LMA Loan Market Association
30 YEARS SHAPING MARKETS. THEN AND NOW.

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EU Securitisation Review: Key Outcomes from October Trilogue Agreement

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The European Parliament and Council of the European Union have reached a provisional political agreement on changes to the Securitisation Regulation (**SECR**) and Capital Requirements Regulation, as part of the securitisation review package. The package aims to support EU securitisation activity while safeguarding financial stability by streamlining due diligence and transparency requirements and making the prudential treatment of securitisations more risk-sensitive. As the first legislative agreement under the Savings and Investments Union, it is intended to help diversify funding sources and support additional lending to households and businesses. The text remains subject to technical drafting and formal approval, currently expected by the end of 2026 or in Q1 2027.

The agreement follows 12 months of LMA advocacy through consultation responses, comment letters, roundtables, and engagement with policymakers across EU institutions and Member States. It represents meaningful progress on several LMA priorities, although important concerns remain and some outcomes will depend on the final drafting and subsequent Level 2 measures.

The table below summarises the apparent outcome against the LMA's key asks.

Issue	LMA ask	Apparent trilogue result	Assessment
Sanctions	Do not extend the existing sell-side sanctions regime to investors for due-diligence breaches. Investors are already subject to sectoral enforcement and remediation regimes.	No dedicated EU-level investor due diligence sanctions regime is to be introduced. Instead, Member States must provide effective and proportionate sanctions for SECR breaches not otherwise covered by applicable sectoral regimes, with safeguards against double sanctioning.	**Measured progress**. The worst outcome was avoided, and the compromise requires proportionality and avoids duplication. Some technical drafting remains to address Member State legal and procedural concerns.
UCITS issuer limits	Increase the 10% limit to 20% for all securitisations. Allow up to 50% for qualifying senior exposures to support investment at scale.	The limit will increase to 25% for all securitisations, with a review clause.	**Strong progress**. The 25% limit would apply to all securitisations, both public and private, including CLOs.
Public v. private	Retain the existing prospectus-based distinction. Active portfolio management alone should not make a transaction public.	The current definition of public securitisation is reportedly retained, alongside a dedicated CLO reporting template.	**Achieved**. Genuinely private transactions should not become public solely because the portfolio is actively managed.

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Risk-weight floor	Cap the revised risk-sensitive floor. Without a cap, the formula could increase risk weights for senior CLO and similar positions.	For senior STS positions, minimum floors are reportedly reduced to 5% for resilient and 7% for non-resilient transactions. For senior non-STS positions, the corresponding floors are 10% and 13%. Proposed caps on the risk-weight floor formula were dropped.	**Not achieved.** The uncapped formula may increase risk weights for AAA CLO and similar positions.
P-factor	Reduce p-factors for investor positions, particularly senior exposures. Current calibration overstates risk and discourages investment.	For senior STS positions, investors benefit from the same reductions as originators and sponsors. For senior non-STS positions, investors retain their existing calibration, while originators and sponsors benefit from reductions. P-factors for non-senior positions remain unchanged.	**Partially achieved.** While senior STS investors benefit from the same reductions as originators and sponsors, senior non-STS investors, including CLO investors, receive no relief compared with the existing framework.
Sole-purpose test	Ensure substantive financial entities using securitisation as funding can satisfy the test. Clarify the predominant-revenue criterion to avoid excluding investment funds, credit funds, and asset managers.	A new EBA mandate will reportedly require RTS specifying sole-purpose criteria, including specific criteria for non-bank mortgage lenders and entities providing SME loans or consumer credit to finance their own or their group's non-financial business.	**One to watch.** The issue is deferred to EBA level 2 measures.
Sponsor	Allow CLO managers to qualify as sponsors and retain risk. Include non-EU investment managers because they select and manage the CLO assets.	No change is expected, as earlier proposed amendments appear not to have progressed.	**Not achieved.** Non-EU investment managers are expected to remain outside the definition.
Third-country due diligence	Do not require non-EU issuers to use EU templates indirectly through investor due diligence. EU investors should instead receive enough information to assess risk.	Third-country issuers are reportedly permitted to use alternative disclosure formats, focused on Article 7(1) information rather than formal ESMA templates.	**Measured progress**. The approach is directionally positive, but the final outcome will depend forthcoming technical drafting.
Disclosure templates	Avoid prescriptive CLO templates where contractual reporting already supports due	A dedicated CLO reporting template is reportedly introduced as part of the wider reporting reforms, intended to be closely aligned with the template for	**Mixed outcome.** While CLO specificities have been recognised throughout negotiations, a dedicated CLO template could introduce

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	diligence. Additional requirements should not add cost without a clear transparency benefit.	public securitisations backed by corporate exposures, while reflecting CLO-specific characteristics.	additional reporting requirements. The extent of any simplification will depend on Level 2 measures.