

EBA/RTS/2023/01

14 February 2023

Final Report

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

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1. Executive Summary

The Capital Markets Recovery Package¹ amended the Securitisation Regulation² to also include Simple, Transparent and Standardised (STS) requirements for on-balance-sheet securitisations, thereby extending the STS framework to synthetic securitisations. As part of this change, EBA is mandated to develop, in close cooperation with the European Securities and Market Authority (ESMA) and the European Insurance and Occupational Pensions Authority (EIOPA) draft regulatory technical standards (RTS) further specifying which underlying exposures are deemed to be homogeneous as part of the simplicity requirements. A similar mandate was also part of the original STS framework for non-ABCP and ABCP securitisation and the corresponding Delegated Regulation³ was published in the Official Journal in May 2019.

These draft RTS build on the original work done in the context of RTS on homogeneity for non-ABCP and ABCP securitisation, as the conditions determining the homogeneity of the underlying exposures are naturally closely linked and in order to ensure a level playing field for non-ABCP, ABCP and on-balance-sheet securitisations.

In this context, these draft RTS amend the original RTS on homogeneity for non-ABCP and ABCP securitisation. While extending the scope to include on-balance-sheet securitisations, these draft RTS now establish the same conditions for the homogeneity of the assets for all types of securitisations (non-ABCP, ABCP and on-balance-sheet securitisations). They carry over a significant part of the provisions on homogeneity set out in the previous RTS, with some modifications. These modifications aim at ensuring consistency with the new mandate and providing further clarity on specific requirements.

With respect to the asset category of “credit facilities, including loans and leases, provided to any type of enterprise or corporation”, the present RTS maintain the original requirements as set out in the RTS on homogeneity for non-ABCP and ABCP securitisation, which differentiate between SME and non-SME corporate obligors. Also, no definition of SME has been introduced and it is therefore expected that the assignment of an exposure to this asset category should be based on the internal classification of the originator. This is considered consistent with the originators’ actual practices,

¹ Regulation (EU) 2021/557 amending Regulation (EU) 2017/2402 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardized securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R0557&from=EN>

² Regulation (EU) 2017/2402 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardized securitisation: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02017R2402-20210409&from=EN>

³ Delegated Regulation (EU) 2019/1851 supplementing Regulation (EU) 2017/2402 of the European Parliament and of the Council with regard to regulatory technical standards on the homogeneity of the underlying exposures in securitisation: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019R1851&from=EN>

and should ensure that the exposures in each STS securitisation are homogeneous and investors can use a single analytical tool to analyse each transaction.

In general, the proposed amendments consider the specificities of on-balance-sheet securitisations and aim at enabling both the originators and the investors to assess the underlying risks of the pool of the underlying exposures on the basis of common methodologies and parameters in line with the overarching objective of the homogeneity requirement.

Next steps

These final draft RTS will be submitted to the Commission for endorsement. Following the submission, these RTS will be subject to scrutiny by the European Parliament and the Council before being published in the Official Journal of the European Union.

2. Background and rationale

1. The Capital Markets Recovery Package which also amended the Securitisation Regulation and the Capital Requirements Regulation aimed at facilitating the use of securitisation to support Europe's economic recovery from the COVID-19 crisis. More specifically, among other measures, a new framework for simple, transparent and standardised on-balance-sheet securitisations was established that would benefit from a prudential treatment reflecting the actual riskiness of these instruments. Under the Capital Markets Recovery Package, the EBA has been mandated to develop RTS specifying which underlying exposures are deemed to be homogeneous as per the requirements relating to simplicity for STS on-balance-sheet securitisations. This RTS mandate is similar to the RTS mandates underlying the Delegated Regulation (EU) 2019/1851 on homogeneity which was developed for traditional securitisation and has been published in the Official Journal in May 2019.
2. The mandate in Article 26b (13) of the Securitisation Regulation as amended by Regulation (EU) 2021/557 specifies that *"The securitisation shall be backed by a pool of underlying exposures that are homogeneous in terms of asset type, taking into account the specific characteristics relating to the cash flows of the asset type including their contractual, credit-risk and prepayment characteristics. A pool of underlying exposures shall comprise only one asset type."* According to this and in line with the existing RTS on homogeneity for traditional securitisations, the focus of these draft RTS is on the asset type taking into account the specificities of synthetic securitisations.
3. One of the main objectives in the development of the STS framework for on-balance-sheet securitisations was to achieve a high degree of consistency between the two STS frameworks (traditional and synthetic). This would ensure that no incentives are provided to originators to use different securitisation techniques across asset types to fulfil the STS criteria. Given that the conditions determining the homogeneity of the underlying exposures are closely linked and relevant for ABCP, non-ABCP and on-balance-sheet securitisations, uniform provisions should apply to all these types of securitisations. To ensure consistency and to facilitate a comprehensive assessment of the homogeneity of the assets, it provides greater clarity to include the RTS on homogeneity for ABCP, non-ABCP and on-balance-sheet securitisations in one single Regulation.
4. When the existing RTS on the homogeneity of ABCP and non-ABCP were developed, the STS framework for on-balance-sheet securitisations was not in place. Consequently, during the development of these RTS, it was deemed appropriate to assess whether the current framework is suitable for the asset types that are most relevant for synthetic securitisations.
5. In this context, the present RTS carry over a significant part of the provisions on homogeneity set out in the previous RTS, with some modifications. These modifications aim at ensuring

consistency with the new mandate and providing further clarity on specific requirements. The main modifications are the following:

- Type of obligor homogeneity factor for the asset category of credit facilities to enterprises and corporations: With respect to the asset category of “credit facilities, including loans and leases, provided to any type of enterprise or corporation”, the present RTS maintain the original requirements as set out in the RTS on homogeneity for non-ABCP and ABCP securitisation, which differentiate between SME and non-SME corporate obligors. Also, no definition of SME has been introduced and it is therefore expected that the assignment of an exposure to this asset category should be based on the internal classification of the originator, approved by their relevant supervisors. This is considered consistent with the originators’ actual practices and should ensure that the exposures in each STS securitisation are homogeneous and investors can use a single analytical tool to analyse each transaction.
- Type of obligor homogeneity factor for the asset categories of auto loans and leases and credit card receivables: From the originators credit risk assessment perspective, exposures to micro-, small- and medium enterprises (SME) are usually treated separately from the rest of corporate exposures. Additionally, there is also the case of enterprises⁴ where the originator applies the same approach for assessing the credit risk as for exposures to individuals. In this respect, it is proposed to amend the homogeneity factor of ‘type of obligor’ to be applied for the asset categories of auto loans and leases, and credit card receivables, and to further specify that the category of individuals includes also those enterprises where the originator applies the same credit risk assessment approach as for exposures to individuals. The proposed amendment to the ‘type of obligor’ for auto loans and leases and credit card receivables better reflects the current market practices and specifically aim to enable both the originators and investors to assess the underlying risks of the pool of underlying exposures on the basis of common methodologies and parameters. Such an approach would allow the investors to perform a robust due diligence, which is one of the main objectives of the homogeneity requirement.
- Extension of the asset category of credit facilities provided to individuals for personal, family or household consumption purposes: Considering the proposed adjustments to the type of obligor, it is proposed to specify further in these draft RTS to which asset type the credit facilities provided to enterprises should be assigned, where the originator applies the same credit risk approach as for individuals. For this, a targeted amendment has been proposed to the asset types included in the existing RTS to extend the asset category of credit facilities provided to individuals for personal, family or household consumption purposes, to include also credit facilities provided to

⁴ In the Capital Requirements Regulation these would, for instance, correspond to retail SME exposures.

enterprises, where the originator applies the same credit risk assessment approach as for individuals.

- Grandfathering: Another consideration is that the proposed amendments will apply to all the types of securitisations (ABCP, non-ABCP and on-balance-sheet securitisations). Hence, any changes would have an impact also on existing ABCP and non-ABCP STS securitisation. For this, it is appropriate to consider the inclusion of grandfathering provisions for all ABCP and non-ABCP STS securitisations which are deemed homogeneous as part of the STS designation in accordance with the Commission Delegated Regulation (EU) 2019/1851, provided that they comply at all times with the requirements set out in the previous RTS. Accordingly, grandfathering provisions should also be included for the STS on-balance-sheet securitisations which were deemed homogeneous as part of the STS designation before the entry into force of the amending RTS, to ensure a smooth transition to the new regime.

3. Draft regulatory technical standards

COMMISSION DELEGATED REGULATION (EU) .../...

of **XXX**

amending Commission Delegated Regulation (EU) 2019/1851 supplementing Regulation (EU) 2017/2402 as amended by Regulation (EU) 2021/557 of the European Parliament and of the Council with regard to regulatory technical standards on the homogeneity of the underlying exposures in securitisation

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation and amending Directives 2009/65/EC, 2009/138/EC, and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012 as amended by Regulation (EU) 2021/557 ^[5], and in particular Article 20(14) third subparagraph, Article 24(21) third subparagraph, and Article 26b(13) third subparagraph thereof,

Whereas:

- (1) As part of the Capital Markets Recovery Package, Regulation (EU) 2021/557 has introduced a new STS framework for on-balance-sheet securitisations. These securitisations involve transferring the credit risk of a set of exposures, typically large corporate loans or loans to small and medium-sized enterprises (SMEs), by means of

⁵ Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012 (OJ L 347, 28.12.2017, p.35).

a credit protection agreement. One of the overarching principles in the development of the STS framework for on-balance-sheet securitisations was to achieve a high degree of consistency with the STS framework for ABCP and non-ABCP securitisations in order not to create regulatory incentives to originators which would cause them to prefer synthetic securitisations over traditional securitisations. Accordingly, uniform provisions for determining the homogeneity of the underlying exposures should apply to ABCP, non-ABCP, and on-balance-sheet securitisations. To ensure consistency between those provisions, and to facilitate a comprehensive view and compact access to them by persons subject to those obligations, it is appropriate to include the regulatory technical standards on homogeneity for non-ABCP, ABCP and on-balance-sheet securitisations in accordance with Articles 20(14), 24(21) and 26b(13) of Regulation (EU) 2017/2402 in a single Regulation.

- (2) Considering that on-balance-sheet securitisations may not involve an SSPE, it is necessary to specify that the servicing of underlying exposures, including monitoring, collecting and administering cash receivables may be administered by the originator.
- (3) One of the prerequisites for a pool of underlying exposures to be deemed homogeneous is to consist of a single asset type. This ensures that the underlying exposures share similar characteristics and the underlying risks are assessed on the basis of common methodologies and parameters. Given that for certain exposures to enterprises the underwriting standards for exposures to individuals rather than those for SME exposures are applied by originators it is necessary to specify further to which asset type exposures to those enterprises should be assigned.
- (4) For certain asset types, in order to ensure an accurate assessment of homogeneity in terms of the pool of underlying exposures one or more relevant homogeneity factors should be applied. However, it is necessary to specify that for some asset types the application of homogeneity factors is not required.
- (5) Due to similar approaches used by originators for assessing the credit risk of certain exposures to enterprises as for exposures to individuals, exposures to those enterprises should be reallocated to the respective type of obligor referring to exposures to individuals.
- (6) In order to ensure a consistent assessment of the homogeneity of underlying exposures across asset types such amendments should be applied to the respective homogeneity factor of all relevant asset types.
- (7) To ensure a smooth transition to the new requirements, transitional provisions should be introduced for the outstanding ABCP, non-ABCP and on-balance-sheet securitisations that have been notified as STS before the date of entry into force of this amending Regulation.
- (8) Delegated Regulation (EU) 2019/1851 should therefore be amended accordingly.
- (9) This Regulation is based on the draft regulatory technical standards submitted to the Commission by the European Banking Authority.
- (10) The European Banking Authority has worked in close cooperation with the European Securities and Markets Authority (ESMA) and the European Insurance and Occupational Pensions Authority (EIOPA) before submitting the draft regulatory

technical standards on which this Regulation is based. It has also conducted open public consultations on the draft regulatory technical standards on which this Regulation is based, analysed the potential related costs and benefits and requested the advice of the Banking Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1093/2010 of the European Parliament and of the Council [6],

HAS ADOPTED THIS REGULATION:

Article 1

Amendments to Delegated Regulation (EU) 2019/1851

Delegated Regulation (EU) 2019/1851 is amended as follows:

(1) in Article 1, paragraph 1, the introductory phrase in the first subparagraph is replaced by the following:

‘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:’;

(2) in Article 1, paragraph 1 (a) point (iii) is replaced by the following:

‘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);’;

(3) in Article 1, paragraph 1 (c) is replaced by the following:

‘(c) they are serviced in accordance with similar procedures for monitoring, collecting and administering cash receivables of the originator, or on the asset side of the SSPE;’;

(4) in Article 1, paragraph 1 (d) is replaced by the following:

‘(d) one or more of the homogeneity factors are applied in accordance with Article 2, where applicable.’;

(5) in Article 2, paragraph 4 (a) point (i) is replaced by the following:

⁶ Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC (OJ L 331, 15.12.2010, p. 12).

‘(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;’;

(6) in Article 2, paragraph 5 (a) point (i) is replaced by the following:

‘(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;’.

Article 2

Transitional provisions

- (1) This Regulation shall not apply to ABCP and non-ABCP securitisations whose securities are issued, or securitisation positions are created, in accordance with terms of agreements adopted, and that have been notified to ESMA in accordance with Article 27(1) of Regulation (EU) 2017/2402, before the entry into force of this Regulation. For those STS ABCP and STS non-ABCP securitisations, homogeneity criteria set out in Commission Delegated Regulation (EU) 2019/1851, as applicable before the entry into force of this Regulation, shall continue to apply.
- (2) This Regulation shall not apply to on-balance-sheet securitisations whose securitisation positions are created in accordance with terms of agreements adopted, and that have been notified to ESMA in accordance with Article 27(1) of Regulation (EU) 2017/2402, before the entry into force of this Regulation.

Article 3

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Commission
The President

[For the Commission
On behalf of the President

4. Accompanying documents

4.1 Draft cost-benefit analysis

A. Problem identification

The Securitisation Regulation, as amended by the Capital Markets Recovery Package, aims to further strengthen the development of a sound and robust securitisation market by establishing a Simple, Transparent and Standardised (STS) framework for on-balance-sheet securitisations. This framework was developed in addition to the existing STS framework for ABCP and non-ABCP securitisations. Securitisations which comply with a set of criteria related to simplicity, transparency and standardisation and are thus designated as STS, benefit from a more risk sensitive capital treatment. One of the criteria relating to simplicity of the STS securitisations for both traditional and on-balance-sheet securitisations is the requirement of homogeneity of the securitised exposures. In order to ensure a level playing field, it is deemed appropriate to have a set of uniform rules for the assessment of homogeneity of the underlying exposures that apply to all types of securitisations (ABCP, non-ABCP and on-balance-sheet). These RTS are amending the existing RTS for ABCP and non-ABCP securitisations to account also for on-balance-sheet securitisations.

B. Policy objectives

The main objective of these RTS is to enable the originators and the investors to conduct an appropriate assessment of the underlying risks in the pool of securitised exposures on the basis of common parameters and methodologies. This would enable the investors to model the risk prudently and facilitate the due diligence required under the Securitisation Regulation. Finally, this would restore the investors' confidence in the securitisation market while incentivising the originators to structure more resilient securitisations.

One of the main considerations in the development of these RTS was the existing Delegated Commission Regulation (EU) 2019/1851 which defines the homogeneity of the assets for ABCP and non-ABCP securitisations. In the absence of a dedicated STS framework for synthetic securitisations when developing the RTS on the homogeneity of the assets for traditional securitisations, these securitisations were not considered. To ensure a level playing field and mitigate the risk of originators adopting a certain securitisation technique for achieving STS for selected asset types, it was prudent to establish a uniform set of rules for the assessment of homogeneity of the underlying exposures for all types of securitisations (ABCP, non-ABCP and on-balance-sheet).

Taking into account the above and considering also the specificities of the synthetic securitisations, EBA decided to take as a starting point the existing RTS and evaluate whether the existing framework was fit for purpose or whether an adjustment was necessary.

C. Baseline scenario

The EBA has been mandated to deliver RTS on homogeneity for STS on-balance-sheet securitisations. The STS framework for on-balance-sheet securitisations has entered into force in April 2021. Since then, on-balance-sheet securitisations have been designated as STS even though the RTS on homogeneity have not been in place yet. Given that the RTS on homogeneity for traditional securitisations are already in force and the legal mandate is very similar, EBA understands that the market has been using these RTS as a guide for the assessment of the homogeneity of the underlying exposures of these transactions. However, there may be still a number of securitisations which do not follow the homogeneity requirements for traditional securitisations. This creates an uneven playing field for STS on-balance-sheet transactions in the EU which will be addressed with these draft RTS.

D. Options considered

Several options were considered in the development of these RTS. One of the options considered was to extend the scope of the existing RTS on homogeneity of the underlying exposures for ABCP and non-ABCP STS securitisations to on-balance-sheet securitisations with certain amendments (option 1). The other option was to develop a new separate RTS for STS on-balance-sheet securitisations (option 2).

E. Cost-Benefit Analysis

Option 1

It is considered that the option 1 would take into consideration the specificities of the synthetic securitisations while maintaining a high level of consistency between the two STS frameworks. Under option 1, EBA looked at the existing RTS on homogeneity and whether these could be applied to synthetic securitisations. The STS framework for on-balance-sheet securitisations was not in place at the time the RTS on homogeneity for traditional STS were developed, so these securitisations were not taken into account. Therefore, EBA deemed that it is prudent to focus on the most relevant asset types in synthetic securitisations and evaluate whether revisions were necessary.

The amendments proposed in these RTS focus on the specificities of the on-balance-sheet securitisations and consider the differences in the underwriting standards applicable to the different types of exposures, reflecting the current market practices and the originators' internal credit risk assessment approaches. These amendments aim at enabling both the originators and

the investors to properly assess the underlying risks in securitisations and to perform a robust due diligence in a seamless manner.

If no adjustments were made to the existing RTS for traditional securitisations, it is understood that for specific types of exposures which are typical for synthetic securitisations, this may have posed difficulties in generating a pool of exposures that would be fully compliant with the homogeneity requirements.

Option 1 should not lead to a substantial increase of costs for originators. There are minor amendments and in general these reflect the originators' current market practices and take into consideration the application of the originators' internal methods to assess the underlying risks in the pool of securitised exposures. On the contrary, this would possibly lower the implementation cost for originators engaging in different securitisation types. In general, it should produce several benefits for both the originators and the investors as there will be one single point of reference for assessing the homogeneity for all types of securitisations. Finally, this would further enable the investors to model the risks in a straightforward manner and will facilitate also the due diligence allowing the entrance of new investors in the EU securitisation market.

Option 2

Option 2 would imply that for a similar requirement, EBA would develop a separate set of draft RTS that would be applicable only to STS on-balance-sheet securitisations. The homogeneity requirement as laid out in Articles 20(8), 24(15) and 26b(8) is the same for ABCP, non-ABCP and on-balance-sheet securitisations. Under option 2, a separate set of RTS on homogeneity would be developed and apply only to STS on-balance-sheet securitisations.

Because synthetic and traditional securitisations slightly differ with regard to the underlying exposures, given that synthetic securitisations were not taken into consideration in the RTS for traditional securitisations, a new RTS would be tailored to on-balance-sheet securitisations. Option 2 then would result in two separate RTS for traditional and on-balance-sheet STS securitisations with similar but not exactly the same requirements. This could potentially create incentives for originators adopting a certain securitisation technique in order to achieve STS for selected asset types, thus creating an uneven playing field.

Option 2 could potentially increase the implementation costs for both the originators and investors as they would have to refer to two different RTS for the assessment of homogeneity for STS securitisations. This would make the homogeneity assessment more complex for all the relevant securitisation parties, such as e.g., originators, investors, third-party STS certifiers and the authorities. Finally, it would make the investors due diligence more complex and may result in unintended consequences of decreasing the investor base in the EU securitisation market.

F. Preferred option

Having assessed both options, option 1 is the preferred option as it would allow to maintain a high degree of consistency between the two STS frameworks while taking into consideration the specificities of the on-balance-sheet securitisations. Having a set of uniform rules applicable to all types of securitisations will have several benefits for the relevant securitisation parties and the authorities. It would allow originators and investors to appropriately assess the credit risk of the underlying pool of securitised exposures based on common methodologies and parameters. Moreover, it would facilitate the homogeneity assessment for third parties, including investors, national competent authorities and third-party STS certifiers. Finally, it would enable the investors to perform the required due diligence under the Securitisation Regulation which is one of the main objectives of the homogeneity requirement. The option 1 is generally in line with the main policy objectives.

4.2 Feedback on the public consultation

The EBA publicly consulted on the draft proposal contained in this paper.

The consultation period lasted for three months and ended on 28 October 2022. In total, the EBA received 9 responses (1 confidential and 8 non-confidential) and a public hearing was held on the 28 September 2022. The Banking Stakeholders Group ('BSG') issued no opinion. All public responses are published on the EBA's website.

This report presents a summary of the key points and other comments arising from the consultation, the analysis and discussion triggered by these comments and the actions taken to address them if deemed necessary.

In certain cases several industry bodies made similar comments or the same body repeated its comments in the response to different questions. In such cases, the comments, and EBA analysis are included in the section of this paper where EBA considers them most appropriate.

Changes to the draft RTS have been incorporated as a result of the responses received during the public consultation.

Summary of key issues

In total, the EBA received 9 responses (1 confidential and 8 public). Out of the 8 public responses, 7 are from industry associations: Association of Financial Markets in Europe (AFME), Dutch Securitisation Association (DSA), Fédération Bancaire Française, German Banking Industry Committee, International Association of Credit Portfolio Managers (IACPM), Leaseurope/Eurofinas, True Sale International GmbH (TSI), and one from an STS verifier: Prime Collateralised Securities (PCS) EU.

The industry responses requested further clarifications, wording suggestions and the main comments focused on the following two proposed amendments in the consultation paper on the draft RTS:

- 1) the distinction of the 'type of obligor' based on the 'large corporate' definition in CRR3 and the €500mn turnover threshold;
- 2) transitional provisions for on-balance-sheet securitisations.

In general, it appears that the respondents generally agree with aligning the homogeneity requirements for true-sale non-ABCP, ABCP and on-balance-sheet securitisations.

Extension of the asset category of credit facilities to individuals

In addition, most of the respondents agree with the extension of the asset category in Article 1, and 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)*" to the

asset type “credit facilities provided to individuals for personal, family or household consumption purposes;”.

Distinction of the ‘type of obligor’ based on the ‘large corporate’ definition in CRR3 and the €500mn turnover threshold

Most of the respondents commented on the proposed amendment to the ‘type of obligor’ with respect to the ‘large corporate’ definition proposed in the draft RTS. According to the respondents, homogeneity is a simplicity rather than standardisation requirement. Concerns were raised over the difficulties of securitising exposures on the basis of the proposed definition and the subsequent adverse consequences on the revival of the securitisation market in the context of the ongoing recovery from the pandemic and geopolitical uncertainty. Also, given that the CRR3 definition will not be in force until 2025, it was pointed out that it is not a metric currently used by originators. In addition, concerns were raised over the impact on sufficient portfolio granularity.

For the proposed amendment to the ‘type of obligor’ for auto loans and leases most of the respondents referred to their response provided for corporate exposures and the related concerns about the use of the ‘large corporate’ definition proposed under the CRR3. Similarly, for the proposed amendment to the ‘type of obligor’ for credit card receivables some respondents referred to their response provided for corporate exposures, while a minority generally agree or do not object to the proposed amendment.

Grandfathering provisions

Most of the respondents pointed out that the unlimited grandfathering provisions for on-balance-sheet STS securitisations are essential, the main reason being the significant impact on the market which would result in a large number of transactions losing their STS classification due to the complexity in amending the existing transactions to meet the new requirements. In case full grandfathering is not possible, some respondents suggested to prolong the deferred application date to five years in order to ensure a smooth transition to the new regime.

The EBA’s response

Following the feedback to the consultation with regard to the proposed ‘type of obligor’ categorisation for credit facilities to enterprises and corporates, it has been decided to delete the distinction of the ‘type of obligor’ based on the ‘large corporate’ definition in CRR3 and the €500mn turnover threshold, and to maintain the current distinction in the Delegated Commission Regulation (EU) 2019/1851 which differentiates between SME and non-SME corporate obligors.

For the asset types of auto loans and leases and credit card receivables, where type of obligor is one of the homogeneity factors, there is a differentiation between individuals, SME, non-SME corporate borrowers, public sector entities and financial institutions. With respect to the category of individuals, the proposed amendment to include also those enterprises where the originator applies the same credit risk assessment approach as for exposures to individuals remains.

Similar to the Delegated Commission Regulation (EU) 2019/1851, no definition of SMEs has been introduced with respect to the asset category of credit facilities to SMEs and corporates. It is expected that the assignment of a particular exposure to a category is based on the internal classification of the originator. This is consistent with the originator's actual practices. For prudentially supervised institutions, aligning with the originator's own processes approved by supervisors will ensure that the assets in each STS securitisation are homogeneous and investors can use a single analytical tool to analyse each transaction. Depending e.g. on the size of an originator, on the jurisdictions where such an originator is operating or on the use of the SA or the IRB Approach for the respective exposures the internal criteria for differentiating between SME borrowers and other corporates may however vary between originators and there does not appear to be a strict need for fully harmonising such criteria.

More details on the responses to the consultation are provided in the Feedback table below.



Summary of responses to the consultation and the EBA's analysis

Comments	Summary of responses received	EBA analysis	Amendments to the proposals in the Consultation Paper
Responses to questions in Consultation Paper EBA/CP/2022/09			
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.			
Proposed amendment to the asset category	Most of the respondents generally agree with the proposed amendment to the asset category in Article 1, and extension of the asset category to include credit facilities provided to enterprises, where the originator applies the same credit risk assessment approach as for individuals not covered under other asset categories.	In view of the feedback received the proposed addition to the asset category has been included in the current RTS.	No change
Request for clarification	One respondent requested to clarify how the amendment should be interpreted when the pool of underlying assets includes enterprises and SME corporates belonging to the same sector of activity (leasing to SMEs and entrepreneurs for instance).	According to Commission Delegated Regulation (EU) 2019/1851, for the purposes of the second subparagraph of Article 1, where an underlying exposure corresponds to more than one asset type, that exposure shall be assigned to only one asset type in that securitisation.	No change
Clarification of the ‘same approach’	One respondent suggested to provide clarification of what is meant by the term ‘same approach’ (i.e. asset category of individuals and enterprises where the originator applies the same approach for assessing the credit risk associated with	In these draft RTS, the ‘same approach’ refers to the approach that the originator uses for assessing the credit risk of the underlying exposures. It should be understood as enabling the investors to assess the underlying risks of the pool of the underlying exposures based on common methodologies and	No change



Amendments to the proposals in the Consultation Paper

Comments	Summary of responses received	EBA analysis	Amendments to the proposals in the Consultation Paper
	exposures to enterprises as for exposures to individuals)	parameters. It is not deemed necessary to further specify this.	
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?			
€500mn turnover threshold used for the distinction of the ‘type of obligor’	All of the respondents raised concerns over the €500mn turnover threshold used for the distinction of the ‘type of obligor’. According to the respondents, homogeneity is a simplicity rather than standardisation requirement. Concerns were raised over the difficulties of securitising exposures on the basis of the proposed definition and the subsequent adverse consequences on the revival of the securitisation market in the context of the ongoing recovery from the pandemic and geopolitical uncertainty. Also, given that the CRR3 definition will not be in force until 2025, it was pointed out that it is not a metric currently used by originators. In addition, concerns were raised over the impact on sufficient portfolio granularity.	In view of the responses received the EBA has proposed to revert to the original type of obligor distinction in the Delegated Commission Regulation (EU) 2019/1851 which differentiates between SME and non-SME corporate obligors, and therefore not to maintain the proposed distinction of the type of obligor based on the large corporate definition and the €500mn turnover threshold. Similarly, in line with the approach taken in the RTS for true sale securitisations, no definition of SME has been introduced. It is expected that the assignment of an exposure to a category would be based on the internal classification of the originator. This is consistent with the originator’s actual practices. For prudentially supervised institutions, aligning with the originator’s own processes approved by supervisors will ensure that the assets in each STS securitisation are homogeneous and investors can use a single analytical tool to analyse each transaction. Depending e.g. on the size of an originator, on the jurisdictions where such an originator is operating or on the use of the SA or the IRB Approach for the respective exposures the internal criteria for differentiating between SME borrowers and other corporates may however vary between	Amendments to Article 1



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Originator's own internal processes	<p>One respondent suggested to draw the line between large and other types of obligors along the line of the originator's own internal processes. This approach is supported also by other respondents who suggested to use the underwriting standards/credit risk assessment approach as the driver of homogeneity in the corporate exposure class. This would ensure that the originator's own bucketing is objective and determinable in every securitisation. Also, prudentially supervised institutions have been approved as reasonable and prudent by their supervisor.</p> <p>According to one of the respondents, given that Art.142(1) of CRR III will drive bank to modify their internal processes to meet the €500mn threshold it is suggested that the EBA retains the current proposal as an alternative approach. Since Art.142(1) of CRR III has not even passed it cannot be the only approach.</p>	<p>originators and there does not appear to be a strict need for fully harmonising such criteria.</p> <p>Considering the feedback received it is understood that the split between large corporates and non-large corporates is challenging. Therefore, to maintain consistency with the original RTS on homogeneity for true sale it was deemed appropriate to revert to the original distinction of the type of obligor (SME vs. non-SME corporate obligors) in the Delegated Commission Regulation (EU) 2019/1851 which is based on the originator's own internal processes.</p>	Amendments to Article 1
No homogeneity factors	<p>Some respondents proposed an alternative approach which would not impose any homogeneity factors for corporate exposures similar to consumer lending and trade finance exposures.</p>	<p>This alternative was not considered. Unlike the asset categories of consumer lending and trade receivables, for corporate exposures the homogeneity factors are important determinants for the achievement of sufficient homogeneity taking into consideration their cash-flow, credit risk and</p>	Amendments to Article 1



Comments	Summary of responses received	EBA analysis	Amendments to the proposals in the Consultation Paper
Overlap approach	<p>Another alternative approach that was proposed by some respondents was the ‘overlap’ approach. Based on this, the categorisation of the type of obligor would be based on the originators’ internal underwriting processes, and in addition to the suggested categorisation above a margin would be incorporated to allow an overlap between types of obligors. The margin of overlap could be achieved by using mid-corporates as a cross-over class (i.e. portfolios with micro, SMEs and mid-corporates and portfolios with mid-corporates and large corporates). One of the respondents provided the following example: SME is any entity with sales of EUR [500]mn or less, and large corporate is any entity with sales of EUR [100]mn or more.</p>	<p>contractual characteristics in line with the definition of homogeneity in Art. 20(8), Art. 24(15) and Art. 26b(8).</p> <p>The current distinction in the type of obligor which differentiates between SME and non-SME corporate obligors is in the same spirit with this proposal. While it doesn’t use an overlap class, it takes into consideration the originator’s own internal classification for the split between SME and non-SME corporate obligors which is consistent with the originator’s actual practices. Aligning with the originator’s own processes approved by supervisors will ensure that the assets in each STS securitisation are homogeneous and investors can use a single analytical tool to analyse each transaction.</p>	<p>Amendments to Article 1</p>
Mixed ‘type of obligors’ based on a certain percentage threshold	<p>Another alternative approach proposed, in case the current specified obligor types in the draft RTS remains, would be to allow a certain percentage (for example 30%) of one type of obligor to be mixed with another type of obligor (i.e. 70% or more of obligors that are not ‘large corporates’ with up to 30% of ‘large corporates’). However, according to one respondent this option is considered complex from an operational standpoint.</p>	<p>The proposed alternative of introducing percentage thresholds allowing to mix different types of exposures within one asset class, was not taken on board given it is not considered in line with the original objective of the RTS on ensure homogeneity of the underlying exposures. It is important to clarify that according to the current RTS, the combination of SME and non-SME obligors would still be possible if the homogeneity factor ‘jurisdiction’ is applied instead of the ‘type of obligor’.</p>	<p>Amendments to Article 1</p>



Comments	Summary of responses received	EBA analysis	Amendments to the proposals in the Consultation Paper
Similar approach to the 'type of obligor' definition for asset category 'other'	One respondent suggested to use the 'type of obligor' definition in Art.2(6)(a) of the Commission Delegated Regulation (EU) 2019/1851 for the asset type 'other' as specified in Art.(1)(a)(viii) of the same Regulation which is more openly designed and could also be used in unchanged form for the asset type of corporate loans according to Art.1(a)(iv).	The current RTS includes the original distinction of the type of obligor (SME vs. non-SME corporate obligors) in the Delegated Commission Regulation (EU) 2019/1851.	Amendments to Article 1
Combination of larger non-financial corporates with corporates that are financial institutions	One respondent understands that the 'type of obligor' homogeneity factor permits the combination of larger non-financial corporates with corporates that are financial institutions. According to the respondent, Articles 1(4) and 2(3) of the proposed RTS do not indicate that exposures to enterprises and corporates exclude exposures to corporates that are financial institutions.	According to Article 1 of the Delegated Commission Regulation (EU) 2019/1851, one of the prerequisites for the assessment of homogeneity is for the underlying exposures to have been underwritten in accordance with standards that apply similar approaches for the credit risk assessment. This will enable the originators and the investors to conduct an appropriate assessment of the underlying risks in the pool of securitised exposures on the basis of common parameters and methodologies. It is understood that exposures to non-financial corporates and exposures to financial institutions would have different underwriting standards. It is not deemed necessary to specify further in the RTS.	No change
Q3: Do you agree with the proposed amendment in Article 1 to the "type of obligor" for auto loans and leases?			
Type of obligor for auto loans and leases	Some respondents pointed out that the comments provided in Q2 apply also to the proposed	In light of the feedback received, to ensure also consistency with the distinction of the type of obligor for the asset type related to corporate exposures, the current differentiation between individuals,	



Comments	Summary of responses received	EBA analysis	Amendments to the proposals in the Consultation Paper
	<p>amendments to the ‘type of obligor’ for auto loans and leases.</p> <p>Some other respondents generally agree with the proposed amendments given that the asset type “auto loans and leases” is not substantially affected by the proposed amendments of the Draft RTS.</p>	<p>SME, non-SME corporate borrowers, public sector entities and financial institutions in the Delegated Commission Regulation (EU) 2019/1851 remains also for the asset category of auto loans. In addition, it is further specified that the category of individuals includes also those enterprises where the originator applies the same credit risk assessment approach as for exposures to individuals.</p>	<p>Amendments to Article 1</p> <p>No change for the category of individuals</p>
Q4. Do you agree with the proposed amendment in Article 1 to the “type of obligor” for credit card receivables?			
Type of obligor for credit card receivables	<p>Some respondents generally do not object to the proposed amendment to the “type of obligor” while other respondents referred to their answer to Q2.</p>	<p>To maintain consistency with the type of obligor split for auto loans and leases, the current distinction in the Delegated Commission Regulation (EU) 2019/1851 remains. Additionally, it is further specified that the category of individuals includes also those enterprises where the originator applies the same credit risk assessment approach as for exposures to individuals.</p>	<p>Amendments to Article 1</p> <p>No change for the category of individuals</p>
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.			
Grandfathering provisions	<p>Most of the respondents agree with the proposed grandfathering provisions for the outstanding STS ABCP and STS non-ABCP securitisations.</p>	<p>The comments were noted.</p>	<p>No change</p>
Q6. Do you agree with the deferred application date in Article 2 for the outstanding STS on-balance-sheet securitisations?			



Comments	Summary of responses received	EBA analysis	Amendments to the proposals in the Consultation Paper
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?	<p>Most of the respondents pointed out that the non-time limited grandfathering provisions for on-balance-sheet STS securitisations are essential. The main reason being the significant impact on the market which would result in a large number of transactions losing their STS classification due to the complexity in amending the existing transactions to meet the new requirements. In case full grandfathering is not possible, some respondents suggested to prolong the deferred application date to five years in order to ensure a smooth transition to the new regime.</p>	<p>In light of the responses received and to also ensure consistency with the approach taken for true sale securitisation, the current RTS includes also grandfathering for on-balance-sheet securitisations.</p>	Amendments to Article 2
Granularity	<p>In order to address the granularity concerns, one respondent suggested that granularity criteria or maximum % per bucket (for instance individual concentration percentage) might be considered. Another respondent suggested to consider capping the overlap between “types of obligors”, allowing up to X % (to be defined per transaction at origination) of the obligors in a pool with mostly one “type of obligor” to belong to another type, assuming all the loans in the underlying pool are defined in line with a single internal underwriting process.</p>	<p>The proposed alternative of introducing percentage thresholds allowing to mix different types of exposures within one asset class, was not taken on board given it is not considered in line with the objective of the RTS on ensure homogeneity of the underlying exposures to facilitate investors’ assessments. This approach was also considered in the context of drafting RTS on homogeneity for non-ABCP and ABCP securitisations and was not taken on board. When one homogeneity factor cannot be applied to a particular securitisation, the RTS enables to use a different homogeneity factor.</p>	No change



Comments	Summary of responses received	EBA analysis	Amendments to the proposals in the Consultation Paper
Drafting suggestion	One respondent pointed out that the original RTS for credit facilities or trade receivables need to meet “one or more” homogeneity factors, however there are no homogeneity factors in Article 2 for these asset types.	The current RTS reflects this change and clarify that one or more homogeneity factors should be applied where applicable.	Amendments to Article 1
New asset class for project finance exposures	<p>Two respondents commented on project finance exposures. One respondent suggested to establish a standalone asset class for project finance without further homogeneity factors, given that these deals are often multi-jurisdictional and can involve obligors/underlying obligors that are SMEs as well as larger corporates.</p> <p>One respondent requested clarification on which asset type project finance would fall. Would it fall under Article 1(a)(viii) ‘other exposures’ or amended Article 1(a)(iv) ‘any type of enterprise or corporation’, again whatever size.</p>	For specialised lending exposures it is expected that they would fall under the asset category of “credit facilities, including loans and leases, provided to any type of enterprise or corporation”. Therefore, it was not deemed necessary to introduce a separate asset class for project finance exposures. Furthermore, as mentioned also in Recital 2 of the Delegated Commission Regulation (EU) 2019/1851 in case a pool of underlying exposures does not correspond to one of the well-established asset types these should be allowed to be considered a single asset type provided those internal methodologies and parameters have been consistently applied by the originator.	No change
On-balance-sheet securitisations in case there is no SSPE	Two respondents suggested an amendment to the requirement for similar servicing in Article 1(c) of the original RTS in the case there is no SSPE. Given that on-balance-sheet securitisations do not necessarily involve a SSPE, one respondent suggested to amend the wording of Article 1(c) to require servicing “in accordance with similar procedures for monitoring, collecting and	The comment has been taken on board and the current RTS reflects this change.	Amendments to Article 1



Comments	Summary of responses received	EBA analysis	Amendments to the proposals in the Consultation Paper
	administering cash receivables of the originator, or on the assets side of the SSPE”.		
Q8: Are there any impediments or practical implications of the criteria as defined in these draft RTS for STS traditional securitisations?			
Impediments of practical implications of the criteria	For some respondents the response provided to Question 2 applies also here. Finally, one respondent did not identify any impediments or practical implications.	See responses to question 2.	Amendments to Article 1
Q9: Are there any important and severe unintended consequences of the application of the homogeneity criteria as specified in these RTS?			
Granularity and size of portfolios	Some respondents raised the issue that the proposed distinction of corporate exposures based on the CRR III definition and the turnover threshold of >500mn€ would have an adverse impact in the securitisation of large corporate exposures as well as SME exposures. Also, there are concerns related to granularity and size of portfolios.	In view of the responses received the EBA has proposed to revert to the original type of obligor distinction in the Delegated Commission Regulation (EU) 2019/1851.	Amendments to Article 1
Loss of STS classification	Additionally, some respondents pointed out that the suggested transitional provisions for STS on-balance-sheet securitisations would lead to a large number of regulatory calls given that most of these would lose the STS status a year after its entry into force.	In light of the responses received and to also ensure consistency with the approach taken for true sale securitisation, the current RTS includes also grandfathering for on-balance-sheet securitisations.	Amendments to Article 2