Keynote on
Enhancing the EU Securitisation Framework

Dr. Georges Duponcheele

Event organised by the **Belgian Financial Forum**
Auditorium of the National Bank of Belgium
02 April 2026

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Dr. Georges DUPONCHEELE

Senior Credit Portfolio Manager

Great Lakes Insurance SE (Munich RE)

The views expressed are my own and not necessarily those of my firm
or of those with whom I have discussed this presentation or their firms.

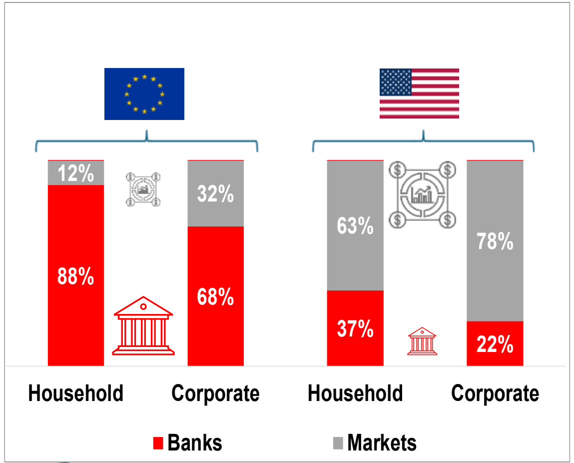
Every Belgian
is
a Rocket Scientist
(some really are)

Every Brussels policymaker
needs to be
(temporarily)
a Securitisation Expert

Let's go back to the 2024 key question…

How to finance the transformation the EU needs? (€1 trn / year)

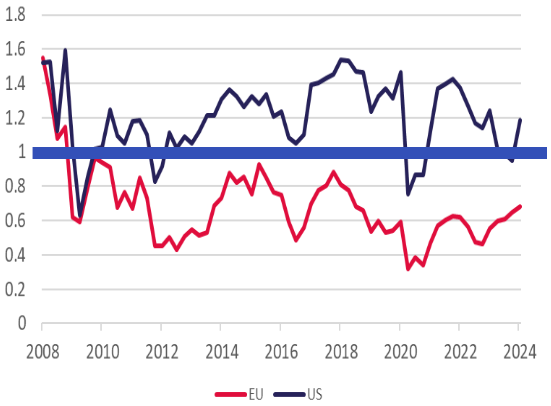
- Who can channel the financing needs to the borrowers?



Rule #1 (market structure)
The EU needs policies that work for EU banks

- Option 1: Fund with Covered Bonds **and** raise more Capital, but how?

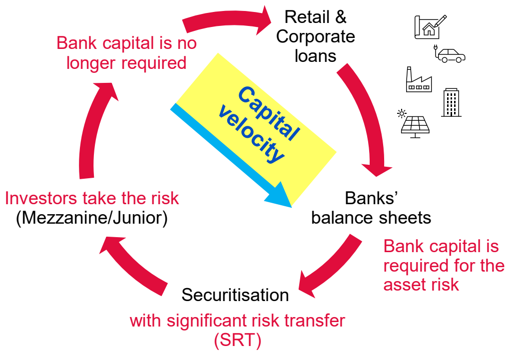
Average Equity Price to Book Ratio for Top 10 Banks in EU and US



Rule #2 (in a market economy)
P/B < 1 ➔ More capital destroys value

- Option 2: Be more efficient with existing capital

The virtuous cycle:
1) derisk,
2) free up capital,
3) lend more



Rule #3 (in a regulated economy)
More risk ➔ More bank capital
Less risk ➔ Less bank capital

Option 2: Be more efficient with existing capital

Securitisation's Dual Role in Funding and Financing the EU Economy

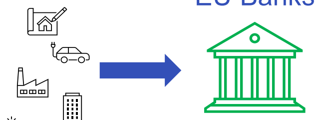
- The EU has an excess of savings (funding) but a shortage of risk bearing instruments (financing)

Funding ≠ Financing

Capital Markets Instrument	Macro financial role
Traditional securitisation	Funding + **Financing**
Synthetic securitisation	**Financing only**
Covered bonds only	Funding only
Covered bonds and Bank capital	Funding + Financing

- Securitisation overview

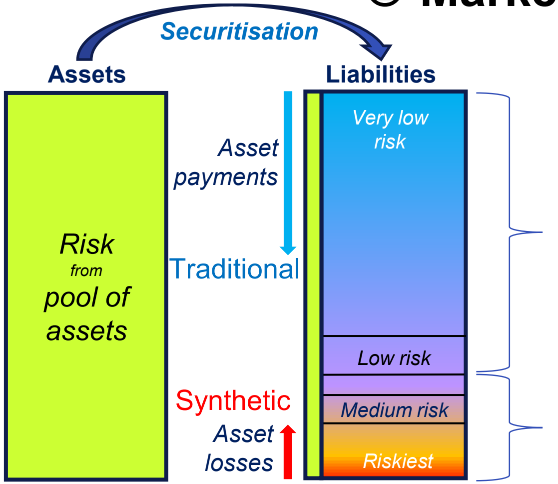
EU Banks



Borrowers

① **Issuing**

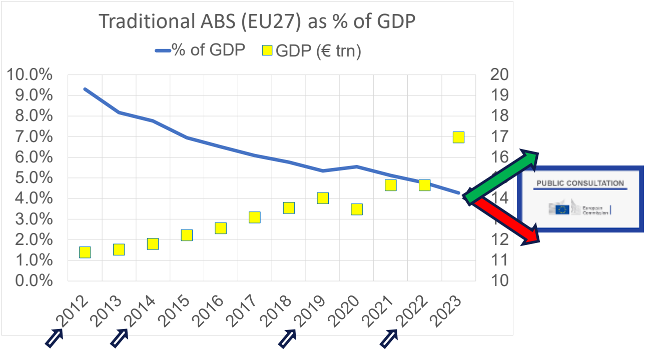
② **Markets**



④ **Funding** the economy (i.e., risk remote)

③ **Financing** the economy (i.e., risk bearing)

The **lost decade**… in Europe only



First Basel III proposal | Yves Mersch (ECB) Madrid/ New Orleans | STS Traditional | STS Synthetic

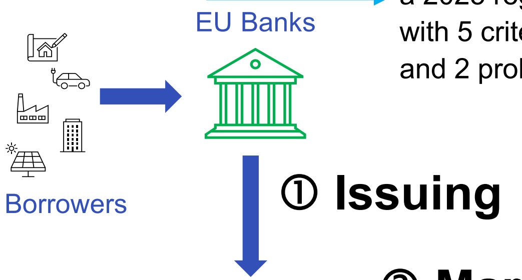
Source: AFME, Eurostat, Author's own aggregation
Traditional Total ABS Outstanding originated by Banks and Non-banks, Retained and Placed, (excluding CLOs) divided by GDP

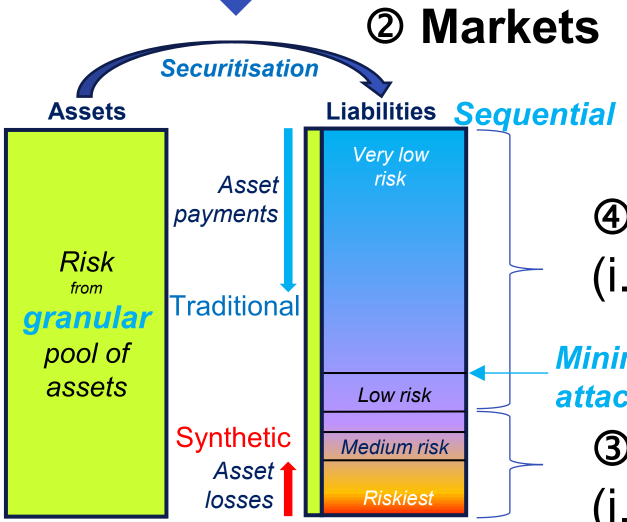
Securitisation's Dual Role in Funding and Financing the Economy

The missing ingredient?

The **next decade** is all about "***resilient*** position"

a 2025 regulatory innovation with 5 criteria: **3 good** and 2 problematic



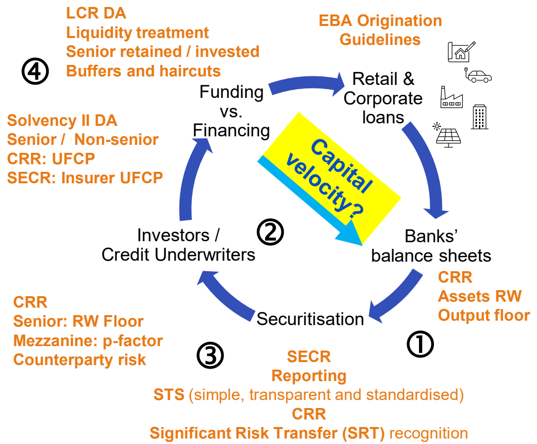


Minimum attachment point

▪ EU securitisation framework

Regulation-Squared

3 ESAs (EBA, ESMA, EIOPA) x 3 Levels of text = 9



④ **Funding** the economy (i.e., risk remote)

③ **Financing** the economy (i.e., risk bearing)

Securitisation Package: Unblocking impediments for unlocking markets

8 issues identified by Paris Europlace

× Identified issues
✓ **Sec. Package**

Prudential

Regulatory

① Issuing

1. Risk Weight Floor

- × **Distorted market** with a fixed value RWF
- × Uneconomic for high quality asset pools

2. Capital Surcharge

- × p-factor often too high, limited to one role

② Markets

7. Issuer Reporting and Investor Due Diligence

- × Heavy rules

8. Access for EU Sponsors and Investors to Non-EU markets

- × Difficult to impossible

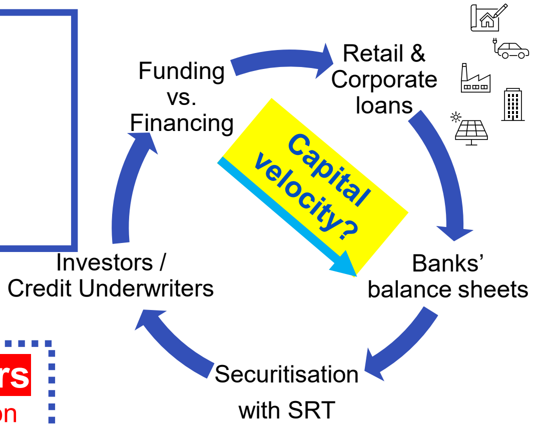
④ Funding

6. Bank Liquidity Coverage Ratio

- × Only AAA (excludes many Member States)
- × Uneconomic haircuts
- × Excludes non-STS senior tranches

4. Insurers as Investors

- × **Non-sensical** Solvency II Non-STS charges (AAA is considered riskier than… long term equity!)
- × Miscalibrated STS capital charges



③ Financing

5. Insurers as Credit Underwriters

- × No access to STS Unfunded Credit Protection

3. SRT Approval Process

- × (Used to be) too slow

Securitisation Package: Unblocking impediments for unlocking markets

7 out 8 issues identified by Paris Europlace are addressed in the Commission's proposal

× Identified issues
✓ **Sec. Package**

Prudential

Regulatory

① Issuing

1. Risk Weight Floor

- × **Distorted market** with a fixed value RWF
- × Uneconomic for high quality asset pools
- ✓ **Risk-sensitive RWF (flagship change)**
- ✓ **Originator, STS, Resilient, RW Pool**

2. Capital Surcharge

- × p-factor often too high, limited to one role
- ✓ **Better calibration, 'p-cap'**
- ✓ **Originator, STS, Resilient, Senior**

② Markets

7. Issuer Reporting and Investor Due Diligence

- × Heavy rules
- ✓ **More flexibility, but sanctions?**

8. Access for EU Sponsors and Investors to Non-EU markets

- × Difficult to impossible
- × **Unaddressed in the Package**

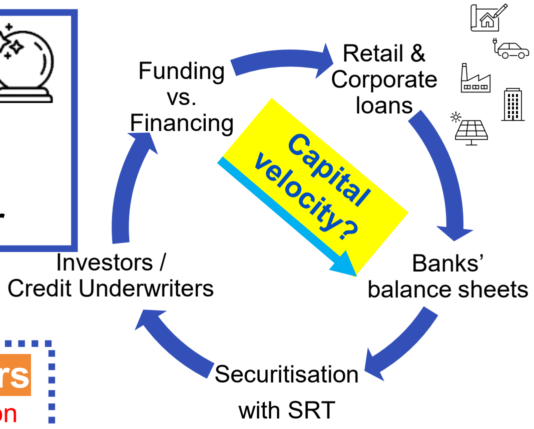
④ Funding

6. Bank Liquidity Coverage Ratio

- × Only AAA (excludes many Member States)
- × Uneconomic haircuts
- × Excludes non-STS senior tranches
- ✓ **Major improvements for STS, asset class**

4. Insurers as Investors

- × **Non-sensical** Solvency II Non-STS charges (AAA is considered riskier than… long term equity!)
- × Miscalibrated STS capital charges
- ✓ **Major improvements on STS**
- ✓ **Calibration Non-STS Senior / Non-senior**



③ Financing

5. Insurers as Credit Underwriters

- × No access to STS Unfunded Credit Protection
- ✓ **Included via SECR 26e(8)(aa)**
- ✓ **Question mark on 'Resilient' via CRR 243(4)(a)(2)?**

3. SRT Approval Process

- × (Used to be) too slow
- ✓ **Less prescriptive**

1. Risk Weight Floor
The Package's flagship measure

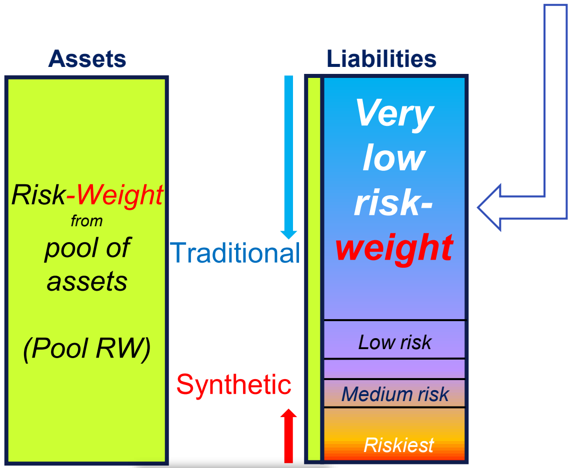
Today: Market-distortive fixed value

STS Senior:

Fixed value = Absolute floor = Absolute cap = 10% RW

Non-STS and STS Non-Senior:

Fixed value = Absolute floor = Absolute cap = 15% RW



Tomorrow? A fraction of the Pool RW

European Commission Risk-sensitive Risk-Weight Floor

Case	1	2	3	4	5	6	7	8
Originator	✓	✓	✓	✓	×	×	×	×
STS	✓	✓	×	×	✓	✓	×	×
Resilient position	✓	×	✓	×	✓	×	✓	×
Scalar	10%	10%	15%	15%	10%	10%	N/A	15%
RW formula	Scalar x K x 12.5							
Absolute floor (RW)	5%	7%	10%	12%	5%	7%	N/A	12%
Implied Sensitivity Threshold (Pool RW)	*50%*	*70%*	*67%*	*80%*	*50%*	*70%*	*N/A*	*80%*
Absolute cap (RW)	N/A							

Source: European Commission (2025) "*Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 575/2013 on prudential requirements for credit institutions as regards requirements for securitisation exposures*" (Jun) (aka. CRR Proposal)

Issue

Repair

Academic research (calibration)

Case	1	2	3	4	5	6	7	8
Originator	✓	✓	✓	✓	×	×	×	×
STS	✓	✓	×	×	✓	✓	×	×
Resilient position	✓	×	✓	×	✓	×	✓	×
Scalar	**6%**	**8%**	**10%**	**12%**	**8%**	10%	**12%**	15%
RW formula	Scalar x **KSA** x 12.5							
Absolute floor (RW)	**3%**	**5%**	**7%**	**9%**	**5%**	7%	**9%**	12%
Implied Sensitivity Threshold (Pool RW)	*50%*	***63%***	***70%***	***75%***	***63%***	*70%*	***75%***	*80%*
Absolute cap (RW)	**20%**							

Source: Bennett M., G. Duponcheele, F. González Miranda, J. Hermant, V. Ormezzano, W. Perraudin and F. Zana (2025) *Making the Bank Securitisation Capital Rules Work for Europe (What Could be Improved in the June 17th Proposals?)* (Oct)

1. Risk Weight Floor
The Package's flagship measure

Risk-sensitive RWF = highest of
a) "Absolute Floor" and b) Proportion * Pool RW

Grain of risk:
1) STS Resilient
2) STS Non-Resilient
3) Non-STS Resilient
4) Non-STS Non-Resilient

Does the calibration strictly follow the grain of risk? ✓ ✗

European Commission

	Orig.	1	2	3	4
✓	Absolute Floor	5%	7%	10%	12%
✗	Proportion	10%	10%	15%	15%
✗	Min. Pool RW	50%	70%	67%	80%

Minimum Pool Risk Weight for sensitivity = Absolute Floor / Proportion.
The "Proportion" is also called the "Scalar".
The Absolute Floor is also called the "Floor-of-the-floor"

European Parliament ?

		1	2	3	4
✓	Absolute Floor	4%	7%	10%	12%
✗	Proportion	7%	7%	12%	12%
✗	Min Pool RW	57%	100%	83%	100%

European Council
Council of the European Union

		1	2	3	4
✓	Absolute Floor	6%	8%	10%	13%
✓	Proportion	7%	9%	12%	15%
✗	Min. Pool RW	86%	89%	83%	87%

A 'rational' Trilogue?

4% RW * 4 = 16% RW → High-quality RMBS with portfolio as low as 16% RW are economically viable

		1	2	3	4
✓	Absolute Floor	4%	6%	9%	12%
✓	Proportion	7%	9%	12%	15%
✓	Min. Pool RW	57%	67%	75%	80%

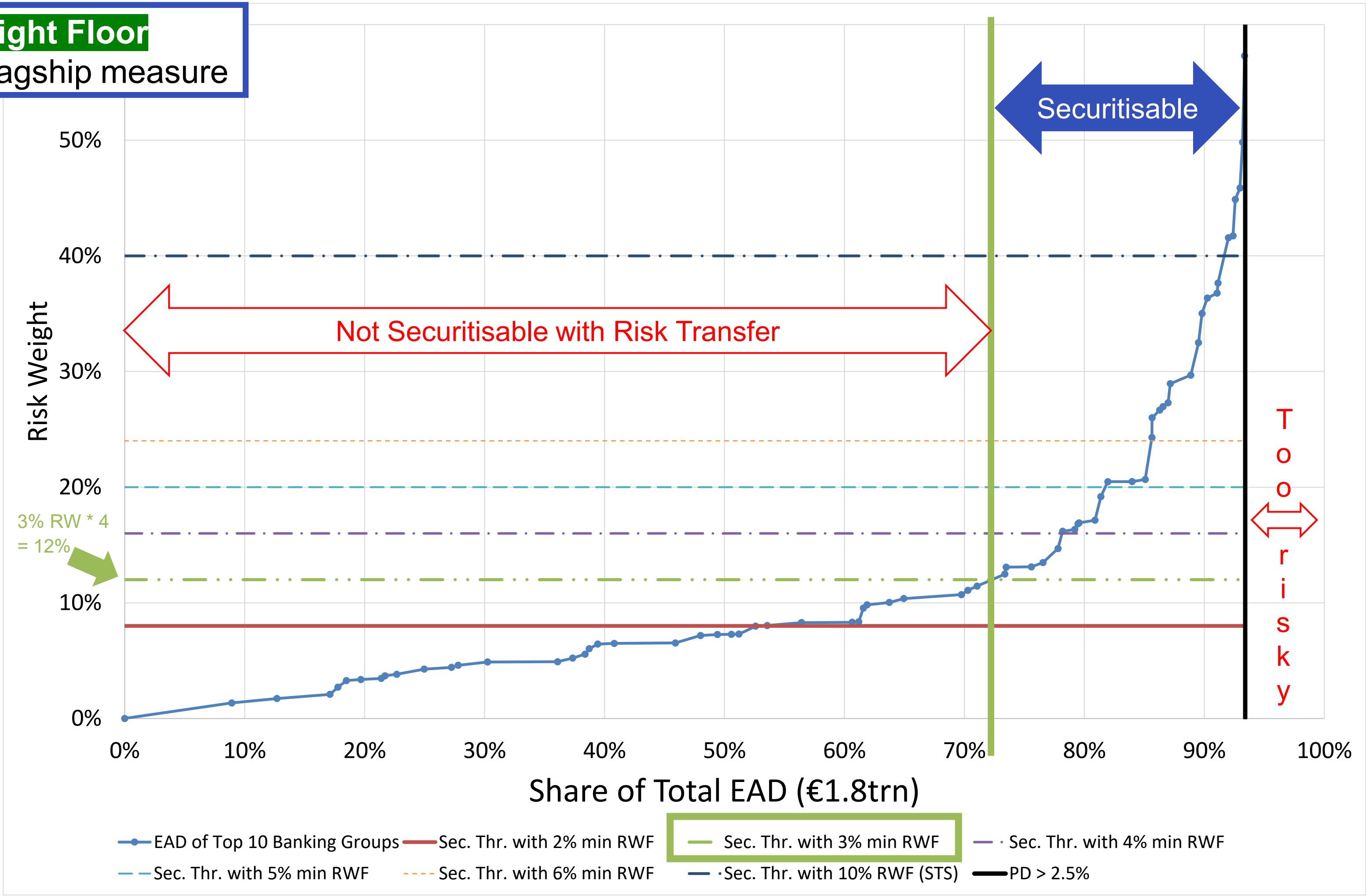
1. Risk Weight Floor

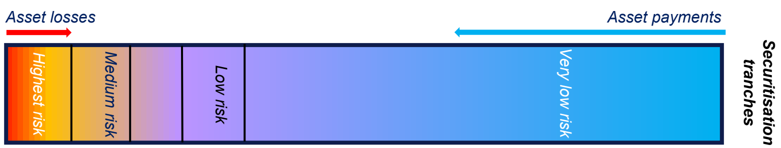
The Package's flagship measure

Impact of the **political** choice of the min RWF (e.g. **3%**) on the real world

€1.8 trn EAD of residential mortgages in top 10 largest EU IRB banking groups

(4 French, 2 Italian, 2 Spanish, 1 Dutch, 1 German)

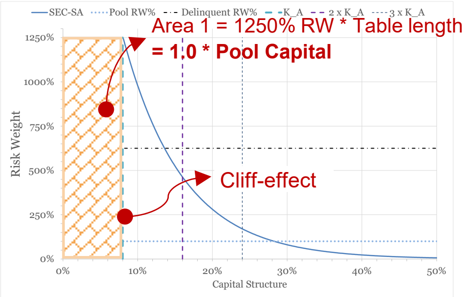




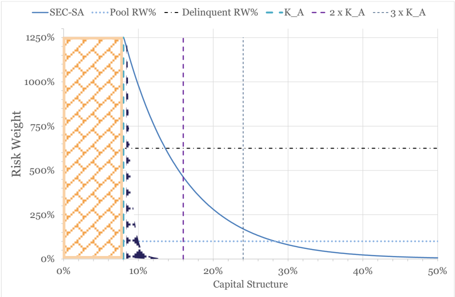
2. Capital Surcharge
The p-factor…

A Brief History of the Basel Securitisation Capital Calibration

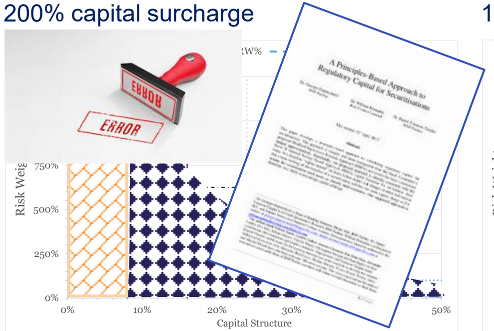
Basel 1.5 (1997)
Capital deduction up to pool capital



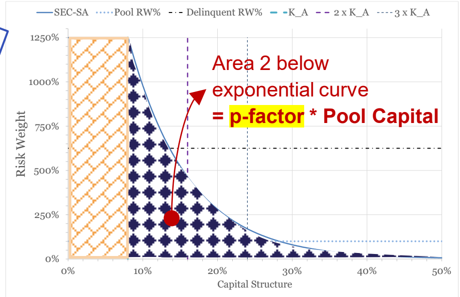
Basel 2.0 SFA (2006)
Steep cliff (eq. 7% capital surcharge)



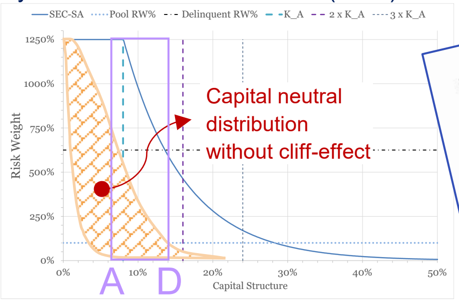
Basel 3.0 MSFA Proposal (2012)
200% capital surcharge



Basel 3.0 SSFA Proposal (2013)
100% capital surcharge with p = 1.0

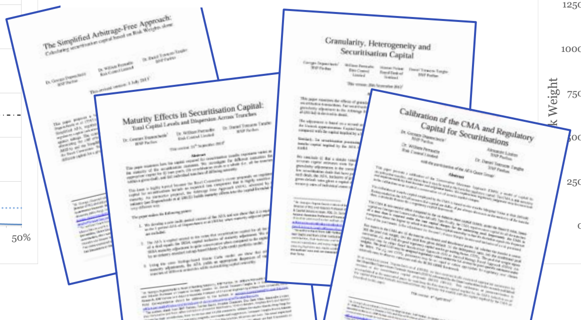


Aligning Risk and Capital
Pykhtin-Dev model – 2 factors (2002)

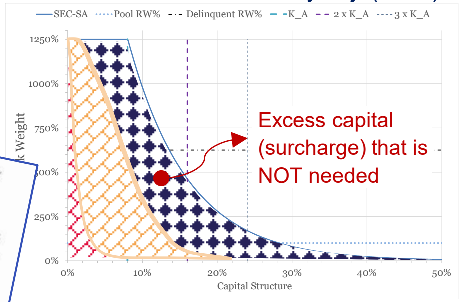


A: attachment point of tranche
D: detachment point of tranche

Interactions with BCBS WG
Simplified model, Maturity, Granularity, Heterogeneity, Conservative Monotonicity



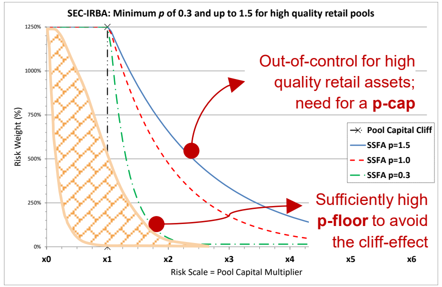
Aligning Risk and Capital
Our CMA model with maturity adj. (2014)



2. Capital Surcharge
The p-factor…

Calibrated by the US in 2013, never applied in the US but adopted by the EU (today's rules for Non-STS)

Basel 3.0 SEC-IRBA (2014)
Capital deduction up to pool capital



IRB p-factor (2014)
Calibration dependent on seniority and asset class

Not a risk factor

$$p_{IRBA} = \left(A + B * \frac{1}{N} + C * K_{IRB} + D * LGD + E * M_T\right)$$

$$p_{Floor} = 0.3$$

Absurdly high for retail assets

Non-STS

$$p_{SEC-IRBA} = max[p_{Floor};\ p_{IRBA}]$$

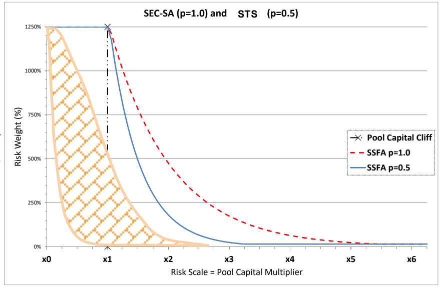
STS

$$p_{SEC-IRBA,STS} = max[p_{Floor};\ x * p_{IRBA}]$$

p-scaling factor $x = 0.5$

STC p-factor (2015)

Basel 3.0 SEC-SA (2014)
200% capital surcharge



SA p-factor (2014)
Non-STS

$$p_{SEC-SA} = 1.0$$

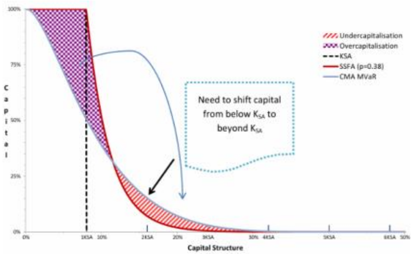
STS

$$\mathbf{p_{SEC-SA,STS} = 0.5}$$

STC p-factor (2015)
Note, there is a direct analogy with the p-scaling factor in IRB, with $x = 0.5$

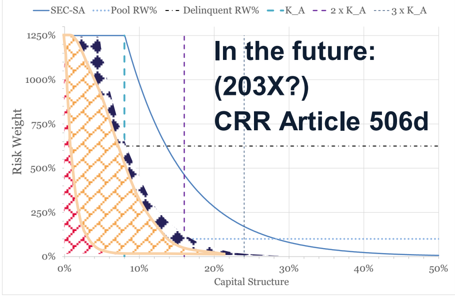
$$p_{SEC-SA,STS} = x * p_{SEC-SA}$$

Interaction with BCBS and EBA



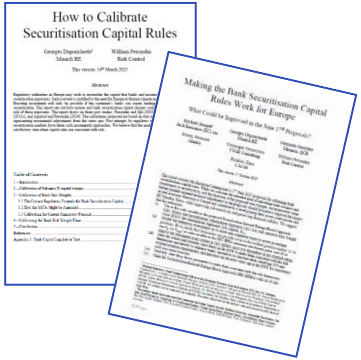
STC/STS values used in Europe are not a calibration; they are a US calibration output … divided by 2

Scaling the 'Table' and 'p-factor'
Our proposal (How to calibrate (2025))



(*): 'p' is for 'premium' (initial paper BCBS WP10 (2001) and later for 'parameter' in US rules (2011)

- **A p-factor that is too low creates securitisations that are unstable and economic.**
- **A p-factor that is too high creates securitisations that are stable and uneconomic.**
- **The whole regulatory approach regarding the ‘p-factor’ needs to be designed better, so that securitisations are stable and economic.**



European Commission proposal of the ‘p’-factor for senior tranches

	Case	1	2	3	4	5	6	7	8
	Originator	✓	✓	✓	✓	✗	✗	✗	✗
	STS	✓	✓	✗	✗	✓	✓	✗	✗
	Resilient position	✓	✗	✓	✗	✓	✗	✓	✗
SEC-IRBA	p-scaling factor	0.3		0.7		0.3	0.5	N/A	1.0
	p-factor formula	p-scaling factor * (A + B / N + C * KIRB + D * LGD + E * MT)							
	p-floor	0.2		0.3		0.2	0.3	N/A	0.3
	p-cap	0.5		1.0		0.5		N/A	1.0
SEC-SA	p-factor	0.3		0.6		0.3	0.5	N/A	1.0

Source: European Commission (2025) “*Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 575/2013 on prudential requirements for credit institutions as regards requirements for securitisation exposures*” (Jun) (aka. CRR Proposal)

Issue

Repair

Academic research (study on consistency)

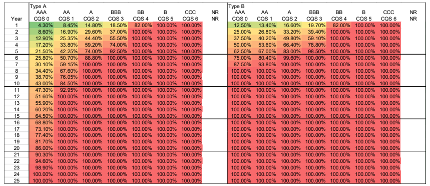
	Case	1	2	3	4	5	6	7	8
	Originator	✓	✓	✓	✓	✗	✗	✗	✗
	STS	✓	✓	✗	✗	✓	✓	✗	✗
	Resilient	✓	✗	✓	✗	✓	✗	✓	✗
SEC-IRBA	p-scaling factor	0.3		**0.6**		**0.4**		**0.7**	
	p-factor formula	p-scaling factor * (A + B / N + C * KIRB + D * LGD + E * MT)							
	p-floor	0.2		0.3		**0.2**		0.3	
	p-cap	0.5		1.0		0.5		1.0	
SEC-SA	p-factor	0.3		0.6		**0.4**		**0.7**	

Source: Bennett M., G. Duponcheele, F. González Miranda, J. Hermant, V. Ormezzano, W. Perraudin and F. Zana (2025) *Making the Bank Securitisation Capital Rules Work for Europe (What Could be Improved in the June 17th Proposals?)* (Oct)

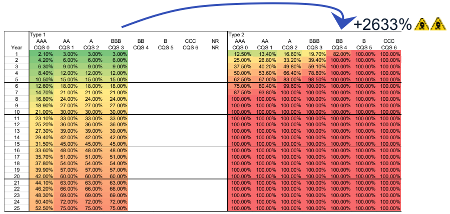
CEIOPS (2010)
Initial idea

4. Insurers as Investors
Solvency II Delegated Act
for Standard Formula insurers investing
on the asset side of their balance sheet

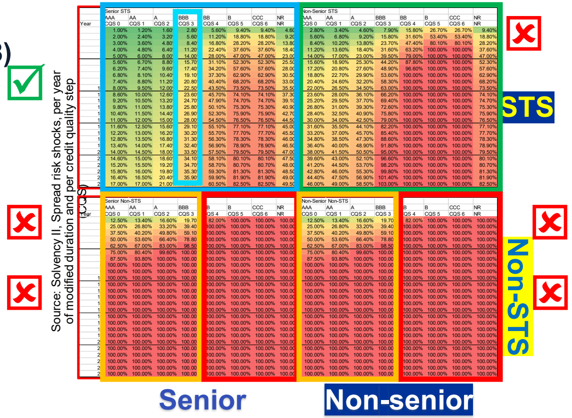
EIOPA (2013)
Proposal

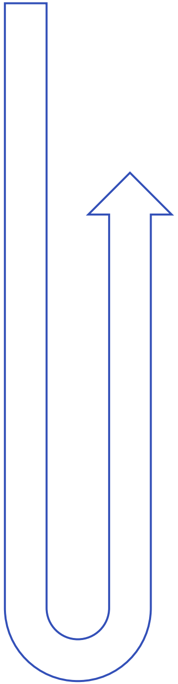


Yesterday
(SII DA 2015)



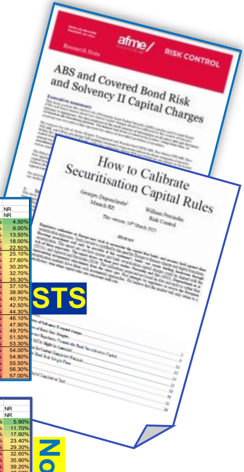
Today
(SII DA 2018)

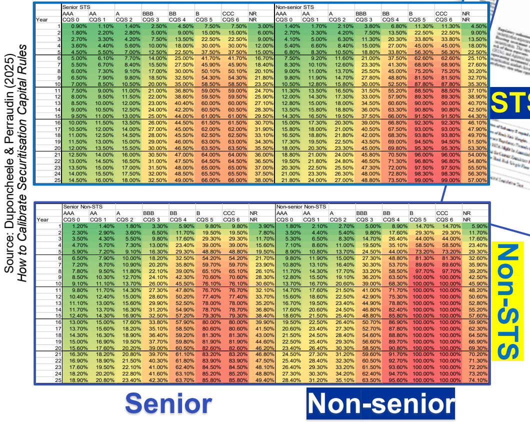




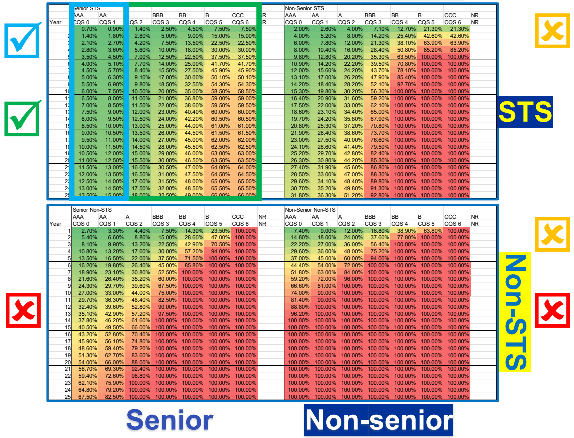
(SII DA 204X?)

Academic research (calibration)





SII DA 2026



There will be <u>marginally</u> more purchase of senior securitisation tranches by insurers

Today (lack of strategic autonomy):

- *Since 2021, **75%** of STS SRT ‘funded’ investors are from **outside** the EU.*
- *Banks are only allowed to buy uncollateralised credit protection from insurers in Non-STS.*

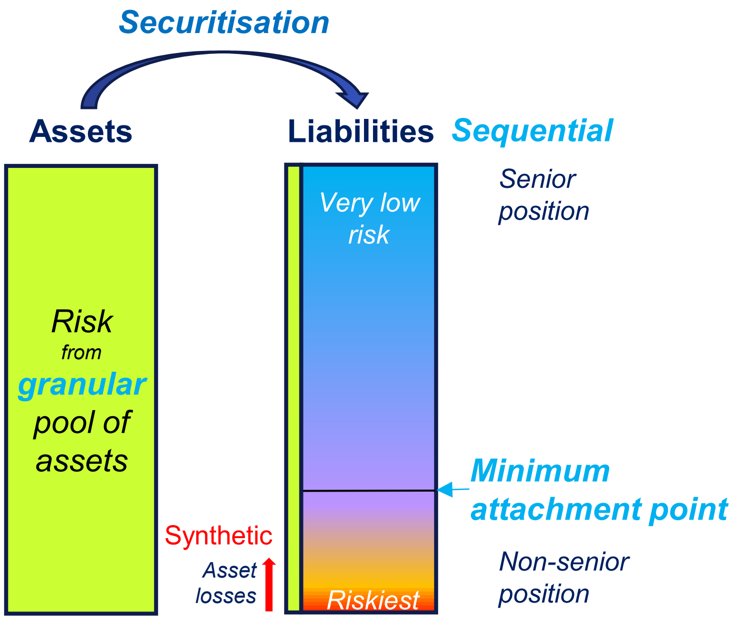
Beware of the misnomer… Did you know?

$$\text{Funded CP} \neq \text{Funding from CP} = \text{Collateralised CP}$$

5. Insurers as Credit Underwriters

When taking risk on
on the liability side of their balance sheet

- Synthetic Non-STS
  since 2018, insurers’ unfunded credit protection’ (UFCP) allowed
- **Synthetic STS**
  since 2021 (CMRP), insurers’ UFCP **not** allowed



Shrinking Existing Market

- Non-STS Non-Resilient
- Non-STS Resilient

Expanding Future Market

- **STS** Non-Resilient
- **STS Resilient**

Significant Risk Transfer (SRT):
shock-absorber for banks

A future market,
with how many insurers?

SECR 26e(8)(aa): Access to STS UFCP for Insurers

Proposed safeguards: Beware of the *Small print*

5. Insurers as Credit Underwriters

When taking risk on
on the liability side of their balance sheet

European Commission

Commission's Securitisation Package (Jun-2025)

- Concept: **Yes** to STS UFCP with insurers **Very good**
- Implementation: Safeguards on an **ongoing** basis
  (Capital cliff from STS to Non-STS)
    - (i) sophisticated (internal model **only**)
    - (ii) robust (CQS 3) **ongoing**
      (Capital cliff from STS to Non-STS)
    - (iii) well-diversified (not monoline) [**Good**]
    - (iv) **very, very, very large** (€20 bn AUM)

→0 active market participants

European Council
Council of the European Union

Council with Danish Presidency Amendments (Dec-2025)

- Concept: **Yes** to STS UFCP with insurers **Very good**
- Implementation: Safeguards on an **ongoing** basis
  (Capital cliff from STS to Non-STS)
    - (i) sophisticated (internal model **only**)
    - (ii) **very** robust (CQS 2) at **origination** [**Good**] and robust (CQS 3) **ongoing**
    - (iii) 40% min in non-credit business [**Good**]
    - (iv) **very, very large** (€15 bn TA), or **large parent** (€15 bn TA) [**Good**] **in the EU only**

→2 out of 14 existing active market participants qualify

European Parliament

Parliament with Rapporteur Draft Report Amendments (Dec-2025)

- Concept: **Yes** to STS UFCP with insurers **Very good**
- Implementation: Safeguards at **origination only** **Very good**
    - (i) sophisticated (internal model **or competent insurers per NCA**) [**Good**]
    - (ii) **very** robust (CQS 2) at **origination** [**Good**]
    - (iii) 40% min in non-credit business [**Good**]
    - (iv) in **the EU** **Very good**, & **large** (€5 bn TA) [**Good**] or **large parent** (€15 bn TA) [**Good**] in the EU **and Non-EU** [**Good**]

→9 out of 14 existing active market participants qualify

Colour code:
The Good, the Bad and **the Ugly**

CRR 243(4)(a): Non-STS UFCPs (“Resilient” segment):
Resilience criteria: a Prototype Concept in need of a Better Design

5. Insurers as Credit Underwriters
When taking risk on
on the liability side of their balance sheet

European Commission

Commission’s Securitisation Package (Jun-2025)

- Concept: For Non-STS UFCP, if deal has a ‘**senior resilient position**’ [Good], **collateralise non-senior position** unless insurer is STS-eligible
- Regulatory innovation with 5 **ongoing** criteria
  (Capital cliff from Resilient to Non-Resilient)
  - (1) Pool granularity [Good]
  - (2) Sequential amortisation [Good]
  - (3) Min. credit enhancement[Good]
  - (4) Originator **only** (except STS)
  - (5) For synthetic only: **non-senior position to be collateralised**

➔Implicitly 0 active market participants

Colour code:
The Good, the Bad and **the Ugly**, and **the absurd**

European Council
Council of the European Union

Council with Danish Presidency Amendments (Dec-2025)

- Concept: **No to existing Non-STS UFCP**, if deal has a ‘**senior resilient position**’, **even if** insurer is STS-eligible

➔Explicitly 0 active market participants.
Did they really mean what they wrote?

What if the Council’s text is implemented

Existing Market
- Non-STS Non-Resilient ✓
- Non-STS Resilient ✗

Future Market
- **STS** Non-Resilient ✓
- **STS Resilient** ✓

European Parliament

Parliament with selected Additional Amendments (Feb-2026)

- Concept: **No to new requirement to collateralise existing** Non-STS UFCP market **Very good**
- Implementation: criteria at **origination** **Very good**
  - (1) Pool granularity [Good]
  - (2) Sequential amortisation [Good]
  - (3) Min. credit enhancement [Good]
  - ~~(4)~~ 243(4)(a)(5) ***deleted*** [Good]
  - ~~(5)~~ 243(4)(a)(2) ***deleted*** [**Very good**]

*Resilient: a 2025 regulatory innovation with 5 criteria: **3 good** and 2 problematic (now removed)*

➔All 14 existing active market participants in the Non-STS market qualify

CRR 249(3): Resurrecting financial instability?

*Need to remove **toxic** capital cliffs*

5. Insurers as Credit Underwriters

When taking risk on
on the liability side of their balance sheet

European Commission

Commission's Securitisation Package (Jun-2025)

- No proposal to resurrect old CRR 2 risk that are extinct in CRR 3… **Very good**

Forthcoming paper
on Securitisation
Capital Cliffs
in the CRR
and LCR
and SECR
and Solvency II

"How to hunt them
down and
eliminate them"

European Council
Council of the European Union

Council with Danish Presidency Amendments (Dec-2025)

- Reactivation of Article 249(3) for insurers
- Requires **very** robust (CQS 2) at **origination** [**Good**] and robust (CQS 3) on an **ongoing** basis
(Capital cliff from SRT to No SRT)
- **The ongoing test is toxic, as the capital cliff impact is the sudden loss of 100% of the capital relief, for STS and Non-STS.**
This has the potential for maximum financial instability

European Parliament

Parliament with selected Additional Amendment #185 (Feb-2026)

- Requires **very** robust (CQS 2) at **origination only** **Very good**
- This is robustness without toxicity
- The toxic capital cliff impact with the ongoing test is removed (it is already moot in CRR 3 and should not be resurrected)

Colour code:
The Good, the Bad and **the Ugly,** and **the toxic**

Securitisation Package: Conclusion

The Economist

By Invitation | At war with itself

Europe's choice: Grow, or become a vassal

Mar 24th 2026

Financial Strategic Autonomy

Does it matter?

It is for politicians to decide

- The political decisions are **strategic**

If it matters, then, prudential calibration matters

- **Technical** experts ...st
- Talk to them fo... technical ass... the political ...

If it matters, then, regulatory framework matters

- **Technical** experts exist
- Talk to them for a technical assessment of the political decisions

④ Funding

6. Bank Liquidity Coverage Ratio

4. Insurers as Investors

③ Financing

5. Insurers as Credit Underwriters

3. SRT Approval Process

Prudential

Regulatory

① Issuing

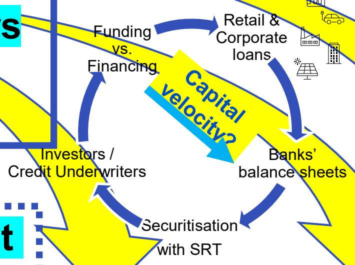
1. Risk Weight Floor

2. Capital Surcharge

② Markets

7. Issuer Reporting and Investor Due Diligence

8. Access for EU Sponsors and Investors to Non-EU markets



END