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Securitisation and Credit Intermediation 2.0

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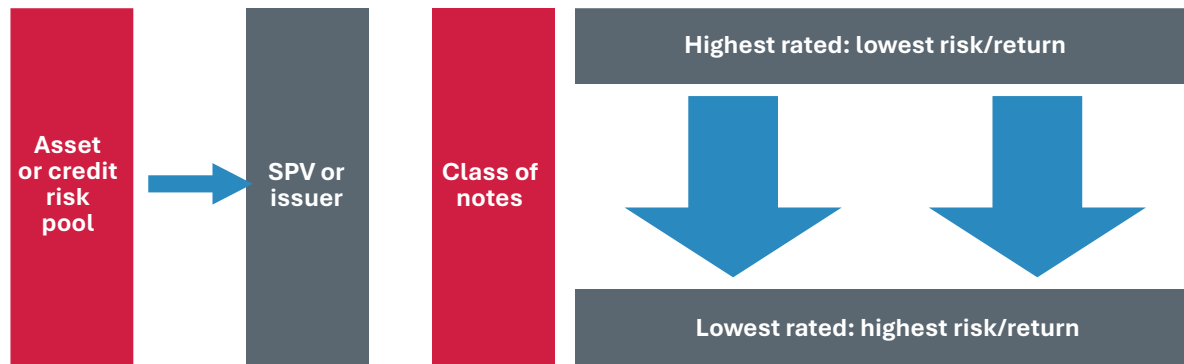
Markets Research

What Is Securitisation – The Basics

Securitisation is the process of converting assets into securities with tranches representing different credit risk profiles. Securitisation usually involves several elements, mainly:

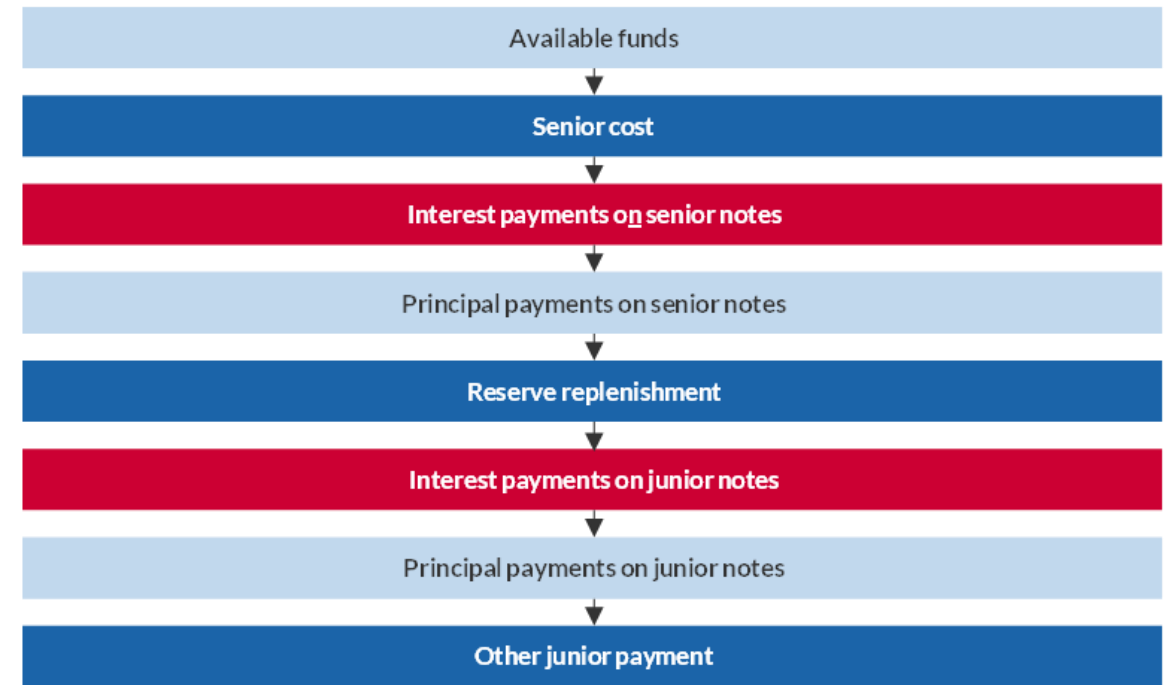
- Identification of the income-producing assets or loans;
- the originator or sponsor;
- the entity that issues securities against these assets,
- and investors.

Securitisation Fundamentals



Source: Fitch Ratings

Simplified Example of Combined Waterfall of Payments



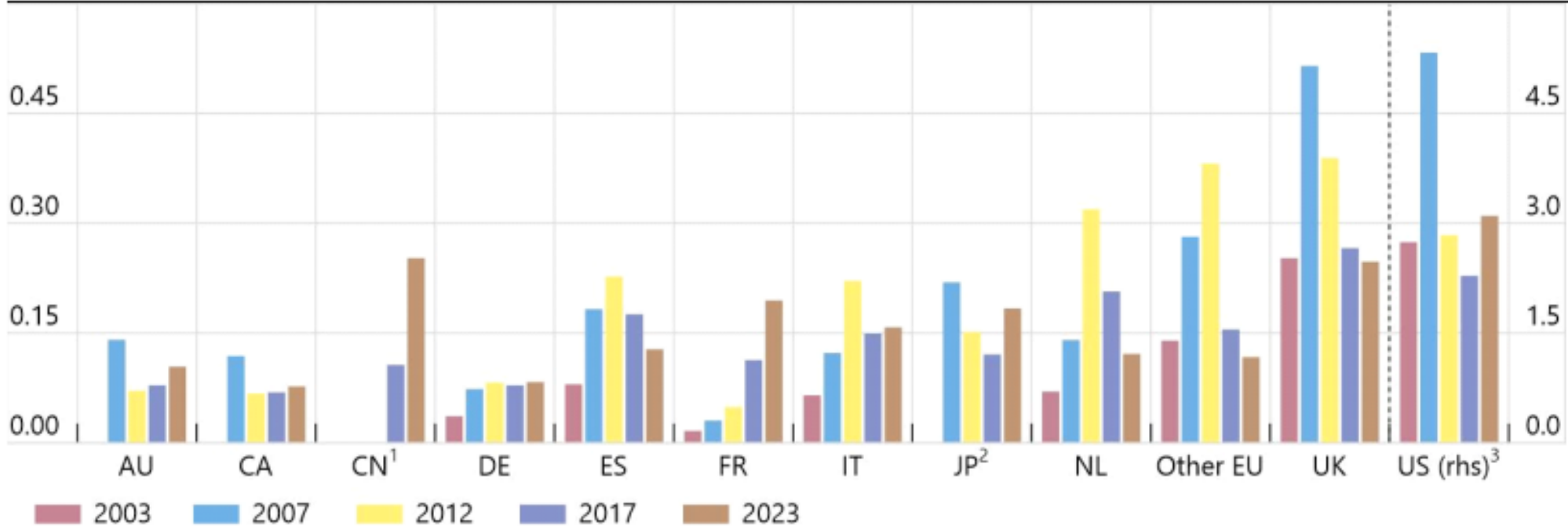
Source: Fitch Ratings

Sizing the Market: Pre and Post 2008-2009 Global Financial Crisis

Cash securitisation outstanding volumes by jurisdiction*

In USD trillions

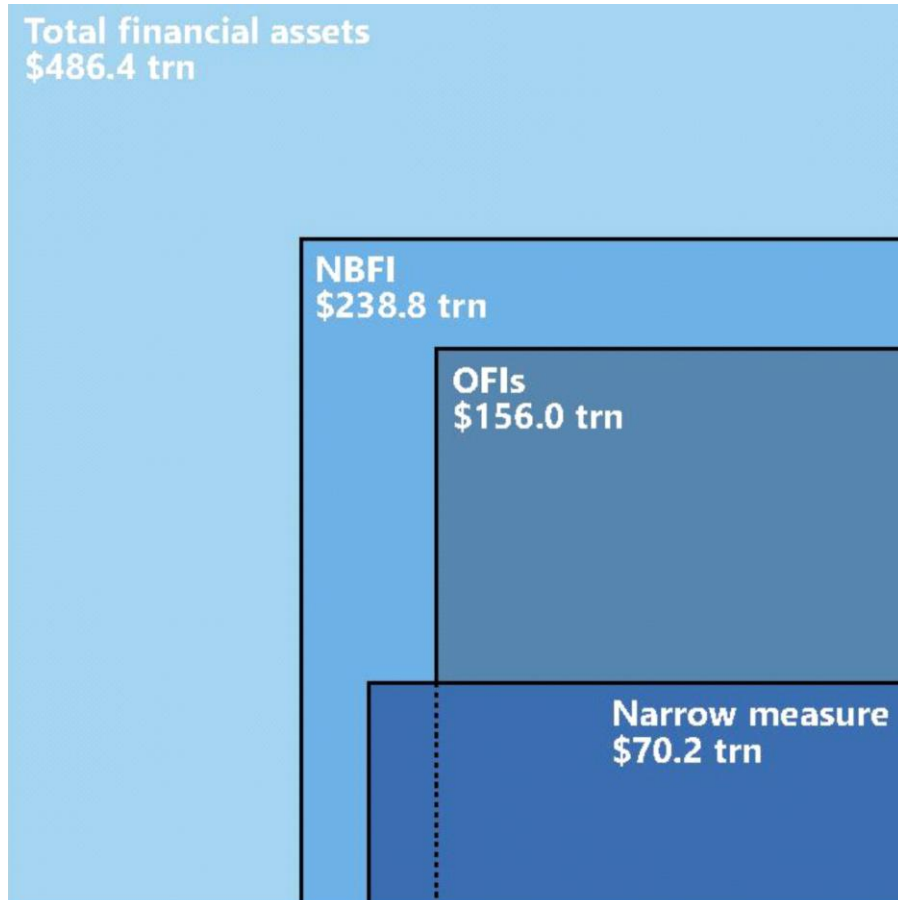
Graph 1



* Does not include CDO/CLO data. Includes privately placed securitisations only if the data are based on flow of funds information. Data for DE, ES, FR, IT, NL, Other EU, UK and US are by country of collateral. ¹ Data start in 2015. ² Does not include agency RMBS and is based on flow of funds data. ³ Does not include agency MBS. The 2023 value is an estimation.

Sources: AFME; Australian Bureau of Statistics; Business Development Bank of Canada; People's Bank of China; Bank of Japan; SIFMA; Datastream; DBRS Morningstar; FSB calculations.

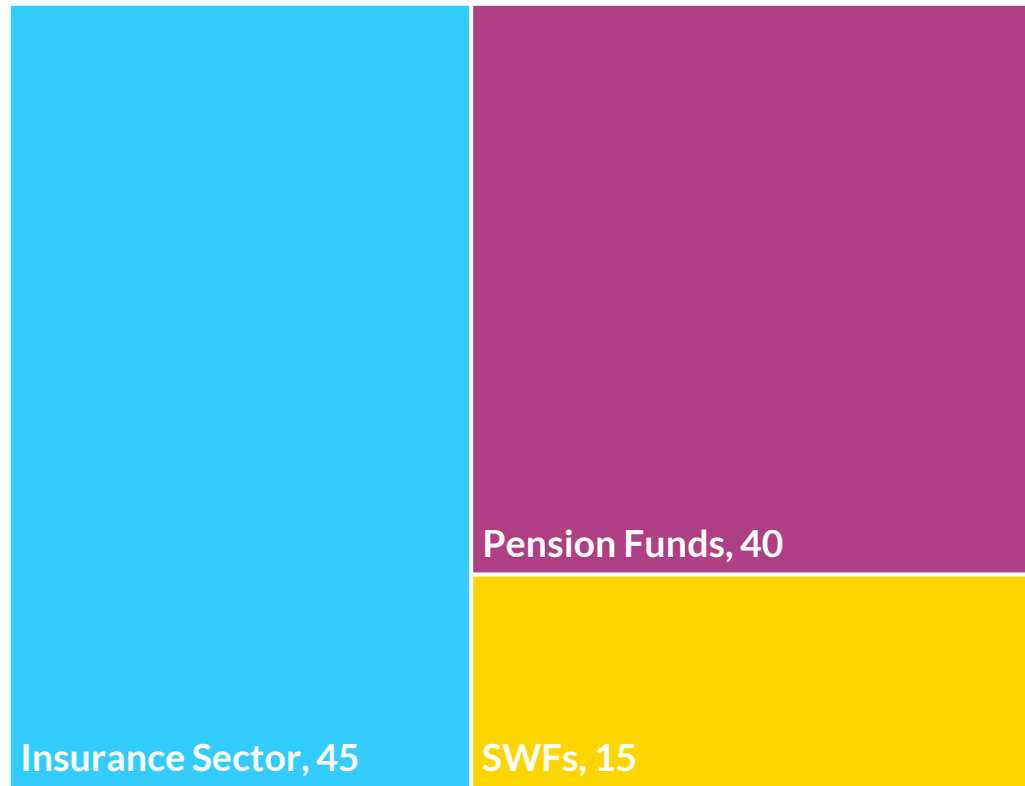
Tectonic Shifts In Credit Intermediation and Financial Markets



Key Drivers Behind Credit Intermediation 2.0

- Regulatory reforms impact the duration and allocation of credit assets
- Search for yield incentivises the appeal of alternative credit assets
- Liquidity and asset management dynamics
- Evolving investment strategies

Market Finance Investors Assets Rival Global Bank Credit Assets



Source: FSB, Fitch Ratings

2026 Securitisation Reforms - Comparison Table

Dimension	United States (Basel III Re-Proposal, March 2026)	European Union (Trilogue Package)	United Kingdom (FCA/PRA CP, February 2026)
P-factor (STS / senior)	Uniform 0.5 (all non-re-securitisation)	Proposed 0.3 (STS senior); 0.5 (STS other)	Under review; broadly aligned with EU STS framework pending consultation outcome
P-factor (non-STS)	Uniform 0.5 (all non-re-securitisation)	Proposed 0.6 (non-STS senior originator); 1.0 (non-STS other)	Broadly maintained pending PRA outcome
Risk-weight floor	15% (down from 20%)	Proposed 5%–7% (STS); 12%–15% (non-STS)	Under review; generally following EU/Basel calibration
RW floor (re-securitisation)	100% (up from 20%)	Largely maintained at high level	Largely maintained
Mortgage servicing rights (MSR)	Material reduction: risk-weight-based treatment replaces punitive CET1 deduction mechanism	Not directly addressed in securitisation package	Not directly addressed in current consultation
SRT test methodology	Retained; plus three new operational regulatory criteria (no early amortisation; no synthetic excess spread; clean-up call rules)	Replaced by principle-based approach (PBA); fast-track supervisory process; harmonisation across NCAs	Under consultation; PRA DP3/23 exploring PBA alignment
Limits on retained interest/SRT size	Clean-up call relief but other structural constraints retained	Removal of limits on retained interest in synthetic SRTs; insurer UFCP eligibility extended to STS market	Under review; IACPM has argued for similar reforms
Fed reservation of authority (SRT)	Removed — significant certainty improvement for US SRT market	Not applicable	Not applicable
Investor due diligence	Largely unchanged; prescriptive framework retained	Targeted simplifications: verification relief for supervised sell-side; simplified checks for repeat/senior transactions; multilateral development bank guarantee waiver	Most liberalised globally: principles-based approach; stress testing removed; reporting/monitoring requirements simplified; effective 2Q27
STS extension to synthetics	No STS equivalent	STS extended to synthetics since 2021; insurer unfunded credit protection now eligible for STS SRTs	Partial STS regime; limited synthetic STS
NCA/supervisory harmonisation	Federal framework already centralised	Harmonisation objective — key reform given past national divergence	Single PRA/FCA authority; not an issue
RMBS capital treatment	Positive: LTV-based RWs for underlying; 15% floor; MSR relief catalyses origination	Strongly positive: floors as low as 5%–7% for STS senior; significant improvement vs current regime	Positive: due diligence reform reduces buy-side friction
Re-securitisation treatment	Strongly penalised: 100% RW floor (up from 20%)	High floor maintained; not a reform priority	Largely unchanged
Implementation timeline	Comments due 18 June 2026; no final implementation date specified	Trilogue expected H2 2026; implementation period thereafter	Final rules 2H26; application 2Q27
Overall ambition	Targeted relief: MSR + p-factor + RW floor + SRT operational simplification	Most structurally ambitious: p-factor differentiation, RW floor reduction, SRT PBA, insurer eligibility, due diligence reform	Most advanced on investor due diligence; capital framework still developing

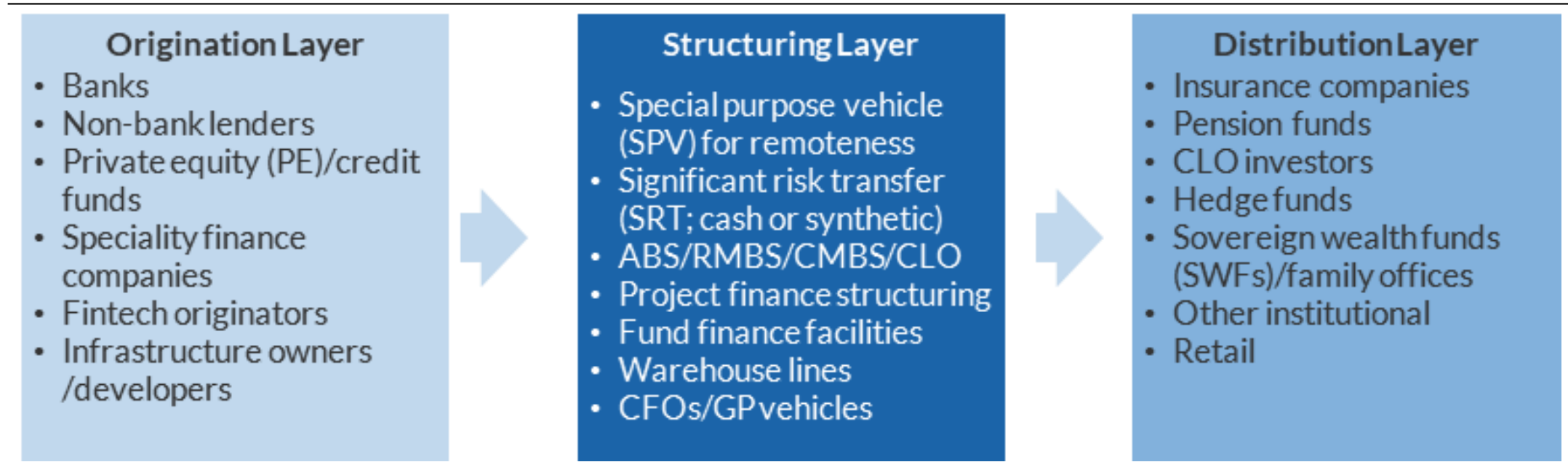
[Source: US Reforms Set to Boost Bank-Securitisation Origination; Europe Faces Delivery Risk](#)

Securitisation Is A Financial Toolkit

Driver	Explanation
Yield engineering	Create securities at specific points in the risk/return spectrum unavailable in vanilla markets
Asset-liability management	More precisely match the duration and cash flow profile of investors' balance sheet liabilities
Risk transfer	Move concentrated sector, geographic or asset-class risk to willing third-party investors
Capital efficiency	Transfer credit risk off balance sheet or reduce risk-weighted asset (RWA) consumption under regulatory frameworks
Funding diversification	Create securities that give access to capital markets as an alternative or complement to deposit or wholesale funding

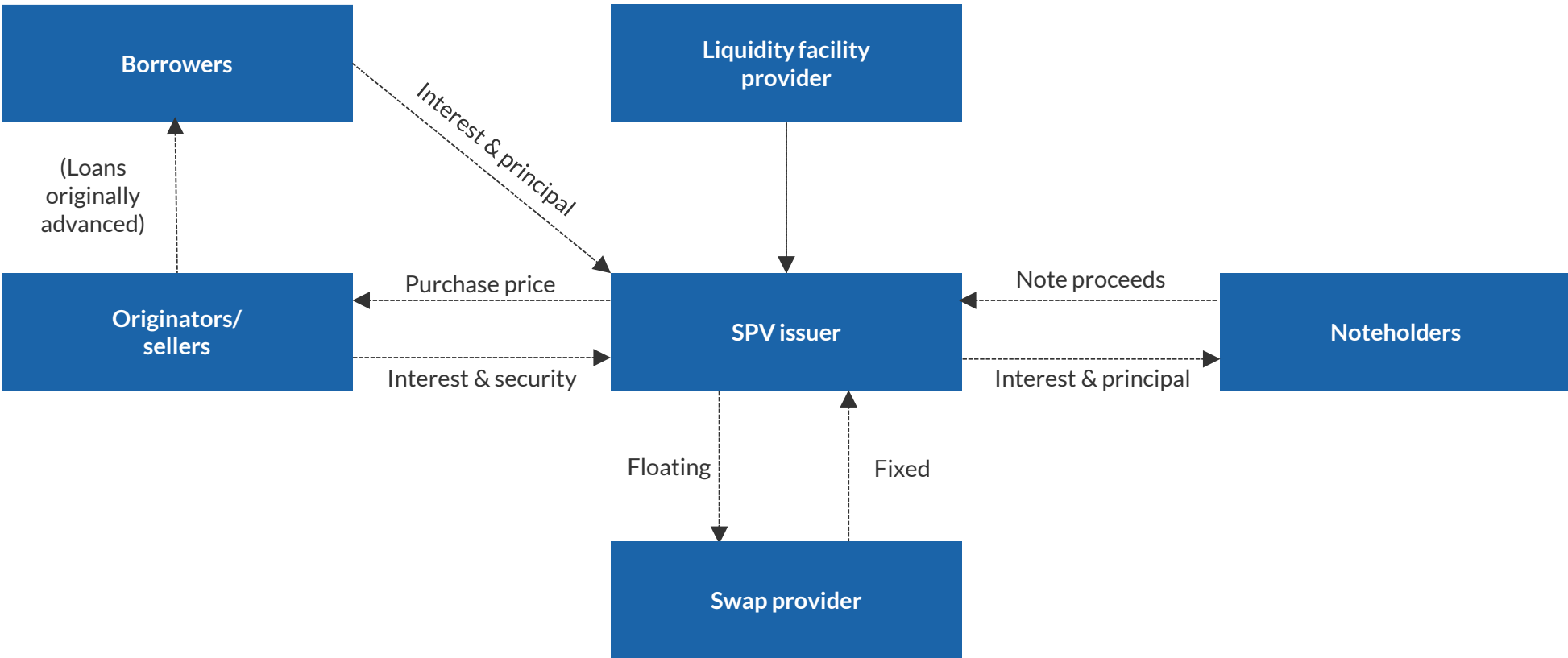
[Source: "Structured Finance: Intersection with Private Markets", June 2026, Fitch Ratings](#)

How Securitisation Techniques Are Reshaping Corporate Finance



Source: Fitch Ratings

ABF Generic Structure Example

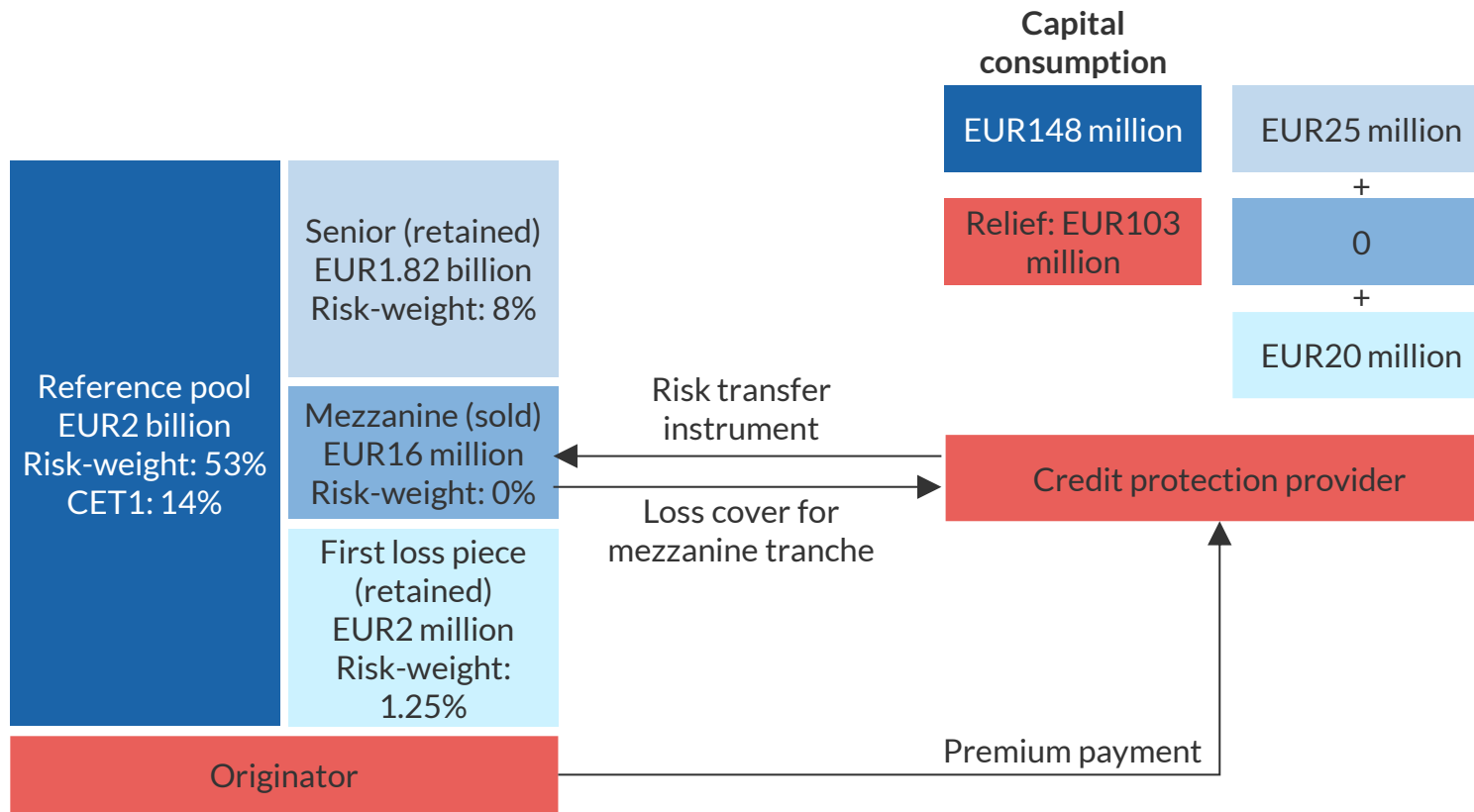


Source: Fitch Ratings

Fitch Global Structured Finance Criteria Tree



CLN-Based Significant Risk Transfer (SRT) Structure



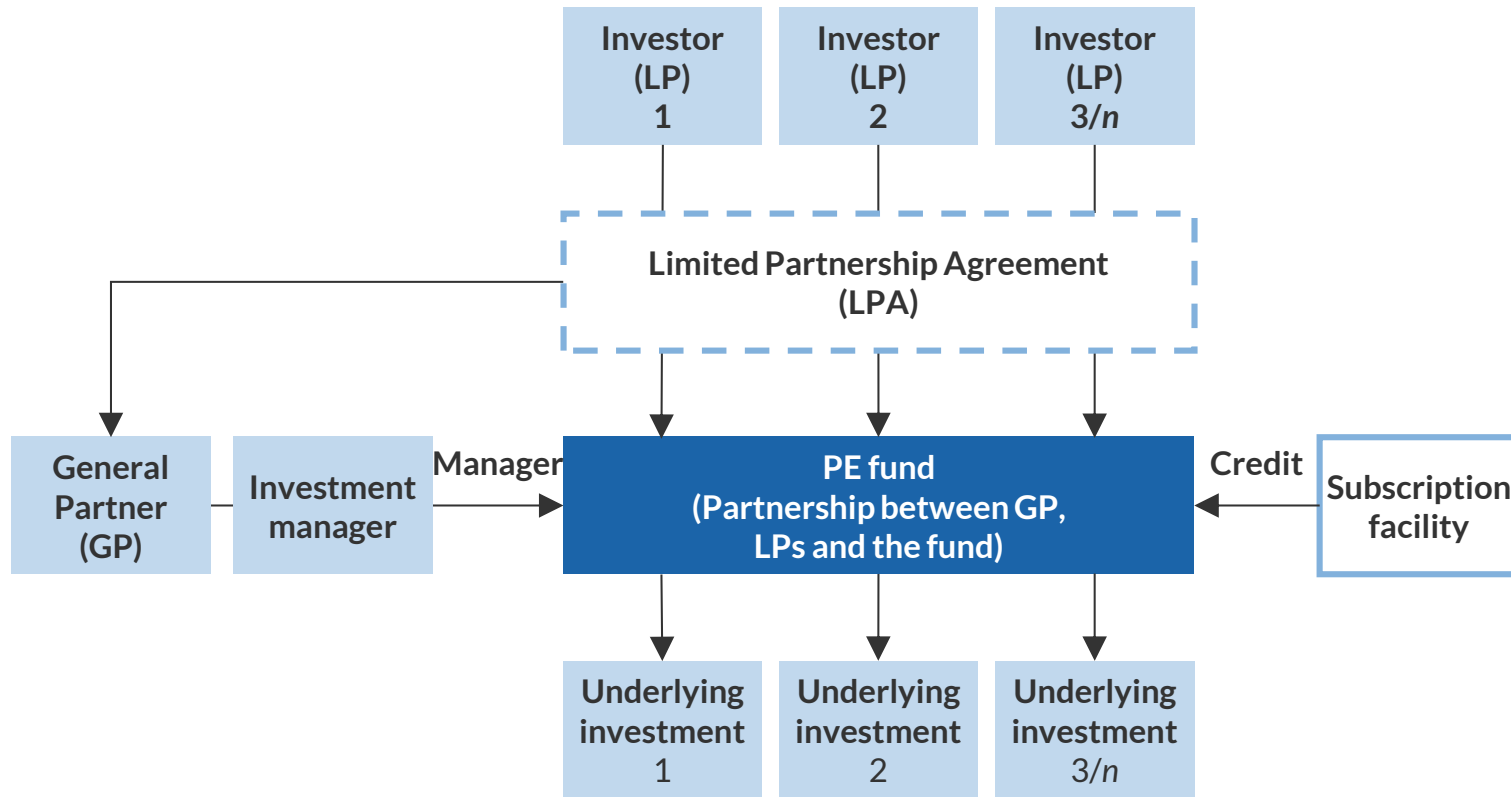
SRTs are transactions in which a bank transfers the credit risk of a reference portfolio to a third party on a true sale or synthetic basis— typically an institutional investor such as an insurance company or a fund – while retaining the senior and first-loss portions. The bank achieves regulatory capital relief by typically selling the mezzanine or equity tranche.

Source: Fitch Ratings, ESRB

Global Structured
Finance Rating Criteria



Subscription Finance Facilities



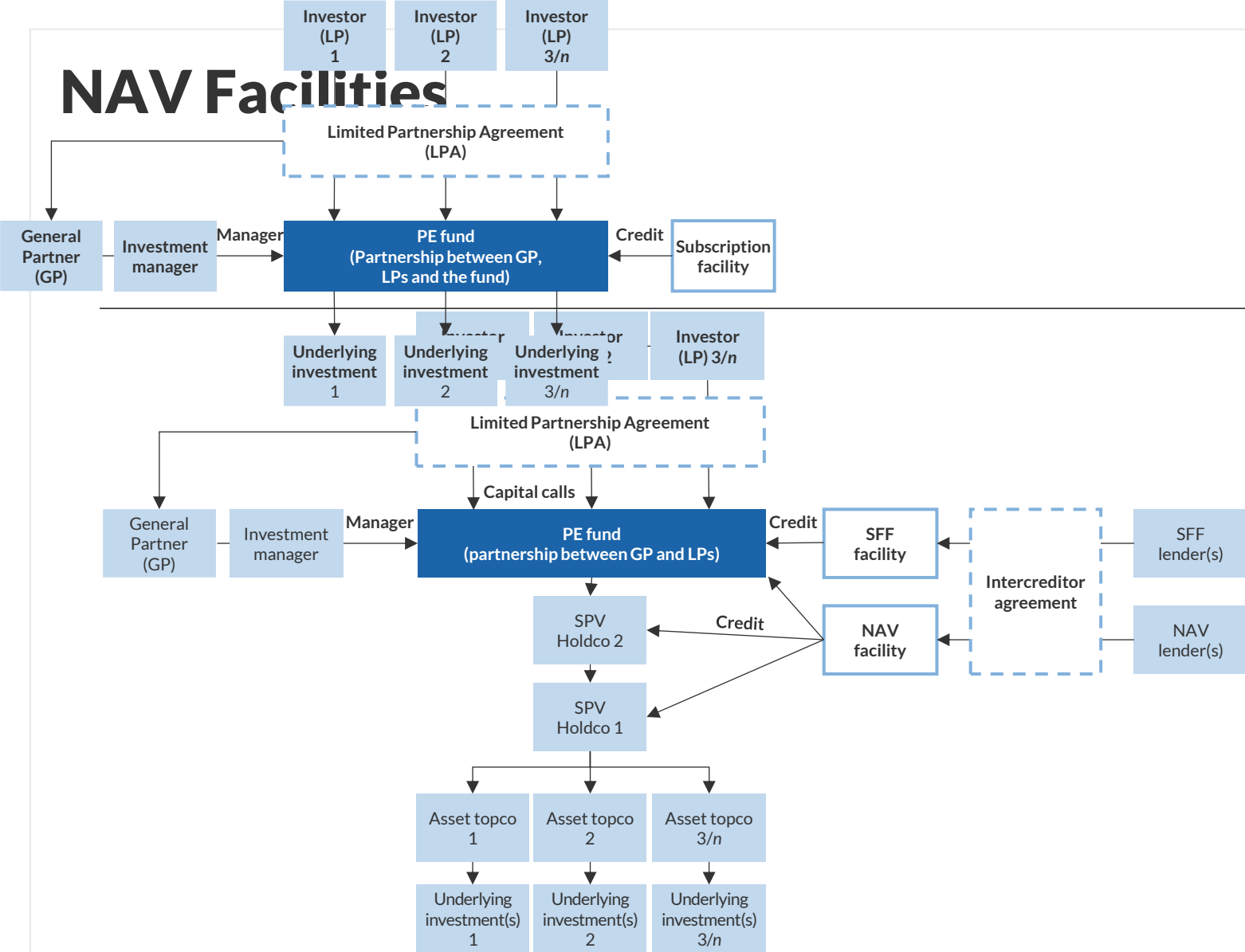
Subscription finance facilities (SFFs, also referred to as “sublines”) are short-term, revolving credit facilities provided to private funds, secured primarily by investors' (Limited Partners') uncalled capital commitments and the right to call capital. Related support documentation includes Limited Partnership Agreements (LPAs) and investor letters.

Subscription Finance
Rating Criteria
Essentials



Source: Fitch Ratings

NAV Facilities



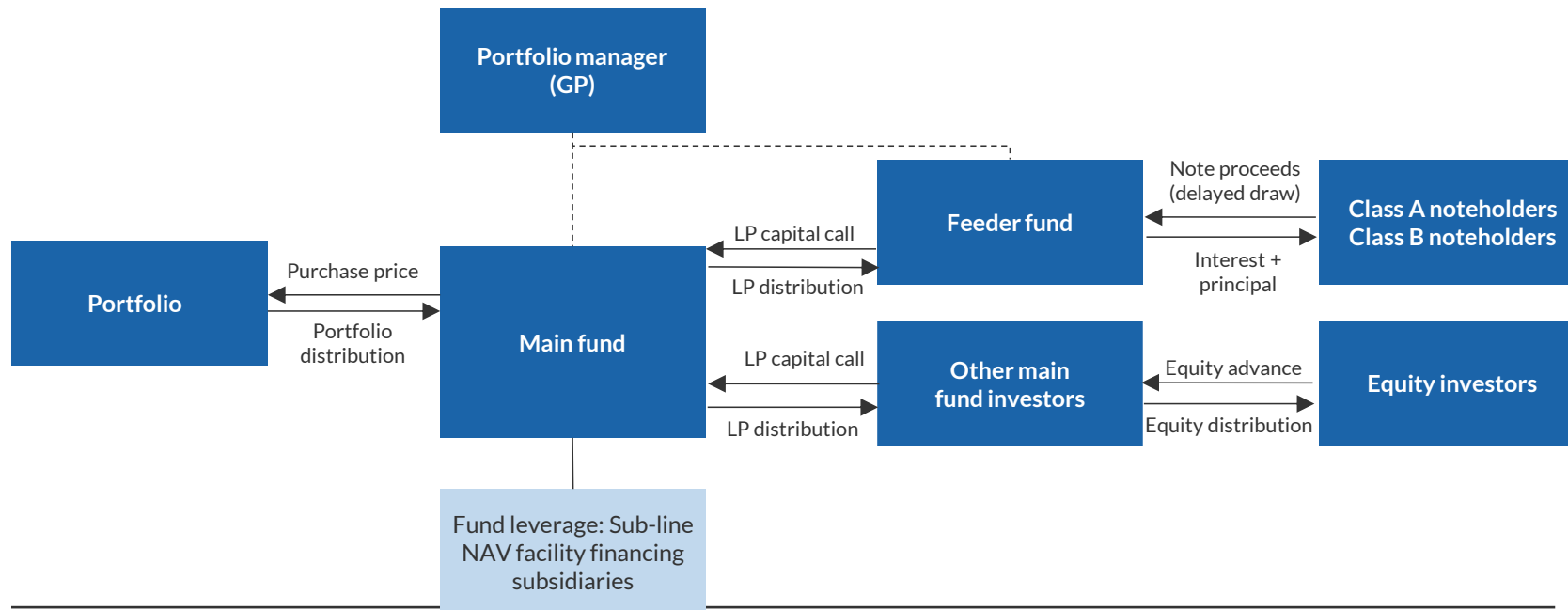
NAV facilities are medium-term credit facilities provided to private funds, secured by the net asset value of the fund's portfolio – often consisting of diversified, mature assets – rather than by uncalled LP commitments. They are typically used in the post-investment period of a fund's life.

Source: Fitch Ratings

Net Asset Value Finance
Rating Criteria Essentials



Rated Note Feeder Structures



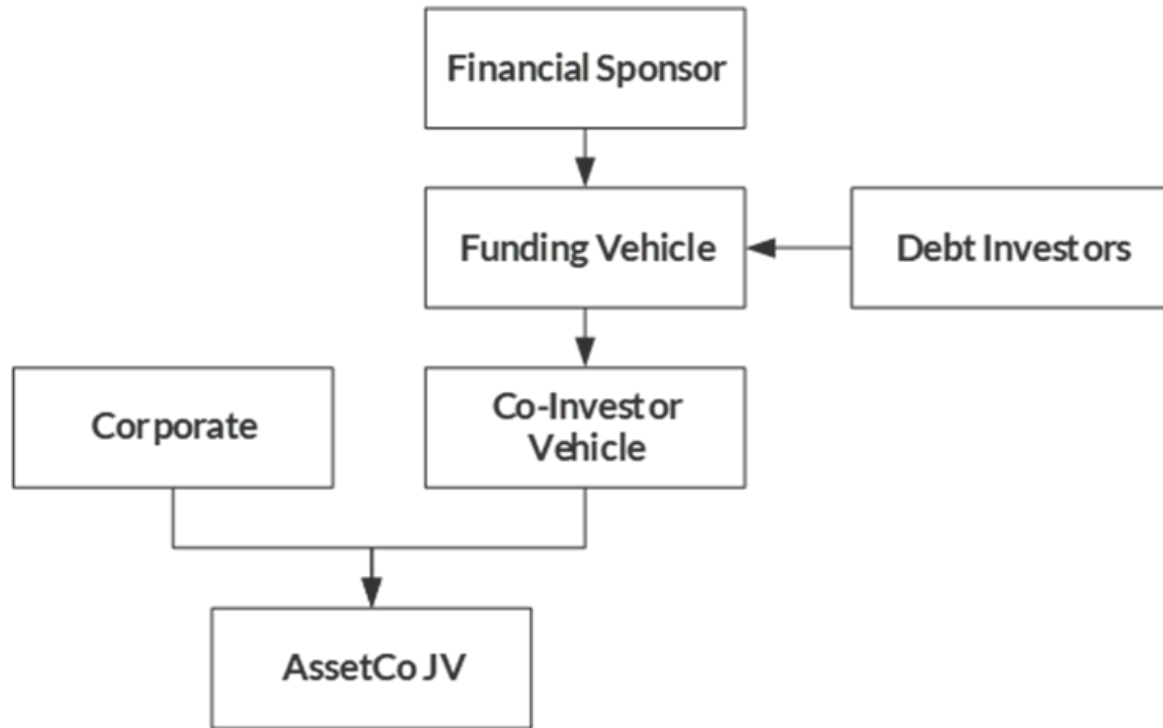
Source: Fitch Ratings

RNFs are fund structures where investors subscribe to rated debt notes issued by a feeder vehicle that invests – directly or via a master fund – in private credit or alternative assets. The feeder vehicle issues tranching notes (e.g. ‘AAA’/‘AA’/equity) backed by the feeder's asset interests. Proceeds are invested in the underlying portfolio. Cash flows – including interest, fees, and distributions – service the notes in accordance with a priority of payments waterfall.

Feeder Fund Debt Rating Criteria



Structured Joint-Ventures



The corporate- typically investment graded- sells a minority stake in an existing or newly established subsidiary to a financial sponsor (FS) but is fully consolidated by the corporate. The FS funds by issuing debt from the funding vehicle – the “back leverage” to institutional investors and is usually rated.

There are three goals: first, to secure equity treatment for the corporate by accountants and rating agencies in relation to the financial sponsor’s investment; second, to achieve a rating for the instrument issued to fund the investment (the “back-leverage”) close to the typical investment-grade rating of the corporate so it can be placed with insurance companies; and third, to require the lowest possible level of equity from the financial sponsor.

Rating Use Cases - Summary

Mandating Party	Rating Products	Use Case
Banks	Securitised products (including CLOs/SRTs), subscription lines (RCFs), NAV lines, other credit exposures	Regulatory capital management, risk management, valuation, liquidity and leverage management, distribution to institutional investors
Alternative Managers (GPs)	Subscription lines (RCFs), term loans/direct lending, NAV lines, CFOs, RNFs, rated infrastructure debt	Unlock institutional capital, borrowing purposes, manage liquidity profile, leverage strategies, fund raising
Insurance Companies	Securitised products (including CLOs/SRTs), term loans/direct lending, RNFs, CFOs, rated infrastructure debt, NAV lines, real estate exposures	Internal risk benchmarking, regulatory capital management, asset and liability management
Institutional Investors	Securitised products (including CLOs/SRTs), term loans/direct lending, RNFs, CFOs, rated infrastructure debt, NAV lines	Internal risk benchmarking, capital management, portfolio diversification

Source: Fitch Ratings

Free-to-Access Fitch Ratings “Market Research” Content

[Securitisation: A Global Primer](#)

[Rated Securitisation: Global Regulatory Developments Lift Sentiment](#)

[Rated Securitisations: Using SRTs to Optimise Financial Balance Sheets](#)

[Innovation in Credit: Q&A](#)

[Investment Vehicles and Look-Through: A Primer](#)

[Structured Finance: Intersection with Private Markets](#)

[US Reforms Set to Boost Bank-Securitisation Origination; Europe Faces Delivery Risk](#)

Summary of Global Securitisation Reforms

Role	Topics	Who
Originator/ Issuer/ Sponsor	Accounting regime	IFRS (US FASB), jurisdictional-specific
	Capital requirements for banks	BCBS, jurisdictional-specific
	Mortgage underwriting standards	FSB, jurisdictional-specific
	Restrictions on re-securitisation	G20, jurisdictional-specific
	Risk retention	IOSCO, jurisdictional-specific
Investor	“Simple, Transparent, Comparable” (STC) standard	BCBS, IOSCO, jurisdictional-specific (excl. US)
	Capital requirements for insurers	IASB, jurisdictional-specific
	Due diligence requirements	BCBS, jurisdictional-specific
	Capital requirements for banks	BCBS, jurisdictional-specific
	Reduce mechanistic reliance on credit ratings	BCBS, FSB, jurisdictional-specific
Other	Regulations for credit rating agencies	IOSCO, jurisdictional-specific

Source: Fitch Ratings, Financial Stability Board

Major Financial Jurisdictions' Securitisation Reforms

	Australia	Brazil	Canada	EU	India	Japan	UK	US
Regulators	APRA		OSFI	EBA, ESMA, EIOPA	RBI, SEBI	FSA	PRA	SEC, Federal Reserve, OCC, FDIC, NAIC
Variations in implementing BCBS reforms	No IAA for ABCP Synthetic not recognised for SRT		IRB can be used for unrated SA pools in ABCP	No re-securitisation, STC can apply to synthetic, reduced reliance on ratings	SEC-ERBA applies, the following cannot be securitised: re-securitisation, synthetic, revolving credit, short-term loans	Informal limits on SRT, re-securitisation excludes government SME programs, unrated liquidity and ABCPs	No re-securitisation, possible switch in hierarchy of approaches to reduce reliance on ratings	Simplified SFA no ratings can be used, no STC implementation
Risk retention requirement	No	No	No (but recognition of other countries)	Yes, 5% minimum	Yes, 5% for non-RMBS, 5% for assets with <2yrs maturity, 10% for assets with >2yrs maturity	Yes, 5% minimum	Yes, 5% minimum	Yes, 5% minimum (except CLOs)
Strengthened due diligence requirements	Strengthened requirements for investors to conduct adequate due diligence and to form their own view of the risks of the instruments in their portfolios							Not fully implemented
Strengthened disclosure requirements	No	No	No	Yes	Yes	Yes	Yes	Yes

Source: Fitch Ratings, Financial Stability Board

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