News Flash

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To: Solvency II WG, Capital Markets Union PG, Public Affairs & Communications Committee

Commission proposes measures to revive the EU securitisation framework

Summary

On 17 June, the European Commission (EC) released proposals regarding EU securitisation framework. The proposals include amendments to the Securitisation Regulation (SECR), Capital Requirements Regulation (CRR), with impact assessment accompanying the proposals (and considering Solvency II capital).

The secretariat will assess the proposals in more detail against industry positions, and co-ordinate with the relevant working groups. The secretariat's initial review has identified most relevant items for insurers includes:

Capital requirements under Solvency II:

- The press release, accompanying the proposals of 17 June, states the Commission plans to publish draft amendments for feedback in the coming weeks. The draft amendments will aim at enhancing the insurance prudential framework to better account for actual risks of securitisation and remove unnecessary prudential costs for insurers when investing in securitisations.
- Note that the draft proposal for Level 2 **Delegated Regulation** were discussed at the EGBPI on 4 June (ECO-SLV-25-181).
- The impact assessment summary states the capital relief stemming from the proposed option would be **close to EUR 6 billion**.

Due diligence requirements

- Targeted changes to the securitisation regulation will simplify due diligence rules and transparency requirements. This will make it **easier for investors to comply** with their obligations in a timely and efficient manner and will reduce the reporting burden on issuers of securitisation.
- To facilitate simpler and more streamlined investment in Union securitisations, amendments are made to **Article 5 (due diligence)** of the Regulation of SECR.

Credit protection eligibility

- Eligibility for providing unfunded credit protection under the STS label should be accompanied by requirements / criteria:
    - **Internal model**: the insurance or reinsurance undertaking should use an approved internal model to calculate capital requirements for such credit protection agreements.
    - **Solvency:** The insurance or reinsurance undertaking should comply with the SCR and MCR, respectively, and should have been assigned to credit quality step 3 or better.
    - **Diversification**: the (re)insurance undertaking should effectively operate business activities in at least two classes of non-life insurance.
    - **Minimum size**: the (re)insurance undertaking is to have total assets above EUR 20 billion.

For more info

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