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From:	General Secretariat of the Council
On:	12 December 2025
To:	Permanent Representatives Committee
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 - *Mandate for negotiations with the European Parliament*

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[1],

Having regard to the opinion of the European Central Bank[2],

Having regard to the opinion of the Committee of the Regions[3],

Acting in accordance with the ordinary legislative procedure,

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1 OJ C , , p. .
2 OJ C ….
3 OJ C , , p. .

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[4] for institutions originating, sponsoring or investing in securitisations are not sufficiently risk sensitive ▌. 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.

[4] 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).

(3) Capital requirements for securitisations under Regulation (EU) No 575/2013 should be amended to increase the risk sensitivity ▌ 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 **three** different approaches: the securitisation internal ratings-based approach (SEC-IRBA)**,** the securitisation standardised approach (SEC-SA) **and the securitisation external ratings-based approach (SEC-ERBA)**. Such mitigation should **help** increase the participation of smaller and medium-sized credit institutions ▌ .

(4) Risk weight floors are minimum risk weights that credit institutions must apply to their ▌ 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 **for senior positions** are calculated based on a specific formula, should replace the existing approach **for senior positions** 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 ▌ for the senior securitisation positions of **mainly** 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 **not occur**, to prevent undercapitalisation of these positions. Changes to the (p) factor for positions of investors in non-STS securitisations ▌ should **not occur**, 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 ▌ . 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 ▌ compared with positions that do not satisfy the eligibility criteria. ▌

(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 **('PBA')** 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. **Competent authorities should be provided with the possibility to increase the minimum amount of transferred unexpected losses under the PBA in well justified cases. These cases include structural risks arising from certain special or complex features of the securitisation, or the credit risk transfer leading to a material disproportionate capital relief. However, this possibility should only be used in individual cases and should not lead to any additional obligatory test that will be executed for every transaction. This possibility should be used only under specific circumstances, which will be further specified in the regulatory technical standards to be developed by the European Banking Authority (EBA).**

(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 – **as** the prevalent driver in determining the risk weights under that approach.

(11a) Public financing through the issuance of government bonds denominated in the domestic currency of another Member State has been necessary to support public measures to fight the consequences of the severe, double economic shock caused by the COVID-19 pandemic and Russia's war of aggression against Ukraine. These consequences are still perceptible and adequate public financing may remain necessary. The concerned Member States should also have sufficient time to regularise the level of public financing that has been necessary to address these exceptional situations. Therefore, to avoid unnecessary constraints on institutions investing in such bonds, it is appropriate to prolong the transitional arrangements for exposures to central governments and central banks of non-euro Member States, where those exposures are denominated and funded in euro, with respect to the treatment of such exposures under the credit risk framework and under the large exposure limits.

(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 **the Functioning of the** 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) ▌ the following **points (21) and (22) are added**:

▌

‘(21) ‘cash advance facilities’ means a liquidity facility that is unconditionally cancellable provided that repayment of draws on the facility is senior to any other claims on the cash flows arising from the underlying exposures and that the conditions of the specification of Article 111(8)(b) have been satisfied.

(22) ‘time call option’ means a contractual option that entitles the originator of a synthetic securitisation to terminate the credit protection by which the transfer of risk is achieved prior to its contractual maturity, on specific dates without any further conditions.” ’

▌

(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 **replaced by the following:**

'(iii) 130 % on an individual exposure basis where the exposure is a project finance exposure during the pre-operational phase;'

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

‘3. Senior position in **an** 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:

(1) the requirements of the Article 243(1)**;**

(2) at the origination date ▌ , the attachment point of the senior securitisation position **shall comply with**:

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

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

(b) for a position **in** a securitisation other than ABCP programme or ABCP transaction:

(1) the requirements of ▌ Article 243(2)**;**

(2) at the origination date ▌, the attachment point of the senior securitisation position **shall comply with**:

$A >= 1.5 * K_A$, 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 ▌:

(a) for **a synthetic** 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 **26e, paragraph 8, letters (a), (b) or (c), paragraph** 9 and **paragraph** 10 of Regulation (EU) 2017/2402;

(3) **at the origination date,** the attachment point of the senior securitisation position **shall comply with**:

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;

▌

(b) for an ABCP programme or ABCP transaction:

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

(2) **at the origination date,** the attachment point of the senior securitisation position **shall comply with**:

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;

▌

(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) **at the origination date,** the attachment point of the senior securitisation position **shall comply with**:

$A >= 1.5 * K_A$, 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 ▌ .

5. For the purposes of paragraphs 3 and 4**:**

(a) 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 this purpose, the expected maturity of the transaction shall be determined based on the largest tranche maturity (M_T) of all securitisation positions in the transaction, disregarding the floor and cap mentioned in paragraph 2 of Article 257. 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.

(b) the UL means the relation of:

(i) the amount of unexpected losses associated with all the underlying exposures, including defaulted underlying exposures, in the pool in accordance with Chapter 3 to

(ii) the exposure value of the underlying exposures in accordance with Chapter 3;

(c) the EL means the relation of

(i) the amount of expected losses associated with all the underlying exposures, including defaulted underlying exposures, that are still part of the pool in accordance with Chapter 3 to

(ii) the exposure value of the underlying exposures in accordance with Chapter 3.'

(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 **underlying** 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 **underlying** exposures has been transferred to third parties **in accordance with paragraphs 2 and 3**, or the originator institution applies a 1250 % risk weight to all securitisation positions **the** 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 **underlying** 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 ▌ 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 ▌ unexpected losses of the underlying exposures allocated to all the securitisation tranches in accordance with the following formula:

(∑_i UL_-trans_i / ∑_i UL_i)\)

where:

▌

- 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 **in individual cases** require the originator institution ▌ to transfer to third parties **an** 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 ▌ 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 **exposure** value of the underlying exposures remains unamortised;

(3) that option is not structured to avoid allocating losses to **securitisation** positions held by investors ▌ 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), **with respect to**:

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

(3) the calculation of the ▌ unexpected losses in relation to the allocation of the unexpected losses of the securitised exposures to the securitisation tranches **for the purposes** of paragraph **2** 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 **following:**

(1) coverage of the legal clauses for the early termination of securitisations;

(2) amortisation structure;

(3) call options;

(4) other early termination clauses;

(5) excess spread;

(6) cost of protection;

(7) credit events;

(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**;**

(g) the notification framework, in particular on (key) information and documentation prior to and after issuance of the transaction

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 **6** in the previous year. The notification shall convey all the information needed to calculate the ratio under paragraph 2 and on **the** structural features **and safeguards referred to in Article 244(4), point (g) and Article 245(4), point (f)**. The information shall at least provide a breakdown on the ▌ thickness and **nominal** 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 **all** of the following conditions **are** met:

   (a) significant credit risk associated with the securitised exposures has been transferred to third parties **in accordance with paragraphs 2 and 3**, or the originator institution applies a 1250 % risk weight to all securitisation positions **the** institution **retains** 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 ▌ 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 ▌ unexpected losses of the underlying exposures allocated to all the securitisation tranches in accordance with the following formula:

(∑_i UL_-trans_i / ∑_i UL_i)

where:

▌

- 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 **in individual cases** require the originator institution ▌ to transfer to third parties **an** 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 **of** 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 **exposure** value of the underlying exposures remains unamortised;

(3) that option is not structured to avoid allocating losses to **securitisation** positions held by investors ▌ 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 **the** structural features **and safeguards referred to in Article 244(4), point (g) and Article 245(4), point (f)**. The information shall at least provide a breakdown on the ▌ thickness and **nominal** 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 **as defined in Article 242**. To determine the exposure value of the undrawn portion of the cash advance facilities, a conversion factor of **10** % may be applied to the nominal amount of a liquidity facility**; '**

(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} **in case the risk weight is based on SEC-IRBA** or K_A **in all other cases. If the risk weight is lower than 1250 %**, **the** securitisation position shall be considered as two securitisation positions for the purposes of this point (d): the position with A **as defined in Article 256** equal to K_{IRB} or K_A and the junior position with A below K_{IRB} or K_A and D **as defined in Article 256** 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.

(5a) Article 249 is amended as follows:

paragraph 3 is replaced by the following:

'3. By way of derogation from paragraph 2 of this Article, the eligible providers of unfunded credit protection listed in point (fa) of Article 201(1), shall have been assigned a credit assessment by a recognised ECAI which was credit quality step 2 or above at the time the credit protection was first recognised and is currently credit quality step 3 or above.'

(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 $\mathbf{K_{SA}}$ 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. $\mathbf{K_{SA}}$ 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 **still** included in the securitised portfolio **and not yet subject to final work-out**. ▌ ’

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

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

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

‘1a. The **risk weight** for a senior securitisation position calculated in accordance with paragraph 1 shall be subject to a floor calculated as follows:

Floor = max (**13%**; 15% *K_{IRB}*12.5)

1b. The **risk weight** 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%; **12%** * K_{IRB}*12.5). ▌

1c. The risk weight for a non-senior securitisation position shall be subject to a floor of 15%. In addition, the risk weight shall be no lower than the risk weight applicable to the senior tranche of the same securitisation.;'

(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:

$d*KIRB +(1-d)KA$;'

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

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

▌

The **risk weight** floor for a senior securitisation position = max (**8%; 9%** *K_{IRB}*12.5).

The risk weight for a non-senior securitisation position shall be subject to a floor of 15%. In addition, the risk weight shall be no lower than the risk weight applicable to the senior tranche of the same securitisation.

2. Under the SEC-IRBA, the risk weight for a **senior** 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 = ▌ 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

▌

The risk weight floor for a senior securitisation position = max (**6%; 7% *** 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**, 1b and 1c** are inserted:

‘1a. The **risk weight** for a senior securitisation position calculated in accordance with paragraph 1 shall be subject to a floor calculated as follows:

Floor = max (**13%**; 15% *K_A*12.5).

1b. The **risk weight** 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%; **12%** * K_A*12.5). ▌

1c. The risk weight for a non-senior securitisation position shall be subject to a floor of 15%. In addition, the risk weight shall be no lower than the risk weight applicable to the senior tranche of the same securitisation;’

(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.;’

(d) The following paragraph 2a is inserted:

'2a. For the purpose of the calculation of the floor for a senior securitisation position in paragraph 1(a) and paragraph 1(b), K_A shall be calculated for the pool of the underlying exposures at the origination of securitisation.'

(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**,** sponsor **or investor**

p = 0.5 for other securitisation **positions**

The risk weight floor for a senior securitisation position = max (**8%; 9%** * K_A*12.5).

The risk weight for a non-senior securitisation position shall be subject to a floor of 15%. In addition, the risk weight shall be no lower than the risk weight applicable to the senior tranche of the same securitisation.

2. Under the SEC-SA the risk weight for a **senior** 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:

[redacted]

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

The risk weight floor for a senior securitisation position = max (**6%; 7%** * K_A*12.5). [redacted]

3. For the purpose of the calculation of the floor for a senior securitisation position according to this article, K_A shall be calculated in accordance with Article 261 for the pool of the underlying exposures at the origination of securitisation.'

(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: **Min (15%; Max [13%**; 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 **in table 1** shall be calculated as follow:

Min (15%**; Max[10%; 12%** *K_A*12.5**])**

2b ▌ **For the purpose of this article, K_A shall be calculated in accordance with Article 261 for the pool of the underlying exposures at the origination of securitisation.** Where an institution is not able to **calculate** 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 (MT)		Tranche maturity (MT)		Tranche maturity (MT)	
	1 year	5 year	1 year	5 year	**1** year	**5** year
1	**Min (15%; Max [13%**; 15% ***K_A***12.5**]**)		**Min (15%; Max [13%**; 15% ***K_A***12.5**]**)	20 %	15 %	70 %
2	**Min (15%; Max [13%**; 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 **a** position ▌ in **a** senior tranche ▌ in a securitisation that complies with the criteria set out in Article 243(4), the risk weight **for a position by originator or sponsor with CQS1 with any tranche maturity, or a position by investor with CQS1 with tranche maturity of 1 year, or a position with CQS2 with tranche maturity of 1 year in Table 2** shall be calculated as follows:

Min (15%; Max [10%; 12% *K_A*12.5**])**

3b. **For the purpose of this article, K_A shall be calculated in accordance with the Article 261 for the pool of the underlying exposures at the origination of securitisation.** Where an institution is not able to **calculate** the formula set out in the Table 2 or under ▌ 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: **Min (10%; Max [8%; 9% *K_A*12.5]**) Non-senior tranche: 10%	30 %	60 %	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(3), the risk weight **in the Table 3** shall be calculated as follows:

Min (10%; Max [6%; 7% *K_A*12.5**])**

2b. **For the purpose of this article, K_A shall be calculated in accordance with the Article 261 for the pool of the underlying exposures at the origination of securitisation.** Where an institution is not able to **calculate** 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**,** sponsor, or ▌ investor▌)		▌		Non-senior (thin) tranche	
	Tranche maturity (MT)		▌		Tranche maturity (MT)	
	1 year	5 year	▌	▌	1 year	5 year
1	**Min (10%, Max [8%; 9% *K_A***12.5**]**)		▌		15 %	40 %
2	**Min (10%, Max [8%; 9% *K_A*** ▌ 12.5**]**)	10 %	▌	▌	15 %	55 %
3	10 %	12 %	▌	▌	15 %	70 %
4	10 %	16 %	▌	▌	25 %	80 %
5	12 %	20 %	▌	▌	35 %	95 %

6	20 %	28 %	▌	▌	60 %	135 %
7	23 %	28 %	▌	▌	95 %	170 %
8	31 %	38 %	▌	▌	150 %	225 %
9	38 %	45 %	▌	▌	180 %	255 %
10	47 %	58 %	▌	▌	270 %	345 %
11	106 %	118 %	▌	▌	405 %	500 %
12	118 %	138 %	▌	▌	535 %	655 %
13	150 %	174 %	▌	▌	645 %	740 %
14	207 %	229 %	▌	▌	810 %	855 %
15	258 %	280 %	▌	▌	945 %	945 %
16.	311 %	351 %	▌	▌	1015 %	1015 %
17	383 %	419 %	▌	▌	1250 %	1250 %
All other	1250 %	1250 %	▌	▌	1250 %	1250 %’

(d) the following paragraphs 3a**, 3b and 3c are** added:

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

Min (10%; Max [6%; 7% *K_A*12.5])

3b. **For the purpose of this article, K_A shall be calculated in accordance with the Article 261 for the pool of the underlying exposures at the origination of securitisation. Where** an institution is not able to **calculate** the formula set out in Table 4 **or under the paragraphs 3a**, because it is not able to calculate K_A, a risk weight of 10 % shall apply to the relevant **exposures**. ▌

3c. For a position in *a* senior tranche in a securitisation of auto or equipment loans and leases, and ABCP securitisations of trade receivables, the risk weight for CQS1 with any tranche maturity, or CQS2 with tranche maturity of 1 year in Table 4 shall be 6%.'

(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;

(16a) Article 500a is amended as follows:

(a) in paragraph 1, the introductory wording is replaced by the following:

‘By way of derogation from Article 114(2), until 31 December 2026, for exposures to the central governments and central banks of Member States, where those exposures are denominated and funded in the domestic currency of another a non-euro Member State, except euro, the following apply: ,

(b) paragraph 3 is replaced by the following:

'3. By way of derogation from point (ii) of point (a) of Article 150(1a), after receiving the prior permission of the competent authorities and subject to the conditions laid down in Article 150, institutions may also apply the Standardised Approach to exposures to central governments and central banks, where those exposures are assigned a 0 % risk weight under paragraph 4 of this Article. '

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

‘4. By way of derogation from Article 114(2), until 31 December 2034, for exposures to the central governments and central banks of non-euro Member States, where those expo-sures are denominated and funded in euro, the following apply:

(a) until 31 December 2030, the risk weight applied to the exposure values shall be 0 % of the risk weight assigned to those exposures in accordance with Article 114(2);

(b) in 2031, the risk weight applied to the exposure values shall be 20 % of the risk weight assigned to those exposures in accordance with Article 114(2);

(c) in 2032, the risk weight applied to the exposure values shall be 40 % of the risk weight assigned to those exposures in accordance with Article 114(2);

(d) in 2033, the risk weight applied to the exposure values shall be 60 % of the risk weight assigned to those exposures in accordance with Article 114(2);

(e) in 2034, the risk weight applied to the exposure values shall be 80 % of the risk weight assigned to those exposures in accordance with Article 114(2).

5. By way of derogation from Articles 395(1) and 493(4), competent authorities may allow institutions to incur exposures referred to in paragraph 4 of this Article, up to the follow-ing limits:

(a) 100 % of the institution's Tier 1 capital until 31 December 2031;

(b) 80 % of the institution's Tier 1 capital between 1 January and 31 December 2032;

(c) 60 % of the institution's Tier 1 capital between 1 January and 31 December 2033;

(d) 40 % of the institution's Tier 1 capital between 1 January and 31 December 2034;

The limits referred to in points (a), (b), (c) and (d) of the first subparagraph of this paragraph shall apply to exposure values after taking into account the effect of the credit risk mitigation in accordance with Articles 399 to 403. '

(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*