

While several factors may affect market development, AFG considers the prudential treatment of securitisation to be the main obstacle to the growth of the EU securitisation market.

On the demand side, the existing framework from an asset management perspective may be improved, but it is globally satisfying, and we must avoid at all costs some of the proposals which could have harmful effects on the market, especially on the UCITS holding ratio and on the sanction regime:

- While an increase to 15% or 20% of the holding ratio could direct some more UCITS money into securitisation, an even higher increase, as the ECB recently confirmed, would be highly detrimental to this reform.
- This new sanction regime will add complexity and uncertainty vis-à-vis existing sanctions regime (AIFMD, UCITS Directive), and its' proposed amount might drive investors out of the market.

## 1. UCITS holding ratio

### ▶ 20% is already very high

In terms of EU better regulation objectives, AFG would like first to remind that the Securitisation Review is not the best place to discuss UCITS ratios. UCITS brand is a very successful pan European retail investment vehicle and a gold standard in investment funds worldwide<sup>1</sup>.

UCITS net assets exceeded EUR 16 trillion in 2025 and any substitution or transfer of incentives between instrument types should be carefully analysed. Asset eligibility and ratios form its spinal column and they are interrelated. Who guarantees now that a company does not have incentives to securitise its debt issuance in order to be easily invested by some large UCITS?

Regarding the current proposals, both the Commission's (15% - which means a X 1,5 increase) and the Parliament's proposals (20% - hence twice the original ratio) increase the ratio significantly enough to be able to drive more UCITS money into securitisations. According to our members, these levels, although high, are not likely to radically change the liquidity risks of securitisations for UCITS and as such are less likely to create adverse effects. This already significant increase will allow the largest UCITS to significantly increase their investment into securitisation issuances (hopefully within the EU), given that issuances will also likely increase in size, allowing even more sizable potential investments by those largest EU funds.

### ▶ Avoiding adverse effects

These 15 / 20% limits are already quite high comparing to the current situation and – going forward – to other UCITS eligible assets as simple bonds for instance, entailing already major effects, but without risking destabilising the markets. They are also in line with the Opinion issued by the ECB

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<sup>1</sup> EFAMA 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.*"

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

(CON/2026/13), stating it would welcome an up to 20% increase, as a too excessive one, i.e. beyond 20% would:

- diminish securitisations' liquidity which in turn could:
  - o prevent UCITS from investing in securitisation (while UCITS can currently invest 100% of their AuM in securitisation), due to UCITS' stringent liquidity and risk management requirements, on which they have built their success. This would be consequently extremely detrimental both to UCITS and to the objectives of this reform,
  - o penalise securitisations' treatment within banks' liquidity reserves (LCR framework that remains to be reviewed within the Securitisation Package), and even prevent them from being eligible altogether,
- allow a few of the largest UCITS to exert disproportionate influence on debt restructuring in the event of distress of those issuing bodies,
- and allow dominant investor(s) which would risk creating an oligopolistic market. Given that the vast majority of UCITS are more limited in their investments in one issuing body by diversification limits because of their size, only a few largest funds would be able to benefit from holding ratios beyond 20%. This advantage would take the form of abusing of their relative size, not being limited by any ratio (the diversification ratio being irrelevant for the biggest funds), therefore being able to outbid the majority of the market.

#### ▶ **Concentration and liquidity, a well-documented relation<sup>2</sup>**

A higher holding ratio would mean more concentration risks, inducing a reduced liquidity and a diminished market resilience, which have been heavily documented in financial studies over time:

- [\*Investor Concentration, Liquidity and Bond Price Dynamics\*](#) (Li et al - 2022/2024): "*We find that investor concentration also plays an important role in corporate bond pricing dynamics and secondary market liquidity. [...] We then show that bonds with lower investor concentration are more liquid.*"
- [\*\*BIS\*\*](#) – Liquidity coverage ratio: "*There should be historical evidence of market breadth and market depth. This could be demonstrated by low bid-ask spreads, high trading volumes, and a large and diverse number of market participants. Diversity of market participants reduces market concentration and increases the reliability of the liquidity in the market*".

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<sup>2</sup> Or other studies: IMF, [MARKET LIQUIDITY—RESILIENT OR FLEETING?](#), ECB, [Financial Stability Review](#), ESRB, [RECOMMENDATION OF THE EUROPEAN SYSTEMIC RISK BOARD of 6 May 2020 on liquidity risks in investment funds](#), FSB, [Holistic Review of the March Market Turmoil](#), Bank of England, [Reducing liquidity mismatch in open-ended funds: a cost-benefit analysis](#)

**Therefore, we warn against a “middle ground” political solution between the Council, Parliament and Commission’s proposal as it would be a “fallacy of grey”.**

For instance, a 30% holding ratio would mean that only 3 UCITS could potentially own 90% of a single securitisation issuance, effectively destroying its liquidity.

► **UCITS – actual “securitisation-friendly” funds**

In terms of numbers, it is important to remind that UCITS are already extremely “securitisation friendly”, as they can invest 100% of their assets under management into securitisations. In terms of investment, a change in the holding ratio would have a modest impact on the real capacity of the vast majority of UCITS to invest into securitisation:

- At 10% - the current holding ratio - UCITS can invest approximately 40 / 50M€ into each securitisation issuances (given the medium size of securitisation issuance of 400/500M€) which is already larger than what the diversification ratio allows them to, for all 1b€ or less UCITS funds (92,2% of the UCITS debt and diversified funds in the EU). Most of the UCITS funds will be firstly capped by the diversification limit before reaching the holding ratio limit. Only the largest one will hit the holding ratio limit first. They will be the only beneficiaries of the raise which is currently contemplated.
- At 20%, funds can invest nearly 100M€, meaning only UCITS funds bigger than 2b€ (less than 3% of UCITS funds in the EU), would be constrained by this holding ratio.

And this is considering a medium issuance size for securitisation of 400M€ (average issuance in the last years), while since the beginning of this year, public securitisation in the EU are now averaging 600M€, already increasing 1,5 time the amount UCITS can invest into securitisation without increasing the holding ratio.

Debt & diversified UCITS in the EU		
Size of UCITS funds	Number of UCITS funds	% of UCITS funds
More than 10mds€	13	0,1%
Between 5 and 10Mds€	47	0,5%
Between 2 and 5 Mds€	249	2,5%
Between 1 and 2 Mds€	480	4,8%
Less than 1 Mds€	9289	92,2%
<b>Total</b>	<b>10078</b>	100%

Source: Morningstar – data September 2025

## 2. Sanction regime

At a time where simplification is proposed as an overarching principle for the EU regulations, this new sanction regime is difficult to justify. It will create legal uncertainty as it will create confusion with the existing framework. It is paramount that rules are coherent and remain within the existing sectoral regulations (e.g. UCITSD, AIFMD, Solvency 2).

Moreover, this new sanction, capped at twice the investment amount, is likely to compound a strongly deterring effect for investors and to de facto prevent:

- new investors from entering and
- for the remaining investors to increase their investments in the securitisation market, which goes completely against the objective of this reform.