

A Welcome Revival: How EU Reforms Aim to Boost Securitisation *& Implications for Insurer Demand*

Sebastien Andre | Mortgage and Structured Finance Portfolio Manager, Euro ABS

SEPTEMBER 2025

Alexandre Boulinguez | Mortgage and Structured Finance Portfolio Manager, Euro ABS

David Rittner, CFA | Investment Strategist

Sean Saia, CFA | Insurance Director

Erik Troutman, CFA, FSA, MAA | Head of Institutional Advisory





Contents

PAGE 2	Key Takeaways
PAGE 3	EU Securitisation Reform and New Growth Opportunities
PAGE 5	Key 2025 Legislative Proposals: Impact on Banks & Insurers
PAGE 10	Timeline for Implementation and Potential Market Impact
PAGE 11	Portfolio Implications

Key Takeaways

- The European securitisation market is undergoing a major revival, driven by 2025 legislative proposals.
- If enacted, amendments to Solvency II could materially enhance the risk-return profile of senior securitisations, making them more competitive with other fixed income instruments.
- Relative to traditional fixed income, we believe changes in the European securitisation market may present compelling opportunities for insurers to capitalize on increased issuance, enhanced return potential and improved regulatory treatment.

The European securitisation market is undergoing a major revival, driven by 2025 legislative proposals aimed at easing regulatory burdens, which we believe could have major implications for investors. Key reforms include lower capital charges for banks under Capital Requirements Regulation (CRR) and insurers under Solvency II, streamlined due diligence, and expanded eligibility for securitisations as liquid assets. We believe these changes will unlock significant investment from banks and insurers, potentially growing the European Union (EU) and United Kingdom (UK) asset-backed security (ABS) market to over €1 trillion.

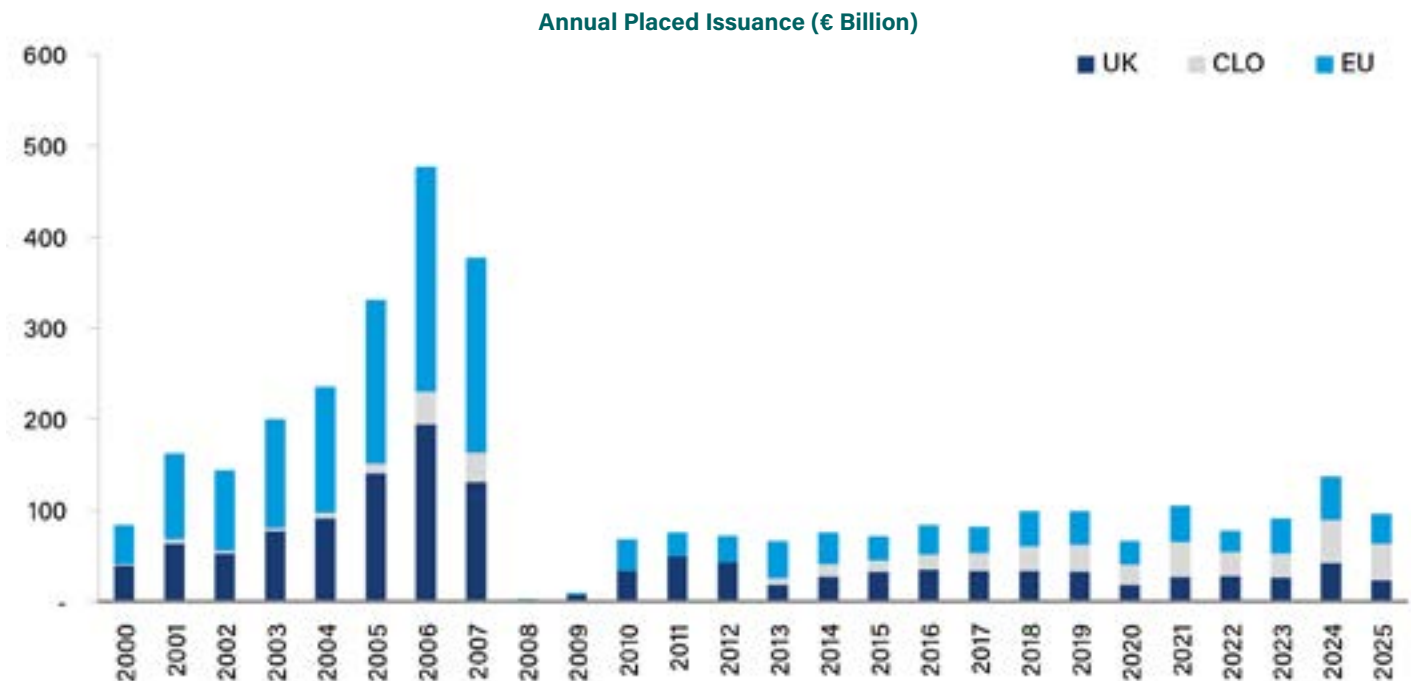


EU Securitisation Reform and New Growth Opportunities

The European securitisation market has long struggled to regain its footing following the 2008–2009 global financial crisis (GFC), which triggered a collapse in issuance amid widespread investor distrust and systemic risk concerns.

Between 2011 and 2013, the EU began laying the regulatory groundwork to rebuild confidence, focusing initially on credit rating agencies to reduce conflicts of interest and improve transparency.

European Securitisation Market Issuance Stagnated Post-GFC



Source: Morgan Stanley Global Macro Forum, 8 August 2025.

The chart presented above is shown for illustrative purposes only. Some or all of the information shown may be dated, and, therefore, should not be the basis to purchase or sell any securities. The information is not intended to represent any actual portfolio managed by Loomis Sayles.



Laying the Groundwork for High-Quality Securitisations

These efforts culminated in the adoption of the European Securitisation Regulation (SECR) in January 2019, which established a unified framework for transparency, risk retention and due diligence. The regulation also introduced the Simple, Transparent and Standardised (STS) label to promote high-quality securitisations, particularly in prime ABS and residential mortgage-backed securities (RMBS) markets.

Securitisations that are non-STs include sectors that may lack standardisation in underwriting, provide insufficient disclosure reporting or contain complex structures.

Examples of such non-STs sectors are collateralized loan obligations (CLOs), commercial mortgage-backed securities (CMBS) and non-performing loan (NPL) ABS.

Unlocking Private Capital

Despite these reforms, issuance volumes remained subdued, and the market was operating at a fraction of its pre-GFC scale. Regulatory conservatism and persistent risk aversion continued to suppress growth.

A turning point came in September 2024, when former European Central Bank President Mario Draghi published a sweeping blueprint for revitalizing European competitiveness. Central to his recommendations was the call to unlock private capital and ease regulatory burdens by deepening capital market integration across the EU.

Reshaping How Savings Are Invested

The European Commission identified securitisation as a key mechanism to channel household savings into productive investments. This vision laid the foundation for its launch of a Savings and Investments Union (SIU) in March 2025, a strategic initiative aimed at reshaping how savings are mobilised and invested across the continent. Securitisation reform was chosen as the first legislative priority under the SIU, reflecting its potential to free up bank lending capacity, redistribute credit risk to capital markets and diversify investor portfolios.





Key 2025 Legislative Proposals to Revive EU Securitisation

On 17 June 2025, the European Commission published a legislative proposal to overhaul the SECR, amend the CRR and revise the Liquidity Coverage Ratio (LCR) framework. This was followed on 18 July 2025 by a complementary proposal to ease capital requirements under Solvency II, the EU's regulatory framework for insurance and reinsurance firms. Together, these initiatives aimed to reduce operational and regulatory hurdles for banks, insurers and issuers, aligning securitisation more closely with the corporate bond market and fostering robust market growth.

Relaxing Investor and Issuer Requirements

The proposed SECR amendments seek to streamline due diligence and transparency requirements for both investors and issuers.

1 | Investor Due Diligence

Currently, investors face a burdensome and prescriptive process before purchasing a securitisation, often requiring extensive documentation and compliance checks. Under the new framework, due diligence will be more proportionate to the risk profile of the investment and more principles-based. Senior tranches will require less scrutiny, while mezzanine tranches will demand more.

Investors will no longer need to verify certain information when the selling party is based and supervised in the EU, as competent authorities are already responsible for checking compliance with these requirements. The proposal also updates the homogeneity requirement under the SECR for STS securitisations, reducing the threshold from 100% to 70% for small- and medium-sized enterprise (SME) loan composition.¹ This change would allow securitisation pools with at least 70% SME loans to qualify as homogeneous, significantly easing previous constraints. By relaxing this rule, the proposal aims to revive SME financing—an area that has been largely dormant under the current, more rigid framework. Repeat transactions should benefit from simplified ongoing diligence, and secondary market purchases will be allowed a 15-day window post-settlement to complete due diligence—replacing the current requirement to do so beforehand.²

2 | Issuer Transparency

Issuer reporting obligations will also be eased under the new proposal. The current templates are costly and complex, with many mandatory fields. The proposal aims to reduce these fields by at least 35%, distinguish between mandatory and voluntary disclosures and make loan-level reporting optional for credit card and select consumer loan securitisations.³ In our view, these changes would lower compliance costs and encourage broader issuer participation.

¹ European Commission proposal, 17 June 2025.

² Bank of America European Structured Finance Markets, 18 June 2025.

³ Morgan Stanley, European ABS Strategy, 24 June 2025.



Spurring Bank Demand

The European Commission's proposal seeks to establish uniform "prudential requirements" for banks and insurance firms to ensure a consistent framework for assessing risk and managing financial soundness. On the bank side, they proposed CRR revisions and LCR updates to better manage risk and help spur demand.

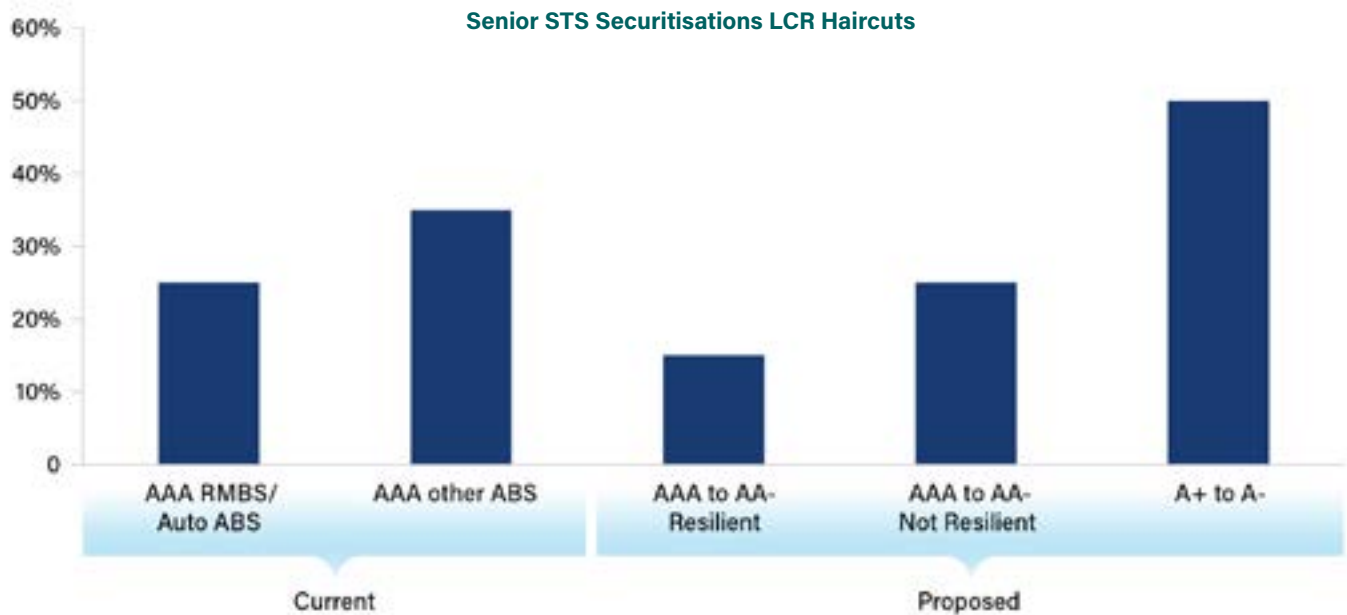
CRR Revisions

The CRR revisions introduce more granular risk weights for securitisation exposures. Today, capital surcharges—known as "p-factors"—are differentiated by STS versus non-STS status. The new framework adds further distinctions based on whether the holder is the originator or an investor, and whether the deal qualifies as "resilient," a new designation for transactions with low model risk and sufficient credit enhancement. These refinements would reduce p-factors for senior STS securitisations held by originators. Additionally, risk-weight floors for senior tranches are proposed to drop from 10% and 15% for STS and non-STS deals, respectively, to as low as 5% and 12%, depending on collateral quality.³ Risk-weight floors are defined as minimum capital requirements that banks must hold against different types of assets, as described under CRR.

LCR Updates

The LCR framework will also be updated to expand the eligibility of securitisations as high-quality liquid assets (HQLA). Currently, only AAA-rated STS deals with a weighted average life under five years qualify, and banks may allocate up to 15% of their Level 2B HQLA bucket to securitisations. In practice, however, banks invest less than 1% in the asset class. The new proposal would broaden eligibility to include AA and A-rated bonds and reduce their haircuts, making STS securitisations more attractive for liquidity management.³ A haircut is a downward adjustment to the value of an asset, reflecting the risk that it may lose value or become less liquid during periods of financial stress. The smaller the haircut, the more of the asset's value a bank can count toward meeting its liquidity buffer requirements.

LCR haircuts for securitisations would be reduced under the proposal, from current 25% (AAA rated RMBS/Auto ABS) and 35% (AAA rated other ABS) to 15% (AAA to AA- Resilient STS) and 25% (AAA to AA- Not Resilient).



Source: Morgan Stanley European ABS Strategy, 24 June 2025.

The chart presented above is shown for illustrative purposes only.

Unlocking Insurance Sector Demand

The July 2025 proposal to amend Solvency II aimed to stimulate greater investment by the insurance sector in the European securitisation market. Currently, European life insurers allocate less than 1% of their assets to securitisations—far below the 17% held by US life insurers—highlighting a significant opportunity for growth if regulatory barriers are eased.⁴

A key focus of the proposal is the revision of the Solvency Capital Requirement (SCR), which defines the amount of capital EU insurance and reinsurance companies must hold to ensure they can meet obligations under stressed conditions. The draft regulation introduces lower capital charges for both senior STS and non-STS securitisations, improving their relative attractiveness.

⁴ Bloomberg, 9 January 2024.



The table below summarizes the proposed changes:

SCR Proposed Changes

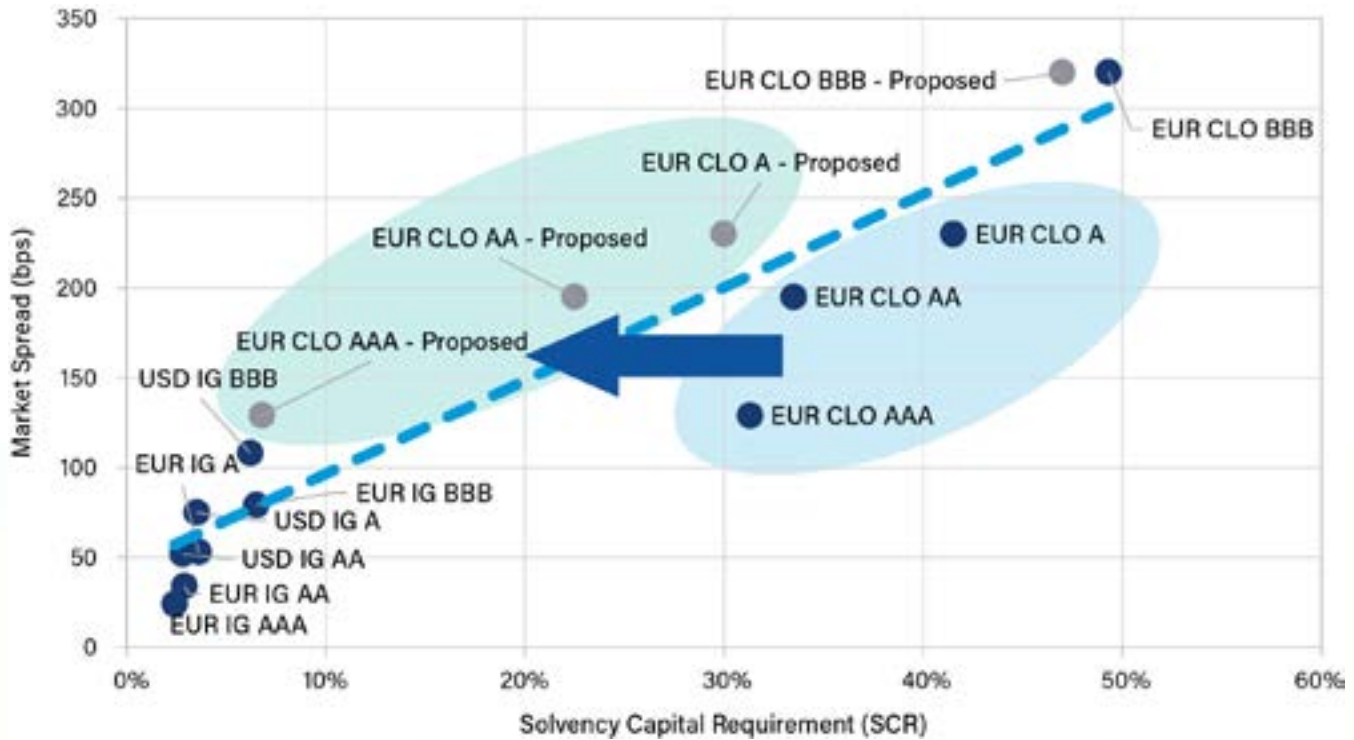
TRANCHE TYPE	STS SECURITISATIONS	NON-STS SECURITISATIONS
Senior Tranche	Capital charges would align closely with those of covered bonds across rating categories	Capital charges would fall significantly, approaching levels seen in BBB-rated corporate bonds and more in line with bank capital (CRR) rules
Mezzanine Tranche	Capital charges would match those of similarly rated corporate bonds	Capital charges would be reduced, but not enough to materially shift investment behavior

Source: Loomis Sayles

In our view, these changes materially enhance the risk-return profile of senior securitisations, making them more competitive with other fixed income instruments. Specifically, the two key strengths of the proposal are the alignment of STS senior securitisations with covered bonds and the treatment of non-STS senior securitisations in line with BBB-rated corporate debt. As illustrated on the next page, the proposed capital charges for CLOs—a non-STS securitisation—are notably reduced, with senior AAA-rated CLOs benefiting most with a 78% decrease in capital charge.⁵ This brings CLO AAA capital treatment more in line with other high-quality fixed income assets, improving the economics for insurance investors.

⁵ Morgan Stanley, European ABS Strategy, 21 July 2025.

Proposed Solvency Capital Requirements Enhance Insurance Sector Incentives to Hold Senior Securitisations



Source: Morgan Stanley ALM Team, as of 23 June 2025. European Investor Perspective; 2.5-year duration assumption for illustration.

The chart presented above is shown for illustrative purposes only.

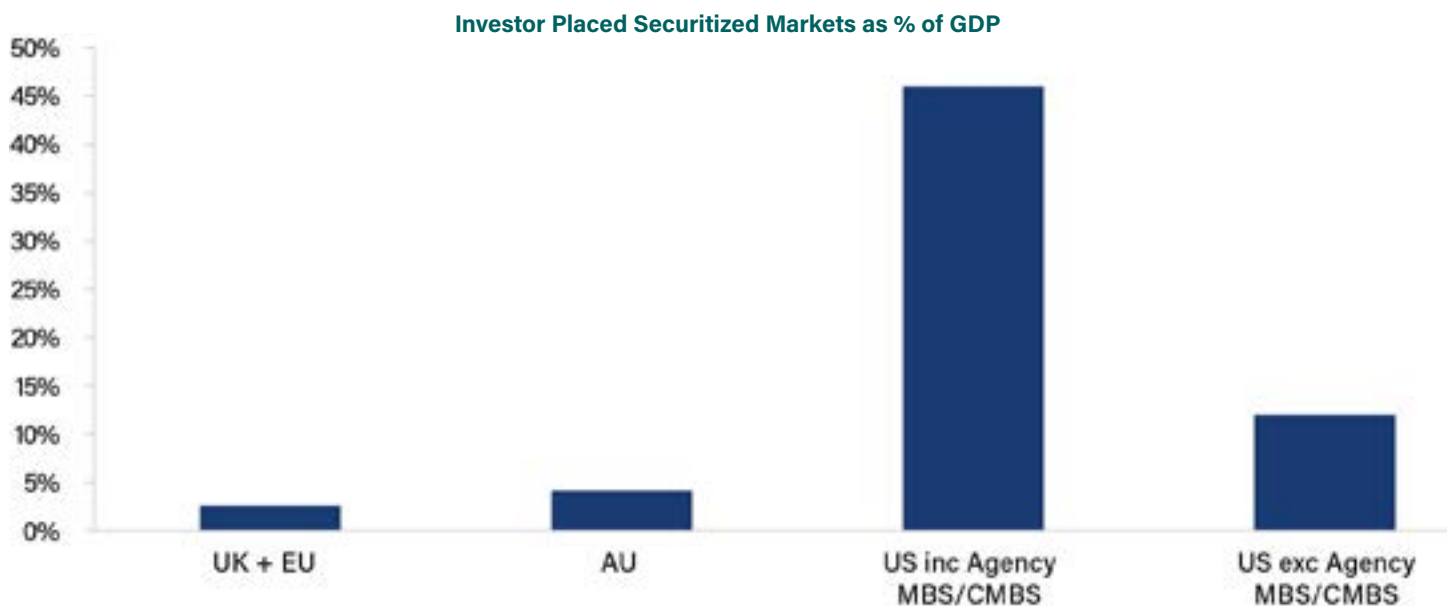
Timeline for Implementation & Potential Market Impact

We see the European Commission's new legislative proposals as very encouraging signs to revive the years of lackluster issuance in the EU securitisation market.

In terms of next steps, the legislative proposals are now under review by the European Parliament, European Commission and European Council. While no fixed timeline has been set, the consultation process is expected to last into 2026, with implementation likely by 2027. These reforms are also expected to influence regulatory discussions in the UK, potentially leading to greater alignment and cross-border investor participation.

If adopted, we believe that the reforms could significantly expand the European securitisation market. Currently, the combined EU and UK ABS market stands at €570 billion, representing just 2% of the European economy.³ By contrast, the US securitisation market accounts for over 10% of GDP. Morgan Stanley projects that, with full implementation, the European and UK markets could grow to €800 billion to €1.2 trillion over the next five years. These estimates assume banks allocate the full 15% of their Level 2B HQLA bucket to securitisations and insurers dedicate 5% of their portfolios to the asset class.³ Even if actual uptake falls short of these projections, we consider the reforms to represent a meaningful step toward reinvigorating the European securitisation market and restoring its relevance for issuers and investors alike.

Market Potential



Source: Morgan Stanley, 30 June 2025.

The chart presented above is shown for illustrative purposes only.



What Does This Mean for the European Securitised Allocation in Your Portfolio?

We believe that the coming years may present a compelling opportunity for investors to capitalise on increased issuance and deploy capital into securitised sectors offering both enhanced return potential and improved regulatory treatment compared to traditional fixed income.

With long-awaited reforms finally unlocking the market, we hold the view that active managers are well-positioned to selectively add meaningful exposure. The Loomis Sayles Mortgage & Structured Finance Team brings a global perspective, with dedicated professionals in both the US and Europe identifying value across public and private offerings. We believe these proposals could open the door to significant opportunities—especially for agile managers like Loomis Sayles who, through their knowledge and experience, can navigate the evolving landscape with precision and scale.



Disclosure

Market conditions are extremely fluid and change frequently.

This paper is provided for informational purposes only and should not be construed as investment advice. Opinions or forecasts contained herein reflect the subjective judgments and assumptions of the authors only and do not necessarily reflect the views of Loomis, Sayles & Company, L.P. Other industry analysts and investment personnel may have different views and opinions. Investment recommendations may be inconsistent with these opinions. There is no assurance that developments will transpire as forecasted, and actual results will be different. Information obtained from outside sources is believed to be correct, but Loomis Sayles cannot guarantee its accuracy. This material cannot be copied, reproduced or redistributed without authorization. The information is subject to change at any time without notice.

LS Loomis | Sayles is a trademark of Loomis, Sayles & Company, L.P. registered in the US Patent and Trademark Office.

8328119.2.1

Authors



SEBASTIEN ANDRE

Mortgage and Structured
Finance Portfolio Manager,
Euro ABS



ALEXANDRE BOULINGUEZ

Mortgage and Structured
Finance Portfolio Manager,
Euro ABS



DAVID RITTNER, CFA

Investment Strategist



SEAN SAIA, CFA

Insurance Director



**ERIK TROUTMAN,
CFA, FSA, MAA**

Head of Institutional Advisory