Comments

Securitisation: EU-COM amending Delegated Act on LCR

GBIC: *Lobby Register No R001459 | EU Transparency Register No 52646912360-95*

TSI: *Lobby Register No R001019 | EU Transparency Register No: 168406021073-77*

Eurofinas: *EU Transparency Register: No 83211441580-56*

Leaseurope: *EU Transparency Register No: 430010622057-05*

Contact:

Nicole Quade

Telephone: +49 30 1663-2130
E-Mail: nicole.quade@bdb.de

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Coordinator:
Bundesverband deutscher Banken e. V.
Burgstraße 28 | 10178 Berlin | Germany
Telephone: +49 30 1663-0
www.die-deutsche-kreditwirtschaft.de
www.german-banking-industry.org

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The **German Banking Industry Committee** is the joint committee operated by the central associations of the German banking industry. These associations are the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (BVR), for the cooperative banks, the Bundesverband deutscher Banken (BdB), for the private commercial banks, the Bundesverband Öffentlicher Banken Deutschlands (VÖB), for the public banks, the Deutscher Sparkassen- und Giroverband (DSGV), for the savings banks finance group, and the Verband deutscher Pfandbriefbanken (vdp), for the Pfandbrief banks. Collectively, they represent approximately 1,700 banks.

True Sale International GmbH (TSI) is dedicated to support the development of the securitisation market in Germany and Europe, its regulation and the further development of its legal framework. Through training courses and specialist conferences, we contribute to the qualification of the participants and to an open exchange between market participants, supervisory authorities and science.

As a Federation, **Leaseurope** brings together 45 associations throughout Europe representing either the leasing, long term and/or short term automotive rental industries. The scope of products covered by Leaseurope's members ranges from hire purchase and finance leases to operating leases of all asset types (automotive, equipment and real estate) and also includes the rental of cars, vans and trucks. It is estimated that Leaseurope represents approximately 91% of the European leasing market. In 2023, the leasing firms represented through Leaseurope’s membership helped European businesses and other customers invest in assets that is estimated worth 448 billion EUR, reaching about 976 billion EUR of outstandings at the end of the year.

Eurofinas, the European Federation of Finance House Associations, is the voice of the specialised consumer credit providers in the EU. As a Federation, Eurofinas brings together associations throughout Europe that represent finance houses, specialised banks, captive finance companies of car, equipment, etc. manufacturers and universal banks. The scope of products covered by Eurofinas members includes all forms of consumer credit products such as personal loans, point of sale credit, credit cards and store cards. Consumer credit facilitates access to assets and services as diverse as cars, studies, furniture, electronic appliances, etc. Eurofinas members financed around €467 billion worth of new loans during 2023 with outstanding portfolio amounting €1.3 trillion euros at the end of the year.

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The German Banking Industry Committee (GBIC), True Sale International GmbH (TSI), Eurofinas and Leaseurope expressly welcome the European Commission's initiative to revise the securitisation framework as a whole. We agree when the European Commission states: 'Now that appropriate safeguards have been firmly embedded in the market's organisation and securitisation is gaining back investors' trust, a better balance between safeguards and growth opportunities - both for investments and issuance - needs to be found.' In this context, we believe that there is not just one single silver bullet. Rather, a whole set of measures is needed to remove the existing obstacles. The regulations on the recognition of securitisations in banks' Liquidity Coverage Ratio (LCR) in our opinion is one of the building blocks in this respect.

As in our comments on the targeted consultation on the functioning of the EU securitisation framework TSI and GBIC still consider it justified to improve the recognition of securitisations under LCR. Pursuant to current CRR provisions and the delegated regulation on LCR (Articles 12 and 13), specific senior tranches in STS securitisations can qualify as level 2B liquid assets. From our point of view the ability of securitisations to qualify in the LCR should be amended - without further conditions – to Senior STS securitisations (HQLA Level 2A) and Senior non-STS securitisations (HQLA Level 2B)

The EU Commission's proposal contains some **changes that are necessary and helpful**:

- Realigning minimum credit quality steps (CQS1 to CQS4 or AAA to AA-) and extending it to CQS5 to CQS7 (A+ to A-) - with a 50% haircut,
- removing the EU-specific requirement for securitisations' eligibility to have a remaining weighted average life (WAL) of five years and
- alignment of homogeneity requirements with the corresponding STS requirements of the Securitisation Regulation (SECR) and therefore extending the scope of eligible asset classes. However, a clarification should be added that ABCP positions are now LCR eligible.

In addition, a reduction of the haircut from 25% to 15% in CQS1 to CQS4 is proposed for securitisations that the Commission considers to be "resilient". For this classification, further criteria (e.g. specific attachment point) must be met.

We **reject the introduction of a new regulatory securitisation category "resilient"** with additional requirements - as currently envisaged - for the following reasons:

- A new layer of complexity is introduced.
- New entry barriers are created for market participants and potential market participants.
- Some of the specific requirements for resilient securitisations in the proposed amendments to the Capital Requirement Regulation (CRR) are inappropriate and may create false incentives. For example, the specification of a minimum attachment points favours riskier transactions, as they were above the minimum requirement anyway. Low

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risk portfolios as for example Auto ABS or Trade Receivables securitisations would be forced to have thicker first loss positions.

- Last but not least, we do not expect the definition of resilient transactions to cover a sufficiently large part of the market to have a meaningful positive impact. Consequently, we are concerned about further segregation within the securitisation market. Therefore, the LCR should only be linked to the resilient category after it has been adjusted under the CRR.

The recalibration of the LCR constitutes a necessary but not sufficient measure. Its intended effectiveness will only be achieved if the other components of the regulatory framework – particularly the prudential treatment of banks as investors, the applicable capital requirements and the due diligence and reporting obligations – are subject to appropriate and coherent reform.

As a result, a final assessment of the draft Delegated Regulation amending the LCR is only possible in conjunction with the amendments to the CRR.