



2015/0225(COD)

6.6.2016

*****I**

DRAFT REPORT

on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms
(COM(2015)0473 – C8-0289/2015 – 2015/0225(COD))

Committee on Economic and Monetary Affairs

Rapporteur: Pablo Zalba Bidegain

Symbols for procedures

- * Consultation procedure
- *** Consent procedure
- ***I Ordinary legislative procedure (first reading)
- ***II Ordinary legislative procedure (second reading)
- ***III Ordinary legislative procedure (third reading)

(The type of procedure depends on the legal basis proposed by the draft act.)

Amendments to a draft act

Amendments by Parliament set out in two columns

Deletions are indicated in ***bold italics*** in the left-hand column. Replacements are indicated in ***bold italics*** in both columns. New text is indicated in ***bold italics*** in the right-hand column.

The first and second lines of the header of each amendment identify the relevant part of the draft act under consideration. If an amendment pertains to an existing act that the draft act is seeking to amend, the amendment heading includes a third line identifying the existing act and a fourth line identifying the provision in that act that Parliament wishes to amend.

Amendments by Parliament in the form of a consolidated text

New text is highlighted in ***bold italics***. Deletions are indicated using either the **■** symbol or ~~strikeout~~. Replacements are indicated by highlighting the new text in ***bold italics*** and by deleting or striking out the text that has been replaced.

By way of exception, purely technical changes made by the drafting departments in preparing the final text are not highlighted.

CONTENTS

	Page
DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION.....	5
EXPLANATORY STATEMENT.....	30

DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (COM(2015)0473 – C8-0289/2015 – 2015/0225(COD))

(Ordinary legislative procedure: first reading)

The European Parliament,

- having regard to the Commission proposal to Parliament and the Council (COM(2015)0473),
 - having regard to Article 294(2) and Article 114 of the Treaty on the Functioning of the European Union, pursuant to which the Commission submitted the proposal to Parliament (C8-0289/2015),
 - having regard to Article 294(3) of the Treaty on the Functioning of the European Union,
 - having regard to the opinion of the European Central Bank of 11 March 2016¹,
 - having regard to the opinion of the European Economic and Social Committee of 20 January 2016²,
 - having regard to Rule 59 of its Rules of Procedure,
 - having regard to the report of the Committee on Economic and Monetary Affairs (A8-0000/2016),
1. Adopts its position at first reading hereinafter set out;
 2. Calls on the Commission to refer the matter to Parliament again if it intends to amend its proposal substantially or replace it with another text;
 3. Instructs its President to forward its position to the Council, the Commission and the national parliaments.

¹ Not yet published in the Official Journal.

² OJ C 82, 3.3.2016, p.1.

Amendment 1

Proposal for a regulation Recital 4

Text proposed by the Commission

(4) Capital requirements for positions in a securitisation under Regulation (EU) No 575/2013 should be subject to the same calculation methods for all institutions. In the first instance and to remove any form of mechanistic reliance on external ratings, an institution should use its own calculation of regulatory capital requirements where the institution has permission to use the Internal Ratings Based approach (the "IRB") in relation to exposures of the same type as those underlying the securitisation and is able to calculate regulatory capital requirements in relation to the underlying exposures as if these had not been securitised ("Kirb"), in each case subject to certain pre-defined inputs (the "SEC-IRBA"). A Securitisation External Ratings-Based Approach (the "SEC-ERBA") should then be available to institutions that may not use the SEC-IRBA in relation to their positions in a given securitisation. Under the SEC-ERBA, capital requirements should be assigned to securitisation tranches on the basis of their external rating. When the first two approaches are not available or the use of the SEC-ERBA would result in incommensurate regulatory capital requirements relative to the credit risk embedded in the underlying exposures, institutions should be able to apply the Securitisation Standardised Approach (the "SEC-SA") which should rely on a supervisory-provided formula using as an input the capital requirements that would be calculated under the Standardised Approach to credit risk (the "SA") in relation to the underlying exposures if

Amendment

(4) Capital requirements for positions in a securitisation under Regulation (EU) No 575/2013 should be subject to the same calculation methods for all institutions. In the first instance and to remove any form of mechanistic reliance on external ratings, an institution should use its own calculation of regulatory capital requirements where the institution has permission to use the Internal Ratings Based approach (the "IRB *Approach*") in relation to exposures of the same type as those underlying the securitisation and is able to calculate regulatory capital requirements in relation to the underlying exposures as if these had not been securitised ("Kirb"), in each case subject to certain pre-defined inputs (the "SEC-IRBA"). A Securitisation External Ratings-Based Approach (the "SEC-ERBA") should then be available to institutions that may not use the SEC-IRBA in relation to their positions in a given securitisation. Under the SEC-ERBA, capital requirements should be assigned to securitisation tranches on the basis of their external rating. When the first two approaches are not available or the use of the SEC-ERBA would result in incommensurate regulatory capital requirements relative to the credit risk embedded in the underlying exposures, institutions should be able to apply the Securitisation Standardised Approach (the "SEC-SA") which should rely on a supervisory-provided formula using as an input the capital requirements that would be calculated under the Standardised Approach to credit risk (the "SA") in

these had not been securitised ("Ksa").

relation to the underlying exposures if these had not been securitised ("Ksa").

Or. en

Amendment 2

Proposal for a regulation Recital 4 a (new)

Text proposed by the Commission

Amendment

(4 a) Capital requirements for positions in an STS securitisation under Regulation (EU) No 575/2013 should be subject to the same calculation methods for all institutions, thereby ensuring that a level playing field is established among Member States. In the first instance, an institution should use its own calculation of regulatory capital requirements where the institution has permission to use the Internal Ratings Based approach (the "IRB Approach") in relation to exposures of the same type as those underlying the STS securitisation and where the institution is able to calculate regulatory capital requirements in relation to the underlying exposures as if those had not been securitised ("K_{IRB}"), in each case subject to certain pre-defined inputs (the "SEC-IRBA"). An STS Securitisation Standardised Approach (the "SEC-SA") should be available to those institutions that are not able to use the SEC-IRBA in relation to their positions in a given securitisation. Under the SEC-SA, capital requirements should rely on a supervisory-provided formula using as an input the capital requirements that would be calculated under the Standardised Approach to credit risk (the "SA") in relation to the underlying exposures if those had not been securitised ("Ksa").

Or. en

Amendment 3

Proposal for a regulation

Recital 8

Text proposed by the Commission

(8) As pointed out by the European Banking Authority (the "EBA") in its "Report on Qualifying Securitisations" of **June** 2015¹⁰, empirical evidence on defaults and losses shows that STS securitisations exhibited better performance than other securitisations during the financial crisis, reflecting the use of simple and transparent structures and robust execution practices in STS securitisation which deliver lower credit, operational and agency risks. It is therefore appropriate to amend Regulation (EU) No 575/2013 to provide for an appropriately risk-sensitive calibration for STS securitisations in the manner recommended by the EBA in its Report which involves, in particular, a lower risk weight floor of 10% for senior positions.

¹⁰ See

<https://www.eba.europa.eu/documents/10180/950548/EBA+report+on+qualifying+securitisation.pdf>

Amendment

(8) As pointed out by the European Banking Authority (the "EBA") in its "Report on Qualifying Securitisations" of **July** 2015¹⁰, empirical evidence on defaults and losses shows that STS securitisations exhibited better performance than other securitisations during the financial crisis, reflecting the use of simple and transparent structures and robust execution practices in STS securitisation which deliver lower credit, operational and agency risks. It is therefore appropriate to amend Regulation (EU) No 575/2013 to provide for an appropriately risk-sensitive calibration for STS securitisations in the manner recommended by the EBA in its Report which involves, in particular, a lower risk weight floor of 10% for senior positions.

¹⁰ See

<https://www.eba.europa.eu/documents/10180/950548/EBA+report+on+qualifying+securitisation.pdf>

Or. en

Amendment 4

Proposal for a regulation

Recital 9

Text proposed by the Commission

(9) The definition of STS securitisations for regulatory capital purposes under Regulation (EU) No 575/2013 should be limited to

Amendment

(9) The definition of STS securitisations for regulatory capital purposes under Regulation (EU) No 575/2013 should be limited to

securitisations where the ownership of the underlying exposures is transferred to the Special Purpose Entity ("traditional securitisations"). However, institutions retaining senior positions in synthetic securitisations backed by an underlying pool of loans to small and medium-size enterprises ("SMEs") should be allowed to apply to these positions the lower capital requirements available for STS securitisations where such transactions are regarded as of high quality in accordance with certain strict criteria. In particular, where such subset of synthetic securitisations benefits from the guarantee or counterguarantee by the central government or central bank of a Member State, the preferential regulatory capital treatment that would be available to them under Regulation (EU) No 575/2013 is without prejudice to compliance with the State Aid rules.

securitisations where the ownership of the underlying exposures is transferred to the **Securitisation** Special Purpose Entity (**SSPE**) ("traditional securitisations"). However, institutions retaining senior positions in synthetic securitisations backed by an underlying pool of loans to small and medium-size enterprises ("SMEs") should be allowed to apply to these positions the lower capital requirements available for STS securitisations where such transactions are regarded as of high quality in accordance with certain strict criteria. In particular, where such subset of synthetic securitisations benefits from the guarantee or counterguarantee by the central government or central bank of a Member State, the preferential regulatory capital treatment that would be available to them under Regulation (EU) No 575/2013 is without prejudice to compliance with the State Aid rules.

Or. en

Amendment 5

Proposal for a regulation Recital 12

Text proposed by the Commission

(12) It is appropriate for the amendments to Regulation (EU) No 575/2013 provided for in this Regulation to apply to securitisations issued on or after the date of application of this Regulation and to securitisations outstanding as of that date. However, for legal certainty purposes and to mitigate transitional costs in as much as possible, institutions should be allowed to grandfather all outstanding securitisation positions that they hold on that date for a period ending on [31 December 2019]. Where an institution makes use of this option, outstanding

Amendment

(12) It is appropriate for the amendments to Regulation (EU) No 575/2013 provided for in this Regulation to apply to securitisations issued on or after the date of application of this Regulation and to securitisations outstanding as of that date. However, for legal certainty purposes and to mitigate transitional costs in as much as possible, institutions should be allowed to grandfather all outstanding securitisation positions that they hold on that date for a period ending on [31 December 2019]. Where an institution makes use of this option, outstanding

securitisations should continue to be subject to the **regulatory capital requirements** set out in Regulation (EU) No 575/2013 in the version that applied prior to the date of application of this Regulation.

securitisations should continue to be subject to the **applicable provisions** set out in Regulation (EU) No 575/2013 in the version that applied prior to the date of application of this Regulation.

Or. en

Amendment 6

Proposal for a regulation

Article 1 – paragraph 1 – point 5

Regulation (EU) No 575/2013

Article 154 – paragraph 6

Text proposed by the Commission

(6) For purchased **corporate** receivables, refundable purchase discounts, collateral or partial guarantees that provide first loss protection for default losses, dilution losses, or both, may be treated as a first loss tranche under Chapter 5.

Amendment

(6) For purchased **retail** receivables, refundable purchase discounts, collateral or partial guarantees that provide first loss protection for default losses, dilution losses, or both, may be treated as a first loss tranche under Chapter 5.

Or. en

Amendment 7

Proposal for a regulation

Article 1 – paragraph 1 – point 7

Regulation (EU) No 575/2013

Article 242 – paragraph 1 – point 3

Text proposed by the Commission

(3) 'liquidity facility' means **the securitisation position arising from a contractual agreement to provide funding to ensure timeliness of cash flows to investors;**

Amendment

(3) 'liquidity facility' means **a liquidity facility as defined in point (14) of Article 2 of [Securitisation Regulation];**

Or. en

Amendment 8

Proposal for a regulation

Article 1 – paragraph 1 – point 7

Regulation (EU) No 575/2013

Article 242 – paragraph 1 – point 8

Text proposed by the Commission

Amendment

(8) *'standardised Approach (SA) pool' means a pool of underlying exposures in relation to which the institution:*

deleted

(a) *does not have permission to use the IRB Approach to calculate risk weighted exposure amounts in accordance with Chapter 3;*

(b) *is unable to determine K_{IRB} ;*

(c) *is otherwise precluded from using the IRB Approach by its competent authority;*

Or. en

Amendment 9

Proposal for a regulation

Article 1 – paragraph 1 – point 7

Regulation (EU) No 575/2013

Article 242 – paragraph 1 – point 12

Text proposed by the Commission

Amendment

(12) *'STS securitisation' means a securitisation meeting the requirements set out in Chapter 3 of [Securitisation regulation] and the requirements set out in Article 243;*

(12) *'STS securitisation' means a securitisation meeting the requirements set out in Chapter 3 of [Securitisation regulation];*

Or. en

Amendment 10

Proposal for a regulation

Article 1 – paragraph 1 – point 7

Text proposed by the Commission

(1) Positions in an ABCP programme **shall qualify** as positions in an STS securitisation for the **purposes of** Articles 260, 262 and 264 where the following requirements are met:

Amendment

(1) Positions in an ABCP programme **or transaction that qualify** as positions in an STS securitisation **shall qualify** for the **treatment set out in** Articles 260, 262 and 264 where the following requirements are met:

Or. en

Amendment 11

Proposal for a regulation

Article 1 – paragraph 1 – point 7

(EU) No 575/2013

Article 243 – paragraph 1 – point a

Text proposed by the Commission

(a) for all transactions within the ABCP programme the underlying exposures **at origination meet** the conditions for being assigned, under the Standardised Approach and taking into account any eligible credit risk mitigation, a risk weight equal to or smaller than 75% on an individual exposure basis where the exposure is a retail exposure or 100% for any other exposures;

Amendment

(a) for all transactions within the ABCP programme the underlying exposures **meet, at the time of their inclusion in the ABCP programme,** the conditions for being assigned, under the Standardised Approach and taking into account any eligible credit risk mitigation, a risk weight equal to or smaller than 75% on an individual exposure basis where the exposure is a retail exposure or 100% for any other exposures;

Or. en

Amendment 12

Proposal for a regulation

Article 1 – paragraph 1 – point 7

Regulation (EU) No 575/2013

Article 243 – paragraph 2

Text proposed by the Commission

(2) Positions in a securitisation other than an ABCP programme **shall qualify** as positions in an STS **securitisation** for the **purposes of** Articles 260, 262 and 264 where the following requirements are met:

Amendment

(2) Positions in a securitisation other than an ABCP programme **or transaction that qualify** as positions in an STS **securitisation shall qualify** for the **treatment set out in** Articles 260, 262 and 264 where the following requirements are met:

Or. en

Amendment 13

Proposal for a regulation

Article 1 – paragraph 1 – point 7

Regulation (EU) No 575/2013

Article 243 – paragraph 2 – point a

Text proposed by the Commission

(a) **the underlying exposures are originated in accordance with sound and prudent credit granting criteria as required under Article 79 of Directive 2013/36/EU;**

Amendment

deleted

Or. en

Amendment 14

Proposal for a regulation

Article 1 – paragraph 1 – point 7

Regulation (EU) No 575/2013

Article 243 – paragraph 2 – point e

Text proposed by the Commission

(e) where point (c)(i) applies, no loan in the pool of underlying exposures shall have a loan-to-value ratio higher than 100%, measured in accordance with paragraph 1(d)(i) of Article 129 and paragraph 1 of Article 229.

Amendment

(e) where point (c)(i) applies, no loan in the pool of underlying exposures shall have a loan-to-value ratio higher than 100%, **at the time of inclusion in the securitisation**, measured in accordance with point (d)(i) of Article 129(1) and

Amendment 15

Proposal for a regulation

Article 1 – paragraph 1 – point 7

Regulation (EU) No 575/2013

Article 244 – paragraph 4 – point c

Text proposed by the Commission

(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 **6(2)(a)** of [Securitisation Regulation];

Amendment

(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 **8(I)** of [Securitisation Regulation];

Amendment 16

Proposal for a regulation

Article 1 – paragraph 1 – point 7

Regulation (EU) No 575/2013

Article 244 – paragraph 4 – point h

Text proposed by the Commission

(h) the originator institution has received an opinion from a qualified legal counsel confirming that the securitisation complies with the conditions set out in **points (b) to (g)** of this paragraph.

Amendment

(h) 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.

Amendment 17

Proposal for a regulation

Article 1 – paragraph 1 – point 7

Text proposed by the Commission

(6) EBA shall monitor the range of supervisory practices in relation to the recognition of significant risk transfer in traditional securitisations in accordance with this Article and report its findings to the Commission by 31 December 2017. The Commission, where appropriate after having taken into account the Report from EBA, **may** adopt a Delegated Act to specify further the following items:

Amendment

(6) EBA shall monitor the range of supervisory practices in relation to the recognition of significant risk transfer in traditional securitisations in accordance with this Article and report its findings to the Commission by 31 December 2017. The Commission, where appropriate after having taken into account the report from EBA, **shall** adopt delegated acts **in accordance with Article 462** to specify further the following items:

Or. en

Amendment 18

Proposal for a regulation

Article 1 – paragraph 1 – point 7

Regulation (EU) No 575/2013

Article 245 – paragraph 4 – point g

Text proposed by the Commission

(g) the originator institution has received an opinion from a qualified legal counsel confirming that the securitisation complies with the conditions set out in **points (b) to (f)** of this paragraph;

Amendment

(g) 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;

Or. en

Amendment 19

Proposal for a regulation

Article 1 – paragraph 1 – point 7

Regulation (EU) No 575/2013

Article 245 – paragraph 6

Text proposed by the Commission

(6) EBA shall monitor the range of supervisory practices in relation to the recognition of significant risk transfer in synthetic securitisations in accordance with this Article and report its findings to the Commission by 31 December 2017. The Commission, where appropriate after having taken into account the Report from EBA, *may* adopt a Delegated Act to specify further the following items:

Amendment

(6) EBA shall monitor the range of supervisory practices in relation to the recognition of significant risk transfer in synthetic securitisations in accordance with this Article and report its findings to the Commission by 31 December 2017. The Commission, where appropriate after having taken into account the report from EBA, *shall* adopt delegated acts *in accordance with Article 462* to specify further the following items:

Or. en

Amendment 20

Proposal for a regulation

Article 1 – paragraph 1 – point 7

Regulation (EU) No 575/2013

Article 247 – paragraph 2 – second subparagraph

Text proposed by the Commission

Where the originator institution has not transferred significant credit risk or has decided not to apply paragraph 1, it shall continue including the underlying exposures in its calculation of risk-weighted exposure amounts as if they had not been securitised.

Amendment

Where the originator institution has not transferred significant credit risk or has decided not to apply paragraph 1, it *is not required to calculate risk-weighted exposure amounts for any position it may have in the securitisation but* shall continue including the underlying exposures in its calculation of risk-weighted exposure amounts as if they had not been securitised.

Or. en

Amendment 21

Proposal for a regulation

Article 1 – paragraph 1 – point 7

Regulation (EU) No 575/2013

Article 248 – paragraph 1

Text proposed by the Commission

(1) The exposure value of securitisation *positions* shall be calculated as follows:

Amendment

(1) The exposure value of *a* securitisation *position* shall be calculated as follows:

Or. en

Amendment 22

Proposal for a regulation

Article 1 – paragraph 1 – point 7

Regulation (EU) No 575/2013

Article 250 – paragraph 1

Text proposed by the Commission

(1) An originator institution which has transferred significant credit risk associated with the underlying exposures of the securitisation in accordance with Section 2 and a sponsor institution shall not provide support to the securitisation beyond its contractual obligations with a view to reducing potential or actual losses to investors.

Amendment

(1) An originator institution which has transferred significant credit risk associated with the underlying exposures of the securitisation in accordance with Section 2 and a sponsor institution shall not provide support, *directly or indirectly* to the securitisation beyond its contractual obligations with a view to reducing potential or actual losses to investors.

Or. en

Amendment 23

Proposal for a regulation

Article 1 – paragraph 1 – point 7

Regulation (EU) No 575/2013

Article 254 – paragraph 2 – point a

Text proposed by the Commission

(a) an institution shall use the Internal Ratings-Based Approach (SEC-IRBA) where the conditions set out in Article 258 are met;

Amendment

(a) an institution shall use the *Securitisation* Internal Ratings-Based Approach (SEC-IRBA) where the conditions set out in Article 258 are met;

Or. en

Amendment 24

Proposal for a regulation

Article 1 – paragraph 1 – point 7

Regulation (EU) No 575/2013

Article 254 – paragraph 3

Text proposed by the Commission

Amendment

(3) *By derogation from paragraph 2(b), institutions may use the SEC-SA instead of the SEC-ERBA in relation to all the positions they hold in a securitisation where the risk-weighted exposure amounts resulting from the application of the SEC-ERBA is not commensurate to the credit risk embedded in the exposures underlying the securitisation. Where the institution has decided to apply the SEC-SA in accordance with this paragraph, it shall promptly notify the competent authority. Where an institution has applied the SEC-SA in accordance with this paragraph, the competent authority may require the institution to apply a different method.* *deleted*

Or. en

Justification

This proposal to delete Article 254(3) should be considered together with Amendment 24 which proposes a new Article 254a and Amendment 30 proposing a new Article 258a to address the case of STS securitisations qualifying for differentiated capital treatment.

Amendment 25

Proposal for a regulation

Article 1 – paragraph 1 – point 7

Regulation (EU) No 575/2013

Article 254 – paragraph 7

Text proposed by the Commission

Amendment

(7) *The competent authorities shall inform EBA of any notifications received* *deleted*

and decisions made in accordance with paragraph 3. EBA shall monitor the range of practices in connection with paragraph 3 and issue guidelines in accordance with Article 16 of Regulation (EU) No 1093/2010.

Or. en

Amendment 26

Proposal for a regulation

Article 1 – paragraph 1 – point 7

Regulation (EU) No 575/2013

Article 254 a (new)

Text proposed by the Commission

Amendment

Article 254a

Hierarchy of methods for STS securitisations and STS ABCPs

For securitisation positions in STS securitisations and STS ABCP programmes and transactions the methods set out in Subsection 3 of this Section shall be applied in accordance with the following hierarchy:

- (a) an institution shall use the Securitisation Internal Ratings-Based Approach (SEC-IRBA) in accordance with Article 260 where the conditions set out in Article 258 are met;*
- (b) where the SEC-IRBA may not be used, institutions shall use the Securitisation Standardised Approach (SEC-SA) in accordance with Article 264 where the conditions set out in Article 258a are met;*
- (c) in all other cases, a risk weight of 1 250 % shall be assigned to securitisation positions.*

Or. en

Justification

The proposed amendment both simplifies and strengthens the conditions for changes to the hierarchy of approaches by disallowing, for STS securitisations, the use of SEC-ERBA in all cases. From a policy perspective, this addresses the issue of ratings caps and thus provides for a more equal regulatory treatment for STS securitisations issued in the Union, allows for fairer treatment between STS securitisations issued in the Union and securitisations issued in other jurisdictions where the use of external ratings has been disallowed, and reduces the reliance on ratings in a prudent manner.

Amendment 27

Proposal for a regulation

Article 1 – paragraph 1 – point 7

Regulation (EU) No 575/2013

Article 255 – paragraph 7 – subparagraph 1

Text proposed by the Commission

(7) For the purposes of paragraphs 1 to 6, where a securitisation structure involves the use of an SSPE, all the SSPE's exposures related to the securitisation shall be treated as underlying exposures. Without prejudice to the preceding, the institution may exclude the **SPE's** exposures from the pool of underlying exposures for KIRB or KSA calculation purposes if the risk from the **SPE's** exposures is immaterial or if it does not affect the institution's securitisation position.

Amendment

(7) For the purposes of paragraphs 1 to 6, where a securitisation structure involves the use of an SSPE, all the SSPE's exposures related to the securitisation shall be treated as underlying exposures. Without prejudice to the preceding, the institution may exclude the **SSPE's** exposures from the pool of underlying exposures for KIRB or KSA calculation purposes if the risk from the **SSPE's** exposures is immaterial or if it does not affect the institution's securitisation position.

Or. en

Amendment 28

Proposal for a regulation

Article 1 – paragraph 1 – point 7

Regulation (EU) No 575/2013

Article 255 – paragraph 7 – subparagraph 2

Text proposed by the Commission

In the case of funded synthetic securitisations, any material proceeds from the issuance of credit-linked notes or other

Amendment

In the case of funded synthetic securitisations, any material proceeds from the issuance of credit-linked notes or other

funded obligations of the *SPE* that serve as collateral for the repayment of the securitisation positions shall be included in the calculation of KIRB or KSA if the credit risk of the collateral is subject to the tranching loss allocation.

funded obligations of the *SSPE* that serve as collateral for the repayment of the securitisation positions shall be included in the calculation of KIRB or KSA if the credit risk of the collateral is subject to the tranching loss allocation.

Or. en

Amendment 29

Proposal for a regulation

Article 1 – paragraph 1 – point 7

Regulation (EU) No 575/2013

Article 258 – paragraph 1 – point a

Text proposed by the Commission

(a) the position is backed by an IRB pool or a mixed pool, provided that, in the latter case, the institution is able to calculate KIRB in accordance with Section 3 on *at* a minimum of **95%** of the underlying risk-weighted exposure amount;

Amendment

(a) the position is backed by an IRB pool or a mixed pool, provided that, in the latter case, the institution is able to calculate K_{IRB} in accordance with Section 3 on a minimum of **80%** of the underlying risk-weighted exposure amount;

Or. en

Amendment 30

Proposal for a regulation

Article 1 – paragraph 1 – point 7

Regulation (EU) No 575/2013

Article 258 – paragraph 1 – point b

Text proposed by the Commission

(b) there is sufficient information **publicly** available in relation to the underlying exposures of the securitisation for the institution to be able to calculate KIRB; and

Amendment

(b) there is sufficient information available in relation to the underlying exposures of the securitisation for the institution to be able to calculate K_{IRB}; and

Or. en

Amendment 31

Proposal for a regulation

Article 1 – paragraph 1 – point 7

Regulation (EU) No 575/2013

Article 258 – paragraph 2 – point a

Text proposed by the Commission

(a) credit enhancement that can be eroded for reasons other than portfolio losses *resulting from non-payment of principal or interest*;

Amendment

(a) credit enhancement that can be eroded for reasons other than portfolio losses;

Or. en

Amendment 32

Proposal for a regulation

Article 1 – paragraph 1 – point 7

Regulation (EU) No 575/2013

Article 258 – paragraph 2 – point b

Text proposed by the Commission

(b) pools of underlying exposures with high degree of internal correlation as a result of concentrated exposures to single sectors or geographical areas

Amendment

(b) pools of underlying exposures with **a** high degree of internal correlation as a result of concentrated exposures to single sectors or geographical areas;

Or. en

Amendment 33

Proposal for a regulation

Article 1 – paragraph 1 – point 7

Regulation (EU) No 575/2013

Article 258 – paragraph 2 – point c

Text proposed by the Commission

(c) transactions *were* the repayment of the securitisation positions are highly dependent on risk drivers not reflected in KIRB; or

Amendment

(c) transactions **where** the repayment of the securitisation positions are highly dependent on risk drivers not reflected in KIRB; or

Amendment 34**Proposal for a regulation****Article 1 – paragraph 1 – point 7**

Regulation (EU) No 575/2013

Article 258 a (new)

*Text proposed by the Commission**Amendment***Article 258 a*****Discretion to preclude the use of the Standardised Approach (SEC-SA)***

1. Competent authorities may preclude, on a case-by-case basis, the use of the SEC-SA where securitisations have highly complex or risky features, or the repayment of the relevant securitisation positions are highly dependent on risk drivers not sufficiently reflected in KA, such as securitisations that have the features specified in points (a) to (d) of Article 258(2).

2. If competent authorities consider that the conditions referred to in paragraph 1 apply to STS securitisations in respect of which an ECAI credit assessment is available, they may impose, on a case-by-case basis, a risk weight equal to 75% of the risk weights in Table 1 or Table 2, as applicable, or 1 250%. For that purpose, competent authorities may impose those risk weights for first loss tranches and mezzanine positions as defined in Article 243(2), when the risk weights produced by SEC-SA are at least 25% lower than the risk weights produced by either Table 1 or Table 2, as applicable.

3. 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 261(7), the following risk weights shall apply for the purposes of paragraph 2:

<i>Table 1</i>				
<i>Credit Quality Step</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>All other ratings</i>
<i>Risk Weight</i>	<i>10%</i>	<i>35%</i>	<i>70%</i>	<i>1 250%</i>

4. 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 261(7), the risk weights shall be determined for the purposes of paragraph 2 in accordance with Table 2, adjusted for tranche maturity (MT) in accordance with Article 257 and Article 261(4) and for tranche thickness for non-senior tranches in accordance with Article 261(5):

<i>Table 2</i>		
<i>Credit Quality Step</i>	<i>Senior Tranche</i>	<i>Non-senior (thin) tranche</i>

	<i>Tranche maturity (Mt)</i>		<i>Tranche maturity (Mt)</i>	
	<i>1 year</i>	<i>5 years</i>	<i>1 year</i>	<i>5 years</i>
<i>1</i>	<i>10%</i>	<i>15%</i>	<i>15%</i>	<i>50%</i>
<i>2</i>	<i>10%</i>	<i>20%</i>	<i>15%</i>	<i>55%</i>
<i>3</i>	<i>15%</i>	<i>25%</i>	<i>20%</i>	<i>75%</i>
<i>4</i>	<i>20%</i>	<i>30%</i>	<i>25%</i>	<i>90%</i>
<i>5</i>	<i>25%</i>	<i>35%</i>	<i>40%</i>	<i>105%</i>
<i>6</i>	<i>35%</i>	<i>45%</i>	<i>55%</i>	<i>120%</i>
<i>7</i>	<i>40%</i>	<i>45%</i>	<i>80%</i>	<i>140%</i>
<i>8</i>	<i>55%</i>	<i>65%</i>	<i>120%</i>	<i>185%</i>
<i>9</i>	<i>65%</i>	<i>75%</i>	<i>155%</i>	<i>220%</i>
<i>10</i>	<i>85%</i>	<i>100%</i>	<i>235%</i>	<i>300%</i>
<i>11</i>	<i>105%</i>	<i>120%</i>	<i>355%</i>	<i>440%</i>
<i>12</i>	<i>120%</i>	<i>135%</i>	<i>470%</i>	<i>580%</i>
<i>13</i>	<i>150%</i>	<i>170%</i>	<i>570%</i>	<i>650%</i>
<i>14</i>	<i>210%</i>	<i>235%</i>	<i>755%</i>	<i>800%</i>
<i>15</i>	<i>260%</i>	<i>285%</i>	<i>880%</i>	<i>880%</i>
<i>16</i>	<i>320%</i>	<i>355%</i>	<i>950%</i>	<i>950%</i>
<i>17</i>	<i>395%</i>	<i>430%</i>	<i>1 250%</i>	<i>1 250%</i>
<i>All other</i>	<i>1 250%</i>	<i>1 250%</i>	<i>1 250%</i>	<i>1 250%</i>

5. *The EBA shall report to the Commission on the adequacy of both the 75% risk weight factor and the 25% threshold specified in paragraph 2 within 12 months of ... [date of entry into force of this amending Regulation].*

6. *After taking into account the report from the EBA referred to in paragraph 5 of this Article, the Commission shall be empowered to adopt a delegated act in accordance with Article 462 amending the 75% risk weight factor and the 25% threshold specified in paragraph 2 of this Article.”*

Or. en

Amendment 35

Proposal for a regulation

Article 1 – paragraph 1 – point 7

Regulation (EU) No 575/2013

Article 259 – paragraph 1 – subparagraph 5

Text proposed by the Commission

N is the effective number of exposures in the pool of underlying exposures, calculated in accordance paragraph 4

Amendment

N is the effective number of exposures in the pool of underlying exposures, calculated in accordance **with** paragraph 4

Or. en

Amendment 36

Proposal for a regulation

Article 1 – paragraph 1 – point 7

Regulation (EU) No 575/2013

Article 262

Text proposed by the Commission

[...]

Amendment

deleted

Or. en

Amendment 37

Proposal for a regulation

Article 1 – paragraph 1 – point 7

Regulation (EU) No 575/2013

Article 270 – paragraph 1 – point a

Text proposed by the Commission

(a) the securitisation meets the requirements set out in **Article 6(2)** of the [Securitisation Regulation], other than **point (a) of that paragraph**;

Amendment

(a) the securitisation meets the requirements **for STS securitisation** set out in **Section 1 of Chapter 3** of the [Securitisation Regulation] **as applicable**, other than **Article 8(1)**;

Or. en

Amendment 38

Proposal for a regulation

Article 1 – paragraph 1 – point 7

Text proposed by the Commission

(c) the securitisation is backed by a pool of exposures to undertakings, provided that at least **80%** of those in terms of portfolio balance qualify as SMEs as defined in Art 501 at the time of issuance of the securitisation;

Amendment

(c) the securitisation is backed by a pool of exposures to undertakings, provided that at least **60%** of those in terms of portfolio balance qualify as SMEs as defined in Art 501 at the time of issuance of the securitisation;

Or. en

Amendment 39

Proposal for a regulation

Article 1 – paragraph 1 – point 7

Regulation (EU) No 575/2013

Article 270 – paragraph 1 – point e

Text proposed by the Commission

(e) the ***guarantor or counter-guarantor, as applicable, is*** the central government or the central bank of a Member State, a multilateral development bank or an ***international organisation***, provided that the exposures to the ***guarantor or counter-guarantor*** qualify for a 0% risk weight under Chapter Two of Part Three.

Amendment

(e) the ***third party to which credit risk is transferred, and which may also act as guarantor or counter-guarantor, is one or more of the following:*** the central government or the central bank of a Member State, a multilateral development bank, ***an international organisation or a promotional entity*** or an ***institutional investor***, provided that the exposures to the ***third party*** qualify for a 0% risk weight under Chapter Two of Part Three ***and that, in the case of an institutional investor, the guarantee or counter-guarantee is provided in the form of cash deposited with the originator institution.***

Or. en

Amendment 40

Proposal for a regulation

Article 1 – paragraph 1 – point 7

Text proposed by the Commission

(1) Where an institution **does not** meet the requirements in Chapter 2 of the [Securitisation Regulation] **in any material respect by reason of the negligence or omission of the institution**, the competent authorities shall impose a proportionate additional risk weight of no less than 250 % of the risk weight (capped at 1,250 %) which shall apply to the relevant securitisation positions in the manner specified in Article 247(6) or Article 337(3) respectively. The additional risk weight shall progressively increase with each subsequent infringement of the due diligence provisions. The competent authorities shall take into account the exemptions for certain securitisations provided in Article 4(4) of the [Securitisation Regulation] by reducing the risk weight it would otherwise impose under this Article in respect of a securitisation to which Article 4(4) of the [Securitisation Regulation] applies.

Amendment

(1) Where an institution, **acting deliberately or negligently, fails to** meet the requirements in Chapter 2 of the [Securitisation Regulation], the competent authorities shall impose a proportionate additional risk weight of no less than 250 % of the risk weight (capped at 1,250 %) which shall apply to the relevant securitisation positions in the manner specified in Article 247(6) or Article 337(3) respectively. The additional risk weight shall progressively increase with each subsequent infringement of the due diligence provisions. The competent authorities shall take into account the exemptions for certain securitisations provided in Article 4(4) of the [Securitisation Regulation] by reducing the risk weight it would otherwise impose under this Article in respect of a securitisation to which Article 4(4) of the [Securitisation Regulation] applies.

Or. en

Amendment 41

Proposal for a regulation

Article 1 – paragraph 1 – point 7

Regulation (EU) No 575/2013

Article 270a – paragraph 2

Text proposed by the Commission

(2) EBA shall develop draft implementing technical standards to **facilitate the convergence of supervisory practices** with regard to the implementation of paragraph 1 of the present Article, **including the measures to be taken in the case of breach of the due**

Amendment

(2) EBA shall develop draft implementing technical standards to **provide uniform conditions** with regard to the implementation of paragraph 1 of this Article. EBA shall submit those draft implementing technical standards to the Commission by ... **[6 months after the date**

diligence and risk management obligations. EBA shall submit those draft implementing technical standards to the Commission by **1 January 2014**.

of entry into force of this amending Regulation].

Or. en

Amendment 42

Proposal for a regulation

Article 1 – paragraph 1 – point 7

Regulation (EU) No 575/2013

Article 270a – paragraph 3

Text proposed by the Commission

(3) Power is conferred on the Commission to adopt the implementing technical standards referred to in the *first subparagraph* in accordance with Article 15 of Regulation (EU) **No 1093/2010**.

Amendment

(3) Power is conferred on the Commission to adopt the implementing technical standards referred to in **paragraph 2 of this Article** in accordance with Article 15 of Regulation (EU) **No 1093/2010**.

Or. en

Amendment 43

Proposal for a regulation

Article 1 – paragraph 1 – point 7

Regulation (EU) No 575/2013

Article 270e – paragraph 1

Text proposed by the Commission

EBA shall submit those draft implementing technical standards to the Commission by **1 July 2014**.

Amendment

EBA shall submit those draft implementing technical standards to the Commission by ... **[6 months after the date of entry into force of this amending Regulation]**.

Or. en

Amendment 44

Proposal for a regulation

Article 1 – paragraph 1 – point 9

Regulation (EU) No 575/2013

Part Five

Text proposed by the Commission

(9) Part Five is deleted.

Amendment

(9) Part Five is deleted **and all references to Part Five shall be read as referring to Articles 3, 4 and 5 of the [Securitisation Regulation]**

Or. en

Amendment 45

Proposal for a regulation

Article 1 – paragraph 1 – point 12

Regulation (EU) No 575/2013

Article 519a – paragraph 1

Text proposed by the Commission

By no later than 3 years from [insert date of entry into force of this Regulation], the Commission shall report to the European Parliament and Council on the application of the provisions in Chapter 5 of Title II, Part Three in the light of developments in securitisation markets. In particular, the report shall assess the impact of the hierarchy of methods set out in Article 254 on issuance and investment activity by institutions in securitisation markets in the Union and the effects on the financial stability of the Union and Member States.

Amendment

By no later than 3 years from ... [date of entry into force of this amending Regulation], the Commission shall report to the European Parliament and Council on the application of the provisions in Chapter 5 of Title II, Part Three in the light of developments in securitisation markets. In particular, the report shall assess the impact of the hierarchy of methods set out in Article 254 **and Article 254(a)** on issuance and investment activity by institutions in securitisation markets in the Union and the effects on the financial stability of the Union and Member States.

Or. en

EXPLANATORY STATEMENT

The European Union (EU) is in need of advancing its plan to become a genuine Capital Markets Union. The free movement of capital is one of the fundamental principles on which the EU is built; it enables integrated, open, competitive and efficient European financial markets and services, which will bring many advantages to us all. More than 50 years after the Treaty of Rome, we must seize the opportunity to realize this project.

Before the financial crisis which took place in 2007 and 2008, the securitisation market had been a steadily-growing channel of funding for the European economy. European securitised products performed well before and during the financial crisis, generating minor losses.

However, the reputation of those products has since then been severely damaged by the revelation of the abuses and frauds that had taken place elsewhere, mainly in the US.

Financial stability and getting the EU back to sustainable growth are top priorities, and boosting the capital markets is essential to allow the EU to reach its full potential. Through the Capital Markets Union we should aim at creating more opportunities for investors, connecting financing to the real economy, fostering a stronger and more resilient financial system, deepening financial integration and increasing competition.

The rapporteur defends that creating a common high-quality EU securitisation framework will lead to further development of EU financial markets, help diversify funding sources and unlock capital which is currently unused, making it easier for businesses and households to borrow from credit institutions. Nevertheless, only appropriate capital requirements for holders (via retention or via investment) of such high-quality products can stop the decline of the market, help existing investors to stay and encourage new investors to come. This logic applies to credit institutions, as under the legislative proposal at hand, but should apply also to other major investors in securitisations (e.g. Insurance and funds).

Hierarchy of approaches:

With Basel III the securitisation market as a whole will see a general increase in capital requirements compared to the current Basel II framework. However, with the Commission proposal on Simple, Transparent and Standardised (STS) securitisation a new set of high quality products would be introduced for which in comparison with the Basel III requirements EU legislators are looking for lower capital requirement. It is nevertheless uncertain whether markets will perceive this as a genuine incentive to continue issuing and investing in securitisation.

Capital benefits for STS in itself could not be sufficient to revive the market.

When banks must determine their capital requirements, in principle three approaches are possible: one based on internal data and modelling (SEC_IRBA), based on external ratings (SEC_ERBA), based on standardized information provided by the supervisor (SEC_SA).

The rapporteur believes that a well-designed hierarchy of those approaches is key for the success of this legislative package proposed by the Commission for reviving the securitisations markets in Europe. Indeed, both the Commission's and the Council's proposals present important steps towards creating an EU-wide level playing field that allows for a fair determination of capital requirements.

Ideally, banks should be able to use the first in order – the SEC-, on the basis of sound and thoroughly-supervised internal models. Yet, SEC- IRBA is in praxis difficult to apply for different reasons.

Thus, in jurisdictions where the SEC-ERBA is allowed, it is likely to be the dominant approach. Yet, the SEC-ERBA, even after rescaling for STS securitisations, can lead to substantially higher capital requirements than the SEC-IRBA or SEC-SA. Furthermore, SEC-

ERBA can result in overly high capital charges for those EU countries subject to restrictive external ratings methodologies. Without ensuring a level playing field for all EU countries, the STS framework is unlikely to deliver the intended policy effects. The rapporteur defends, after taking into account the opinion of the European Central Bank, SEC-ERBA should be eliminated from the hierarchy of approaches for STS securitisation. Therefore, SEC-SA should then be available to institutions that may not use the SEC-IRBA in relation to their positions in a given securitisation.

Furthermore, the rapporteur defends to help broaden the use of SEC-IRBA in order to ensure a level playing field between US investors and European investors by allowing to rely on proxies to estimate the KIRB This is already permitted in the US.

SME Securitisation:

The rapporteur defends that the CMU is not just for the big players or big companies, but rather the opposite. It is about giving smaller businesses a wider range of options for their financing, so they are not only reliant on their local bank branch, but can consider options like listing on a growth market or attracting equity investment from outside their home countries. In that sense, CMU will be a great opportunity for the smaller players, on both ends of the investment chain.

In many Member States, SME loans can legally not be or are de facto not securitised via true sale of the loans. Therefore, most SME securitisations happen via synthetic securitisation. The Commission's proposal includes specific elements to support SMEs securitisation, including a prudential treatment equivalent to STS for certain types of synthetic securitisation of SME loans known as "tranching covers", where the originator retains the senior tranche of an SME securitisation and the other tranches are publicly guaranteed or counter - guaranteed (typically by a Member State of their central bank or a multilateral development bank). This is covered by Article 270 of the Commission proposal.

The rapporteur supports the Commission's proposal to allow for certain senior tranches of synthetic securitisations of SMEs loans to benefit from the same reduced capital charges as STS securitisations. The rapporteur proposes a series of amendments to further incentivize SMEs securitisation, also in line with EBA recommendations in this field.

Furthermore, the rapporteur believes that more work needs to be done to calibrate specific requirements for STS synthetic securitisations. Therefore, it is a positive step forward to follow the EBA Recommendations but developing such STS criteria, in particular for SME "balance sheet" synthetic securitisation, should be initiated as soon as possible to be considered at a later stage in a separate legislative proposal.