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PROPOSAL

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To:	Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union
No. Cion doc.:	COM(2025) 825 final
Subject:	Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Regulation (EU) No 575/2013 on prudential requirements for credit institutions as regards requirements for securitisation exposures

Delegations will find attached document COM(2025) 825 final.

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Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

amending Regulation (EU) No 575/2013 on prudential requirements for credit institutions as regards requirements for securitisation exposures

(Text with EEA relevance)

{SEC(2025) 825 final} - {SWD(2025) 825 final} - {SWD(2025) 826 final}

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

• Reasons for and objectives of the proposal

General introduction

Relaunching the European securitisation market can help increasing the amount of financing available to the real economy and enhancing risk diversification within the single market. That is more important than ever in the current economic and geopolitical environment where the Union faces significant investment needs to remain resilient and competitive. Well-functioning securitisation markets can contribute to higher economic growth and facilitate funding of Union strategic objectives, including investments in the green, digital and social transitio,n by allowing credit institutions (i.e. banks) to transfer risks to those that are best suited to bear them and thereby free up their capital. Banks are expected to use this capital for additional lending to households and businesses, including SMEs. By redistributing risk within the wider financial system, securitisation can also provide capital market investors with more investment opportunities. The current EU securitisation framework is keeping the EU economy from reaping all the benefits that securitisation can offer.

The reports from Enrico Letta[1] and Mario Draghi[2] have recommended securitisation as a means of strengthening the lending capacity of European Union's banks for the financing needs of EU priorities including defence, creating deeper capital markets, building the Savings and Investments Union and increasing the EU's competitiveness.

The European Council has asked the European Commission to identify measures to relaunch the European securitisation market, including "through regulatory and prudential changes, using available room for manoeuvre"[3] and to swiftly propose, in 2025, a revised securitisation framework[4]. There is also a call for action by many stakeholders, including issuers, investors and supervisors, to address the impediments that are hindering the development of the EU securitisation market[5].

The EU securitisation framework was put in place in the aftermath of the 2008 financial crisis and responded to concerns about risky US securitisations. At the time, strict requirements were considered necessary to restore the reputation of the securitisation market which had been suffering from inadequate protections and severe investor distrust. Now that appropriate safeguards have been firmly embedded in the market's organisation and securitisation is gaining back investors' trust, a better balance between safeguards and growth opportunities - both for investments and issuance- needs to be found. The experience with the framework indicates that it is too conservative and limits the potential use of securitisations in the EU. High operational costs and overly conservative capital requirements keep many issuers and investors out of the securitisation market.

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1 Letta, E. (2024). Much more than a market - Speed, Security, Solidarity. Empowering the Single Market to deliver a sustainable future and prosperity for all EU Citizens.

2 Draghi, M. (2024). The Future of European Competitiveness—A Competitiveness Strategy for Europe.

3 European Council conclusions of April 2024.

4 European Council conclusions of March 2025.

5 Feedback on call for evidence on review of the Securitisation Framework, 19 February 2025 – 26 March 2025, europa.eu; feedback on 2024 targeted consultation on the functioning of the EU securitisation framework, 9 October – 4 December 2024, finance.ec.europa.eu.

The review aims to recognise the risk mitigants implemented in the EU securitisation regulatory and supervisory frameworks, which have significantly reduced the risks embedded in securitisation transactions, as well as the good credit performance of EU securitisations.

This proposal contributes to the 2024-2029 Commission's priority of 'A new plan for Europe's sustainable prosperity and competitiveness'. The proposal is a component of the Savings and Investments Union[6], which is a cornerstone of the 2024-2029 Commission mandate, and it is the first legislative initiative under the Savings and Investments Union. At the same time, it is important to recognise that the Securitisation Review is not a 'silver bullet' on its own. The SIU project encompasses a broad range of other and complementary measures to achieve its goals. Nevertheless, the European Commission expects that the amendments to the non-prudential and prudential requirements envisaged in this package of proposals will lead financial institutions to engage in more securitisation activity and, importantly, to use the resultant capital relief for additional lending.

The proposed review of the EU securitisation framework aims to remove undue issuance and investment barriers in the EU securitisation market, specifically: (i) to reduce undue operational costs for issuers and investors, balancing with adequate standards of transparency, investor protection and supervision; (ii) to adjust the prudential framework for banks and insurers, to better account for actual risks and remove undue prudential costs when issuing and investing in securitisations, while at the same time safeguarding financial stability.

The review of the EU securitisation framework aims to remove undue obstacles that hinder the growth and development of the EU securitisation market, but without introducing risks to financial stability, market integrity or investor protection. To achieve this, the proposed reforms are carefully targeted to address specific impediments to issuance and (non-bank) investment. The review envisages changes to four legal acts:

- a legislative proposal amending the Regulation (EU) 2017/2402 of the European Parliament and of the Council (the 'Securitisation Regulation'[7]), which sets out product rules and conduct rules for issuers and investors
- a proposal amending Regulation (EU) No 575/2013 of the European Parliament and of the Council (the 'Capital Requirements Regulation' or 'CRR'[8]), which sets out the capital requirements for banks holding and investing into securitisation, as well as
- amendments to two delegated Regulations: the Commission Delegated Regulation (EU) 2015/61 (the 'Liquidity Coverage Ratio (LCR) Delegated Act'[9]), governing the eligibility criteria for assets to be included in banks' liquidity buffer, and the Commission Delegated Regulation (EU) 2015/35 (the 'Solvency II (SII) Delegated

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6 https://finance.ec.europa.eu/document/download/13085856-09c8-4040-918e-890a1ed7dbf2_en?filename=250319-communication-savings-investmlents-union_en.pdf

7 Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012, OJ L 347, 28.12.2017, p. 35, ELI: http://data.europa.eu/eli/reg/2017/2402/oj).

8 Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, OJ L 176, 27.6.2013, p. 1, ELI: http://data.europa.eu/eli/reg/2013/575/oj).

9 Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for Credit Institutions OJ L 11, 17.1.2015, p. 1, ELI: http://data.europa.eu/eli/reg_del/2015/61/oj).))

Act'[10]), governing the capital requirements for insurance and reinsurance undertakings.

The envisaged changes aim to make targeted improvements to the framework, rather than overhaul it. Those changes should be viewed as a package, as none of the individual components will achieve the desired outcome on its own. The elements of the package address both the supply and demand side of the market and reinforce each other to produce the desired impact. Streamlining reporting requirements and lowering capital requirements will both lower entry barriers and make it cheaper for banks to originate securitisations. Simplifying due diligence and amending the capital charges and liquidity treatment will make it easier and more attractive to invest in securitisation. A larger and more dynamic investor base will also incentivise more issuance. Relaunching the EU securitisation market is a complex issue that requires changes to be made in various parts of the framework to foster supply and demand in the securitisation market.

Regulation alone can only go so far in terms of stimulating this market's development: market participants must also step in and do their part, e.g. by embracing standardisation and industry-wide initiatives towards specific segments – without market participant efforts, scaling up of the market will not be possible.

Various inputs have informed this review, including the 2020 EBA report on the significant risk transfer, the 2020 ESRB report on Monitoring systemic risks in the EU securitisation market, the 2022 Commission Report on the Securitisation Regulation, the 2022 Joint Committee of the ESAs advice on the prudential framework, the 2024 targeted consultation on the functioning of the EU securitisation framework, and the 2025 Joint Committee Report on the implementation and functioning of the securitisation framework. The Commission also held various bilateral meetings with stakeholders and organised a workshop in July 2024 to discuss stakeholder views about the EU securitisation framework.

In terms of timing, the amendments to the Securitisation Regulation and the Capital Requirements Regulation are adopted by the Commission together. On the same date, the draft amendments to the Liquidity Coverage Ratio Delegated Regulation are published on Have Your Say for a four-week consultation. The draft amendments to the Solvency II Delegated Regulation will be included in a broader package of amendments to that Regulation that is expected to be published for consultation in the second half of July of this year.

Objectives of the proposal amending the Regulation (EU) No 575/2013 (CRR)

The evaluation of the framework, supported by feedback from stakeholders, indicates that (i) the existing prudential securitisation requirements, as set out in Regulation (EU) No 575/2013 (the Capital Requirements Regulation or CRR), are insufficiently risk sensitive and, that, as a result of those requirements, (ii) the level of capital requirements that credit institutions need to comply with for their securitisation exposures are unduly high. Current requirements do not sufficiently acknowledge the good credit performance of EU securitisation and the risk mitigants implemented in the securitisation regulatory and supervisory frameworks which have significantly reduced the agency and model risks embedded in securitisation transactions[11]. While the principle of non-neutrality[12] of capital requirements – as one of the

[10] Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (OJ L 12, 17/01/2015, p. 1, ELI: http://data.europa.eu/eli/reg_del/2015/35/oj)

[11] 'Agency risk' results from the information asymmetry and potential misalignment of interests between the originator of and the investor in a securitisation, whereby the investor may have more limited

main defining elements of the securitisation capital framework for credit institutions - is justified, the magnitude of the non-neutrality seems no longer justified. In addition, there is an excessive conservativeness embedded in the securitisation standardised approach (SEC-SA), both in absolute terms and relative to the internal ratings-based approach (SEC-IRBA). The lack of risk sensitivity acts as a prudential impediment that disincentivises EU credit institutions from fully participating in the securitisation market, in particular in their capacity of securitisation originators, and reduces the potential for the credit institutions to use the freed up capital to offer more lending to the economy. It reduces the attractiveness of securitisation as an effective instrument for managing the credit institutions' capital and balance sheets and redistributing risks across the wider financial system.

This proposal introduces targeted changes to the current prudential framework for credit institutions in order to achieve the following objectives: (i) introduce greater risk sensitivity into the existing framework; (ii) reduce unjustified levels of capital non-neutrality; (iii) differentiate between originators/sponsors and investors with regard to the prudential treatment of securitisations; (iv) mitigate undue discrepancies between the standardised approach (SEC-SA) and internal rating-based approach (SEC-IRBA) for the calculation of capital requirements for securitisations; and (iv) make the significant risk transfer framework more robust and predictable.

The proposed amendments to the CRR concern the following two areas: (i) the calibration of the two key parameters that set the level of non-neutrality, used in regulatory capital calculations to capture securitisation inherent risks, i.e. the risk weight floor for senior securitisation positions, and the (p) factor, and (ii) the framework for significant risk transfer. A number of additional technical amendments are proposed to address certain technical inconsistencies in the framework, as recommended in the Joint Committee of the European Supervisory Authorities' 2022 report, and as proposed by the stakeholders in the Commission consultation.

- **Consistency with existing policy provisions in the policy area**

The revisions to the regulatory capital treatment of securitisation in the CRR are part of a broader legislative package which includes amendments to the Securitisation Regulation, the Liquidity Coverage Ratio Delegated Act and the Solvency II Delegated Act. The proposed changes have been drafted to ensure consistency across the various pieces of legislation and with the same general objective in mind.

- **Consistency with other Union policies**

The initiative is one piece in a set of measures to foster the Savings and Investments Union and make it more resilient and integrated. The proposal is also consistent with the Union's

knowledge and understanding of the underlying portfolio than the originator. This misalignment of interest or information asymmetry can lead to undesirable outcomes. 'Model risk' arises when the financial models used to predict cash flows at portfolio level or the assumptions underpinning the tranching of the credit risk under these models are wrong or inaccurate. In such a scenario, the securitised product could turn out riskier than expected. Several regulatory and supervisory measures have been taken in recent years to address the model risk and/or agency risk of securitisation transactions, notably the introduction of STS criteria, the Single Supervisory Mechanism's multi-year targeted review of internal models, the European Banking Authority's multi-year 'IRB Repair' programme, the introduction of the output floor in the banking package, the risk retention requirement and the banning of re-securitisations.

12 'Non-neutrality' is one of the principles of the securitisation prudential framework, according to which the amount of capital required for the securitisation transaction has to be significantly higher than the capital required for the underlying non-securitised exposures.

objective of safeguarding financial stability by introducing greater risk-sensitivity into the framework and by ensuring that securitisation markets operate in a transparent, prudent, and resilient manner.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

• Legal basis

The legal basis for this proposal is Article 114(1) of the Treaty on the Functioning of the European Union ('TFEU'). This article empowers the European Parliament and the Council to adopt measures for the approximation of the Member States' laws, regulations and administrative actions concerned with the establishment and functioning of the internal market.

This proposal aims to amend the CRR's provisions related to the prudential framework for credit institutions. This proposal aims to enhance the rules that are uniformly and directly applicable to those institutions, including rules on capital requirements for their securitisation positions. This harmonisation will ensure a level playing field for EU credit institutions and will boost confidence in the stability of institutions across the EU, including in respect to their activity as originators, sponsors or investors in securitisation markets.

• Subsidiarity (for non-exclusive competence)

Only Union law can ensure that the regulatory capital treatment for securitisation is the same for all credit institutions operating in more than one Member State. Harmonised regulatory capital requirements ensure a level playing field, reduce regulatory complexity, avoid unwarranted compliance costs for cross-border activities and promote further integration of the internal market. Action at an EU level also ensures a high level of financial stability across the EU. For these reasons, regulatory capital requirements for securitisations are set out in the CRR and only amendments to that Regulation would achieve the purpose sought by this proposal. Accordingly, this proposal complies with the principles of subsidiarity and proportionality set out in Article 5 of the TFEU.

• Proportionality

The proposal makes targeted amendments to the CRR only where such changes are necessary to address the problems described above and analysed in the impact assessment. Proportionality has been an integral part of the impact assessment accompanying the proposal. The proposed amendments in different parts of the legislative package have been individually assessed against the proportionality objective.

• Choice of the instrument

The current proposal is an amendment to the CRR and is therefore also a Regulation. No alternative means – legislative or operational – can be used to attain the objectives of this proposal.

3. RESULTS OF *EX-POST* EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

• *Ex-post* evaluations/fitness checks of existing legislation

The Commission has conducted an evaluation of the EU securitisation framework in general, as part of the impact assessment. The evaluation also specifically covers the securitisation prudential framework in the CRR (as set out in the Chapter 5 of Title II or Part III of the

CRR). It covers the period from the entry into application of the amendments introduced as part of the securitisation framework (1 January 2019) up to the present. In line with the Better Regulation Toolbox, the evaluation examines whether the objectives of the securitisation framework were met during that period (effectiveness), whether the objectives are still appropriate (relevance) and whether, taking account of the costs and benefits, the framework has been efficient in achieving its objectives (efficiency). The evaluation also considers whether the securitisation framework, in the form of EU level legislation, has provided 'EU added value' and whether it is consistent with other related pieces of legislation (coherence).

The evaluation concluded that amendments are needed to ensure that securitisation can meaningfully contribute to improve the financing of the EU economy and further develop the Savings and Investments Union. The prudential framework for credit institutions is insufficiently risk sensitive and capital 'non-neutrality' is disproportionately high for certain securitisation positions. Therefore, to address undue prudential impediments, a revision of the prudential treatment of securitisations for banks is necessary.

- **Stakeholder consultations**

On 3 July 2024, the Commission hosted a Securitisation Workshop, which invited representatives from the banking industry/associations, Ministries, European Supervisory Authorities (ESAs), the Single Supervisory Mechanism of the European Central Bank, the European Investment Bank, insurers, asset managers, nongovernmental organisations and pension funds to share their views.

A targeted public consultation on the functioning of the EU securitisation framework was carried out between 9 October 2024 to 4 December 2024. 133 responses were received from a variety of stakeholders[13]. The consultation was split into twelve sections which sought to gather views from a broad range of stakeholders active in the EU securitisation market on whether the Securitisation Framework met and continues to meet its objectives in terms of market safety, operational cost reduction and prudential risk-sensitivity. The consultation was also used to collect feedback on the operation of the STS standard, the effectiveness of supervision, and the prospect of a future securitisation platform(s). In addition, the Commission has carried a series of bilateral meetings with a wide range of stakeholders who confirmed the feedback already received.

The feedback gathered in that consultation is reflected in the evaluation of the securitisation framework.

A call for evidence was opened between 19 February 2025 and 26 March 2025[14] to request feedback from stakeholders on the review of the Securitisation Framework. Stakeholders were asked to provide views on the Commission's understanding of the problem and possible solutions, and provide relevant information. 34 respondents replied to the call for evidence and presented their views[15]. Out of those 34 respondents, 26[16] had also replied to the 2024 targeted consultation, with their views remaining broadly the same. Points made by first-time

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13 Available at https://finance.ec.europa.eu/regulation-and-supervision/consultations-0/targeted-consultation-functioning-eu-securitisation-framework-2024_en

14 Securities and markets - review of the Securitisation Framework (europa.eu)

15 One respondent made two separate (substantively similar) contributions; another respondent submitted three separate contributions. Therefore, 37 contributions were received, from 34 individual respondents.

16 The respondents that had already replied to the targeted consultation represented: 7 companies/businesses, 15 business associations, 2 non-governmental organisations (NGOs), 2 such respondents identified as 'other'

respondents were also consistent with the feedback of the targeted consultation previously received.

- **Collection and use of expertise**

The preparation of this proposal has benefited from extensive expert input, including stakeholder consultations, meetings, and analytical work carried out by the European Supervisory Authorities. The proposal takes account of the ESAs' Joint Committee's advice on the review of the securitisation prudential framework, which was published in December 2022 in response to the European Commission's October 2021 call for advice. The Joint Committee report assessed the performance of the rules on capital requirements (for credit institutions, insurance and reinsurance undertakings) and liquidity requirements (for credit institutions) with respect to the framework's original objective of contributing to the sound revival of the EU securitisation framework.

The proposal also takes account of the advice in the 2020 European Banking Authority (EBA) report on significant risk transfer (SRT) in securitisation, which the EBA was mandated to produce under Articles 244(6) and 245(6) of the CRR. Taking account of the findings of the EBA discussion paper on SRT published in 2017, and further analysis based on the review of SRT market practices and the supervisory approaches to SRT assessments, the report included a set of detailed recommendations to the European Commission on the harmonisation of SRT assessment practices and processes.

National authorities were consulted in the framework of the Eurogroup Working Group+ (EWG+), the Council Financial Services Committee (FSC), and the Commission Expert Group on Banking, Payments and Insurance (EGBPI). Several Member States also replied to the Targeted Consultation through their finance ministries and engaged with the Commission bilaterally.

- **Impact assessment**

An impact assessment was carried out for this proposal covering the complete legislative package i.e. including the amendments to the Securitisation Regulation, the Liquidity Coverage Ratio (LCR) Delegated Act as well as the Solvency II Delegated Act.

The impact assessment clearly shows the benefits in terms of efficiency and effectiveness of introducing targeted changes to the risk weight floors, (p) factor and the SRT framework in the CRR. The proposals are expected to be effective in reducing undue prudential impediments for credit institutions to engage in securitisation. They are also expected to increase the economic viability of securitisation as a risk transfer tool. By mitigating some of the key barriers to entry for new EU credit institutions, the proposals are expected to make securitisation more accessible to a larger number of credit institutions across the EU. This should help strengthen the EU banking system's ability to provide credit to the economy and to provide funding to new businesses. Overall, as the measures do not propose a fundamental overhaul of the methods that banks use for the calculation of capital, they rather involve an adaptation of existing systems and parameters and make the framework more risk sensitive - the costs are therefore expected to be limited. Some costs are expected for competent authorities to adapt their methodologies, in particular as a consequence of changes to the SRT framework. However, overall, the supervisory processes would be simplified. The proposals have a targeted scope, aim to ensure a positive impact on the EU securitisation market going forward, and aim to support the international competitiveness of EU credit institutions.

The measures focus on economic incentives through removing undue prudential impediments. That said, a simpler, more risk-sensitive, and proportionate regulatory framework is expected

to incentivise credit institutions to issue more securitisation transactions and hence increase the amount of capital relief, which is expected in turn to give rise to additional lending to EU businesses and households.

The impact assessment report was submitted to the Regulatory Scrutiny Board and was examined by the Board on 9 April 2025.

The Board gave a positive opinion with reservations, noting that a limited number of shortcomings were identified that required to be addressed in the final impact assessment. The Board called for additional input in some areas, including further details on the content of changes in the prudential framework and a substantiated comparative analysis of financial stability risks related to the changes in the prudential framework. These issues have been addressed and incorporated into the final version which is available on the Commission website.

- **Regulatory fitness and simplification**

The proposal puts forward a series of refinements to enhance the proportionality and risk sensitivity of the existing securitisation prudential framework. Some elements of the proposal simplify certain burdensome requirements and make the framework more consistent and predictable. Some other elements, notably those which increase the risk sensitivity, introduce some additional complexity into the framework. This is however inevitable to maintain the prudence of the framework and promote financial stability; the introduced risk sensitivity allows to reduce the capital requirements only for transactions where risks have been reduced. The additional complexity is, however, limited. Ultimately, taking together all proposed changes in the context of the overall securitisation framework, the framework is being simplified and is expected to give rise to greater efficiency within the securitisation market.

- **Fundamental rights**

The proposal has no consequences for the protection of fundamental rights.

4. BUDGETARY IMPLICATIONS

The proposal has no budgetary implications.

5. OTHER ELEMENTS

- **Implementation plans and monitoring, evaluation and reporting arrangements**

The impact of the new framework will be closely monitored in cooperation with the EBA and competent supervisory authorities. Monitoring will be based on the supervisory reporting arrangements and disclosure requirements by institutions provided for in the CRR, and will form part of the ongoing supervision and the supervisory assessments of the significant risk transfer.

The Commission will also evaluate this package of proposed amendments, four years after its entry into application, and present a report on its main findings to the European Parliament and the Council. The evaluation will be carried out in accordance with the Commission's Better Regulation Guidelines. It will be based on a list of specific and measurable indicators that are relevant to the objective of the reform, as also presented in the impact assessment. To prepare the evaluation report, the Commission will consult EBA and will also mandate the European Supervisory Authorities, the European Central Bank/Single Supervisory Mechanism and the Member States to collect data to calculate the indicators and report on them to the Commission.

- **Detailed explanation of the specific provisions of the proposal**

Interaction and consistency between elements of the package

This proposal for a Regulation is part of a wider securitisation review which encompasses changes to two Regulations (in addition to the CRR, the Securitisation Regulation) and two Delegated Acts (the LCR Delegated Act and the Solvency II Delegated Act). The proposed changes should be viewed as a package of measures that tackle supply and demand issues in the securitisation market in a comprehensive manner.

Amendments to the risk weight floors for senior positions

Risk weight floors are minimum risk weights that credit institutions issuing and investing in securitisation must apply to their securitisation exposures, even if the capital requirements calculations under SEC-SA and SEC-IRBA approaches suggest a lower risk weight. They ensure a bottom level of capital requirements. The current framework is quite risk-insensitive, as it only allows for two fixed risk weight floors for senior positions: a 10% risk weight floor for the exposure to a senior position of simple, transparent and standardised (STS) transactions, and a 15% risk weight floor for the exposure to a senior position of non-STS transactions.

The proposal introduces the new concept of a risk-sensitive risk weight floor, where the risk weight floors for senior securitisation positions are proportionate to the riskiness (i.e. average risk weights) of the underlying pool of exposures. This significantly increases the risk sensitiveness of the securitisation capital framework and decreases existing disincentives for the securitisation of portfolios with low risk weights. To prevent excessively low risk weights floors and to preserve consistency with international standards, the risk weight floors calculated under this risk-sensitive formula should be subject to a minimum level.

The calculation of the risk weight floor for senior positions differentiates between STS and non-STS securitisations by using a different scalar for each, to reflect the inherent better quality of STS securitisations framed by a set of detailed STS criteria and by a dedicated supervision. The scalars have been calibrated to achieve moderate to ambitious results in terms of reduction of the capital requirements, while still keeping prudent results.

Amendments to the (p) factor

The (p) factor is a parameter driving the 'non-neutrality' of the securitisation capital requirements for securitisation exposures held by credit institutions. It is one of the parameters used in the formulae for calculating securitisation risk weights, and it increases the amount of capital for securitisation positions, above what would be required for the underlying exposures if they were not securitised. A (p) factor of 1 should be interpreted as a 100% higher capital requirement or a doubling of the capital requirement for all securitisation positions, compared to the capital requirement of the underlying non-securitised assets, while a (p) factor of 0.3 results in a 30% higher capital requirement. The (p) factor only exists in the formula-based approaches (SEC-IRBA and SEC-SA) and does not exist in the SEC-ERBA external rating-based approach (where risk weights are specified directly in a table defined in the CRR, to 'mirror' the risk weights computed under the SEC-SA formula).

One of the main takeaways from the evaluation of the current framework and the consultation with stakeholders is that the levels of the (p) factor are excessively high and lead to unjustified levels of overcapitalisation for some securitisation transactions. In addition, the non-neutrality of capital requirements is particularly high under the SEC-SA approach and causes unjustified differences between the capital requirements calculated under SEC-IRBA and SEC-SA approaches.

Targeted amendments should therefore be introduced to the (p) factor under the SEC-IRBA and SEC-SA approaches, in order to: (i) introduce more risk sensitivity; (ii) address excessive levels of non-neutrality; (iii) reduce the excessive conservativeness of the SEC-SA approach; (iv) maintain the principle of the hierarchy of approaches (i.e. that the SEC-IRBA approach at the top of the hierarchy should, as a principle, lead to lower capital requirements than the SEC-SA approach in the middle and the SEC-ERBA approach at the bottom of the hierarchy leading to the most conservative outcomes).

The targeted amendments therefore differentiate between positions in STS and non-STS securitisations, originators/sponsors and investors positions, and senior and non-senior positions. Generally, the focus of the reductions of the (p) factor is on senior positions, originators/sponsors positions and on STS securitisations. Put differently, investor exposures in non-STS securitisations and in non-senior positions of STS securitisations should not benefit from a reduced (p) factor, as credit institutions' investments in non-senior positions of securitisation are not desirable and should not be supported.

Under SEC-IRBA, where the framework requires the (p) factor to be calculated based on a specific formula, it is proposed that the (p) factor is subject to a reduced scaling factor, a reduced floor and subject to a newly introduced cap. These changes are focused on the senior positions. Apart from the changes explained above (to the cap, the floor and the scaling factor), the formula for calculating the (p) factor under SEC-IRBA remains unchanged.

Under SEC-SA, where the framework sets out flat levels of the (p) factor, differentiating only between STS and non-STS securitisations, it is proposed that the (p) factor is reduced for senior positions.

Under SEC-ERBA, the risk weights in the look-up tables have been recalibrated, to reflect changes proposed to the risk weight floor and to the (p) factor under SEC-IRBA and SEC-SA approaches, while at the same time maintaining the hierarchy of approaches (i.e. to maintain the principle that SEC-ERBA should lead to most conservative outcomes out of the three approaches). To reflect the introduction of the risk sensitive risk weight floor, the look-up tables have to incorporate the formula for calculating the risk sensitive risk weight floor, for the positions with the highest credit quality steps (CQSs) that are likely to touch the lowest risk weights. Therefore, the risk weight floor formula should override the updated risk weights in the look-up tables, if it produces higher results. If banks cannot calculate K_A[17] (because, for example, they cannot obtain the parameter w for the calculation of K_A), they must use the current risk weights of 10% for STS or 15% for non-STS. This is to avoid the risk of regulatory arbitrage, where SEC-ERBA would be able to result in lower risk weights for these highest CQS positions than under the formula-based (SEC-IRBA and SEC-SA) approaches (where the formula has to be used for the calculation of the risk weight floor).

Overall, the proposed changes aim to maintain prudent results and take into consideration EBA and supervisory concerns that reducing the (p) factor may lead to the undercapitalisation of the mezzanine positions and cliff effects (i.e. situation where small changes in the (p) factor result in large changes in the capital requirements and steep differences between capital requirements for different positions).

Resilient positions

In addition, building on the proposals in the 2022 Joint Committee advice on the review of the securitisation prudential framework, the proposal introduces a new concept of resilient

[17] K_A means a capital charge for the underlying exposures in securitisation, adjusted to reflect adverse performance, using the Standardised framework.

securitisation positions. The resilient securitisation positions are senior positions in securitisations which satisfy a set of eligibility criteria that ensure low agency and model risk and a robust loss absorbing capacity for the senior positions. The eligibility criteria build on the Joint Committee's recommendations. They are adapted to capture a larger part of the securitisation market positions, while still ensuring prudent results.

The requirements are the following:

- Reduced agency and model risks. Only securitisation positions which feature reduced agency and model risks are eligible. This includes (i) positions by originators, both in STS and non-STS securitisation (as originators have more detailed knowledge of and control over the underlying exposures and the securitisation origination process than investors); (ii) positions by sponsors, both in STS and non-STS securitisations (as sponsors have access to more information than investors and agency risks are smaller than risks associated with investors' positions); and (iii) investor positions - in STS securitisations only (because STS criteria largely mitigate the agency and model risks). Investor positions in non-STS securitisations are excluded as the agency and model risks are not reduced.
- Amortisation mechanism. Only sequential amortisation is allowed, or pro-rata amortisation, provided the transaction includes performance-related triggers requiring a switch to sequential amortisation. This aims to ensure a conservative credit enhancement for the senior position over the life of the transaction. These are existing STS criteria. Therefore, traditional securitisation needs to comply with the existing STS criterion defined in the Article 21(5) of the Regulation (EU) 2017/2402 and with the additional guidance provided in the EBA Guidelines for non-ABCP securitisation EBA/GL/2018/09. Synthetic securitisation needs to comply with the existing STS criterion defined in the Article 26c(5) of the Regulation (EU) 2017/2402, along with the guidance provided in the EBA Guidelines on the STS criteria for on-balance-sheet securitisation EBA/GL/2024/05, and the requirements of the Delegated Regulation (EU) 2024/920 on performance related triggers.
- Concentration/granularity. The exposures in the pool must comply with a maximum concentration limit of 2%, i.e. exposures to a single obligor may not exceed 2% of the aggregate exposure value. A granular pool facilitates a higher-risk diversification, generally reduces the probability of correlated defaults and better insulates the senior position from the risk of losses.
- Counterparty credit risk (only relevant for synthetic transactions). Only credit protection supported by high quality collateral or in the form of guarantees provided by sovereigns or supra-nationals is allowed. This reduces the counterparty credit risk associated with the credit protection to which the originator is exposed, enables the originator to quickly compensate the losses incurred in SRT structures and contributes to the effectiveness of the risk transfer. The focus of this requirement is to protect the originator (and the originator's exposure to the senior position), since in synthetic securitisations the senior position is usually retained by the originator.
- Minimum credit enhancement (i.e. maximum thickness) of the senior position. This requirement aims to ensure sufficiently thick non-senior positions to cushion the senior position against potential losses. A specific formula is introduced for calculating the minimum attachment point of the senior position under the SEC-IRBA approach. This is largely consistent with the Single Supervisory Mechanism's expectations in the context of the SRT supervisory assessments. For SEC-SA and SEC-ERBA approaches, a separate formula is introduced which is easier to

implement and which avoids complexities with the application of the formula applied under the SEC-IRBA approaches (for example, the complexities of the calculation of the lifetime expected losses under the standardised approach). The formula for calculating the minimum attachment point under the SEC-IRBA approach uses the weighted average life (WAL) of the initial reference portfolio, as one of the inputs. The WAL should be calculated consistently with the guidance provided in the Guidelines on the STS criteria (EBA/GL/2024/05), which is consistent with the assumptions of the calculation of WAL under the EBA Guidelines on the determination of the weighted average maturity of the contractual payments due under the tranche (EBA/GL/2020/04). Accordingly, the calculation of WAL should not take into account any prepayments for synthetic securitisations, while for true sale securitisation the prepayments should be allowed to be taken into account under specific conditions (as set out in the section 4.3.2 of the respective guidelines).

In practice, for STS securitisations, only two out of five criteria are new, as the criteria on amortisation mechanism, concentration/granularity and counterparty credit risk are already existing STS criteria (set out in the Securitisation Regulation) or 'STS+' criteria for preferential capital treatment (set out in Article 243 of the CRR).

Securitisation positions compliant with the above criteria are allowed to benefit from additional reductions to the risk weight floors and, for certain investor positions, also reductions in the (p) factor.

These criteria are specified in the Article 243 of the CRR. Article 243 of the CRR now specifies two sets of criteria for differentiated capital treatment: first, existing criteria for STS securitisations qualifying for STS capital treatment, and second, new 'resilience' criteria for securitisation positions to qualify for more favourable capital treatment than other (non-resilient) positions.

The risk of regulatory arbitrage (where the originator credit institution would be incentivised to structure an unduly thick senior position to benefit from the lower (p) and lower risk weights) is mitigated as follows: in the case of resilient positions, through a 'resilience' requirement on the maximum thickness of the senior position; and for other positions, through the significant risk transfer framework, where the new principle-based approach test prevents such arbitrage. Similarly, credit institutions investing in senior positions of STS securitisation are able to benefit from a lower (p) only if the position is resilient and therefore complies with the requirement on the thickness of the position.

All the proposed changes to the risk weight floors and to the (p) factor are summarised in the following three tables.

Table 1: Current framework requirements

		STS				Non-STS			
		Originator/ sponsor		Investor		Originator/ sponsor		Investor	
		SEC-IRBA	SEC-SA	SEC-IRBA	SEC-SA	SEC-IRBA	SEC-SA	SEC-IRBA	SEC-SA
Senior position	Risk weight floors	10%				15%			
	(p) factor	Formula, Scaling factor 0.5, Floor 0.3	0.5	Formula, Scaling factor 0.5, Floor 0.3	0.5	Formula, Scaling factor 1, Floor 0.3	1	Formula, Scaling factor 1, Floor 0.3	1

Non-senior positions	(p) factor	Formula, Scaling factor 0.5, Floor 0.3	0.5	Formula, Scaling factor 0.5, Floor 0.3	0.5	Formula, Scaling factor 1, Floor 0.3	1	Formula, Scaling factor 1, Floor 0.3	1

*Table 2: Proposed requirements for transactions with resilient positions (changes compared to the current framework are marked in **bold**, changes compared to the proposed treatment for other transactions are marked in **bold underlined**)*

		STS				Non-STS			
		Originator/ sponsor		Investor		Originator/ sponsor		Investor	
		SEC-IRBA	SEC-SA	SEC-IRBA	SEC-SA	SEC-IRBA	SEC-SA	SEC-IRBA	SEC-SA
Senior position	Risk weight floors	**Formula: 10% * K_{IRB} or K_A * 12.5 Floor 5%**				**Formula: 15% * K_{IRB} or K_A * 12.5 Floor 10%**		**Formula: 15% * K_{IRB} or K_A * 12.5 Floor 12%**	
	(p) factor	Formula, **Scaling factor 0.3, Floor 0.2, Cap 0.5**	**0.3**	Formula, **scaling factor 0.3, Floor 0.2, Cap 0.5**	**0.3**	Formula, **Scaling factor 0.7,** Floor 0.3, **Cap 1**	**0.6**	Formula, Scaling factor 1, Floor 0.3, **Cap 1**	1
Non-senior positions	(p) factor	Formula, Scaling factor 0.5, **Floor 0.2, Cap 0.5**	0.5	Formula, Scaling factor 0.5, Floor 0.3, **Cap 0.5**	0.5	Formula, Scaling factor 1, Floor 0.3, **Cap 1**	1	Formula, Scaling factor 1, Floor 0.3, **Cap 1**	1

*Table 3: Proposed requirements for transactions with other than resilient positions (changes compared to the current framework are marked in **bold**)*

		STS				Non-STS			
		Originator/ sponsor		Investor		Originator/ sponsor		Investor	
		SEC-IRBA	SEC-SA	SEC-IRBA	SEC-SA	SEC-IRBA	SEC-SA	SEC-IRBA	SEC-SA
Senior position	Risk weight floors	**Formula: 10% * K_{IRB} or K_A * 12.5 Floor 7%**				**Formula: 15% * K_{IRB} or K_A * 12.5 Floor 12%**			
	(p) factor	Formula, **Scaling factor 0.3, Floor 0.2, Cap 0.5**	**0.3**	Formula, Scaling factor 0.5, floor 0.3, **Cap 0.5**	0.5	Formula, **Scaling factor 0.7,** Floor 0.3, **Cap 1**	**0.6**	Formula, Scaling factor 1, Floor 0.3, **Cap 1**	1
Non-senior positions	(p) factor	Formula, Scaling factor 0.5, **Floor 0.2, Cap 0.5**	0.5	Formula, Scaling factor 0.5, Floor 0.3, **Cap 0.5**	0.5	Formula, Scaling factor 1, Floor 0.3, **Cap 1**	1	Formula, Scaling factor 1, Floor 0.3, **Cap 1**	1

*K_{IRB} means a capital charge for the underlying exposures in securitisation using the IRB (Internal Ratings Based) framework. K_A means a capital charge for the underlying exposures in securitisation, adjusted to reflect adverse performance, using the Standardised framework.

Significant risk transfer (SRT)

The EBA report on the significant risk transfer[18] published in 2020 documented that the existing SRT regulatory framework in the CRR had a number of limitations, in particular in three areas: a) the SRT tests, with limitations relating to the interpretation of the quantitative thresholds and measures used by the CRR mechanical tests and to the qualitative 'commensurateness' test in general, for which the CRR provides only high- level criteria; b)

18 The EBA calls on the European Commission to harmonise the significant risk transfer assessment in securitisation | European Banking Authority (europa.eu)

the process applied by competent authorities to assess SRT, and c) specific structural features of securitisation transactions, which may be detrimental to complying with SRT requirements on a continuous basis and, thus, affect the effectiveness of the risk transfer. These framework limitations have contributed to market uncertainty and delays for competent authorities in assessing some securitisation transactions. In some cases, they have also led to unjustified inconsistencies in SRT outcomes and capital calculations in the SRT treatment of securitisations with comparable characteristics across Member States.

The amendments to the SRT framework aim to address the limitations to the SRT framework identified above (i.e. limitations relating to the current SRT tests, structural features of securitisations and supervisory processes) and to make the SRT framework more consistent and predictable. SRT predictability is enhanced by laying down the main elements of the SRT assessment, including the broad design of the new SRT test, in the CRR. The operationalisation of the technical details of the test, requirements as regards the structural features and the principles of the supervisory assessment process are left to EBA regulatory technical standards.

Replacement of the current mechanical tests by the new principle-based approach test

In line with the EBA recommendations, and with the aim of addressing the limitations identified with respect to the existing mechanical tests, a new principle-based approach test (PBA test) is introduced that replaces the existing two mechanical tests. This PBA test requires the originator to transfer at least 50% of unexpected losses of the exposures of the underlying portfolio of the securitisation transaction to third parties.

In addition, a new requirement is introduced for the originator to submit a self-assessment to the competent authority. The self-assessment should demonstrate that significant risk transfer is met, including in stress conditions. As part of this self-assessment, the originator should provide a cash-flow model analysis which provides evidence of the SRT's sustainability over the life of the transaction and demonstrates how lifetime expected losses and unexpected losses of the securitised exposures are allocated to the positions of the transaction. The cash-flow analysis should cover both baseline as well as stress conditions and should be produced at origination for the whole life of the transaction. Finally, the self-assessment should also include information on the capital relief achieved by the securitisation. This should allow the supervisor to assess whether a securitisation with complex or innovative features leads to a disproportionate amount of capital relief compared to the risk transferred. The self-assessment would in general make it easier for the competent authorities to identify those features of securitisation transactions requiring greater supervisory attention. This would enable them to provide originators with greater transparency and predictability for originators and to streamline the SRT assessment.

Given the deletion of the mechanical tests, it is proposed to also delete the definition of the mezzanine securitisation position. The definition is now redundant, given that the only reference to the mezzanine position was made in the context of the mechanical tests. Moreover, an amendment should also be introduced in the definition of the senior position, where an additional condition/clarification should be introduced that the senior tranche needs to attach above $K_{IRB}/K_{A.}$

In due course, the EBA will issue a regulatory technical standard (RTS) containing: (i) further details on the conditions for the competent authorities to apply the PBA test, and (ii) technical specificities of the self-assessment and cash-flow modelling (including standards for the allocation of the lifetime expected losses and the unexpected losses to the positions). This should ensure a homogeneous implementation of the PBA test and address the main concerns raised by stakeholders on these matters. Additionally, the RTS will deal with structural

features that may hinder the significant transfer of risk, along the lines of the recommendations made in the EBA report on SRT.

Under the proposal, the current permission-based approach – rarely used – will be removed from the CRR (i.e. achievement of SRT through permission granted by the competent authority is no longer allowed).

Preserving supervisory flexibility

It is crucial to preserve flexibility for competent authorities in their SRT assessments, and the competence to carry out a comprehensive review of SRT transactions if there are complex and innovative transactions. Further details on the conditions for the competent authorities to apply the comprehensive review of SRT will be set out in the RTS developed by the EBA.

Process of the supervisory SRT assessment

The process of the supervisory SRT assessment is currently not covered in the CRR. High-level principles governing SRT supervisory assessments should be harmonised at EU level with the aim of making them more efficient. The EBA should formulate such high-level principles in the RTS. This should also include high-level principles for a fast-track process for qualifying securitisations, building on EBA recommendations and drawing on experience with the fast-track process currently being developed by the Single Supervisory Mechanism in cooperation with the European Banking Federation.

Transitional measure related to the output floor in Art. 465(13)

The changes to the (p) factor and the risk weight floors for senior positions have been calibrated in such a way as to mitigate any excessive results for the output floor measure, stemming from the conservative treatment under the SEC-SA approach and disproportionate differences between the SEC-IRBA and SEC-SA approaches. The demands that have led to the introduction of the transitional measure in Article 465(13) have therefore been largely addressed, which also suggests that the transitional measure, which is in any case set to expire after 31 December 2032, is not necessary to the same extent.

Other technical fixes and clarifications

A number of technical amendments and fixes, proposed by EBA and by stakeholders in the Commission consultation, should be introduced as part of the review.

These include the following:

– Time calls in synthetic securitisations and positive incentive in the context of Article 238. A clarification is included in Article 238 that a positive incentive, as referred to in Article 238, for the purpose of determining a maturity mismatch, is present in time calls only when at origination the contract includes terms apparently intended to increase the advantageousness of exercising the time call option (such as step-up coupon, the possibility to exercise a time call option less frequently than on an annual basis after the first eligible time call date, or the release of collateral securing the claims of the protection buyer at or after the first eligible time call date).

– Criteria for STS securitisations qualifying for differentiated (STS) capital treatment in Article 243. Some adjustments are necessary to make the securitisation framework consistent with changes to risk weights applied to some types of exposures under the credit risk framework, as introduced by the Capital Requirements Regulation III.

  - First, the requirement for a 75% risk weight limit for retail exposures on an individual basis is deleted and merged with the requirement for a maximum 100% risk weight for any other exposures on an individual basis. This would

make retail exposures to individuals above EUR 1 million eligible, for example.

- Second, the risk weight limit of 50% for commercial mortgages is increased to 60%. This would maintain the approach applied under the previous CRR regime, where a 50% loan-to-value (LTV) limit has been applied to exposures to commercial non-income-producing real estate (commercial non-IPRE). This also means that exposures to commercial IPRE, which are not desirable for the STS label, would not be eligible.
- Third, no change is introduced to the risk weight limit applied to residential mortgages. In fact, the 40% limit makes it possible to maintain an 80% LTV limit for the majority of exposures and at the same time a higher share of residential non-IPRE exposures with a 100% LTV limit than the previous CRR regime. This enables income producing residential real estate exposures to be included.

– Clarifications with respect to the Article 248(1). The mandate, given to EBA in Article 248(1) to draft RTS specifying what constitutes an appropriately conservative method for calculating the nominal amount for the undrawn part of a liquidity facility, is deleted, as no further clarification is considered necessary on the calculation of the nominal amount of the drawn portion, beyond what is already set out in the relevant Article. Also, as the calculation of the nominal amount of the undrawn portion (the off-balance sheet item) is straight forward, because it can be determined as the difference between the total nominal amount of the liquidity facility and the nominal amount of the drawn portion (an on-balance sheet item), the requirement for the institution to demonstrate application of an appropriately conservative method for measuring the amount of the undrawn portion, is deleted.

– Treatment of specific credit risk adjustments (SCRAs) for calculating capital requirements post securitisation, under Article 248(1)(d). Article 248(1)(d) is amended to extend the possibility to deduct SCRAs also to tranches that have been assigned a risk weight lower than 1250%, provided they have an attachment point A that is smaller than K_{IRB} or K_A. If this condition is satisfied, the securitisation position may be treated as two securitisation positions: the more senior position with A equal to K_{IRB} or K_A and the junior position with A below K_{IRB} or K_A and detachment point D equal to K_{IRB} or K_A. In this case SCRAs will be deductible only from the exposure value of this more junior position, which would be assigned a risk weight of 1250%.

– Clarification on the exposure value of synthetic excess spread under Article 248(1), point (e). some minor technical clarifications are included in the provision on the calculation of the exposure value of the synthetic excess spread, such as moving the reference to the contractually designated SES to the introductory sentence and its deletion from the points (i) to (iv), to avoid unnecessary repetitions.

– Conditions in Article 254(1)(c) under which SEC-SA may not be used. Article 254(1) defines the hierarchy of approaches. However, the conditions under which SEC-SA may not be used are not well specified. Article 254(1)(c) is therefore amended to clarify that the only cases where the SEC-SA may not be used are specified in paragraphs 2 and 4 of the same article. These paragraphs specify respectively the conditions for a mandatory switch to SEC-ERBA and the cases in which the use of the SEC-SA is prohibited by the relevant competent authority.

– Scope of application of the internal assessment approach (IAA) under Article 254(4). Article 254(5) of the CRR is amended to clarify that the IAA cannot replace the mandatory application of SEC-IRBA, but rather may only be used as an alternative to the application of other approaches, i.e. the SEC-SA, the SEC-ERBA or the application of a 1250% risk weight.

– Calculation of K_A in Article 256(1) within the application of the SEC-SA. Article 255(6) is amended to clarify that K_{SA} should be calculated on the basis of the capital requirements of the non-defaulted exposures in the pool of underlying exposures only, to avoid double-counting those exposures in the calculation of K_A in accordance with Article 261(2) of the CRR. Article 261(2) gives a definition of 'exposure in default' for the purpose of calculating W; this definition should also be used for the purpose of calculating K_{SA}, to ensure consistency between the formula for K_A and the calculation of K_{SA}. In addition, the second subparagraph of Article 255(6) is amended to improve clarity on the fact that that K_{SA} should be calculated on the basis of the exposure value of the underlying exposures gross of any SCRAs and additional value adjustments on such underlying exposures (and not net of these).

– Treatment of defaulted exposures in calculation of attachment and detachment points in Article 256. It is clarified that the outstanding balance of the pool of securitised exposures should, for the purpose of calculating the attachment and detachment points of the tranches, be reduced by the amount of losses already allocated to the tranches in respect of the defaulted exposures that are still included in the securitisation portfolio. This is to ensure that the calculation of the attachment and detachment points of a tranche adequately reflects the balance of the securitised exposures. This is relevant in case of a tranche which has been written down to reflect losses on the securitised exposures that remain in the securitised portfolio. Consistently with the clarification provided in the Article 256, Article 261(2) is amended to clarify that, for the purpose of the formula for the W parameter, the nominal amount of defaulted exposures is the accounting value of the defaulted exposures minus any amounts by which the tranches have already been written down to absorb losses on those defaulted exposures, or which have been absorbed by the excess spread.

– Calculation of K for mixed pools under Article 259(7). K_{SA}[19] is replaced with K_A in the formula which specifies the calculation of K_{IRB} for mixed pools. K_A is better suited in the formula than K_{SA}, as K_A reflects the capital requirements to be used in the formula for exposures in a mixed pool which are treated under the SEC-SA.

– Clarifications with respect to the calculation of the overall cap on capital requirements for a securitisation position, under Article 268(1). Article 268(1) is amended to align the calculation of the overall cap on capital requirements for a securitisation position under Article 268 with the amendment made for NPE securitisations in Article 269a(5) of the CRR. Consequently, originators using the SEC-IRBA in case of non-NPE securitisations should deduct SCRAs from the expected loss component of K_{IRB} (capital requirements for the underlying exposures) for the purposes of calculation of the overall cap in accordance with Article 268, similarly as it allowed in the case of NPE securitisations. This is to ensure

[19] K_{SA} means a capital charge for the underlying exposures in securitisation, using the Standardised framework. In contrast to K_A, it is not adjusted to reflect adverse performance.

consistency with the IRB Approach when calculating the capital requirements pre-securitisation and, therefore, the cap in accordance with Article 268. In addition, the Article 268(1) should be amended to remove the existing restriction, according to which the cap on the capital requirements cannot be applied by the SEC-SA and SEC-ERBA investors, as the restriction is not justified.

– Carving out fully capitalised tranches from the calculation of V (i.e. the largest proportion of interest that the institution holds in the relevant tranches) in Article 268(3) of the CRR: An option is included to carve out from the calculation of V (i.e. the largest proportion of interest that the institution holds in the relevant tranches) under Article 268(3) of the CRR any tranche in full to which the originator applies a 1250% risk weight or which is deducted from Common Equity Tier 1 (CET1) items in accordance with point (k) of Article 36(1). The maximum capital requirement should be the sum of the capital requirements calculated under Chapter 2 or 3 on the 'net underlying exposures', i.e. total underlying exposure net of the exposure value relative to the carved-out tranche, multiplied by the revised V and the sum of the exposure values (which equal the capital requirements after securitisation) of the securitisation positions which are carved out from the calculation of V. The scope of this option should be as broad as the proposed amended scope of the Article 268(1).

– Recital 11 is added to clarify the underlying rationale of paragraph 2 of Article 254 on the quantitative rules to switch to SEC-ERBA, and the intended scope of application of this requirement. The aim here is to ensure a consistent interpretation and application of the requirement by the competent authorities and institutions across the Union. The recital clarifies that the article is aimed at avoiding the mandatory use of SEC-ERBA in relation to transactions for which the sovereign ceiling – and not the risk profile of the transactions – is the prevalent driver in determining the risk weights under this approach.

– Reports on STS on-balance sheet securitisations under Article 270(2) and (3). Mandate for reports by the Commission and the EBA in relation to the STS on-balance sheet securitisations are replaced by a mandate for a more general monitoring report by EBA, under Article 506d(2), and a more general report by the Commission, under Article 506d(1).

Review

It is also proposed that the framework, along with the targeted amendments introduced by this current review, is to be reviewed 4 years after its entry into force. The review would be an opportunity to assess the appropriateness of the amended Union prudential securitisation framework. In particular, it would be an opportunity to consider whether a more fundamental change to the risk-weight formulae and functions would lead to greater risk sensitivity and more proportionate levels of capital non-neutrality, mitigate cliff effects and address the structural limitations of the current framework. It is also proposed that the EBA submits a monitoring report 2 years after its entry into force, monitoring the developments and dynamics of the EU securitisation market resulting from the amended prudential framework.

2025/0825 (COD)

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

amending Regulation (EU) No 575/2013 on prudential requirements for credit institutions as regards requirements for securitisation exposures

(Text with EEA relevance)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 114 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee[20],

Having regard to the opinion of the European Central Bank[21],

Having regard to the opinion of the Committee of the Regions[22],

Acting in accordance with the ordinary legislative procedure,

Whereas:

(1) Securitisation transactions are an important part of well-functioning financial markets as they help to diversify credit institutions' funding sources and enable the release of regulatory capital which can then be reallocated to support additional lending. Furthermore, securitisations provide credit institutions and other market participants with additional investment opportunities with specific risk-return trade-offs. This makes possible both greater portfolio diversification and the redistribution of risk in the wider financial system. It also facilitates the flow of funding to businesses and individuals both within Member States and on a cross-border basis throughout the Union.

(2) The Union needs significant investment to remain resilient and competitive. The securitisation framework can contribute to a more diversified financial system and greater risk-sharing. However, there are material impediments to the issuance of and investment in securitisations. These impediments weigh on the development of the securitisation market. The regulatory capital requirements laid down in Regulation (EU) No 575/2013 of the European Parliament and of the Council[23] for institutions originating, sponsoring or investing in securitisations are not sufficiently risk sensitive,

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20 OJ C , , p. .

21 OJ C ….

22 OJ C , , p. .

23 Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1, ELI: http://data.europa.eu/eli/reg/2013/575/oj).

and they also incorporate an unjustified level of conservatism. The current requirements fail to accurately recognise the good credit performance of Union securitisations and the risk mitigants that have been implemented in the Union's regulatory and supervisory frameworks for securitisation. These frameworks have significantly reduced the agency and model risks embedded in securitisation transactions.

(3) Capital requirements for securitisations under Regulation (EU) No 575/2013 should be amended to increase the risk sensitivity and reduce excessive capitalisation by better aligning the capital treatment with the underlying risks. In addition, targeted amendments should be introduced to mitigate undue discrepancies between the capital requirements under two different approaches: the securitisation internal ratings-based approach (SEC-IRBA) and the securitisation standardised approach (SEC-SA). Such mitigation should increase the participation of smaller and medium-sized credit institutions that make use of the standardised approach.

(4) Risk weight floors are minimum risk weights that credit institutions must apply to their senior securitisation exposures, even where the capital calculations suggest a lower risk weight could be applied. Risk weight floors for senior positions of securitisations should be made more risk sensitive, making it possible to reflect the riskiness of the underlying pool of exposures of each specific securitisation. Senior securitisation positions of securitisation of low-risk portfolios should be allowed to benefit from lower risk weight floors than senior securitisation positions in securitisations of higher-risk portfolios. This new approach, which would mean that risk weight floors are calculated based on a specific formula, should replace the existing approach where risk weight floors are set at flat levels, irrespective of the credit quality of the underlying pool of exposures. The new formula should make it possible to reflect the simple, transparent and standardised (STS) or non-STS status of a securitisation. To avoid excessive reductions of the capital requirements, a minimum threshold to the risk weight floors should be introduced.

(5) To provide for more risk sensitivity in the securitisation framework, while maintaining a prudent regulatory treatment, it is necessary to adjust, under the SEC-IRBA approach, the formula for the (p) factor to reduce the floor and to reduce the scaling factor, and to introduce a cap to the (p) factor, mainly for the senior securitisation positions of originator/sponsor credit institutions. For the same reason, under the SEC-SA approach, it is necessary to reduce the (p) factor, for senior securitisation positions. Changes to the (p) factor for non-senior securitisation positions should be minimal, to prevent undercapitalisation of these positions. Changes to the (p) factor for positions of investors in non-STS securitisations and in non-senior securitisation positions of STS securitisations should be minimal, as those positions do not feature reduced agency and model risks.

(6) Senior securitisation positions are resilient if the securitisation satisfies a set of eligibility criteria at the origination date and on an ongoing basis thereafter. This set of eligibility criteria ensures the protection of the senior securitisation position and mitigates agency and model risks. Such resilient securitisation positions should benefit from additional reductions to the risk weight floors and to the (p) factor, compared with positions that do not satisfy the eligibility criteria. Positions of credit institution investors in senior securitisation positions of non-STS securitisations should not be allowed to benefit from those further reductions, as they are not characterised by reduced agency and model risk.

(7) Because of the changes to the risk weight floor for senior securitisation positions and to the (p) factor under the SEC-IRBA and SEC-SA approaches, the risk weights in the look-up tables under SEC-ERBA should be recalibrated accordingly.

(8) Changes to the framework for significant risk transfer (SRT) should be introduced to address limitations identified in that framework in relation to the current mechanical tests measuring the significance of the risk transferred through securitisation, specific structural features of securitisation transactions that may be detrimental to complying with the SRT requirements, and processes applied by competent authorities to assess SRT, and to make that framework more consistent and predictable. The predictability of the SRT supervisory assessments should be increased by laying down the main elements of the SRT assessment in Regulation (EU) No 575/2013, including the broad design of the new SRT test. The way in which the technical details of the test should be implemented, the requirements for the structural features of the transactions, and the principles of the assessment process should all be specified in regulatory technical standards developed by the European Banking Authority (EBA).

(9) A new principle-based approach test should be introduced to replace the existing mechanical tests, to measure the significance of the risk transferred through securitisation. Given its very limited use, the current permission-based approach, where the SRT is achieved through a permission granted by the competent authority, should be removed and should no longer be allowed. To further streamline the SRT assessment, and to increase transparency and predictability for originators, a new requirement should be introduced for originators to submit a self-assessment to demonstrate that the requirements related to the SRT are met, including in stress conditions. As part of the self-assessment, originators should develop a cash-flow model analysis to provide evidence on the resilience of the SRT.

(10) To increase the efficiency of the SRT supervisory assessments, the principles of SRT supervisory assessments should be harmonised at Union level. The EBA should specify such principles in the regulatory technical standards, which should also include high-level principles for a fast-track process for qualifying securitisations.

(11) Targeted amendments should be introduced in specific provisions of Regulation (EU) No 575/2013 to improve technical consistency and provide further clarifications on the rationale underlying certain provisions of the current framework. To ensure the consistent interpretation of Article 254(2) by the competent authorities and credit institutions across the Union, it should also be specified that that Article is aimed at avoiding the mandatory use of SEC-ERBA in relation to transactions for which the rating is capped due to the sovereign ceiling – and not the risk profile of the transactions – is the prevalent driver in determining the risk weights under that approach.

(12) Regulation (EU) No 575/2013 should therefore be amended accordingly.

(13) Since the objective of this Regulation cannot be sufficiently achieved by the Member States and, by reason of its scale and effects, can be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve that objective.

(14) By 4 years after the entry into force, the Commission, after consulting the EBA, should consider whether a more fundamental change to the risk weight formulae and

functions should be introduced in the medium/long-term to make it possible, in a comprehensive manner, to allow for more risk sensitivity, to achieve more proportionate levels of capital non-neutrality, to mitigate cliff effects, and to address the structural limitations of the current framework,

HAVE ADOPTED THIS REGULATION:

Article 1

Amendments to Regulation (EU) No 575/2013

Regulation (EU) No 575/2013 is amended as follows:

(1) in Article 238(2), the following subparagraph is added:

'A positive incentive shall be considered to be present in time call options only when contractual clauses at origination include terms in respect of which it can be expected that such terms have been included in the transaction documentation to increase the advantageousness of exercising the time call option.';

(2) Article 242 is amended as follows:

(a) point (6) is replaced by the following:

'(6) 'senior securitisation position' means a position with the attachment point above K_{IRB} or K_A and backed or secured by a first claim on the whole of the underlying exposures, disregarding for these purposes amounts due under interest rate or currency derivative contracts, fees or other similar payments, and irrespective of any difference in maturity with one or more other senior tranches with which that position shares losses on a pro-rata basis;'

(b) point (18) is deleted;

(3) Article 243 is amended as follows:

(a) the title of the Article is replaced by the following:

'*Article 243*

Criteria for differentiated capital treatment'

(b) in paragraph 2, point (b) is amended as follows:

(1) point (ii) is replaced by the following:

'(ii) 60 % on an individual exposure basis where the exposure is a loan secured by a commercial mortgage;';

(2) point (iii) is deleted;

(c) the following paragraphs 3, 4 and 5 are added:

'3. Senior position in a STS securitisation shall be eligible for the treatment set out in Article 260(2), Article 262(2), Article 264(2a) and Article 264(3a) where the following requirements are met:

(a) for a position in an ABCP programme or ABCP transaction:

(b) the requirements of the Article 243(1)

(c) at the origination date and on an ongoing basis thereafter, the attachment point of the senior securitisation position is determined as follows:

$A >= 1.5 * K_A$, when using SEC-SA or SEC-ERBA, or

A >= 1.1 * (EL * WAL of the initial reference securitised portfolio + UL), when using SEC-IRBA.

(d) for a position a securitisation other than ABCP programme or ABCP transaction:

(e) the requirements of the Article 243(2)

(f) at the origination date and on an ongoing basis thereafter, the attachment point of the senior securitisation position is determined as follows:

A >= 1.5 * K_A, when using SEC-SA or SEC-ERBA, or

A >= 1.1 * (EL * WAL of the initial reference securitised portfolio + UL), when using SEC-IRBA.

4. A senior securitisation position in a non-STS securitisation shall be eligible for the treatment set out in Article 259(1b), Article 261(1b), Article 263(2a) and Article 263(3a) where the following requirements are met, at the origination date and on an ongoing basis thereafter:

(a) for an on-balance-sheet securitisation:

(1) the requirement of Article 26c(5) of Regulation (EU) 2017/2402 and the requirements of Commission Delegated Regulation (EU) 2024/920;

(2) the requirements of Article 26(e)8, 9 and 10 of Regulation (EU) 2017/2402;

(3) the attachment point of the senior securitisation position is determined as follows:

A >= 1.5 * K_A, when using SEC-SA or SEC-ERBA, or

A >= 1.1 * (EL * WAL of the initial reference securitised portfolio + UL), when using SEC-IRBA;

(4) the requirement of Article 243(2), point (a) of this Regulation;

(5) the position is not a position of investor;

(b) for an ABCP programme or ABCP transaction:

(1) the requirements of Article 24(17), point (b), of Regulation (EU) 2017/2402;

(2) the attachment point of the senior securitisation position is determined as follows:

A >= 1.5 * K_A, when using SEC-SA or SEC-ERBA, or

A >= 1.1 * (EL * WAL of the initial reference securitised portfolio + UL), when using SEC-IRBA;

(3) the requirements of Article 243(1), point (b) of this Regulation;

(4) the position is not a position of investor;

(c) for non-ABCP traditional securitisation:

(1) the requirements of Article 21(4), point (b), and Article 21(5) of Regulation (EU) 2017/2402;

(2) the attachment point of the senior securitisation position is determined as follows:

A >= 1.5 * K_A, when using SEC-SA or SEC-ERBA, or

A >= 1.1 * (EL * WAL of the initial reference securitised portfolio + UL), when using SEC-IRBA;

(3) the requirement of Article 243(2), point (a), of this Regulation; the position is not a position of investor.

5. For the purposes of paragraphs 3 and 4, the WAL (weighted average life) of the initial reference portfolio shall be calculated by time-weighting, until the expected maturity of the transaction, only the repayments of principal amounts from the securitised exposures, without taking into account any payments relating to fees or interest to be paid by the obligors of the securitised exposures, and, in case of synthetic securitisations, without taking into account any prepayment assumptions. For a transaction with a replenishment period, the WAL shall be the sum of the remaining replenishment period plus the remaining weighted average life of the reference portfolio measured from the end of that replenishment period. The WAL shall be no greater than five years.';

(4) Articles 244 and 245 are replaced by the following:

'Article 244

Traditional securitisation

1. The originator institution of a traditional securitisation may exclude the securitised exposures from its calculation of risk-weighted exposure amounts and, where relevant, expected loss amounts where all of the following conditions are met:

(a) a significant credit risk associated with the securitised exposures has been transferred to third parties, or the originator institution applies a 1250 % risk weight to all securitisation positions that institution holds in the securitisation or deducts those securitisation positions from Common Equity Tier 1 items in accordance with Article 36(1), point (k);

(b) the conditions for the effective risk transfer on the securitised exposures referred to in paragraph 4 of this Article are met.

2. Significant credit risk shall be considered transferred to third parties where after the allocation of the lifetime expected loss of the underlying exposures to the tranches of the securitisation, the share of weighted amounts of unexpected losses of the underlying exposures allocated to the securitisation positions that the originator institution has transferred to third parties is at least 50% of all the weighted amounts of unexpected losses of the underlying exposures allocated to all the securitisation tranches in accordance with the following formula:

$$\frac{\sum_i RWEA_i \times UL_trans_i}{\sum_i RWEA_i \times UL_i} \geq 0.5$$

where:

– $RWEA_i$ is the risk-weighted exposure amount of tranche i

– UL_i is the amount of unexpected losses allocated to tranche i where the unexpected loss equals the risk-weighted exposure amounts that would be

calculated by the originator institution under Chapter 2 or Chapter 3, as applicable, in respect of the underlying exposures as if they had not been securitised multiplied by 8 %.

– UL_trans_i is the amount of UL_i allocated to the transferred securitisation positions in tranche i

For the purposes of this formula, the risk-weighted exposure amounts that would be calculated under Chapter 3 shall not include the amount of expected losses associated with all the underlying exposures of the securitisation, including defaulted underlying exposures that are still part of the pool.

3. By way of derogation from paragraph 2, competent authorities may require the originator institution on a case-by-case basis to transfer to third parties a weighted amount of unexpected losses larger than the 50% referred to in that paragraph, or object to the significant credit risk transfer. The measures referred to in this paragraph may be imposed to address failings in the management of systems and controls or other internal governance failures of the originator institution, including remedial action plans not yet completed following supervisory examinations, or where the competent authority deems the credit risk transferred under paragraph 2 as insufficient to address certain special or complex features of the securitisation, or leading to disproportionate capital relief.

4. In addition to the requirements set out in paragraphs 1, 2, and 3, all of the following conditions for the effective risk transfer shall be met:

(a) the transaction documentation reflects the economic substance of the securitisation;

(b) the securitisation positions do not constitute payment obligations of the originator institution;

(c) the underlying exposures are placed beyond the reach of the originator institution and its creditors in a manner that meets the requirement set out in Article 20(1) of Regulation (EU) 2017/2402;

(d) the originator institution does not retain control over the underlying exposures;

(e) the securitisation documentation does not contain terms or conditions that require the originator institution to alter the underlying exposures to improve the average quality of the pool or increase the yield payable to holders of positions or otherwise enhance the positions in the securitisation in response to a deterioration in the credit quality of the underlying exposures;

(f) where applicable, the transaction documentation makes it clear that the originator or the sponsor may only purchase or repurchase securitisation positions or repurchase, restructure or substitute the underlying exposures beyond their contractual obligations where such arrangements are executed in accordance with prevailing market conditions and the parties to them act in their own interest as free and independent parties (arm's length);

(g) the securitisation transaction does not exhibit any structural features that prevent or significantly undermine the effective transfer of credit risk to third parties on a sustainable basis or, where any of those features is present, the transaction exhibits adequate safeguards;

(h) where there is a clean-up call option, that option shall also meet all of the following conditions:

(1) that option can be exercised at the discretion of the originator institution;

(2) that option may only be exercised when 10 % or less of the original value of the underlying exposures remains unamortised;

(3) that option is not structured to avoid allocating losses to credit enhancement positions or other positions held by investors in the securitisation and is not otherwise structured to provide credit enhancement;

(i) the originator institution has received an opinion from a qualified legal counsel confirming that the securitisation complies with the conditions set out in point (c) of this paragraph.

For the purposes of point (d), it shall be considered that control is retained over the underlying exposures where the originator has the right to repurchase from the transferee the previously transferred exposures in order to realise their benefits or if it is otherwise required to re-assume transferred risk. The originator institution's retention of servicing rights or obligations in respect of the underlying exposures shall not of itself constitute control of the exposures.

5. The conditions for significant credit risk transfer referred to in paragraphs 2 and 3 shall be met at the time of origination of the securitisation covering the lifetime of the transaction in both base-case and stress-case conditions, provided that no structural changes are made to the transaction after origination. The requirements referred to in paragraph 4 shall be met on an ongoing basis. The originator institution shall submit a self-assessment to the competent authority to demonstrate the fulfilment of the conditions for effective and, where applicable, significant credit risk transfer referred to in paragraphs 1 to 4.

6. For certain transactions that do not exhibit problematic features, competent authorities may apply a fast-track simplified assessment process.

7. The EBA shall develop regulatory technical standards to specify:

(a) the conditions for the fulfilment of the significant credit risk transfer requirement referred to in paragraph 2 of this Article and Article 245(2), in particular:

(1) the calculation of the lifetime expected losses of the underlying exposures and their allocation for the purposes of paragraph of this Article and Article 245(2);

(2) the allocation of the unexpected losses of the securitised exposures to the securitisation tranches for the purposes of paragraph of this Article and Article 245(2);

(3) the calculation of the weighted amounts of unexpected losses in relation to the allocation of the unexpected losses of the securitised exposures to the securitisation tranches of paragraph of this Article and Article 245(2);

(b) the structural features and safeguards referred to in Article 244(4), point (g) and Article 245(4), point (f), respectively, in particular the coverage of the legal clauses for the early termination of securitisations;

(c) the minimum requirements for the self-assessment by the originator institution referred to in Article 244(5) and Article 245(5), including the specification of the scenarios to be applied;

(d) the conditions for the competent authorities to apply Article 244(2) and (3) and Article 245(2) and (3) in relation to securitisation transactions and originator institutions;

(e) the high level principles for the process for the review and assessment of the conditions for the fulfilment of the credit risk transfer requirement in accordance with Article 244(1) to (4) and Article 245(1) to (4), and the high level principles for certain securitisations to qualify for a fast-track simplified assessment process referred to in Article 244(6) and Article 245(6);

(f) the necessary adjustments for the application of Article 244 and 245 to NPE securitisations.

The EBA shall submit those draft regulatory technical standards to the Commission by [18 months after the date of entry into force].

Power is delegated to the Commission to supplement this Regulation by adopting the regulatory technical standards referred to in the first subparagraph in accordance with Articles 10 to 14 of Regulation (EU) No 1093/2010.

8. By 31 March of each year, competent authorities shall notify to the EBA all the securitisations assessed in accordance with paragraphs 1 to 7 in the previous year. The notification shall convey all the information needed to calculate the ratio under paragraph 2 and on relevant structural features. The information shall at least provide a breakdown on the size, thickness and amounts of tranches, portfolio LGD, EL, LTEL and UL, WAL of the underlying exposures and risk weights of the tranches, and information on whether the measures referred to in paragraph 3 were applied.

Article 245

Synthetic securitisation

1. The originator institution of a synthetic securitisation may calculate risk-weighted exposure amounts, and, where relevant, expected loss amounts with respect to the underlying exposures in accordance with Articles 251 and 252, where either of the following conditions is met:

(a) significant credit risk associated with the securitised exposures has been transferred to third parties, or the originator institution applies a 1250 % risk weight to all securitisation positions that institution holds in the securitisation or deducts those securitisation positions from Common Equity Tier 1 items in accordance with Article 36(1), point (k);

(b) the conditions for the effective risk transfer on the securitised exposures referred to in paragraph 4 of this Article are met.

2. Significant credit risk shall be considered transferred to third parties where after the allocation of the lifetime expected loss of the underlying exposures to the tranches of the securitisation the share of weighted amounts of unexpected losses of the underlying exposures allocated to the securitisation positions that the originator institution has transferred to third parties is at least 50% of all the weighted amounts of unexpected losses of the underlying exposures allocated to all the securitisation tranches in accordance with the following formula:

$$\frac{\sum_i RWEA_i \times UL_trans_i}{\sum_i RWEA_i \times UL_i} \geq 0.5$$

where:

– $RWEA_i$ is the risk-weighted exposure amount of tranche i

– UL_i is the amount of unexpected losses allocated to tranche i where the unexpected loss equals the risk-weighted exposure amounts that would be calculated by the originator institution under Chapter 2 or Chapter 3, as applicable, in respect of the underlying exposures as if they had not been securitised multiplied by 8 %.

– UL_trans_i is the amount of UL_i allocated to the transferred securitisation positions in tranche i

For the purposes of this formula, the risk-weighted exposure amounts that would be calculated under Chapter 3 shall not include the amount of expected losses associated with all the underlying exposures of the securitisation, including defaulted underlying exposures that are still part of the pool.

3. By way of derogation from paragraph 2, competent authorities may require the originator institution on a case-by-case basis to transfer to third parties a weighted amount of unexpected losses larger than the 50 % referred to in that paragraph, or object to the significant risk transfer. Competent authorities may impose the measures referred to in this paragraph where necessary to address failings in the management of systems and controls or other internal governance failures of the originator institution, including remedial action plans not yet completed following supervisory examinations, or where the competent authority deems the credit risk transferred under paragraph 2 as insufficient to address certain special or complex features of the securitisation, or leading to a disproportionate capital relief.

4. In addition to the requirements set out in paragraphs 1, 2, and 3, all of the following conditions for the effective risk transfer shall be met:

(a) the transaction documentation reflects the economic substance of the securitisation;

(b) the credit protection by virtue of which credit risk is transferred complies with Article 249;

(c) the securitisation documentation does not contain terms or conditions that:

(1) impose significant materiality thresholds below which credit protection is deemed not to be triggered if a credit event occurs;

(2) allow for the termination of the protection due to deterioration of the credit quality of the underlying exposures;

(3) require the originator institution to alter the composition of the underlying exposures to improve the average quality of the pool; or

(4) increase the institution's cost of credit protection or the yield payable to holders of positions in the securitisation in response to a deterioration in the credit quality of the underlying pool;

(d) the credit protection is enforceable in all relevant jurisdictions;

(e) where applicable, the transaction documentation makes it clear that the originator or the sponsor may only purchase or repurchase securitisation positions or repurchase, restructure or substitute the underlying exposures beyond their contractual obligations where such arrangements are executed in accordance with prevailing market conditions and the parties to them act in their own interest as free and independent parties (arm's length);

(f) the securitisation transaction does not exhibit any structural features that prevent or significantly undermine the effective transfer of credit risk to third parties on a sustainable basis or, where any of those features is present, the transaction exhibits adequate safeguards;

(g) where there is a clean-up call option, that option meets all the following conditions:

(1) that option may be exercised at the discretion of the originator institution;

(2) that option may only be exercised when 10 % or less of the original value of the underlying exposures remains unamortised;

(3) that option is not structured to avoid allocating losses to credit enhancement positions or other positions held by investors in the securitisation and is not otherwise structured to provide credit enhancement;

(h) where there is a time call option, the option is only exercisable after a period measured from the closing date of a transaction corresponding to the initial weighted average life of the securitised exposures, or after a period measured from the end of the replenishment period of a transaction corresponding to the weighted average life at the end of that replenishment period;

(i) the originator institution has received an opinion from a qualified legal counsel confirming that the securitisation complies with the conditions set out in point (d) of this paragraph.

5. The conditions for significant credit risk transfer referred to in paragraphs 2 and 3 shall be met at the time of origination of the securitisation covering the lifetime of the transaction in both base-case and stress-case conditions, provided that no structural changes are made to the transaction after origination. The requirements referred to in paragraph 4 shall be met on an ongoing basis. The originator institution shall submit a self-assessment to the competent authority to demonstrate the fulfilment of the conditions for effective and, where applicable, significant credit risk transfer referred to in paragraphs 1 to 4.

6. For certain transactions that do not exhibit problematic features, competent authorities may apply a fast-track simplified assessment process.

7. By 31 March of each year, competent authorities shall notify to the EBA all the securitisations for which a self-assessment has been received in accordance with the paragraphs 1 to 6 in the previous year. The notification shall convey all the information needed to calculate the ratio under paragraph 2 and on relevant structural features. The information shall at least provide a breakdown on the size, thickness and amounts of tranches, portfolio LGD, EL, LTEL and UL, WAL of the underlying exposures and risk weights of the tranches, and information on whether the measures referred to in paragraph 3 were applied.';

(5) Article 248(1) is amended as follows:

(a) point (b) is replaced by the following:

'(b) the exposure value of an off-balance sheet securitisation position shall be its nominal value less any relevant specific credit risk adjustments on the securitisation position in accordance with Article 110, multiplied by the relevant conversion factor as set out in this point (b). The conversion factor shall be 100 %, except in the case of cash advance facilities. To determine the exposure value of the undrawn portion of the cash advance facilities, a conversion factor of 0 % may be applied to the nominal amount of a liquidity facility that is unconditionally cancellable provided that repayment of draws on the facility are senior to any other claims on the cash flows arising from the underlying exposures;';

(b) point (d) is replaced by the following:

'(d) an originator institution may deduct from the exposure value of a securitisation position which is assigned a 1 250 % risk weight in accordance with Sub-Section 3, or which is deducted from Common Equity Tier 1 in accordance with Article 36(1), point (k), the amount of the specific credit risk adjustments on the underlying exposures in accordance with Article 110, and any non-refundable purchase price discounts connected with such underlying exposures to the extent that such discounts have caused the reduction of own funds.

The amount of the specific credit risk adjustments may be deducted in accordance with the first subparagraph of point (d) from the exposure value of a securitisation position which is assigned a risk weight lower than 1250 %, provided the position has an attachment point lower than K_{IRB} or K_A. In that case, securitisation position shall be considered as two securitisation positions for the purposes of this point (d): the position with A equal to K_{IRB} or K_A and the junior position with A below K_{IRB} or K_A and D equal to K_{IRB} or K_A, and the specific credit risk adjustments may be deducted only from the exposure value of the securitisation position which is the junior position with A below K_{IRB} or K_A and D equal to K_{IRB} or K_A.';

(c) point (e) is replaced by the following:

'(e) the exposure value of a contractually designated synthetic excess spread shall include, as applicable, the following:

(1) any income from the securitised exposures already recognised by the originator institution in its income statement under the applicable accounting framework that the originator institution has contractually designated to the transaction as synthetic excess spread and that is still available to absorb losses;

(2) any synthetic excess spread that is contractually designated by the originator institution in any previous periods and that is still available to absorb losses;

(3) any synthetic excess spread that is contractually designated by the originator institution for the current contractual period and that is still available to absorb losses;

(4) any synthetic excess spread contractually designated by the originator institution for future contractual periods.

For the purposes of this point (e), any amount that is provided as collateral or credit enhancement in relation to the synthetic securitisation and that is already subject to an own funds requirement in accordance with this Chapter shall not be included in the exposure value.';

(d) the second, third and fourth subparagraphs are deleted.

(6) Article 254 is amended as follows:

(a) in paragraph 1, point (c) is replaced by the following:

'(c) where the SEC-SA may not be used, in accordance with paragraphs 2 and 4 of this article, an institution shall use the SEC-ERBA in accordance with Articles 263 and 264 for rated positions or positions in respect of which an inferred rating may be used**.**';

(b) paragraph 5 is replaced by the following:

'5. Without prejudice to paragraph 1, points (b) and (c), of this Article, an institution may apply the Internal Assessment Approach to calculate risk-weighted exposure amounts in relation to an unrated position in an ABCP programme or ABCP transaction in accordance with Article 266, provided that the conditions set out in Article 265 are met. Where an institution has received permission to apply the Internal Assessment Approach in accordance with Article 265(2), and a specific position in an ABCP programme or ABCP transaction falls within the scope of application covered by such permission, the institution shall apply that approach to calculate the risk-weighted exposure amount of that position.';

(7) in Article 255, paragraph 6 is replaced by the following:

'6. Where an institution applies the SEC-SA under Sub-Section 3, that institution shall calculate KSA by multiplying the risk-weighted exposure amounts in respect of the non-defaulted exposures that would be calculated under Chapter 2 as if they had not been securitised by 8 %, divided by the sum of the exposure values of the non-defaulted underlying exposures. KSA shall be expressed in decimal form between zero and one.

For the purposes of this paragraph, non-defaulted exposures shall exclude underlying exposures that are in default as referred to in Article 261(2).

For the purposes of this paragraph, institutions shall calculate the exposure value of the underlying exposures gross of any specific credit risk adjustments and additional value adjustments in accordance with Articles 34 and 110 and other own funds reductions.';

(8) In Article 256, the following paragraph is added:

'7. The outstanding balance of the pool of underlying exposures in the securitisation shall, for the purpose of the paragraph 1 and 2, be reduced by the amount of losses already allocated to the tranches in respect of the defaulted exposures that are included in the securitised portfolio.';

(9) Article 259 is amended as follows:

(a) the introductory wording is replaced by the following:

'Under the SEC-IRBA, the risk-weighted exposure amount for a securitisation position shall be calculated by multiplying the exposure value of the position

calculated in accordance with Article 248 by the applicable risk weight determined as follows:'

(b) the text 'where: p = max [0,3; (A + B*(1/N) + C*K_{IRB} + D * LGD + E*M_T)] is replaced by the following:

'Where:

p = min (1, max [0.3; 0.7 *(A + B*(1/N) + C*K_{IRB} + D*LGD + E*MT)]) for an originator or sponsor exposure to a senior securitisation position, or

p = min (1, max [0.3; 1 *(A + B*(1/N) + C*K_{IRB} + D*LGD + E*MT)]) for other exposures.';

(c) the following paragraphs 1a and 1b are inserted:

'1a. The risk-weighted exposure amount for a senior securitisation position calculated in accordance with paragraph 1 shall be subject to a floor calculated as follows:

Floor = max (12%; 15% *K_{IRB}*12.5)

1b. The risk-weighted exposure amount for a senior securitisation position calculated in accordance with paragraph 1 that complies with the criteria referred to in Article 243(4) shall be subject to a floor calculated as follows:

Floor = max (10%; 15% * K_{IRB}*12.5).';

(d) paragraph 7 is replaced by the following:

'7. Where the position is backed by a mixed pool and the institution is able to calculate K_{IRB} on at least 95 % of the underlying exposure amounts in accordance with Article 258(1), point (a), the institution shall calculate the capital charge for the pool of underlying exposures as:

$d \cdot K_{IRB} + (1 - d)K_A$';

(10) Article 260 is replaced by the following:

'Article 260

Treatment of STS securitisations under the SEC-IRBA

1. Under the SEC-IRBA, the risk weight for a position in an STS securitisation shall be calculated in accordance with Article 259, subject to the following modifications:

p = min (0.5, max [0.2; 0.3*(A + B*(1/N) + C*K_{IRB} + D*LGD + E*M_T)]) for a senior securitisation position of originator or sponsor

p = min (0.5, max [0.2; 0.5*(A + B*(1/N) + C*K_{IRB} + D*LGD + E*M_T)]) for a non-senior originator or sponsor position

p = min (0.5, max [0.3; 0.5*(A + B*(1/N) + C*K_{IRB} + D*LGD + E*M_T)]) for other positions

The risk-weight floor for a senior securitisation position = max (7%; 10% *K_{IRB}*12.5).

2. Under the SEC-IRBA, the risk weight for a position in an STS securitisation compliant with the criteria laid down in the Article 243(3) shall be calculated in accordance with Article 259, subject to the following modifications:

p = min (0.5, max [0.2; 0.3*(A + B*(1/N) + C*K_{IRB} + D*LGD + E*MT)]) for a senior securitisation position of originator, sponsor or investor

p = min (0.5, max [0.2; 0.5*(A + B*(1/N) + C*K_{IRB} + D*LGD + E*MT)]) for a non-senior originator or sponsor position

p = min (0.5, max [0.3; 0.5*(A + B*(1/N) + C*K_{IRB} + D*LGD + E*MT)]) for other positions

The risk weight floor for a senior securitisation position = max (5%; 10% * K_{IRB}*12.5).;

(11) Article 261 is amended as follows:

(a) paragraph 1 is amended as follows:

(1) the introductory wording is replaced by the following:

'Under the SEC-SA, the risk-weighted exposure amount for a securitisation position shall be calculated by multiplying the exposure value of the position calculated in accordance with Article 248 by the applicable risk weight determined as follows:'

(2) 'p = 1 for a securitisation exposure that is not a re-securitisation exposure' is replaced by the following:

'For a securitisation position that is not a re-securitisation exposure, p = 0.6 for a senior securitisation position of originator or sponsor; 1 for other securitisation position'.;

(b) the following paragraphs 1a and 1b are inserted:

'1a. The risk-weighted exposure amount for a senior securitisation position calculated in accordance with paragraph 1 shall be subject to a floor calculated as follows:

Floor = max (12%; 15% *K_A*12.5).

1b. The risk-weighted exposure amount for a senior securitisation position calculated in accordance with paragraph 1 that complies with the criteria set out in Article 243(4) shall be subject to a floor calculated as follows:

Floor = max (10%; 15% * K_A*12.5).';

(c) In paragraph 2, the following sub-paragraph is added:

'For the purpose of this paragraph, the nominal amount of the underlying exposures in default is the accounting value of the exposures in default minus any amounts by which the tranches have already been written down to absorb the losses on those exposures in default, or losses which have been absorbed by excess spread.';

(12) Article 262 is replaced by the following:

'Article 262

Treatment of STS securitisations under the SEC-SA

1. Under the SEC-SA the risk weight for a position in an STS securitisation shall be calculated in accordance with Article 261, subject to the following modifications:

p = 0.3 for a senior securitisation position of originator or sponsor

p = 0.5 for other securitisation exposures

risk weight floor for a senior securitisation position = max (7%; 10% * K_A*12.5).

2. Under the SEC-SA the risk weight for a position in an STS securitisation that complies with the criteria set out in Article 243(3) shall be calculated in accordance with Article 261, subject to the following modifications:

p = 0.3 for a senior securitisation position of originator, sponsor or investor

p = 0.5 for other securitisation exposures

risk weight floor for a senior securitisation position = max (5%; 10% * K_A*12.5).';

(13) Article 263 is amended as follows:

(a) paragraph 2 is replaced by the following:

'2. For exposures with short-term credit assessments or where a rating based on a short-term credit assessment may be inferred in accordance with paragraph 7, the following risk weights shall apply:

Table 1

Credit quality step	1	2	3	All other ratings
Risk weight	Senior tranche: Max (12%; 15% *K_A*12.5) Non-senior tranche: 15 %	50 %	100 %	1250 %

(b) the following paragraphs 2a and 2b are inserted:

'2a. For a position in senior tranche with CQS1 in a securitisation that complies with the criteria set out in Article 243(4), the risk weight shall be calculated as follow:

Max (10 %; 15% *K_A*12.5)

2b. Where an institution is not able to use the formula set out in the Table 1 or under paragraph 2a, because it is not able to calculate K_A, a risk weight of 15 % shall apply to the relevant exposure.';

(c) paragraph 3 is replaced by the following:

'3. For exposures with long-term credit assessments or when a rating based on a long-term credit assessment may be inferred in accordance with paragraph 7, the risk weights set out in Table 2 shall apply, adjusted as applicable for tranche maturity (M_T) in accordance with Article 257 and paragraph 4 of this Article and for tranche thickness for non-senior tranches in accordance with paragraph 5 of this Article:

Table 2

Credit quality step	Senior tranche, position of originator or sponsor		Senior tranche, position of investor		Non-senior (thin) tranche	
	Tranche maturity (M_T)		Tranche maturity (M_T)		Tranche maturity (M_T)	
	1 year	5 year	1 year	5 year	5 year	1 year
1	Max (12 % ; 15% *K_A*12.5)		Max (12 %; 15% *K_A*12.5)	20 %	15 %	70 %
2	Max (12 % ; 15% *K_A*12.5)	18%		30 %	15 %	90 %
3	17 %	24 %	25 %	40 %	30 %	120 %
4	18 %	29 %	30 %	45 %	40 %	140 %
5	24 %	34 %	40 %	50 %	60 %	160 %
6	34 %	45 %	50 %	65 %	80 %	180 %
7	40 %	46 %	60 %	70 %	120 %	210 %
8	51 %	62 %	75 %	90 %	170 %	260 %
9	62 %	73 %	90 %	105 %	220 %	310 %
10	80 %	96 %	120 %	140 %	330 %	420 %
11	124 %	140 %	140 %	160 %	470 %	580 %
12	140 %	160 %	160 %	180 %	620 %	760 %
13	176 %	201 %	200 %	225 %	750 %	860 %
14	230 %	256 %	250 %	280 %	900 %	950 %
15	286 %	312 %	310 %	340 %	1050 %	1050 %
16	348 %	388 %	380 %	420 %	1130 %	1130 %
17	424 %	465 %	460 %	505 %	1250 %	1250 %
All other	1250 %	1250 %	1250 %	1250 %	1250 %	1250 %

(d) the following paragraphs 3a and 3b are inserted:

‘3a. For in position by originator or sponsor in senior tranche with CQS1, or CQS2 with tranche maturity of 1 year, in a securitisation that complies with the criteria set out in Article 243(4), the risk weight shall be calculated as follows:

Max (10 %; 15% *K_A*12.5)

3b. Where an institution is not able to use the formula set out in the Table 2 or under the paragraph 3a, because it is not able to calculate K_A, a risk weight of 15 % shall apply to the relevant exposure.’;

(14) Article 264 is amended as follows:

(a) paragraph 2 is replaced by the following:

‘2. For exposures with short-term credit assessments or where a rating based on a short-term credit assessment may be inferred in accordance with Article 263(7), the following risk weights shall apply:

Table 3

Credit quality step	1	2	3	All other ratings
Risk weight	Senior tranche: Max (7%; 10%*K_A*12.5)	30 %	60 %	1250 %

	Non-senior tranche: 10%			

(b) the following paragraphs 2a and 2b are inserted:

'2a. For a position in senior tranche with CQS1 in a securitisation that complies with the criteria set out in Article 243(3), the risk weight shall be calculated as follows:

Max (5%; 10%* K_A*12.5)

2b. Where an institution is not able to use the formula set out in Table 3 or under the paragraph 2a, because it is not able to calculate K_A, a risk weight of 10 % shall apply to the relevant exposures.';

(c) paragraph 3 is replaced by the following:

'3. For exposures with long-term credit assessments or where a rating based on a long-term credit assessment may be inferred in accordance with Article 263(7), risk weights shall be determined in accordance with Table 4, adjusted for tranche maturity (M_T) in accordance with Article 257 and Article 263(4) and for tranche thickness for non-senior tranches in accordance with Article 263(5):

Table 4

Credit quality step	Senior tranche (position of originator or sponsor, or of investor in a securitisation compliant with Article 243(3))		Senior tranche (other positions of investor)		Non-senior (thin) tranche	
	Tranche maturity (M_T)		Tranche maturity (M_T)		Tranche maturity (M_T)	
	1 year	5 year	1 year	5 year	1 year	5 year
1	Max (7 %; 10%*K_A*12.5)		Max (7 %; 10%*K_A*12.5)		15 %	40 %
2	Max (7 %; 10% *K_A* 12.5)	10 %	Max (7%; 10% * K_A *12.5)	15 %	15 %	55 %
3	10 %	12 %	15 %	20 %	15 %	70 %
4	10 %	16 %	15 %	25 %	25 %	80 %
5	12 %	20 %	20 %	30 %	35 %	95 %
6	20 %	28 %	30 %	40 %	60 %	135 %
7	23 %	28 %	35 %	40 %	95 %	170 %
8	31 %	38 %	45 %	55 %	150 %	225 %
9	38 %	45 %	55 %	65 %	180 %	255 %
10	47 %	58 %	70 %	85 %	270 %	345 %
11	106 %	118 %	120 %	135 %	405 %	500 %
12	118 %	138 %	135 %	155 %	535 %	655 %
13	150 %	174 %	170 %	195 %	645 %	740 %
14	207 %	229 %	225 %	250 %	810 %	855 %
15	258 %	280 %	280 %	305 %	945 %	945 %
16.	311 %	351 %	340 %	380 %	1015 %	1015 %
17	383 %	419 %	415 %	455 %	1250 %	1250 %
All other	1250 %	1250 %	1250 %	1250 %	1250 %	1250 %

(d) the following paragraphs 3a and 3b is added:

'3a. For a position in senior tranche with CQS1, or CQS 2 with tranche maturity of 1 year, in a securitisation that complies with the criteria set out in Article 243(3), the risk weight shall be calculated as follows:

Max (5 %; 10% *K_A*12.5)

3b. When an institution is not able to use the formula set out in Table 4, because it is not able to calculate K_A, a risk weight of 10 % shall apply to the relevant exposure.';

(15) Article 268 is amended as follows:

(a) paragraph 1 is replaced by the following:

'1. An institution may apply a maximum capital requirement for the securitisation position it holds equal to the capital requirements that would be calculated under Chapter 2 or 3 in respect of the underlying exposures had they not been securitised.

For the purposes of this Article, the IRB Approach capital requirement shall include the amount of the expected losses associated with those exposures calculated under Chapter 3 and that of unexpected losses. For originator institutions, the expected losses shall be net of any specific credit risk adjustments on the underlying exposures.';

(b) paragraph 3 is replaced by the following:

'3. The maximum capital requirement shall be the result of multiplying the amount calculated in accordance with paragraphs 1 or 2 by the largest proportion of interest that the institution holds in the relevant tranches (V), expressed as a percentage and calculated as follows:

(a) for an institution that has one or more securitisation positions in a single tranche, V shall be equal to the ratio of the nominal amount of the securitisation positions that the institution holds in that given tranche to the nominal amount of the tranche;

(b) for an institution that has securitisation positions in different tranches, V shall be equal to the maximum proportion of interest across tranches.

For the purposes of point (b), the proportion of interest for each of the different tranches shall be calculated as set out in point (a).

By way of derogation from the first and second subparagraphs, institutions may disregard the interest of any tranche whose securitisation positions held by the institution are assigned a 1250 % risk weight in accordance with Subsection 3 or are deducted from Common Equity Tier 1 in accordance with Article 36(1), point (k). In that case, the maximum capital requirements shall be the sum of the amount calculated in accordance with paragraphs 1 or 2, net of the exposure values of the securitisation positions which were disregarded in the determination of V, multiplied by V plus the sum of the exposure values of the securitisation positions which were disregarded in the determination of V.';

(16) in Article 270, paragraphs 2, 3 and 4 are deleted;

(17) Article 506b is deleted;

(18) Article 506d is replaced by the following:

'Article 506d

Prudential treatment of securitisation

1. By [*4 years after the date of entry into force*], the Commission, after having consulted the EBA, shall assess the overall situation and dynamics of the Union securitisation market, and report on the appropriateness and effectiveness of the Union prudential securitisation framework, including on the financing of the real economy, differentiating between different types of securitisations, including between synthetic, traditional and NPE securitisations, between originators and investors, between STS and non-STS transactions, and between different methods for calculation of risk-weighted exposure amounts.

   As part of the review, the Commission shall assess the impact on financial stability. The Commission shall also monitor the use of the transitional arrangement referred to in Article 465(13) and assess the extent to which the application of the output floor to securitisation exposures would affect the capital reduction obtained by originator institutions in transactions for which a significant risk transfer has been recognised, would excessively reduce the risk sensitivity and would affect the economic viability of new securitisation transactions.

   In particular, the Commission shall consider whether a more fundamental change to the risk-weight formulas and functions would make it possible to achieve more risk sensitivity, achieve more proportionate levels of capital non-neutrality, mitigate cliff effects and address structural limitations of the current framework, taking into account the historic credit performance of securitisation transactions in the Union and the reduced model and agency risks of the securitisation framework.

   The Commission shall submit that report to the European Parliament and the Council, together with a legislative proposal, where appropriate.

2. The EBA shall submit a report to the Commission, by [2 years after entry into force], to monitor the developments and dynamics of the Union securitisation market resulting from the amended prudential framework, focusing on the role of the credit institutions as originators of SRT transactions and as investors. The analysis shall differentiate between different types of securitisations, including between synthetic, traditional and NPE securitisations, and between STS and non-STS transactions. The report shall also analyse the impact of the amended prudential framework on additional lending by credit institutions to households and businesses, including SMEs.

Article 2

This Regulation shall enter into force on the […] day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Strasbourg,

For the European Parliament	*For the Council*
The President	*The President*

LEGISLATIVE FINANCIAL AND DIGITAL STATEMENT

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1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

1.1. Title of the proposal/initiative

Proposal for a Regulation of the European parliament and of the Council amending Regulation (EU) No 575/2013 on prudential requirements for credit institutions ad regards requirements for securitisation exposures

1.2. Policy area(s) concerned

Financial Stability

Capital Markets Union

1.3. Objective(s)

1.3.1. General objective(s)

To increase the risk sensitivity of the framework and remove prudential barriers that disincentivise EU banks from participating in the EU securitisation market.

1.3.2. Specific objective(s)

Associated with the general objective, there are the following specific objectives: (i) to reduce unjustified levels of conservatism and capital non-neutrality; (iii) to differentiate the prudential treatment for originators/sponsors of securitisations and investors in securitisations; and (iv) to mitigate undue discrepancies between the securitisation standardised approach (SEC-SA) and securitisation internal ratings-based approach (SEC-IRBA) for the calculation of capital requirements for securitisation.

1.3.3. Expected result(s) and impact

Specify the effects which the proposal/initiative should have on the beneficiaries/groups targeted.

The proposal makes part of a wider legislative package that aims to address undue barriers that are hindering the development of the EU securitisation market and adapt the regulatory framework to the actual risks, while preserving its overall level of resilience and efficiency. It aims to revitalise the securitisation market through reducing burden and compliance costs for issuers and investors, which should ultimately allow securitisation to play a role in the development of the Savings and Investments Union.

1.3.4. Indicators of performance

Specify the indicators for monitoring progress and achievements.

A close monitoring of the impact of the new framework will be carried out in cooperation with the EBA and competent supervisory authorities on the basis of the supervisory reporting arrangements and disclosure requirements by institutions provided for in the CRR, and will form part of the ongoing supervision and the supervisory assessments of the significant risk transfer.

The Commission shall also carry out an evaluation of this package of proposed amendments, four years after its entry into application and present a report on the main findings to the European Parliament, the Council and the European Economic and Social Committee.

1.4. The proposal/initiative relates to:

☐ a new action

☐ a new action following a pilot project / preparatory action[24]

☒ the extension of an existing action

☐ a merger or redirection of one or more actions towards another/a new action

1.5. Grounds for the proposal/initiative

1.5.1. Requirement(s) to be met in the short or long term including a detailed timeline for roll-out of the implementation of the initiative

The proposal is an amendment to the existing Regulation (EU) No 575/2013. It is expected to enter into force on the twentieth day following that of its publication in the Official Journal of the European Union. The Regulation shall be binding in its entirety and directly applicable in all Member States.

1.5.2. Added value of EU involvement (it may result from different factors, e.g. coordination gains, legal certainty, greater effectiveness or complementarities). For the purposes of this section 'added value of EU involvement' is the value resulting from EU action, that is additional to the value that would have been otherwise created by Member States alone.

Reasons for action at EU level (ex-ante): Given that the proposed measure aims to amend existing EU legislation, it is best achieved at EU level rather than through different national initiatives. To achieve the EU single market's objectives, it is crucial to ensure a standard application of the proposed measure, a convergence of related supervisory practices and a level playing field throughout the single market for banking services. Expected generated EU added value (ex-post): Adopting national measures would be difficult from a legal standpoint given that the CRR is directly applicable. In addition, a minimum degree of harmonisation and consistency across Member States is necessary to achieve the single market's objectives.

1.5.3. Lessons learned from similar experiences in the past

The CRR is directly applicable across the EU and already regulates prudential treatment of securitisation in all Member States. This ensures a standard application of prudential measures in this area, the necessary convergence in supervisory practices and a level playing field throughout the single market for banking services, forming the basis for sound competition across the EU.

1.5.4. Compatibility with the multiannual financial framework and possible synergies with other appropriate instruments

Not applicable for this proposal – no budgetary impact.

1.5.5. Assessment of the different available financing options, including scope for redeployment

Not applicable for this proposal – no budgetary impact.

[24] As referred to in Article 58(2), point (a) or (b) of the Financial Regulation.

1.6. Duration of the proposal/initiative and of its financial impact

☐ **limited duration**

– ☐ in effect from [DD/MM]YYYY to [DD/MM]YYYY

– ☐ financial impact from YYYY to YYYY for commitment appropriations and from YYYY to YYYY for payment appropriations.

☐ **unlimited duration**

– Implementation with a start-up period from YYYY to YYYY,

– followed by full-scale operation.

1.7. Method(s) of budget implementation planned[25]

☐ **Direct management** by the Commission

– ☐ by its departments, including by its staff in the Union delegations;

– ☐ by the executive agencies

☐ **Shared management** with the Member States

☐ **Indirect management** by entrusting budget implementation tasks to:

– ☐ third countries or the bodies they have designated

– ☐ international organisations and their agencies (to be specified)

– ☐ the European Investment Bank and the European Investment Fund

– ☐ bodies referred to in Articles 70 and 71 of the Financial Regulation

– ☐ public law bodies

– ☐ bodies governed by private law with a public service mission to the extent that they are provided with adequate financial guarantees

– ☐ bodies governed by the private law of a Member State that are entrusted with the implementation of a public-private partnership and that are provided with adequate financial guarantees

– ☐ bodies or persons entrusted with the implementation of specific actions in the common foreign and security policy pursuant to Title V of the Treaty on European Union, and identified in the relevant basic act

– ☐ bodies established in a Member State, governed by the private law of a Member State or Union law and eligible to be entrusted, in accordance with sector-specific rules, with the implementation of Union funds or budgetary guarantees, to the extent that such bodies are controlled by public law bodies or by bodies governed by private law with a public service mission, and are provided with adequate financial guarantees in the form of joint and several liability by the controlling bodies or equivalent financial guarantees and which may be, for each action, limited to the maximum amount of the Union support.

Comments

[25] Details of budget implementation methods and references to the Financial Regulation may be found on the BUDGpedia site: https://myintracomm.ec.europa.eu/corp/budget/financial-rules/budget-implementation/Pages/implementation-methods.aspx.

Not applicable for this proposal – no budgetary impact.

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

Not applicable for this proposal – no budgetary impact.

2.2. Management and control system(s)

2.2.1. Justification of the budget implementation method(s), the funding implementation mechanism(s), the payment modalities and the control strategy proposed

Not applicable for this proposal – no budgetary impact.

2.2.2. Information concerning the risks identified and the internal control system(s) set up to mitigate them

Not applicable for this proposal – no budgetary impact.

2.2.3. Estimation and justification of the cost-effectiveness of the controls (ratio between the control costs and the value of the related funds managed), and assessment of the expected levels of risk of error (at payment & at closure)

Not applicable for this proposal – no budgetary impact.

2.3. Measures to prevent fraud and irregularities

Not applicable for this proposal – no budgetary impact.

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

Not applicable for this proposal – no budgetary impact.

- Existing budget lines

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number	Diff./Non-diff.[26]	from EFTA countries [27]	from candidate countries and potential candidates [28]	From other third countries	other assigned revenue
	[XX.YY.YY.YY]	Diff./Non-diff.	YES/NO	YES/NO	YES/NO	YES/NO
	[XX.YY.YY.YY]	Diff./Non-diff.	YES/NO	YES/NO	YES/NO	YES/NO
	[XX.YY.YY.YY]	Diff./Non-diff.	YES/NO	YES/NO	YES/NO	YES/NO

- New budget lines requested

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number	Diff./Non-diff.	from EFTA countries	from candidate countries and potential candidates	from other third countries	other assigned revenue
	[XX.YY.YY.YY]	Diff./Non-diff.	YES/NO	YES/NO	YES/NO	YES/NO
	[XX.YY.YY.YY]	Diff./Non-diff.	YES/NO	YES/NO	YES/NO	YES/NO
	[XX.YY.YY.YY]	Diff./Non-diff.	YES/NO	YES/NO	YES/NO	YES/NO

[26] Diff. = Differentiated appropriations / Non-diff. = Non-differentiated appropriations.
[27] EFTA: European Free Trade Association.
[28] Candidate countries and, where applicable, potential candidates from the Western Balkans.

3.2. Estimated financial impact of the proposal on appropriations

3.2.1. Summary of estimated impact on operational appropriations

– ☒ The proposal/initiative does not require the use of operational appropriations

– ☐ The proposal/initiative requires the use of operational appropriations, as explained below

3.2.1.1. Appropriations from voted budget

EUR million (to three decimal places)

Heading of multiannual financial framework	Number	

DG: <…….>			Year	Year	Year	Year	**TOTAL MFF 2021-2027**
			2024	**2025**	**2026**	**2027**	
Operational appropriations							
Budget line	Commitments	(1a)					**0.000**
	Payments	(2a)					**0.000**
Budget line	Commitments	(1b)					**0.000**
	Payments	(2b)					**0.000**
Appropriations of an administrative nature financed from the envelope of specific programmes[29]							
Budget line		(3)					**0.000**
TOTAL appropriations for DG <…….>	Commitments	=1a+1b+3	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
	Payments	=2a+2b+3	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

DG: <…….>			Year	Year	Year	Year	**TOTAL MFF 2021-2027**
			2024	**2025**	**2026**	**2027**	
Operational appropriations							
Budget line	Commitments	(1a)					**0.000**

[29] Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research.

	Payments	(2a)					**0.000**
Budget line	Commitments	(1b)					**0.000**
	Payments	(2b)					**0.000**
Appropriations of an administrative nature financed from the envelope of specific programmes[30]							
Budget line		(3)					**0.000**
TOTAL appropriations for DG <…….>	Commitments	=1a+1b+3	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
	Payments	=2a+2b+3	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

			Year **2024**	Year **2025**	Year **2026**	Year **2027**	**TOTAL MFF 2021-2027**
TOTAL operational appropriations	Commitments	(4)	0.000	0.000	0.000	0.000	**0.000**
	Payments	(5)	0.000	0.000	0.000	0.000	**0.000**
TOTAL appropriations of an administrative nature financed from the envelope for specific programmes		(6)	0.000	0.000	0.000	0.000	**0.000**
TOTAL appropriations under HEADING <….> of the multiannual financial framework	Commitments	=4+6	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
	Payments	=5+6	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

Heading of multiannual financial framework	Number	

DG: <…….>			Year **2024**	Year **2025**	Year **2026**	Year **2027**	**TOTAL MFF 2021-2027**
Operational appropriations							
Budget line	Commitments	(1a)					**0.000**

[30] Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research.

	Payments	(2a)					**0.000**
Budget line	Commitments	(1b)					**0.000**
	Payments	(2b)					**0.000**
Appropriations of an administrative nature financed from the envelope of specific programmes[31]							
Budget line		(3)					**0.000**
TOTAL appropriations	Commitments	=1a+1b +3	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
for DG <…….>	Payments	=2a+2b+3	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

DG: <…….>			Year **2024**	Year **2025**	Year **2026**	Year **2027**	**TOTAL MFF 2021-2027**
Operational appropriations							
Budget line	Commitments	(1a)					**0.000**
	Payments	(2a)					**0.000**
Budget line	Commitments	(1b)					**0.000**
	Payments	(2b)					**0.000**
Appropriations of an administrative nature financed from the envelope of specific programmes[32]							
Budget line		(3)					**0.000**
TOTAL appropriations	Commitments	=1a+1b +3	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
for DG <…….>	Payments	=2a+2b+3	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

			Year **2024**	Year **2025**	Year **2026**	Year **2027**	**TOTAL MFF 2021-2027**
TOTAL operational appropriations	Commitments	(4)	0.000	0.000	0.000	0.000	**0.000**

[31] Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research.

[32] Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research.

	Payments	(5)	0.000	0.000	0.000	0.000	**0.000**
TOTAL appropriations of an administrative nature financed from the envelope for specific programmes		(6)	0.000	0.000	0.000	0.000	**0.000**
TOTAL appropriations under HEADING <….> of the multiannual financial framework	Commitments	=4+6	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
	Payments	=5+6	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

			Year **2024**	Year **2025**	Year **2026**	Year **2027**	**TOTAL MFF 2021-2027**
• TOTAL operational appropriations (all operational headings)	Commitments	(4)	0.000	0.000	0.000	0.000	**0.000**
	Payments	(5)	0.000	0.000	0.000	0.000	**0.000**
• TOTAL appropriations of an administrative nature financed from the envelope for specific programmes (all operational headings)		(6)	0.000	0.000	0.000	0.000	**0.000**
TOTAL appropriations Under Heading 1 to 6 of the multiannual financial framework (Reference amount)	Commitments	=4+6	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
	Payments	=5+6	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

Heading of multiannual financial framework	**7**	'Administrative expenditure'[33]

DG: <…….>	Year **2024**	Year **2025**	Year **2026**	Year **2027**	**TOTAL MFF 2021-2027**
• Human resources	0.000	0.000	0.000	0.000	**0.000**
• Other administrative expenditure	0.000	0.000	0.000	0.000	**0.000**

[33] The necessary appropriations should be determined using the annual average cost figures available on the appropriate BUDGpedia webpage.

TOTAL DG <…….>	Appropriations	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

DG: <…….>		Year **2024**	Year **2025**	Year **2026**	Year **2027**	**TOTAL MFF 2021-2027**
• Human resources		0.000	0.000	0.000	0.000	**0.000**
• Other administrative expenditure		0.000	0.000	0.000	0.000	**0.000**
TOTAL DG <…….>	Appropriations	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

TOTAL appropriations under HEADING 7 of the multiannual financial framework	(Total commitments = Total payments)	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

EUR million (to three decimal places)

		Year **2024**	Year **2025**	Year **2026**	Year **2027**	**TOTAL MFF 2021-2027**
TOTAL appropriations under HEADINGS 1 to 7	Commitments	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
of the multiannual financial framework	Payments	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

3.2.1.2. Appropriations from external assigned revenues

EUR million (to three decimal places)

Heading of multiannual financial framework	Number	

DG: <…….>			Year **2024**	Year **2025**	Year **2026**	Year **2027**	**TOTAL MFF 2021-2027**
Operational appropriations							
Budget line	Commitments	(1a)					**0.000**

	Payments	(2a)					**0.000**
Budget line	Commitments	(1b)					**0.000**
	Payments	(2b)					**0.000**
Appropriations of an administrative nature financed from the envelope of specific programmes[34]							
Budget line		(3)					**0.000**
TOTAL appropriations for DG <…….>	Commitments	=1a+1b+3	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
	Payments	=2a+2b+3	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

DG: <…….>	Year **2024**	Year **2025**	Year **2026**	Year **2027**	**TOTAL MFF 2021-2027**
Operational appropriations					
Budget line (Commitments (1a))					**0.000**
Budget line (Payments (2a))					**0.000**
Budget line (Commitments (1b))					**0.000**
Budget line (Payments (2b))					**0.000**
Appropriations of an administrative nature financed from the envelope of specific programmes[35]					
Budget line (3)					**0.000**
TOTAL appropriations for DG <…….> Commitments =1a+1b+3	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
TOTAL appropriations for DG <…….> Payments =2a+2b+3	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

			Year **2024**	Year **2025**	Year **2026**	Year **2027**	**TOTAL MFF 2021-2027**
TOTAL operational appropriations	Commitments	(4)	0.000	0.000	0.000	0.000	**0.000**
	Payments	(5)	0.000	0.000	0.000	0.000	**0.000**

[34] Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research.

[35] Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research.

TOTAL appropriations of an administrative nature financed from the envelope for specific programmes		(6)	0.000	0.000	0.000	0.000	**0.000**
TOTAL appropriations under HEADING <….>	Commitments	=4+6	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
of the multiannual financial framework	Payments	=5+6	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
Heading of multiannual financial framework	Number						

DG: <…….>			Year **2024**	Year **2025**	Year **2026**	Year **2027**	**TOTAL MFF 2021-2027**
Operational appropriations							
Budget line	Commitments	(1a)					**0.000**
	Payments	(2a)					**0.000**
Budget line	Commitments	(1b)					**0.000**
	Payments	(2b)					**0.000**
Appropriations of an administrative nature financed from the envelope of specific programmes[36]							
Budget line		(3)					**0.000**
TOTAL appropriations for DG <…….>	Commitments	=1a+1b+3	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
	Payments	=2a+2b+3	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

DG: <…….>			Year **2024**	Year **2025**	Year **2026**	Year **2027**	**TOTAL MFF 2021-2027**
Operational appropriations							
Budget line	Commitments	(1a)					**0.000**
	Payments	(2a)					**0.000**

[36] Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research.

Budget line	Commitments	(1b)					**0.000**
	Payments	(2b)					**0.000**
Appropriations of an administrative nature financed from the envelope of specific programmes[37]							
Budget line		(3)					**0.000**
TOTAL appropriations for DG <…….>	Commitments	=1a+1b+3	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
	Payments	=2a+2b+3	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

			Year **2024**	Year **2025**	Year **2026**	Year **2027**	**TOTAL MFF 2021-2027**
TOTAL operational appropriations	Commitments	(4)	0.000	0.000	0.000	0.000	**0.000**
	Payments	(5)	0.000	0.000	0.000	0.000	**0.000**
TOTAL appropriations of an administrative nature financed from the envelope for specific programmes		(6)	0.000	0.000	0.000	0.000	**0.000**
TOTAL appropriations under HEADING <….> of the multiannual financial framework	Commitments	=4+6	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
	Payments	=5+6	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

			Year **2024**	Year **2025**	Year **2026**	Year **2027**	**TOTAL MFF 2021-2027**
• TOTAL operational appropriations (all operational headings)	Commitments	(4)	0.000	0.000	0.000	0.000	**0.000**
	Payments	(5)	0.000	0.000	0.000	0.000	**0.000**
• TOTAL appropriations of an administrative nature financed from the envelope for specific programmes (all operational headings)		(6)	0.000	0.000	0.000	0.000	**0.000**

[37] Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research.

TOTAL appropriations under Headings 1 to 6 of the multiannual financial framework (Reference amount)	Commitments	=4+6	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
	Payments	=5+6	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

Heading of multiannual financial framework	**7**	'Administrative expenditure'[38]

EUR million (to three decimal places)

DG: <…….>		Year **2024**	Year **2025**	Year **2026**	Year **2027**	**TOTAL MFF 2021-2027**
• Human resources		0.000	0.000	0.000	0.000	**0.000**
• Other administrative expenditure		0.000	0.000	0.000	0.000	**0.000**
TOTAL DG <…….>	Appropriations	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

DG: <…….>		Year **2024**	Year **2025**	Year **2026**	Year **2027**	**TOTAL MFF 2021-2027**
• Human resources		0.000	0.000	0.000	0.000	**0.000**
• Other administrative expenditure		0.000	0.000	0.000	0.000	**0.000**
TOTAL DG <…….>	Appropriations	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

TOTAL appropriations under HEADING 7 of the multiannual financial framework	(Total commitments = Total payments)	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

EUR million (to three decimal places)

	Year	Year	Year	Year	**TOTAL MFF**

[38] The necessary appropriations should be determined using the annual average cost figures available on the appropriate BUDGpedia webpage.

		2024	2025	2026	2027	2021-2027
TOTAL appropriations under HEADINGS 1 to 7	Commitments	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
of the multiannual financial framework	Payments	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

3.2.2. Estimated output funded from operational appropriations (not to be completed for decentralised agencies)

Commitment appropriations in EUR million (to three decimal places)

Indicate objectives and outputs ⇩			Year **2024**		Year **2025**		Year **2026**		Year **2027**		Enter as many years as necessary to show the duration of the impact (see Section1.6)						**TOTAL**	
	OUTPUTS																	
	Type[39]	Average cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	Total No	Total cost
SPECIFIC OBJECTIVE No 1[40]…																		
- Output																		
- Output																		
- Output																		
Subtotal for specific objective No 1																		
SPECIFIC OBJECTIVE No 2 ...																		
- Output																		
Subtotal for specific objective No 2																		

39 Outputs are products and services to be supplied (e.g. number of student exchanges financed, number of km of roads built, etc.).

40 As described in Section 1.3.2. 'Specific objective(s)'

TOTALS																

3.2.3. Summary of estimated impact on administrative appropriations

– ☒ The proposal/initiative does not require the use of appropriations of an administrative nature

– ☐ The proposal/initiative requires the use of appropriations of an administrative nature, as explained below

3.2.3.1. Appropriations from voted budget

VOTED APPROPRIATIONS	Year 2024	Year 2025	Year 2026	Year 2027	TOTAL 2021 - 2027
HEADING 7					
Human resources	0.000	0.000	0.000	0.000	**0.000**
Other administrative expenditure	0.000	0.000	0.000	0.000	**0.000**
Subtotal HEADING 7	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
Outside HEADING 7					
Human resources	0.000	0.000	0.000	0.000	**0.000**
Other expenditure of an administrative nature	0.000	0.000	0.000	0.000	**0.000**
Subtotal outside HEADING 7	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
TOTAL	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

3.2.3.2. Appropriations from external assigned revenues

EXTERNAL ASSIGNED REVENUES	Year 2024	Year 2025	Year 2026	Year 2027	TOTAL 2021 - 2027
HEADING 7					
Human resources	0.000	0.000	0.000	0.000	**0.000**
Other administrative expenditure	0.000	0.000	0.000	0.000	**0.000**
Subtotal HEADING 7	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
Outside HEADING 7					
Human resources	0.000	0.000	0.000	0.000	**0.000**
Other expenditure of an administrative nature	0.000	0.000	0.000	0.000	**0.000**

Subtotal outside HEADING 7	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
TOTAL	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

3.2.3.3. Total appropriations

TOTAL VOTED APPROPRIATIONS + EXTERNAL ASSIGNED REVENUES	Year **2024**	Year **2025**	Year **2026**	Year **2027**	**TOTAL 2021 - 2027**
HEADING 7					
Human resources	0.000	0.000	0.000	0.000	**0.000**
Other administrative expenditure	0.000	0.000	0.000	0.000	**0.000**
Subtotal HEADING 7	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
Outside HEADING 7					
Human resources	0.000	0.000	0.000	0.000	**0.000**
Other expenditure of an administrative nature	0.000	0.000	0.000	0.000	**0.000**
Subtotal outside HEADING 7	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
TOTAL	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

The appropriations required for human resources and other expenditure of an administrative nature will be met by appropriations from the DG that are already assigned to management of the action and/or have been redeployed within the DG, together, if necessary, with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

3.2.4. Estimated requirements of human resources

– ☒ The proposal/initiative does not require the use of human resources

– ☐ The proposal/initiative requires the use of human resources, as explained below

3.2.4.1. Financed from voted budget

Estimate to be expressed in full-time equivalent units (FTEs)[41]

VOTED APPROPRIATIONS		Year 2024	Year 2025	Year 2026	Year 2027
• Establishment plan posts (officials and temporary staff)					
20 01 02 01 (Headquarters and Commission's Representation Offices)		0	0	0	0
20 01 02 03 (EU Delegations)		0	0	0	0
01 01 01 01 (Indirect research)		0	0	0	0
01 01 01 11 (Direct research)		0	0	0	0
Other budget lines (specify)		0	0	0	0
• External staff (inFTEs)					
20 02 01 (AC, END from the 'global envelope')		0	0	0	0
20 02 03 (AC, AL, END and JPD in the EU Delegations)		0	0	0	0
Admin. Support line [XX.01.YY.YY]	- at Headquarters	0	0	0	0
	- in EU Delegations	0	0	0	0
01 01 01 02 (AC, END - Indirect research)		0	0	0	0
01 01 01 12 (AC, END - Direct research)		0	0	0	0
Other budget lines (specify) - Heading 7		0	0	0	0
Other budget lines (specify) - Outside Heading 7		0	0	0	0
TOTAL		**0**	**0**	**0**	**0**

3.2.4.2. Financed from external assigned revenues

EXTERNAL ASSIGNED REVENUES	Year 2024	Year 2025	Year 2026	Year 2027

[41] Please specify below the table how many FTEs within the number indicated are already assigned to the management of the action and/or can be redeployed within your DG and what are your net needs.

• Establishment plan posts (officials and temporary staff)					
20 01 02 01 (Headquarters and Commission's Representation Offices)		0	0	0	0
20 01 02 03 (EU Delegations)		0	0	0	0
01 01 01 01 (Indirect research)		0	0	0	0
01 01 01 11 (Direct research)		0	0	0	0
Other budget lines (specify)		0	0	0	0
• External staff (in full time equivalent units)					
20 02 01 (AC, END from the 'global envelope')		0	0	0	0
20 02 03 (AC, AL, END and JPD in the EU Delegations)		0	0	0	0
Admin. Support line [XX.01.YY.YY]	- at Headquarters	0	0	0	0
	- in EU Delegations	0	0	0	0
01 01 01 02 (AC, END - Indirect research)		0	0	0	0
01 01 01 12 (AC, END - Direct research)		0	0	0	0
Other budget lines (specify) - Heading 7		0	0	0	0
Other budget lines (specify) - Outside Heading 7		0	0	0	0
TOTAL		**0**	**0**	**0**	**0**

3.2.4.3. Total requirements of human resources

TOTAL VOTED APPROPRIATIONS + EXTERNAL ASSIGNED REVENUES	Year **2024**	Year **2025**	Year **2026**	Year **2027**
• Establishment plan posts (officials and temporary staff)				
20 01 02 01 (Headquarters and Commission's Representation Offices)	0	0	0	0
20 01 02 03 (EU Delegations)	0	0	0	0
01 01 01 01 (Indirect research)	0	0	0	0
01 01 01 11 (Direct research)	0	0	0	0
Other budget lines (specify)	0	0	0	0

• **External staff (in full time equivalent units)**					
20 02 01 (AC, END from the 'global envelope')		0	0	0	0
20 02 03 (AC, AL, END and JPD in the EU Delegations)		0	0	0	0
Admin. Support line [XX.01.YY.YY]	- at Headquarters	0	0	0	0
	- in EU Delegations	0	0	0	0
01 01 01 02 (AC, END - Indirect research)		0	0	0	0
01 01 01 12 (AC, END - Direct research)		0	0	0	0
Other budget lines (specify) - Heading 7		0	0	0	0
Other budget lines (specify) - Outside Heading 7		0	0	0	0
TOTAL		**0**	**0**	**0**	**0**

The staff required to implement the proposal (in FTEs):

	To be covered by current staff available in the Commission services	**Exceptional additional staff***		
		To be financed under Heading 7 or Research	**To be financed from BA line**	**To be financed from fees**
Establishment plan posts			N/A	
External staff (CA, SNEs, INT)				

*

Description of tasks to be carried out by:

Officials and temporary staff	
External staff	

3.2.5. Overview of estimated impact on digital technology-related investments

Compulsory: the best estimate of the digital technology-related investments entailed by the proposal/initiative should be included in the table below.

Exceptionally, when required for the implementation of the proposal/initiative, the appropriations under Heading 7 should be presented in the designated line.

The appropriations under Headings 1-6 should be reflected as "Policy IT expenditure on operational programmes". This expenditure refers to the operational budget to be used to re-use/ buy/ develop IT platforms/ tools directly linked to the implementation of the initiative and their associated investments (e.g. licences, studies, data storage etc). The information provided in this table should be consistent with details presented under Section 4 "Digital dimensions".

TOTAL Digital and IT appropriations	Year **2024**	Year **2025**	Year **2026**	Year **2027**	**TOTAL MFF 2021 - 2027**
HEADING 7					
IT expenditure (corporate)	0.000	0.000	0.000	0.000	**0.000**
Subtotal HEADING 7	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
Outside HEADING 7					
Policy IT expenditure on operational programmes	0.000	0.000	0.000	0.000	**0.000**
Subtotal outside HEADING 7	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
TOTAL	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

3.2.6. Compatibility with the current multiannual financial framework

The proposal/initiative:

– ☐ can be fully financed through redeployment within the relevant heading of the multiannual financial framework (MFF)

– ☐ requires use of the unallocated margin under the relevant heading of the MFF and/or use of the special instruments as defined in the MFF Regulation

– ☐ requires a revision of the MFF

3.2.7. Third-party contributions

The proposal/initiative:

– ☒ does not provide for co-financing by third parties

– ☐ provides for the co-financing by third parties estimated below:

Appropriations in EUR million (to three decimal places)

	Year **2024**	Year **2025**	Year **2026**	Year **2027**	Total
Specify the co-financing body					
TOTAL appropriations co-financed					

3.3. Estimated impact on revenue

– ☒ The proposal/initiative has no financial impact on revenue.

– ☐ The proposal/initiative has the following financial impact:

  – ☐ on own resources

  – ☐ on other revenue

  – ☐ please indicate, if the revenue is assigned to expenditure lines

EUR million (to three decimal places)

Budget revenue line:	Appropriations available for the current financial year	Impact of the proposal/initiative[42]			
		Year **2024**	Year **2025**	Year **2026**	Year **2027**
Article …….					

For assigned revenue, specify the budget expenditure line(s) affected.

Not applicable for this proposal – no budgetary impact.

Other remarks (e.g. method/formula used for calculating the impact on revenue or any other information).

Not applicable for this proposal – no budgetary impact.

[42] As regards traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 20% for collection costs.

4. DIGITAL DIMENSIONS

4.1. Requirements of digital relevance

If the policy initiative is assessed as having no requirement of digital relevance, provide an explanation as to why digital means are not used

The proposal has no digital relevance, as it does not make any substantial changes to the existing data infrastructure. The existing EBA system of notifications currently in place is expected to continue to be used for the purpose of collecting the data as requested under the Article 244(8) and 245(7) of the proposal.

Otherwise, please list the requirements of digital relevance in the table below:

Reference to the requirement	Requirement description	Actor affected or concerned by the requirement	High-level Processes	Category

4.2. Data

High-level description of the data in scope and any related standards/specifications

Type of data	**Reference to the requirement(s)**	**Standard and/or specification (if applicable)**

Alignment with the European Data Strategy

Explain how the requirement(s) are aligned with the European Data Strategy

Alignment with the once-only principle

Explain how the once-only principle has been considered how the possibility to reuse existing data explored

Explain how newly created data is findable, accessible, interoperable and reusable, and meets high-quality standards

Data flows

Type of data	Reference(s) to the requirement(s)	Actor who provides the data	Actor who receives the data	Trigger for the data exchange	Frequency (if applicable)

4.3 Digital Solutions

For each digital solution, please provide the reference to the requirement(s) of digital relevance concerning it, a description of the digital solution's mandated functionality, the body that will be responsible for it, and other relevant aspects such as reusability and accessibility. Finally, explain whether the digital solution intends to make use of AI technologies.

Digital solution	Reference(s) to the requirement(s)	Main mandated functionalities	Responsible body	How is accessibility catered for?	How is reusability considered?	Use of AI technologies (if applicable)
Digital solution #1						
Digital solution #2						

For each digital solution, explain how the digital solution complies with the requirements and obligations of the EU cybersecurity framework, and other applicable digital policies and legislative enactments (such as eIDAS, Single Digital Gateway, etc.).

Digital solution #1

Digital and/or sectorial policy (when these are applicable)	**Explanation on how it aligns**
AI Act	
EU Cybersecurity framework	
eIDAS	
Single Digital Gateway and IMI	
Others	

Digital solution #2

Digital and/or sectorial policy (when these are applicable)	**Explanation on how it aligns**
AI Act	

EU Cybersecurity framework	
eIDAS	
Single Digital Gateway and IMI	
Others	

4.4 Interoperability assessment

Describe the digital public service(s) affected by the requirements

Digital public service or category of digital public services	**Description**	**Reference(s) to the requirement(s)**	**Interoperable Europe Solution(s)** **(NOT APPLICABLE)**	**Other interoperability solution(s)**
Digital public service #1			//	
Category of digital public services according to COFOG #1			//	

Assess the impact of the requirement(s) on cross-border interoperability

Digital public service #1

Assessment	**Measures**	**Potential remaining barriers**
Assess the alignment with existing digital and sectorial policies		

Please list the applicable digital and sectorial policies identified		
Assess the organisational measures for a smooth cross-border digital public services delivery **Please list the governance measures foreseen**		
Assess the measures taken to ensure a shared understanding of the data **Please list such measures**		
Assess the use of commonly agreed open technical specifications and standards **Please list such measures**		

4.5 Measures to support digital implementation

Description of the measure	**Reference(s) to the requirement(s)**	**Commission role** (if applicable)	**Actors to be involved** (if applicable)	**Expected timeline** (if applicable)
