capital pressure, to benefit from a capital relief. Synthetic transactions continue to dominate the SRT segment, with a share of more than 85% in the overall notional.

Question 9.30. Do you agree with the conditions to be met for SRT tests as framed in the CRR (i.e. the mechanical tests - first loss and mezzanine tests, and the supervisory competence to assess the commensurateness of the risk transfer, as set out in Articles 244 and 245 of the CRR)?

Are the SRT conditions effective in ensuring a robustness and consistency of the ‘significant risk transfer’ from an economic perspective?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 9.30:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As securitisation does not play a role in the funding markets in Denmark, there is similarly limited supervisory experience with securitisation under the current regulatory regime.

Question 9.31. If you answered no to question 9.30, do you consider that the robustness and efficiency of the SRT framework could be enhanced by replacing the current mechanical tests with the PBA test?

The PBA test could be based on the recommendations in the EBA Report, while the recommendations on the allocation of losses to the tranches could be reconsidered.

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Any changes to the current framework should be based on thorough analysis and impact assessments which show a clear added value.

Question 9.32. Do you consider the process of the SRT supervisory assessments to be efficient and adequate?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 9.32:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As the question is aimed at the stakeholders, we refrain from answering.

Question 9.33. If you answered no to question 9.32., please provide justifications and suggestions how the SRT assessment process could be improved further.

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 9.34. Should the process of the SRT supervisory assessments be further specified at the EU level (e.g., in Guidelines, based on a clear mandate in Level 1), or should it be rather left entirely to the competent authorities to set out their own process?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 9.34:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Denmark considers the existing supervision broadly suitable and do not see a need for further regulating the supervisory assessments at the EU level. The process of the SRT assessment should be left to the competent authorities to set out their own process.

Question 9.35. If you answered yes to question 9.34., please provide suggestions:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 9.36. If you are a supervisor, how would a change in the SRT regulatory framework (in particular on the SRT tests and the process of SRT supervisory assessments) impact your supervisory costs?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As securitisation does not play a role in the funding markets in Denmark, there is similarly limited supervisory experience with securitisation under the current regulatory regime. We are therefore not able to answer this question.

Transitional measure in Article 465(13) of the CRR

The transitional measure in Article 465(13) of the CRR as amended by [Regulation \(EU\) 2024/1623](#) aims to mitigate possible unintended consequences of the introduction of the output floor on the calculation of capital requirements for securitisation exposures. It introduces a targeted relief for exposures risk-weighted under the SEC-IRBA and internal assessment approach (IAA) by halving the (p) factor in the calculation of the output floor for those IRB securitisation positions (i.e. the (p) factor is halved to 0.25 for the STS securitisation positions eligible for the preferential capital treatment under the CRR, and to 0.5 for all other securitisation positions). The introduction of this targeted relief acknowledges the fact that the (p) factor levels embedded in the securitisation standardised approach formula (SEC-SA) when used in the context of the output floor would produce unduly punitive results for securitisations structured based on the SEC-IRBA by banks using internal models. The transitional measure will be in application from 1 January 2025 until 31 December 2032.

Question 9.37. Do you consider that the transitional measure will remain necessary and should be maintained, in case of introduction of other changes to the prudential framework?

- Yes
- No
- Don't know / no opinion / not applicable

Question 9.38. If you answered yes to question 9.37., please explain why and whether there are any alternative measures that could be more appropriate to achieve the original objective of the transitional measure.

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Any changes to the current framework should be based on concrete problems or identified gaps in the regulation. The work should further be supported by thorough analysis and impact assessments.

Question 9.39. If you answered yes to question 9.37, do you consider that a potential targeted and limited reduction of the p-factor might affect the effectiveness of the transitional measure under the output floor?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 9.39:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Liquidity risk treatment in the LCR Delegated Regulation

The liquidity coverage ratio (LCR), transposed in the [LCR Delegated Regulation \(Delegated Regulation \(EU\) 2015/61 on liquidity coverage requirements for credit institutions\)](#), seeks to ensure that banks maintain a liquidity buffer to meet net outflows under severe idiosyncratic and market wide stress conditions. The LCR Delegated Regulation allows

senior tranches of STS traditional securitisations to be included as level 2B high quality liquid assets (HQLA), capped at 15% of the liquidity buffer. Non-senior tranches of STS traditional securitisation, non-STS traditional securitisations, synthetic securitisation and resecuritisations are ineligible for inclusion in the HQLA.

In terms of eligible asset classes, in addition to securitisations with underlying mortgages (RMBS) in line with the Basel Standards, the EU transposition allows inclusion of securitisations with underlying auto-loans, consumer-loans and SME-loans, subject to different haircuts, credit quality steps (CQSs) and other requirements (in addition, as clarified by [Q&A 2019_4786](#), securitisations, including NPL securitisations, that are explicitly guaranteed by the central government of a Member State can qualify as level 1 liquid assets in the LCR in accordance with Article 10(1)(c)(i) of the LCR Delegated Regulation). This expansion of eligible securities in the EU was motivated by the expectation that it would increase diversification of banks' liquid assets.

Some consider that the liquidity treatment of securitisations in the LCR Delegated Regulation has a major impact on banks' investments in STS securitisations and issuance thereof and have advocated for the relaxation of eligibility conditions for securitisations in the LCR.

Currently, banks make only negligible use of the capacity of their liquidity buffers to invest in securitisations as level 2B HQLA, with the share of securitisations in banks' liquid assets ranging from 0.2% to 0.7%. This may suggest that most banks do not consider securitisations to be effectively liquid and marketable during stress. It also shows a minimal impact of securitisations on the liquid assets' diversification in the LCR buffers – the diversification being one of the primary motivations for the expansion of eligible securitisations in the EU beyond Basel.

On a more technical aspect, several stakeholders propose to introduce an amendment to the LCR Delegated Regulation, with the aim to reflect the increased granularity of CQSs under the amended CRR and the related amendment to the Implementing Regulation on the mapping of credit assessments for securitisation positions by external credit assessment institutions' (ECAIs) ([Implementing Regulation \(EU\) 2016/1801](#) as per [Commission Implementing Regulation \(EU\) 2022/2365](#)). They recommend modifying the reference from CQS 1, to CQS 1 to 4, in the Article 13(2) of the LCR Delegated Regulation regarding the long-term rating. In the absence of the updated reference, the STS securitisation tranches with ratings between AA+ and Aa- would unintentionally not be eligible as Level 2B securitisations and the eligibility would be limited to tranches with AAA rating.

Question 9.40. Does the liquidity risk treatment of the securitisation exposures under the LCR Delegated Regulation have a significant impact on banks' securitisation issuance and investment activities and on the liquidity of the securitisation market in the EU?

- Yes
- No
- Don't know / no opinion / not applicable

Question 9.41. As regard to your answer to 9.40., please explain the impact on banks' issuance of securitisation, investment in securitisation, and relative importance of the liquidity treatment under the LCR in the activity of the primary and secondary securitisation markets.

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As securitisation does not play a role in the funding markets in Denmark, there is similarly limited supervisory experience with securitisation under the current regulatory regime, also with respects to the liquidity treatment under the LCR.

Question 9.42. Do you consider that the existing liquidity risk treatment of securitisation, in particular in terms of credit quality steps (CQSs) and haircuts applied to securitisations eligible for Level 2B HQLA, are adequately reflecting the liquidity and stress performance of securitisations, across the full economic cycle, including in crisis conditions, and in comparison, with the treatment of other comparable financial instruments?

- Yes
- No
- Don't know / no opinion / not applicable

Question 9.43. If you answered no to question 9.42., please justify your reasoning, providing quantitative and qualitative data on the impact, and provide suggestions for what you would consider as appropriate and justified treatment in terms of CQSs, haircuts and other relevant requirements, without endangering financial stability.

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We have answered yes to question 9.42. We do not believe there is any basis for easing the liquidity risk treatment of securitisations. The liquidity and stress performance of securitisation has not been properly tested across the full economic cycle, including in crisis conditions. Therefore, we do not see any changes to the liquidity treatment of securitisation to be warranted. We lack thorough analysis and assessments of the impact on potential risks and consequences in terms of reduced robustness and resilience of the market.

Question 9.44. With a change in the CQSs, haircuts and other relevant eligibility conditions to the Level 2B liquidity buffer, by how much would the volume of securitisations that you invest in, change?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As the question is aimed at investors, we refrain from answering.

Question 9.45. Have the senior tranches of the STS traditional securitisations reached a sufficient level of market liquidity and stress resilience based on historical data covering a full economic cycle, including crisis conditions, and are there any additional solid arguments that could justify their potential upgrade from the Level 2B to Level 2A HQLA?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 9.45:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As securitisation does not play a role in the funding markets in Denmark, there is no basis for answering this question. But a point can be made, that the securitisation market in general has not experienced stress, nor over a full economic cycle, including crisis conditions, and therefore, there are no solid arguments that could justify a potential upgrade from the Level 2B to Level 2A HQLA.

Question 9.46. If you answered yes to question 9.45., please provide arguments and data, that could justify the potential upgrade from Level 2B to Level 2A HQLA.

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 9.47. Considering your answer to 9.46, with an upgrade of securitisations from Level 2B to Level 2A HQLA, by how much would the volume of securitisations that you invest in, change?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As the question is aimed at investors, we refrain from answering.

Question 9.48. Are there any impediments in the current liquidity framework that prevent or discourage banks from making a better use of their liquidity buffer capacity and from increasing their investments in securitisation exposures?

- Yes
- No
- Don't know / no opinion / not applicable

Question 9.49. If you answered yes to question 9.48, please specify what are the impediments and provide suggestions for targeted amendments to make the liquidity treatment more proportionate, without endangering financial stability.

Provide estimates of the potential additional volumes of securitisations that could be included in banks' liquidity buffers.

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

10. Prudential treatment of securitisation for insurers

Insurance companies allocate 0.33% of their investment assets to securitisation positions ([see Joint Committee advice on the review of the securitisation prudential framework \(Insurance\) - JC-2022/67](#)). The Commission would like to know whether Solvency II standard formula capital requirements as currently applicable, also taking into account the forthcoming amendments to the [Solvency II Directive](#) that were approved by co-legislators, or other factors cause limited demand by insurance companies.

Question 10.1. Is there an interest from (re)insurance undertakings to increase their investments in securitisation (whether a senior tranche, mezzanine tranche, or a junior tranche)?

- Yes
-

No

- Don't know / no opinion / not applicable
-

Question 10.2. If you answered yes to question 10.1., please specify the segments of securitisations in which (re)insurers would be willing to invest more (in terms of seniority, true sale or synthetic nature, type of underlying assets, etc.) and describe the potential for increase in the share of securitisation investments in (re)insurers' balance sheet.

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 10.3. Is there anything which in your view prevents an increase in investments in securitisation by (re)insurance undertakings?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 10.3. If you mention prudential rules as part of your answer, please provide an estimate of the impact on the level of investments in securitisation, of the reduction of capital requirements for securitisation investments by a given percentage, e.g. 5% or 10%:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Denmark does not have an opinion on the issue at this time, but we are aware that some Danish insurers find the capital requirements for investments into securitisations to overestimate the risk.

Meanwhile, Danish life insurers and lateral pension funds under Solvency II regulation have to a very large extent had unguaranteed market rate return products, where policyholders bear the investment risk. Here capital requirements are not a preventive measure, but only the prudent person principle could hinder investments into securitisations.

Question 10.4. Is Solvency II providing disincentives to investments in securitisation for insurers which use an internal model?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 10.4, being specific in your reply:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Insurers are allowed to have an internal model (partial or full) that could cover investments into securitisations. However, it should be noted that the requirements to maintain an internal model is quite high.

Question 10.5. Is the current calculation for standard formula capital requirements for spread risk on securitisation positions in Solvency II for the senior tranches of STS securitisations proportionate and commensurate with their risk?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 10.5, being specific in your reply, and, where relevant, provide a comparison, including, where appropriate, with internal models and their relative impact on the share of securitisation investments.

If you consider calibrations inappropriate, please indicate what you would consider as 'appropriate' calibrations, as well as any data/evidence of historical spread behaviours that would justify your proposal:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Denmark does not have an opinion on the issue at this time, but we are aware that some Danish insurers find the capital requirements for investments into securitisations to overestimate the risk.

Question 10.6. Is the current calculation for standard formula capital requirements for spread risk on securitisation positions in Solvency II for the non-senior tranches of STS securitisations proportionate and commensurate with their risk?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 10.6, being specific in your reply, and, here relevant, provide a comparison, including, where appropriate, internal models and their relative impact on the share of securitisation investments.

If you consider calibrations inappropriate, please indicate what you would consider as 'appropriate' calibrations, as well as any data/evidence of historical spread behaviours that would justify your proposal:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Denmark does not have an opinion on the issue at this time, but we are aware that some Danish insurers find the capital requirements for investments into securitisations to overestimate the risk.

Question 10.7. Is it desirable that Solvency II standard formula capital requirements for spread risk differentiate between mezzanine and junior tranches of STS securitisations?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 10.7:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Denmark does not see a need for adding further complexity into to the existing regulation, taking into consideration the limited volume of insurers' investments into securitisations.

Question 10.8. If you answered yes to question 10.7., please provide suggestions for calibrations of capital requirements for such mezzanine and junior tranches, including the data/evidence of historical spread behaviors backing such suggestions.

Please indicate how you would define the mezzanine tranche as well as the assumption (e.g. of thickness of the tranche) underlying your proposed calibration.

Please also indicate whether and why such introduction of a mezzanine calibration would be needed in Solvency II, even if no dedicated treatment for mezzanine tranches is introduced in EU banking regulation (CRR).

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 10.9. Is the current calculation for standard formula capital requirements for spread risk on securitisation positions in Solvency II for non-STS securitisations proportionate and commensurate with their risk, taking into account?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 10.9, being specific in your reply, and, where relevant, provide a comparison, including where appropriate with internal models and their relative impact on the share of securitisation investments:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Denmark does not have an opinion on the issue at this time, but we are aware that some Danish insurers find the capital requirements for investments into securitisations to overestimate the risk.

Question 10.10. Is there a specific sub-segment of non-STS securitisation for which evidence would justify lower capital requirements than what is currently applicable?

- Yes
- No
- Don't know / no opinion / not applicable

Question 10.11. If you answered yes to question 10.10., please specify the sub-segment of non-STS securitisations that you have in mind as well as its related capital requirement, including any evidence/data of historical spreads supporting your proposal:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Denmark does not have an opinion on the issue at this time, but we are aware that some Danish insurers find the capital requirements for investments into securitisations to overestimate the risk.

Question 10.12. Is it desirable that Solvency II standard formula capital requirements for spread risk differentiate between senior and non-senior tranches of non-STS securitisations?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 10.12:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Denmark does not see a need for adding further complexity into to the existing regulation, taking into consideration the limited volume of insurers' investments into securitisations.

Question 10.13. If you answered yes to question 10.12., please provide suggestions for calibrations of capital requirements for such senior and non-senior tranches, including the data/evidence backing such suggestions. Please also indicate whether you target a specific segment of non-STS securitisation.

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

11. Prudential framework for institutions for occupational retirement provision (IORPs) and other pension funds

This section aims to gather information on both IORPs and ‘non-IORPs’ (i.e. nationally regulated pension funds that are not regulated by the [IORP II Directive](#)). Information on non-IORPs is particularly encouraged for Member States with limited or no IORPs activity. When providing information also on non-IORPs, please clearly indicate whether the information provided refers to IORPs, non-IORPs, or both.

Question 11.1. For the purpose of this section, please indicate whether you are an IORP, a non-IORP or another type of stakeholder.

- IORP
- Nationally regulated pension fund not regulated by IORP II
- Other
- Don't know / no opinion / not applicable

Please elaborate on your answer to question 11.1 in case you are not an IORP:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

NCA. The responses below relate to Danish company pension funds regulated by the IORP-directive. At present time, that is 17 undertakings.

Question 11.2. Is there an interest from IORPs and/or non-IORPs to increase their investments in securitisation (whether a senior tranche, mezzanine tranche, or a junior tranche)?

- Yes
 - No
 - Don't know / no opinion / not applicable
-

Question 11.3. Please clarify whether your answer to question 11.2. concerns your own situation, or whether it is an assessment of a given national market (in which you operate for instance).

If you answered yes to question 11.2., please specify the segments of securitisations in which IORPs and/or non-IORPs would be willing to invest more (in terms of seniority, type of underlying assets, etc.) and describe the potential for increase in the share of securitisation investments in their balance sheet.

In addition, if your reply concerns or encompasses non-IORPs, please indicate:

- 1. the number of non-IORP in your jurisdiction**
- 2. the amount of assets under management**
- 3. and the type of pension business concerned, for which investment in securitisation would be interesting**

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

To the knowledge of the Danish FSA, there is no interest from IORPs and/or non-IORPs to increase their investments in securitisation.

Question 11.4. Does the IORP II Directive contain provisions which in your view restrict IORPs' ability to invest in securitisation?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 11.4.:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

No, not to the experience of the Danish FSA. Danish company pension funds shall invest in accordance with the "prudent person" rule, cf. article 19 of the IORP II Directive, and the risk management system shall cover risks in relation to securitisations, cf. article 25 the IORP II Directive.

Question 11.5. Are there national legislations or supervisory practices which in your view unduly restrict IORPs' and non-IORPs' ability to invest in securitisation?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 11.5., as well as whether it applies to IORPs, non-IORPs, or both. Please be specific in particular where you refer to non-IORPs:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

No, Danish company pension funds are regulated in accordance with the IORP II Directive.

Question 11.6. Are there wider structural barriers preventing IORPs and non-IORPs from participating in this market?

- Yes

- No
- Don't know / no opinion / not applicable

Please explain your answer to question 11.6., as well as whether it applies to IORPs, non-IORPs, or both.

Please be specific in particular where you refer to non-IORPs:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

No, not to the knowledge of the Danish FSA.

Question 11.7. If you answered yes to question 11.6., please explain how these barriers should be tackled.

Please explain your answer, as well as whether it applies to IORPs, non-IORPs, or both.

Please be specific in particular where you refer to non-IORPs.

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Please see response to question 11.3.

12. Additional questions

This section includes some general questions on the functioning of the securitisation market and on wider aspects that may affect the securitisation activity and various segments of the securitisation market in the EU.

Question 12.1. What segments of the securitisation market have the strongest potential to contribute to the CMU objectives, and that should be the focus of any potential regulatory review?

You may select more than one option.

Please select as many answers as you like

- | | |
|--|--|
| <input type="checkbox"/> Traditional placed securitisation | <input type="checkbox"/> Non-STS securitisation |
| <input type="checkbox"/> Synthetic securitisation | <input type="checkbox"/> Securitisation of SME and corporate exposures |
| <input type="checkbox"/> SRT securitisation | <input type="checkbox"/> Securitisation of mortgages |
| <input type="checkbox"/> ABCP securitisation | <input type="checkbox"/> Securitisation of other asset classes |
| <input type="checkbox"/> STS securitisation | <input type="checkbox"/> Other |

Please explain your answer to question 12.1:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We have no a priori opinion on which securitisation segments have the strongest potential to contribute to CMU objectives, although one could be argued that synthetic securitisations could contribute less to the provision of genuinely new funding as compared to more traditional forms of securitisations. A thorough analysis and impact assessment of any possible need for realignments of the securitisations framework would likely provide insight into this question.

Question 12.2. What are the principal reasons for the slow growth of the placed traditional securitisation (where the senior tranche is not retained, but placed with the market)?

Why do banks choose not to issue traditional securitisation for both funding and capital relief?

You may select more than one option.

Please select as many answers as you like

- | | |
|--|---|
| <input type="checkbox"/> Interest rate environment | <input type="checkbox"/> Preference for alternative instruments for funding |
| <input type="checkbox"/> Low returns | <input type="checkbox"/> Prefer to retain to keep the client relationships |

- Operational costs
- High capital charges
- Difficulty in placing senior tranches
- Significant Risk Transfer process
- Prefer to retain to keep the revenue from the underlying assets
- Prefer to retain to access central bank liquidity
- Other

Please explain your answer to question 12.2:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As securitisation does not play a role in the funding markets in Denmark, there is limited supervisory experience with securitisation and limited knowledge of the practical barriers and obstacles to the use of securitization, including across borders. A thorough mapping and assessment obtained through this consultation would likely provide insight into this question.

However, when considering possible amendments to the current framework a guiding principle should be to avoid negative impacts on other already well-functioning markets, in particular the covered bonds markets which already play an important and stabilising role in the European funding landscape. An increased role for securitisations should not come at the expense of already well-functioning funding instruments such as covered bonds, as little real value would be gained in terms of an increase in total funding supply. It is important to add that Denmark has a very well-functioning covered bonds-market.

Question 12.3. Please specify which regulatory and non-regulatory measures have the strongest potential to stimulate the issuance of placed traditional securitisation.

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

See response to question 12.2.

Question 12.4. What are the main obstacles for cross-border securitisations (i.e. securitisations where the underlying exposures, or the entities involved in the securitisation, come from various EU Member States)?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

See response to question 12.2.

Question 12.5. What measures could be taken to stimulate cross-border securitisation in the EU?

Please substantiate your answer for traditional and synthetic securitisation respectively.

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

See response to question 12.2.

Question 12.6. Securitisation activity is heavily concentrated in a few Member States – primarily Italy, France, Germany, Netherlands and Spain. What are the main obstacles to increasing securitisation activity in other Member States?

What measures could make securitisation more attractive in those Member States?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

See response to question 12.2.

Question 12.7. Does the EU securitisation framework impact the international competitiveness of EU issuers, sponsors and investors?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 12.7, and where possible elaborate on the difference in regulatory costs stemming from the prudential, due diligence and transparency requirements in non-EU jurisdictions, in comparison to the EU securitisation framework:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Despite that securitization does not play a role in the funding markets in Denmark, alternative funding instruments, such as covered bonds funding, play a large and dynamic part in Denmark, and supports the general international competitiveness of the Danish credit institutions.

Question 12.8. How could securitisation for green transition financing be further improved?

What initiative could be taken in the industry or in the regulatory field?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

See response to question 12.2.

Question 12.9. Are there any other relevant issues (outside of those addressed in the specific sections of the consultation paper above) that affect securitisation issuance and investments that you consider should be addressed?

- Yes
- No
- Don't know / no opinion / not applicable

Question 12.10. If you answered yes to question 12.9., please explain your answer:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Additional information

Should you wish to provide additional information (e.g. a position paper, report) or raise specific points not covered by the questionnaire, you can upload your additional document(s) below. **Please make sure you do not include any personal data in the file you upload if you want to remain anonymous.**

The maximum file size is 1 MB.

You can upload several files.

Only files of the type pdf,txt,doc,docx,odt,rtf are allowed

Useful links

[More on this consultation \(https://finance.ec.europa.eu/regulation-and-supervision/consultations-0/targeted-consultation-functioning-eu-securitisation-framework-2024_en\)](https://finance.ec.europa.eu/regulation-and-supervision/consultations-0/targeted-consultation-functioning-eu-securitisation-framework-2024_en)

[Consultation document \(https://finance.ec.europa.eu/document/download/fb451cdc-4e5b-4d74-9411-cb8bd0789090_en?filename=2024-eu-securitisation-framework-consultation-document_en.pdf\)](https://finance.ec.europa.eu/document/download/fb451cdc-4e5b-4d74-9411-cb8bd0789090_en?filename=2024-eu-securitisation-framework-consultation-document_en.pdf)

[More on securitisation \(https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/financial-market/securities-markets/securitisation_en\)](https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/financial-market/securities-markets/securitisation_en)

[Specific privacy statement \(https://finance.ec.europa.eu/document/download/4d7578d8-d689-4803-b438-730acfe1d08c_en?filename=2024-eu-securitisation-framework-specific-privacy-statement_en.pdf\)](https://finance.ec.europa.eu/document/download/4d7578d8-d689-4803-b438-730acfe1d08c_en?filename=2024-eu-securitisation-framework-specific-privacy-statement_en.pdf)

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