

Bank of England PRA

Appendix 2: Draft amendments to supervisory statement 10/18 – Securitisation: General requirements and capital framework

February 2026

Draft for consultation



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10/18 – Securitisation: General requirements and capital framework

In this appendix, new text is underlined and deleted text is struck through.

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Originator, original lender, and sponsor requirements

2.2 The PRA expects firms which act as originators, original lenders, and/or sponsors in a securitisation that are subject to the requirements of the Securitisation Part of the PRA Rulebook to be able to demonstrate to the PRA, on request, that they have in place adequate arrangements, processes and mechanisms in order to comply with Articles 6, 7, 8 and 9 of Chapter 2 and Chapters 4-6 of the Securitisation Part of the PRA Rulebook.

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Resecuritisation

2.3A The PRA expects resecuritisations specified in 1(c) and 1(d) of Article 8 of Chapter 2 in the Securitisation Part to be homogeneous,¹ in terms of the asset class of the underlying exposures.

Transparency

2.3B Where a securitisation transaction has a first interest period that exceeds three months, the PRA considers that Article 7(1A) of Chapter 2 in the Securitisation Part will be deemed to be complied with in relation to that provision of information, provided that the information is made available at the latest one month after the due date for the first payment of interest.

2.3C The PRA considers that tables presenting stratification data described in Article 7A, paragraph 2B (b) of Chapter 2 in the Securitisation Part may include categories of data such as the number of accounts and total receivables grouped appropriately, for example, by delinquency age or by payment behaviour. Delinquency roll rates showing progression of delinquencies through time may also be included. Tables presenting

¹ As defined in SECN 2.4.1 (a) of the FCA Handbook.

stratification data described in Article 7A paragraph 2B (c) of Chapter 2 in the Securitisation Part, may include categories of data such as number of accounts and total receivables grouped appropriately, for example by account balance size, credit limit, interest rate, account age, geographic region, market segment, credit score groupings or employment status.

2.3D Where a securitisation is both a non-ABCP securitisation and an ABCP transaction, the PRA expects the appropriate reporting entity or reporting entities to make available the required information under Article 7A of Chapter 2 in the Securitisation Part.

Governance arrangements, processes and mechanisms

2.4 Where a firm acts as an originator, original lender, and/or sponsor in a transaction subject to the requirements of the Securitisation Part of the PRA Rulebook, the PRA expects the firm's internal audit function to provide assurance that the firm's involvement in the securitisation is compliant with the requirements in Articles 6, 7, 8 and 9 of Chapter 2 ~~and Chapters 4-6~~ of the Securitisation Part of the PRA Rulebook.

2.5 The PRA expects firms subject to the Senior Managers and Certification Regime to identify a relevant individual performing a Senior Management Function (SMF) to exercise effective oversight of securitisation issuance, including with regard to the requirements in Article 6(2) of Chapter 2 and ~~Article 6R Article 18 of Chapter 4~~ of the Securitisation Part of the PRA Rulebook on adverse selection. Where appropriate, the PRA expects SMFs to escalate issues related to oversight of securitisation issuance to the board or a relevant subcommittee.

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2.7 Insurance or reinsurance firms (whether PRA-authorised Solvency II firms or PRA-authorised non-Solvency II firms) can be both originators and investors in the same securitisation transaction, such as an internal restructuring of exposures or receivables for capital efficiency or matching adjustment (MA) eligibility purpose. In such cases the insurance or reinsurance firm must comply with Articles 6, 7, 8 and 9 of Chapter 2 ~~and Chapters 4-6~~ of the Securitisation Part of the PRA Rulebook as applicable. Where an insurance firm, reinsurance firm, or ISPV identifies itself as the originator of a securitisation, it should inform its supervisor without undue delay.

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2.9A Rule 1(d) within Article 5 of Chapter 2 of the Securitisation Part of the PRA Rulebook requires investors to consider if an originator, sponsor or original lender that is not established in the UK maintains a sufficient and appropriate alignment of commercial

interest with the institutional investor in a securitisation position. In considering this, an institutional investor should satisfy itself that the originator, sponsor or original lender:

- (i) retains on an ongoing basis a material net economic interest in the securitisation of not less than 5%; or
- (ii) maintains a material alignment of commercial interest with the institutional investor, through alternative means, such as, management fees due to the originator, sponsor or original lender under the terms of the transaction documents that are linked to the performance of the securitisation.

2.9B For the purposes of Article 5 Rule 1(e) in Chapter 2 of the Securitisation Part of the PRA Rulebook investors must ensure that the originator, sponsor or SSPE has made available sufficient information to enable it to assess the risk and monitor the performance of the securitisation position and the underlying exposures. Such may include the following:

- (i) in the case of a securitisation which is not an ABCP programme or an ABCP transaction, details of the underlying exposures;
- (ii) in the case of an ABCP programme or an ABCP transaction, information on the underlying receivables or credit claims;
- (iii) investor reports providing periodic updates on the credit quality and performance of the underlying exposures, any relevant financial or other triggers contained in the transaction documentation including information on events which trigger changes to the priority of payments or a substitution of any counterparty to the transaction, data on the cash flows generated by the underlying exposures and by the liabilities of the securitisation and the calculation and modality of retention of a material net economic interest in the transaction by the originator, sponsor or original lender;
- (iv) all information on the legal documentation needed to understand the transaction, including detail of the legal provisions governing the structure of the transaction, any credit enhancement or liquidity support features, the cash flows and loss waterfalls, investors' voting rights and any triggers or other events that could result in a material impact on the performance of the securitisation position;
- (v) information describing any changes or events materially affecting the transaction, including breaches of obligations under the transaction documents;
- (vi) any approved prospectus or other offering or marketing document prepared with the cooperation of the originator or sponsor; and
- (vii) if there is an STS notification or a notification falling within regulation 12(3)(b) of the Securitisation Regulations 2024 in respect of the transaction.

2.9C Rule 3(b) within Article 5 of Chapter 2 of the Securitisation Part of the PRA Rulebook requires investors to consider any relevant structural features which may impact the performance of a securitisation position. Structural features that can materially impact the performance of the securitisation position may include contractual priorities of payment and priority of payment-related triggers, credit enhancements, liquidity enhancements, market value triggers, and transaction-specific definitions of default

2.9D Rule 4(a) within Article 5 of Chapter 2 of the Securitisation Part of the PRA Rulebook requires investors to monitor the performance of the securitisation position and of the underlying exposures on an ongoing basis. In considering what elements of a securitisation are relevant to monitor on an ongoing basis, an institutional investor may consider the following:

- the exposure type;
- the percentage of loans more than 30, 60 and 90 days past due;
- default rates;
- prepayment rates;
- loans in foreclosure;
- recovery rates;
- repurchases;
- loan modifications;
- payment holidays;
- collateral type and occupancy;
- frequency distribution of credit scores or other measure of credit worthiness across underlying exposures, industry and geographical diversification; and
- frequency distribution of loan to value ratios with band widths that facilitate adequate sensitivity analysis.

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3.2 A credit institution supervised under CRR may act as a sponsor for an STS ABCP programme using one of the following routes:

- (i) the credit institution demonstrates to the PRA that the support it provides to the programme would not endanger its solvency and liquidity, even in an extreme market stress (SECN 2.3.25R(1) of the FCA Handbook); or
- (ii) the PRA has determined ~~on the basis of the review and evaluation referred to in Regulation 34A(2) of the Capital Requirements Regulations 2013~~ that the arrangements, strategies, processes, and mechanisms implemented by that credit institution and the own funds and liquidity it holds ensure the sound management and coverage of its risks (SECN 2.3.25R(2) of the FCA Handbook).

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SECN 2.3.25R(2) of the FCA Handbook

3.6 For the purposes of being an STS ABCP sponsor, the PRA is unlikely to determine ~~on the basis of the review and evaluation referred to in Regulation 34A(2) of the Capital Requirements Regulations 2013~~ that the arrangements, strategies, processes, and mechanisms implemented by that credit institution and the own funds and liquidity it holds ensure the sound management and coverage of its risks, unless the firm is currently a sponsor for at least one ABCP programme. This may include any existing non-STS ABCP programme for which the firm wishes to seek STS status.

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4: The CRR securitisation capital framework

4.1 This chapter is relevant to all firms to which the Securitisation (CRR) Part of the PRA Rulebook applies. It sets out PRA expectations of firms in relation to the hierarchy of methods applied for calculating securitisation risk weighted assets (RWAs) and PRA expectations for applying an adjustment to the Loss Given Default (LGD) parameter when calculating RWAs for qualifying securitisations.

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Treatment of securitisation positions retained from qualifying securitisations under the SEC-IRBA

4.22 This section sets out the PRA's expectations of firms that calculate capital requirements under SEC-IRBA for securitisation positions retained from qualifying securitisations and choose to apply the adjustment referred to in Article 260A(4) of the Securitisation (CRR) Part.

4.23 The PRA expects that the material discount effects referred to in the definition of R_P in Article 260A(5) of the Securitisation (CRR) Part, and in the assessment referred to in Article 260A(6) and Article 260A(7) of that Part, should be calculated in accordance with the expectations set out in paragraphs 13.15 to 13.20 of SS4/24 – Credit risk internal ratings based approach as they apply in relation to estimation of downturn LGD.

4.24 For the purpose of validating the resulting LGD estimates in accordance with Article 260A(9)(a) of the Securitisation (CRR) Part, the PRA expects firms to meet the

validation standards set out in Article 185 of the Credit Risk: Internal Ratings Based Approach (CRR) Part and Chapter 21 of SS4/24.

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