

AFG, the leading asset management centre in UE, welcomes the Securitisation Review Package and supports the objective of revitalising the European securitisation market, as one of the key elements participating to a genuine Savings and Investment Union. European securitisation has demonstrated its robustness and resilience over time, underpinned by a strong and prudent regulatory framework, including risk retention requirements, comprehensive due diligence obligations and robust governance.

AFG values the recent co-legislators works on this matter, which shifts from the stigma truly caused by the problems encountered in the US securitisation market in 2008 crisis, recognising that these specific poor practices cannot occur in our jurisdiction due to strong safeguards¹ at both loan and securitisation origination levels.

When properly regulated and supervised, a dynamic securitization market can be one efficient lever for financing the European economy.

As AFG clearly considers this work as a step in the right direction, AFG would also like to draw immediate attention to two recent proposals which would not only hurt this securitisation revival but may create major risks for European retail investors:

- First, the inappropriate proposals to increase massively the UCITS holding limit ratio applying to the debt securities of a single body (UCITS art. 56.2 (a)) for securitisation from 10% to 50%, or even 70%, as mentioned in the General Approach of the Council on the securitization package review, or in the draft European Parliament ("EP") report (CRR, SECUREG), published in December 2025.
- Second, the inappropriate proposal to lower the transparency requirements for non-EU securitisation.

1. Raising massively the UCITS holding limit in securitisations: a severe potential risk to market liquidity, competition and investor protection

UCITS ratios should be discussed within the UCITS framework.

AFG does not support of any modification of this limit without a proper prior impact study.

Also, faced with such inappropriate levels currently proposed in the SecReg texts, AFG stands against such a one-off excessive increase in this limit, as AFG believes any change to UCITS ratios should always be the careful decision that follows a full and proper prior impact study within the appropriate text (MISP that currently opens UCITS, including this ratio).

¹ As a result, the European securitisation market remains underdeveloped compared to other major financial markets, largely due to disproportionately high prudential requirements. This risk calibration for issuers and investors has proven overly punitive and does not reflect their real track record and overall safeguards, ultimately unduly preventing the market from developing.

It should be noted that European securitisation, which amounted to €2 trillion in 2008, scaled down to €1.2 trillion in 2023, while in the US, current outstanding amounts (€13.7 trillion in 2021) have well exceeded the €11.3 trillion recorded in 2008.

The UCITS success (EUR 15.3 trillion in capital from both European & global investors as at the end of 2024, with an estimated EUR 5.7 trillion for the non-EU investors' share) is a cornerstone of the EU capital markets and should be protected from whimsical suggestions.

In December 2025, AFG was very surprised to see two proposals to increase massively the UCITS holding limit in (public) securitisations to 50% or even 70%, without any prior discussions and clear rationale and disregarding potentially significant adverse effects, notably on liquidity and overall, on market resilience while potentially also leading to the exclusion of smaller market participants.

However, if a limited modification of this limit were to be considered in the appropriate text, to facilitate UCITS participation in the fast-growing EU securitisation market, AFG believes it can only be considered after having processed the impact assessment considering all types of issuances, the avoidance of any potential circumvention and retail investors protection.

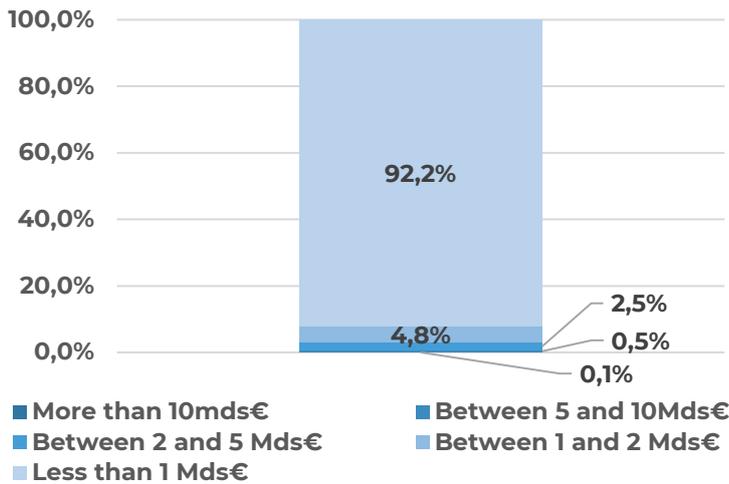
This 10% holding limit is a control limit, meaning that it is forbidden for a UCITS to buy more than 10% of any debt issuance, including securitisation. Plus, it is important to consider that UCITS can be invested at 100% into securitisations (with no geographical constraint) and which, again, in the EU, has proven to be a resilient asset class to invest in.

The current 10% ratio prevents a securitisation issuance from being entirely absorbed by one or two funds. The objective is therefore to limit concentration and thus liquidity risks and to prevent a single fund from holding an excessively large share of the same securitisation.

With public securitisation issuance average size being currently between 400 million and 500 million², funds can invest in one SPV up to 40 to 50 million per fund, which is an already considerable size for trades. Given regulatory sound and protective diversification requirements applicable for UCITS (Art 52), only a small portion of UCITS would benefit from excessively increasing the 10% limit (see chart below), to levels leading to dominant positions. UCITS are targeted in the current discussions, but let's remind the global picture: AIFs, mandates and direct institutional investment can already participate to the securitisation market with no limit.

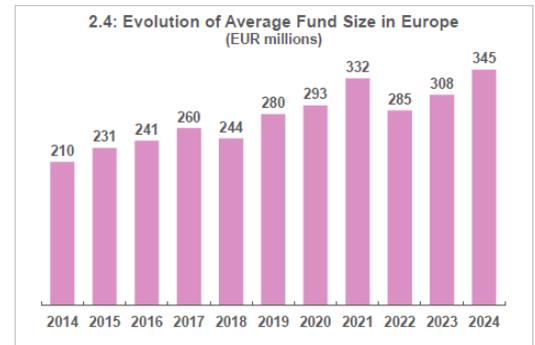
² Source: JP Morgan International ABS Weekly Datasheet 19/12/2025: on 153 issuances, the average size was 475M€.

UCITS – distribution of debt funds by AuM



Source: Morningstar – data September 2025

Average fund size. Despite the increase in the number of funds, the average size of a European investment fund has steadily grown over the last decade, as net sales and market appreciation outpaced new fund creation. Between 2014-2024, the average fund size has risen from EUR 210 million to EUR 345 million, an increase of almost 65%.



Source: EFAMA Fact Book 2025

	Control Ratio	Medium size of securitisation issuance (M€)	Size that can be bought from each securitisation	Therefore	Max Size that can be bought	Size of the fund (M€)	Diversification Ratio (example at 4% as the 5% is the hard limit)
Actual Ratio	10%	400	40	Given the diversification ratio, the actual control ratio is not an actual limitation for 92% of UCITS fund in the EU	40	1000	4%

Source: AFG

In order to invest up to 50 M€, and still be compliant with art 52 of the UCITS directive, the size of the fund must exceed 5€B.

AFG believes that raising massively the UCITS holding limit to 50% or 70% could jeopardize this opportunity and severely undermine the success of the relaunch of the EU securitisation market.

1. Increased risks to liquidity and financial stability

Excessively raising the holding limit would allow a fund to hold a very significant, or even dominant (>50%), share of a single securitisation issuance. Having 50% of an issuance, or even 30% owned by one fund would significantly weigh on the liquidity (in theory, 2 or 3 funds could even buy an entire securitisation) and potentially, create fire sale risk if one of such funds needs to sell its entire investment quickly.

In other words, this would result in a) a potential structural reduction in the contribution of funds to secondary market liquidity; b) an increased risk of forced sales by funds in the event of redemptions; c) a potential weakening of UCITS funds' ability to meet their obligations towards investors.

AFG believes UCITS brand should not be put at risk of liquidity issues stemming from a massively increased UCITS control ratio in securitization, jeopardizing the pillars on which its worldwide credibility is built.



2. Risks of excessive concentration and market oligopoly

Some management companies, through different funds, could actively buy entire issuances, which will drive smaller management companies out of the market. As the biggest actors will have huge negotiating power, this will create a riskier environment for smaller actors. Increasing the holding limit to 50% or 70% as per ongoing proposals would mechanically encourage:

- the concentration of investments in the hands of a few large players;
- the emergence of an oligopoly in the securitisation market;
- increased issuer dependence on a very limited number of investors;
- conflicts of interest risks: when an investor holds the majority of an issuance, particularly when the underlying assets are under stress, that investor may exert a form of creditor-on-creditor violence, to the detriment of other tranche holders.

Such a structure runs counter to the objective of a deep, diversified and resilient European securitisation market.

It is important to note that proposals for exaggerated increases in this ratio are not based on proper impact studies, that neither demonstrate the expected positive impacts, nor consider related risks. We strongly insist on the need for caution with increasing this ratio, which should only be based on adequate quantitative studies bearing in mind the retail investor protection.

3. An ineffective measure to revive the securitisation market

Contrary to its stated objective, increasing massively the holding limit would not contribute to reviving the securitisation market. The current obstacles are well identified, in particular the punitive prudential treatment and the depth of the investor base — not the UCITS holding limit. Making this ratio ineffective by setting it at too high a level, would weaken an essential safeguard without addressing the structural / root causes of the market's current lack of dynamism, and would even further risk shrink/concentrate the investor base.

The concentration of investors may lead those in dominant position as well as the others, suffering from a reduced liquidity, to require wider spreads. Such increase in spreads would represent a cost for issuers and would be detrimental to the effort to increase securitisation issuances.

4. Risks of creating a regulatory loophole

This ratio is not a securitisation ratio, it applies to all types of debt issuances. Extending only for securitisations could create a loophole, facilitate circumventing the 10% UCITS holding ratio on the debt of a single issuer, if a larger proportion of its debt were to be securitised and purchased by a single UCITS. As an extreme case, an issuer could potentially be tempted to place its debt so as to be mostly owned by one/some UCITS funds.

UCITS – a global success, a label that must be preserved

UCITS is the most resounding international success of a European financial product, built, among others, on the soundness of its regulatory framework. Within the EU, there are 35.000 funds, with more than EUR 15 trillion under management, benefiting from a solid, stable and protective framework.

Therefore, as EFAMA³ have rightfully stated in their report “*UCITS – a global success story: To safeguard Europe’s position as the global gold standard in investment funds, the EU should take a strategic, forward-looking approach by: 1. Ensuring a stable and supportive regulatory framework that avoids frequent rule changes, which could risk undermining confidence among extra-EU regulators and investors.*”

➤ UCITS global market share

Asia		
Country	Assets (Bn€)	UCITS % of fund ownership
Hong Kong	345	44%
Singapore	266	54%
Taiwan	400	31%
Thailand	133	15%
Total Asia	9804	6%

Middle East and Africa	
Assets (Bn€)	UCITS % of fund ownership
458	44%

Latin America		
Country	Assets (Bn€)	UCITS % of fund ownership
Chile	118	36%
Colombia	28	20%
Peru	13	21%
Other latin America	22	83%
Total Latin America	2,052	13%

Source: UCITS – a global success story, the distribution of UCITS outside of Europe – EFAMA document

2. Non-EU Securitisation

As was stated in the recent reports, Noyer, Letta, etc. the objective of this reform is to better finance the EU economy.

The European Commission rightfully proposed to remove redundant control (e.g. STS characteristics) for investors where such controls have already been performed by firms supervised in the EU. Non-EU operations are not in this scope as their originators/sponsors are not subject to EU supervision and regulatory transparency requirements, As such, to ensure a level playing field and high transparency standards for all securitisation investments in the EU, the Commission proposed that European investors verify that non-EU securitisations provide the reportings imposed by SECREG to European issuers.

³ UCITS – a global success story, the distribution of UCITS outside of Europe – EFAMA document

<https://www.ethe.org.gr/wp-content/uploads/2025/09/23-Market-Insights-23-international-distribution-of-ucits.pdf>

We support the Council's proposal to slightly alleviate this constraint and require that non-EU reportings contain the same information as EU ones, allowing flexibility on the format. This would facilitate investments outside de EU, providing diversification benefits to EU investors, even though this would not contribute to financing the EU economy.

As such, we are concerned by recent proposals that go much further and seek to lower in substance the transparency requirements for non-EU securitisation below European standards, which are unwarranted in our view and pose great threat for the level playing field, and create risks for EU investors.

This proposal would create two tier securitisation in the EU, with the level of transparency offered depending on the place of origin of the securitisation. Moreover, this would lead to an unlevel playing field at the expense of EU securitisations – which could become more burdensome to analyse than 3rd country securitisation, and ultimately at the expense of the investors, if important information is overlooked and risks undervalued.

Given that some non-EU securitisations markets have shown higher risks than European ones, we call on co-legislators to avoid opening a door for importing non-EU risks in the EU though lower unwarranted standards for third-country operations.