Insurance Europe views ahead of trilogues on the EU securitisation reform

The ongoing EU securitisation review[1] offers a timely opportunity to strengthen banks' capacity to finance the real economy by improving access to credit risk protection provided by re/insurers "*with a certain level of robustness and diversification*". Revitalising the EU securitisation market through a broader pool of protection providers, greater risk-transfer capacity, wider distribution of credit risk beyond the banking sector and lower due diligence costs would contribute directly to the objectives of the Savings and Investments Union by enhancing capital market depth and supporting investment and growth.

The European Commission's (EC) proposal rightly recognises that existing rules have "limited the ability of re/insurance companies to participate", which is "*detrimental to the development of the STS market and the ability of originators to transfer credit risk outside the banking system*" and therefore seeks to expand the EU's credit risk transfer capacity.

We welcome co-legislators' direction of travel to enable re/insurers to support this objective under clear prudential safeguards. We also welcome the substantial progress made in recent months in building a shared understanding of both (i) the benefits of re/insurance participation and (ii) the safeguards needed to ensure prudency and trust.

It will be important to ensure that the final framework supports broad market participation by eligible re/insurers rather than limiting the STS market to only a very small number of re/insurers. A framework that enables participation from a diverse range of market actors would help promote a competitive supply of credit protection, support the objectives of the Savings and Investments Union (SIU), and contribute to the development of a resilient and well-functioning STS market in which (re)insurers are ready to participate.

[1] *EU Commission proposal on a Securitisation Regulation (SECR)*

Insurance Europe key asks for the trilogue discussions

1. **Ensure that the pool of STS-eligible re/insurers remains sufficiently broad to support a competitive and scalable STS unfunded credit protection (UFCP) market by** recognising the robustness of EU subsidiaries belonging to non-EU parent groups subject to Solvency II-equivalent group supervision. In particular it is essential to:
    - Open the STS UFCP market to EU entities belonging to both EU groups and non-EU Solvency groups, including Solvency II equivalent countries.
    - Calibrate size safeguards to market reality to allow for a functioning STS market while preserving resilience, a €1 billion threshold at undertaking level or €10 billion at ultimate level.
    - Consider alternative supervisory authorisation routes instead of an exclusive internal model requirement.
2. **Support market development** by allowing STS-eligible re/insurers to participate in both "resilient STS" and "resilient non-STS" securitisations, while preserving existing UFCP capacity by ensuring that current providers are not inadvertently excluded from the non-STS segment.
3. **Provide legal certainty and reduce pro-cyclicality by anchoring both the CRR "resilient" assessment and the SECR STS UFCP safeguard "at the origination date".**

Significant Risk Transfer (SRT) for on-balance-sheet securitisation

In the on-balance-sheet securitisation market, the EU is a global leader with more than €300bn of outstanding exposures, representing roughly half of the global market[2]. As provided by the CRR, banks can transfer part of the credit risk of the underlying loan portfolios through Significant Risk Transfer (SRT) mechanisms, which can reduce capital requirements in line with the risk transferred out of banks, and thereby support new lending.

SRT can be funded (typically provided by investment and pension funds) and unfunded (typically provided by public multilaterals and private re/insurers). As of YE 2024, only around €32bn has been covered with SRT recognition (out of the ~€400bn outstanding), and re/insurers provide only 10-20% of that amount as unfunded credit protection (UFCP)[3].

This means there remains material headroom to prudently develop the UFCP segment and, in turn, support bank lending capacity in the real economy.

[2] *Unveiling the impact of STS on-balance-sheet securitisation on EU financial stability, ESRB, May 2025*

[3] *Global SRT insurance survey 2019-2024, IACPM, March 2025*

Re/insurance participation in Significant Risk Transfer (SRT) securitisation

The pool of re/insurers offering SRT is currently limited, reflecting the highly specialised nature and sophistication of this business. As of March 2025, 14 insurance undertakings provide UFCP in non-STS securitisations, the vast majority of which are EU entities belonging to sizeable global re/insurance groups[4].

While limited in number, these providers are large and experienced, and support a balanced supply that underpins competitiveness and scale for banks.

Looking forward, the current non-STS UFCP market provides a practical indication of where future resilient and STS participation is likely to come from. Regulation should therefore be calibrated to reflect market reality and avoid unintended supply shocks.

Balancing competitive supply and prudency in STS market participation

The proposed criteria on internal models and minimum size are too restrictive and unlikely to be workable in practice - even for EU Solvency II firms - as they do not align with the specific business models of insurers. Evidence from market participants suggests that overly restrictive eligibility criteria would result in only a very limited number of insurers qualifying, thereby increasing counterparty concentration risk rather than mitigating it.

Eligibility of non-EU parents

Appropriate access for banks to a scalable and competitive UFCP market requires a sufficiently broad set of eligible re/insurers.

First, we welcome that co-legislators have recognised that allowing re/insurers to offer UFCP in the STS segment can support the "*ability of originators to transfer credit risk outside the banking system*". We also welcome the fact that participation is subject to prudential safeguards reflecting "*robustness and diversification*" (e.g., high credit quality, diversified business and size). These concepts will help ensure that new UFCP STS market develops to high prudential standards.

Second, we understand why size is used as an indicator of robustness. However, *size* has so far been framed solely in an EU context, focusing on the size of EU undertakings and EU parent groups. In practice, **the robustness of an EU entity may also be supported by a sizeable non-EU parent group, particularly when the group is supervised under a Solvency II-equivalent regime. This**

[4] *Global SRT insurance survey 2019-2024, IACPM, March 2025*

is especially relevant because EU undertakings belonging to non-EU parent groups represent a significant share of the existing UFCP market.

Third, using the equivalence mechanism in this context would align with prior Commission thinking on equivalence[5]: "*The EU is firmly committed to promoting open, fair and efficient financial markets that operate within rigorous prudential and conduct frameworks. Equivalence is one of the key instruments at the EU's disposal in furthering that goal in the external dimension of the internal market.*" It also aligns with recent discussions in the European Parliament[6] in the context of bilateral agreements.

Achieving the objective of a functional STS UFCP market will require market access for EU entities that are part of appropriately sized groups subject to Solvency II-equivalent prudential regimes. Co-legislators should therefore ensure the STS UFCP is open market to EU entities belonging to both EU groups and non-EU groups subject to Solvency II-equivalent group supervision.

Minimum size

The calibration of the size safeguard remains a key issue for the practical operability of the new insurer-access route. We encourage legislators to have a more graduated and proportionate approach, introducing workable entity-level and group-level (both EU and non-EU) eligibility thresholds and explicitly recognising the effective financial support by the parent through financial arrangements, which may include reinsurance, ancillary own funds or a combination of financial arrangements.

It is key to calibrate size safeguards according to the market reality to allow for a functioning STS market while preserving resilience, a €1 billion threshold at undertaking level or €10 billion at ultimate level.

[5] *EU Commission communication on equivalence in the area of financial services*

[6] *Opinion of the ECON Committee of the EU Parliament*

Alternative to the Internal Models Approach

The requirement to use an approved internal model is too onerous and would exclude the vast majority of current and potential EU Solvency II credit protection providers. The IACPM survey indicates that restricting eligible entities to carriers using regulatory approved internal models under the SII regime would exclude 76% of carriers in the EU, most of them currently active in underwriting EU Significant Risk Transfer (SRT). This restriction would create a major barrier to entry into the market for additional re/insurance companies, both EU and non-EU, and could lead non-EU based re/insurers to focus on other markets, to the benefit of non-EU banks.

The ORSA is capable of being leveraged to include an assessment of deviations between the risks arising from synthetic securitisations and the standard formula, and the materiality of the deviations on the capital requirements and solvency of the undertaking.

We therefore call for alternative supervisory authorisation routes, rather than an exclusive internal model requirement. This would better reflect current market participation while preserving supervisory safeguards.

Re/insurance participation in the "resilient" securitisations market

Co-legislators propose a new concept of "resilient" securitisation positions to identify structurally robust senior securitisation positions. The expectation is that the market will increasingly structure transactions to meet this "resilient" designation.

Given the intention to embed prudency and robustness into re/insurers' participation in the UFCP STS market, it is consistent and prudent to allow re/insurers to participate in the "resilient" space ("resilient STS" and "resilient non-STS"). Delivering on the reform's objective of increasing credit risk transfer capacity requires preserving existing supply of credit protection. Maintaining re/insurers' established role in the non-STS segment, while enabling prudent entry into new segments, is essential if market capacity can grow in practice.

Under the Commission's proposal, re/insurers that currently have access to the full non-STS market would lose access to the future "resilient non-STS" sub-segment unless they qualify as STS under the new SECR. Those that do not qualify would be confined to the "non-resilient non-STS" segment.

Because the prudential treatment for "non-resilient non-STS" categories would be the most burdensome, these transactions will become less economically attractive for originating banks. This will likely reduce demand for unfunded credit protection in this segment, even more so that UFCP also requires deploying

capital to cover the counterparty credit risk. As a result, the Non-STS Non-Resilient market may become significantly small over time and, in practice, could cease to represent a meaningful source of risk transfer capacity.

Co-legislators should therefore allow STS-eligible re/insurers to provide UFCP in both, "resilient STS" and "resilient non-STS" securitisations, while preserving existing UFCP capacity by ensuring that current providers are not inadvertently excluded from the "resilient non-STS" segment.

Robust assessments "at the origination date" and capital-cliff generating assessment "on an ongoing basis thereafter"

We support the text improvements introduced by co-legislators to strengthen financial stability by assessing whether a position meets the five cumulative "resilient" criteria **at the origination date** under CRR Articles 243(3) and 243(4). An assessment at inception provides legal certainty for supervisors and market participants, avoids capital cliffs driven by exogenous or temporary fluctuations in one of the criteria, and reduces pro-cyclicality that could otherwise force unnecessary volatility in capital requirements. In practice, it helps ensure the "resilient" designation functions as a prudentially meaningful and, operationally workable concept that can be relied upon for risk transfer decisions, consistent with the reform's broader objective of expanding credit risk transfer capacity.

For the same reasons, we recommend **extending this origination-date assessment principle to the STS safeguards in SECR Article 26e(8)(aa)** for the purposes of eligibility. Specifically, where STS status is relevant to a re/insurers' ability to provide UFCP, the assessment of the four cumulative safeguards should be anchored "**at the origination date**", rather than being subject to a continuous ongoing re-assessment that could inadvertently reclassify existing positions for reasons unrelated to the original structure or intent. This would enhance predictability, support consistent supervision, and avoid unintended "re-labelling" effects that could shrink existing risk transfer capacity precisely when markets are under stress. This approach would require that the credit quality step STS safeguard should be fixed at 2 or above at the time the credit protection was first recognised (and not as proposed by the Council "and is currently credit quality step 3 or above").

In short, anchoring both the CRR "resilient" criteria and the SECR STS UFCP safeguards "at the origination date" would enhance legal certainty, reduce pro-cyclicality, and preserve prudently-safeguarded risk transfer capacity in line with the reform's objectives.

Insurance Europe is the European insurance and reinsurance federation. Through its 39 member bodies — the national insurance associations — it represents insurance and reinsurance undertakings active in Europe and advocates for policies and conditions that support the sector in delivering value to individuals, businesses, and the broader economy.

July 2026

insurance europe

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