



## Insights

# European Commission Project to Expand the European Capital Markets Union, Including the Development of a Framework for High-Quality Securitizations

**Regulatory Updates - SFI**  
**February 19, 2015**

On February 18, 2015, the European Commission (EC) issued two publications—Green Paper: Building a Capital Markets Union and Consultation Document: An EU Framework for Simple, Transparent and Standardised Securitisation—which begin a three-month consultation with member states, capital market participants, and other stakeholders towards the development of an action plan for a fully functioning European Capital Markets Union by 2019. Among the specific plans of the EC is the development of proposals to encourage high-quality securitizations (HQS) and to free up bank balance sheets to lend.

The EC seeks to develop a securitization framework which better reflects the different characteristics of securitizations, differentiating between HQS and those which pose greater risk, developing eligibility criteria for HQS, and adjusting the regulatory requirements to allow for a more risk-sensitive approach. Insofar as identifying HQS, the EC plans to build on the efforts of the Basel Committee on Banking Supervision (BCBS), the International Organization of Securities Commissions (IOSCO), and other European regulators to develop criteria to identify HQS based on the principles of simplicity, transparency, and comparability (“standardized”).

The EC seeks input on several aspects of the European securitization framework. These include seeking information and views on:

- whether the BCBS and IOSCO standardized principles approach adequately identify HQS
- whether modifications to the standardized principles are necessary for short-term securitization instruments (such as asset-backed commercial paper)
- whether the European Banking Authority’s risk retention rules are appropriate for HQS
- how to balance investors’ desire for maximum and standardized disclosure without making that disclosure too time-consuming or costly for issuers or originator

- whether different disclosure requirements should be developed for different types of securitizations
- whether and how BCBS' capital requirements for securitization exposures should differentiate between HQS and other securitizations

Commenters are asked to reply online to the EC's questions by May 13, 2015.