

Deutsche Börse Group's Response
to
European Commission's targeted consultation on the
functioning of the EU securitisation framework

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Deutsche Börse Group (DBG) welcomes the opportunity to participate in the European Commission's targeted consultation on the functioning of the EU securitisation framework. As a financial market infrastructure, we support the Commission's expressed intention in reviving the European securitisation market as one important building block for the European Savings and Investments Union (SIU).

Against the background of rising geopolitical tensions and macroeconomic uncertainties, the realisation of the SIU has become even more pressing. Rising need for funding, especially for managing the twin transition of sustainable and digital transformation, emphasise the necessity for mobilising capital and hence the vital role for securitisation in transition financing. However, concerns about risks of securitisation have been prevailing in the past. Market participants consider that the existing regulatory framework is highly complex, leading to lengthy and costly processes and that there are barriers to market entry. DBG welcomes that the European Commission is now exploring opportunities to make sensible adjustments to its securitisation framework.

Recent securitisation approaches did not suffice in closing the gap in terms of market size between the EU and the US where the securitisation market is significantly bigger and plays a more prominent role in providing funding abilities. The US securitisation market benefits to a large extent from a strong institutional framework that builds on standardisation and on public market interventions. The EU should consider providing a government-backed public vehicle for placing loan-backed structured products on the capital market with an implicit state guarantee (analogues to US' Freddie Mac and Fannie Mae) to boost trust and growth.

Standardisation and more transparency could help to tackle risks related to accountability and greenwashing-proofness. Existing complexity and transaction costs could be reduced by streamlining processes and reporting requirements, in particular on ESG, making securitisations more accessible and attractive. This could help boost the usage of securitisation as a tool to mobilise capital to finance the digital and green transition – a pipeline of investment opportunities with sufficient quality and attractive prices could be offered to the market. Moreover, securitisations of SME loans could build a bridge between bank financing and the capital market.

All in all, boosting trust in securitisation is needed to ensure a growing market with increased market activity that will deepen the EU capital market and ensure Europe's sovereignty and global competitiveness. Only a sufficiently large, transparent and more standardised securitisation market could provide for banks' balance sheets relief and hence mobilises capital and additional lending capacities for the real economy while at the same time broadening investor base and expanding investment opportunities.