APRIL 2025

AFG RESPONSE

SECURITISATION - AFG's response to the European Commission's consultation

AFG

AFG

Ensemble, s'investir pour demain

The Association Française de la Gestion Financière (AFG) represents and advocates for the role of asset management in shaping the French economy. It counts over 400 members, including nearly 330 asset management companies, which collectively manage 90% of assets under management in France, i.e. 5,000 billion euros.

AFG actively supports the growth of the French asset management industry for the benefit of savers, investors, and businesses.

AFG is dedicated to promoting stable, efficient, and competitive regulation, with a strong focus on helping individuals finance their life goals while channelling private savings towards businesses in transition.

SECURITISATION - AFG RESPONSE TO THE EUROPEAN COMMISSION'S CONSULTATION

Securitisation can play a more important role in improving the efficiency of capital markets in the EU. It could provide additional financing opportunities for the EU economy, along with investment opportunities. However, the European securitisation market remains underdeveloped compared to other major financial markets, largely due to disproportionately high prudential requirements. AFG pleads for a set of targeted adjustments:

- **Risk Weight Floors and Capital Treatment:**
  The current securitisation framework seems to impose excessive capital requirements that do not accurately reflect the actual risk profile of securitisation positions. The fixed risk weight floor within the CRR arbitrarily disadvantages the European economy. Furthermore, adjustments to the capital formula should aim for a more proportionate deviation from capital neutrality.

- **Investor Demand and Regulatory Burdens:**
  There is little demand for investing in securitisation and high capital charges under Solvency II do not encourage it. Adjustments to the standard formula for capital requirements, particularly reducing the gap between securitisation tranches and direct bond investments, seem necessary to re-engage long-term investors.

  Regarding due diligence, while required economic analyses (i.e. risk characteristics, structural features) do not raise any concerns, redundant controls (e.g. STS criteria compliance) already performed by other entities (i.e. issuer, sponsor, third-party verifier), should be removed. They do not tackle any residual risks and only slow down the investment process, thus penalising the efficiency of the EU securitisation market.

  Finally, the due diligence process could be more principles-based for private transactions, differentiating due diligence obligations based on risk profiles (including the nature of the originator) to streamline processes without compromising market integrity, though this should not be considered as a priority to revive securitisations.

- **Improving Cross-Border Securitisation :**
  Regulatory fragmentation across EU jurisdictions hinders cross-border securitisation, increasing costs and legal uncertainty. Aligning national legal frameworks on loan transferability (or include a cross EU legal framework in the securitization regulation) is essential to fostering a more integrated European securitisation market.

- **Sustainable and SME Securitisations :**
  Securitisations should be fully integrated into the EU's sustainable finance framework (such as the EU Green Bond Regulation, SFDR) and ELTIFs should be allowed to increase their allocation to all types of securitisations, not only STS ones, to better support the financing Europe's economy, including Small and medium-sized enterprises (SMEs) and climate transition.

  Besides, an increased investment threshold specific for EU securitisations could also be helpful for this objective. Regarding SMEs in particular, securitisation could further facilitate their access to capital markets if their prudential treatment and the stringent STS eligibility were alleviated to encourage broader participation for originating banks.

Conclusion:

The EU securitisations market has significant untapped potential, depriving the EU economy of significant financing potential and investment opportunities in highly rated, collateral-eligible securities, that would strengthen financial integration within the European Union, and help financing key sectors linked to EU sovereignty (defence, medical, food security).

These targeted adjustments will enable securitisation to play a stronger role in financing the European economy, supporting growth, innovation, and the green transition.

AFG

Ensemble, s'investir
pour demain

41 rue de la Bienfaisance • 75008 Paris • +33 (0)1 44 94 94 00 ■ Avenue des Arts 56 • 1000 Bruxelles ■ www.afg.asso.fr