

The logo for the European Banking Authority (EBA) is located in the top left corner. It consists of the letters 'EBA' in a bold, white, sans-serif font, set against a dark blue background with a vertical orange stripe to the right of the letters. The background of the entire slide is a low-angle, blue-tinted photograph of modern skyscrapers with glass facades.

EBA

EUROPEAN
BANKING
AUTHORITY

Draft Regulatory Technical Standards on the homogeneity of the underlying exposures in STS securitisation under Articles 20(14), 24(21) and 26b(13) of Regulation (EU) 2017/2402, as amended by Regulation (EU) 2021/557

Public Hearing, 28 September 2022

Public Hearing on the draft RTS on homogeneity

Welcome and best practices for online meetings

Suggestions for an efficient session

- **Should you need assistance or would like to intervene:**
 - Write on **WebEx chat** to the host or publicly;
 - Raise your hand on WebEx.
- **To avoid background noise, please **stay muted** unless you take the floor.**
- **To increase audio quality please **turn off video streaming** unless you take the floor.**
- **Please identify yourself (if you do not use full name on WebEx).**

Mandate

- The Capital Markets Recovery Package (CMRP), which amended the Securitisation Regulation and the CRR, mandated the EBA to develop, in close cooperation with ESMA and EIOPA, **draft regulatory technical standards (RTS) further specifying which underlying exposures are deemed to be homogeneous** as part of the simplicity requirements for STS on-balance-sheet securitisations.
- Two similar mandates were included in the Securitisation Regulation as part of the STS framework for ABCP and non-ABCP securitisation and the corresponding Delegated Commission Regulation (EU) 2019/1851 was published in the Official Journal in May 2019.

Background

- The main objective of the homogeneity requirement is to enable the originators and investors to conduct an appropriate **assessment of the underlying risks** in the pool of underlying exposures **on the basis of common parameters and methodologies**.
- Given that the conditions for determining the homogeneity of the underlying exposures are closely linked, **to ensure a level playing field** it was agreed that **uniform provisions** should apply to ABCP, non-ABCP, and on-balance-sheet securitisations.
- When the original RTS on homogeneity were developed the STS framework for synthetics was not in place. Therefore, it was deemed appropriate to **make necessary adjustments taking into account the specificities of synthetic securitisations**.
- In view of the relevance of corporate and SME exposures in the context of synthetic securitisations, targeted amendments were proposed to the draft RTS **better reflecting the current market practices and the different credit risk assessment approaches** applied to those asset types. In this respect, exposures to large corporates are usually subject to underwriting standards that differ from those applied to exposures to other corporates and SMEs.
- Considering that the term **'large corporate'** varies greatly across jurisdictions, **to ensure a consistent and harmonised application of the requirements** it was necessary to draw a line around the definition of large corporate exposures.
- This consultation paper **amends the Delegated Commission Regulation (EU) 2019/1851**, which also entails that the original homogeneity requirements for ABCP and non-ABCP are revised.

Draft RTS on homogeneity - Article 1 paragraphs (1) and (2)

- **Article 1 (1)** - The first amendment reflects the extended scope of the draft RTS on homogeneity
- **Amendment to Delegated Commission Regulation (EU) 2019/1851:**

‘For the purposes of Articles 20(8), 24(15) and **26b(8)** of Regulation (EU) 2017/2402, underlying exposures shall be deemed to be homogeneous where all of the following conditions are met:’;

- **Article 1 (2)** - The next amendment specifies the asset type for exposures to enterprises where the originators apply the same underwriting standards as for exposures to individuals

- **Original text in Delegated Commission Regulation (EU) 2019/1851:**

(iii) credit facilities provided to individuals for personal, family or household consumption purposes;

- **Amendment to Delegated Commission Regulation (EU) 2019/1851:**

(iii) ‘credit facilities provided to individuals for personal, family or household consumption purposes, **and credit facilities provided to enterprises where the originator applies the same credit risk assessment approach as for individuals not covered under points (i), (ii) and (iv) to (viii);**’

Draft RTS on homogeneity - Article 1 paragraph (3)

➤ **Article 1 (3)** – These are the amendments proposed to the ‘type of obligor’ for exposures to enterprises and corporates

• **Original text in Delegated Commission Regulation (EU) 2019/1851:**

(i) micro-, small- and medium-sized enterprises;

(ii) other types of enterprises and corporates;

• **Amendment to Delegated Commission Regulation (EU) 2019/1851:**

‘(i) enterprises and corporates except for large corporates as referred to in point (ii);

(ii) large corporates [as defined in point 5(a) of paragraph 1 of Article 142 of the Regulation (EU) No 575/2013 - text in the Commission’s CRR III proposal not yet adopted];’ ;

Rationale: Similar credit risk assessment approaches applied to those asset types and alignment with upcoming changes in the CRR III proposal

Explanatory box for consultation purpose – Article 1

When developing these draft RTS, to ensure a consistent and harmonised application of the requirements, it was decided to use the ‘large corporate’ definition pursuant to Article 142(1) point (5a) of the Commission’s CRR III proposal*. Therefore, for the purposes of these draft RTS “*large corporate means any corporate undertaking having consolidated annual sales of more than EUR 500 million or belonging to a group where the total annual sales for the consolidated group is more than EUR 500 million*”.

*Note: The CRR III proposal can be found [here](#).

Draft RTS on homogeneity - Article 1 paragraph (4)

➤ **Article 1 (4)** – These are the amendments proposed to the ‘type of obligor’ for auto loans and leases

• Original text in Delegated Commission Regulation (EU) 2019/1851:

- (i) individuals;
- (ii) micro-, small- and medium-sized enterprises;
- (iii) other types of enterprises and corporates;
- (iv) public sector entities;
- (v) financial institutions;

Rationale: Consistency with the amendments proposed to the ‘type of obligor’ for exposures to corporates and enterprises

• Amendment to Delegated Commission Regulation (EU) 2019/1851:

‘(i) individuals and enterprises where the originator applies the same approach for assessing the credit risk associated with exposures to enterprises as for exposures to individuals;

(ii) enterprises not covered by point (i) and corporates except for large corporates as referred to in point (iii);

(iii) large corporates [as defined in point 5(a) of paragraph 1 of Article 142 of the Regulation (EU) No 575/2013 - text in the Commission’s CRR III proposal not yet adopted]. (For consistency the definition should be aligned with the definition in the Commission’s CRR III proposal expected to be adopted in Q1/Q2 2023);’;

- (iv) public sector entities;
- (v) financial institutions;

Draft RTS on homogeneity - Article 1 paragraph (5)

➤ **Article 1 (5)** – These are the amendments proposed to the ‘type of obligor’ for credit card receivables

• Original text in Delegated Commission Regulation (EU) 2019/1851:

- (i) individuals;
- (ii) micro-, small- and medium-sized enterprises;
- (iii) other types of enterprises and corporates;
- (iv) public sector entities;
- (v) financial institutions;

Rationale: Consistency with the amendments proposed to the ‘type of obligor’ for exposures to corporates and enterprises

• Amendment to Delegated Commission Regulation (EU) 2019/1851:

‘(i) individuals and enterprises where the originator applies the same approach for assessing the credit risk associated with exposures to enterprises as for exposures to individuals;

(ii) enterprises not covered by point (i) and corporates except for large corporates as referred to in point (iii);

(iii) large corporates [as defined in point 5(a) of paragraph 1 of Article 142 of the Regulation (EU) No 575/2013 - text in the Commission’s CRR III proposal not yet adopted]. (For consistency the definition should be aligned with the definition in the Commission’s CRR III proposal expected to be adopted in Q1/Q2 2023);’;

- (iv) public sector entities;
- (v) financial institutions;

Draft RTS on homogeneity - Article 2

- **Paragraph 1** - Proposed transitional provisions for outstanding traditional STS securitisations
 - **Rationale:** Amending the Delegated Commission Regulation (EU) 2019/1851, the EBA considered the inclusion of grandfathering provisions for the outstanding ABCP and non-ABCP STS securitisations which are deemed homogeneous based on the requirements set out therein. In this respect, EBA is seeking market feedback on the need for including these provisions in the draft RTS.

- **Paragraph 2** - Proposed deferred application date for outstanding synthetic STS securitisations
 - **Rationale:** Since the requirements set out in these draft RTS are new for on-balance-sheet STS securitisations, to ensure a smooth transition to the new regime the EBA has decided to propose a deferred application date (date TBD – feedback is sought on reasonable implementation time) for those STS securitisations that have been notified to ESMA before the entry into force of these draft RTS.

- Following the entry into force of these draft RTS the new requirements will apply to all new STS securitisations (traditional and on-balance-sheet).

Questions for consultation

Q1: Do you agree with the proposed amendment to the asset category in Article 1 with respect to the addition of “credit facilities provided to enterprises, where the originator applies the same credit risk assessment approach as for individuals not covered under points (i), (ii) and (iv) to (viii)”? Please elaborate on the practical relevance.

Q2: Do you agree with the proposed amendment in Article 1 to the “type of obligor” for credit facilities, including loans and leases, provided to any type of enterprise or corporation?

Q3: Do you agree with the proposed amendment in Article 1 to the “type of obligor” for auto loans and leases?

Q4: Do you agree with the proposed amendment in Article 1 to the “type of obligor” for credit card receivables?

Q5: Do you see the need for the grandfathering provisions in Article 2 for the outstanding STS ABCP and STS non-ABCP securitisations? If yes, please elaborate.

Q6: Do you agree with the deferred application date in Article 2 for the outstanding STS on-balance-sheet securitisations?

Q7: Are there any aspects that should be considered with regard to the homogeneity of the STS on-balance-sheet securitisations which are not specified in these RTS?

Q8: Are there any impediments or practical implications of the criteria as defined in these draft RTS for STS traditional securitisations?

Q9: Are there any important and severe unintended consequences of the application of the homogeneity criteria as specified in these RTS?

Next Steps

Date	Milestone
28 July 2022	Publication Consultation Paper
28 October 2022	End of Consultation Period
2022 Q4/ 2023 Q1	Review Comments in response to the Consultation Paper and preparation final revised draft RTS
2022 Q4/ 2023 Q1	Approval process final revised draft RTS
2022 Q4/ 2023 Q1	Submission final draft RTS to the Commission

Q&A

The logo for the European Banking Authority (EBA) is located in the top left corner. It features the letters 'EBA' in a large, white, sans-serif font. To the right of the letters, the words 'EUROPEAN BANKING AUTHORITY' are written in a smaller, white, sans-serif font, stacked vertically. The logo is set against a dark blue background with a subtle grid pattern.

EBA

EUROPEAN
BANKING
AUTHORITY

EUROPEAN BANKING AUTHORITY

Floor 24-27, Tour Europlaza
20 Avenue André Prothin
92400 Courbevoie, France

Tel: +33 1 86 52 70 00
E-mail: info@eba.europa.eu

<https://eba.europa.eu/>