

AUGUST 2025

RELAUNCHING THE EUROPEAN SECURITISATION MARKET

European Commission Proposed Adjustments To Capital Requirements Regulation And Securitisation Regulation

Key Take Aways

- Changes are very positive for European securitisation
- All SRT transactions likely to become more efficient
- Residential mortgages are a highly efficient asset class for SRT transactions for arguably the first time

- A&M's structured credit team can assist any bank looking to securitise for the first time or ramp up production
- We have extensive experience in inaugural issuer support as well as strong resourcing for the operational, procedural and scaling aspects existing issuers may struggle to support alongside implementation of more sophisticated risk management and governance frameworks

Overview of European Commission Draft Proposals

- Recent leaks show significant adjustments to the **Capital Requirements Regulation (CRR)** and the **Securitisation Regulation**.
- These changes are part of ongoing efforts to refine the EU's financial regulatory framework, particularly in fostering a more **robust and liquid securitisation** market to support economic recovery and growth.
- The drafts indicate an intent to address areas such as risk retention, due diligence requirements and the capital treatment of various types of securitisations
- Key proposals include addressing:
 - Market-recognised issues relating to the **interpretation of CRR tests**, such as the qualitative "commensurate test"
 - **Adjustments to the output floor** on risk transfer
 - Providing additional content on **demonstrating compliance with SRT requirements** over a transaction's life
 - Making **unfunded protection STS eligible**
 - **Reduced risk weight floor for senior positions**
 - **Adjustment of the p-factor**
 - Specifying a **new classification of "resilient" positions** that meet specific criteria

**Source: A&M. Examples included for illustration only and include a range of assumptions. We would be pleased to discuss more specific application to individual bank circumstances*

Illustrative Impact on Structures*

🏠 Residential Mortgages (SEC-IRBA)

Risk Methodology	SEC-IRBA (Current Regs)	SEC-IRBA (Proposed Regs)
STS:	No (15% RW Floor)	Yes (5% RW Floor)
Portfolio Size	€2,000m	€2,000m
Risk Weight	25.00%	25.00%
Capital Structure	Senior 95.70%	Senior 96.20%
	Mezzanine 4.10%	Mezzanine 3.60%
	Junior 0.20%	Junior 0.20%
	SES 0.05%	SES 0.05%
Day 1 RWA Reduction	€181m	€388m
RWA Reduction	36.10%	77.56%
Year 1 Cost of Capital	10.18%	4.16%

🏠 Residential Mortgages (SEC-SA)

Risk Methodology	SEC-SA (Current Regs)	SEC-SA (Proposed Regs)
STS:	No (15% RW Floor)	Yes (5% RW Floor)
Portfolio Size	€2,000m	€2,000m
Risk Weight	35.00%	35.00%
Capital Structure	Senior 93.70%	Senior 94.80%
	Mezzanine 6.10%	Mezzanine 5.00%
	Junior 0.20%	Junior 0.20%
	SES 0.05%	SES 0.05%
Day 1 RWA Reduction	€379m	€589m
RWA Reduction	54.07%	84.08%
Year 1 Cost of Capital	7.22%	3.80%

🏢 Corporate Loans (SEC-IRBA)

Risk Methodology	SEC-IRBA (Current Regs)	SEC-IRBA (Proposed Regs)
STS:	Yes (10% RW Floor)	Yes (7% RW Floor)
Portfolio Size	€1,000m	€1,000m
Risk Weight	50.00%	50.00%
Capital Structure	Senior 93.00%	Senior 92.50%
	Mezzanine 7.00%	Mezzanine 7.50%
	Junior 0.00%	Junior 0.00%
	SES 0.00%	SES 0.00%
Day 1 RWA Reduction	€405m	€447m
RWA Reduction	81.00%	89.45%
Year 1 Cost of Capital	6.78%	6.10%

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