

Memorandum

UK Securitisation Reform 2026: What FCA and PRA Proposals Mean for Market Participants

February 24, 2026

On 17 February 2026 the UK Financial Conduct Authority (**FCA**) published a consultation paper ([CP26/6](#)) on reforming the UK securitisation framework. On the same date the Prudential Regulation Authority (**PRA**) also published a [consultation](#) with similar proposals that would affect firms authorised by the PRA.

These consultations include multiple proposals to introduce a more principles-based approach in areas of the UK securitisation framework that are currently deemed to present barriers for market participants.

Simplification of Due Diligence

REFORM OF INVESTORS' VERIFICATION OBLIGATIONS

The proposals envisage replacing the current detailed verification requirements relating to credit-granting standards, transparency disclosures and risk retention with a more principles-driven framework. Instead of requiring investors to perform a prescribed set of checks, the revised approach would require them to form their own reasoned and documented judgement as to whether:

- the underlying credit-origination practices are sound and appropriately governed;
- the information available is adequate to understand the structure and risks of the transaction; and
- there is sufficient alignment of interests between the transaction parties and investors, including but not limited to compliance with formal risk-retention rules.

Under this model, investors would have greater discretion to determine what constitutes “robust” underwriting standards and “sufficient” disclosure, taking into account the nature of the assets, the jurisdiction of origination and the complexity of the structure.

The proposed amendments to the risk-retention framework are also intended to remove barriers that currently restrict UK investors' access to certain third-country securitisations. In particular, UK investors may be able to invest in transactions that do not strictly comply with the UK risk-retention technical requirements, provided they are satisfied that the economic substance of alignment of interest is appropriate. The proposals do not, however, alter the obligations that apply to UK originators, sponsors or original lenders with respect to retaining risk.

INTRODUCTION OF A SIMPLIFIED, PRINCIPLES-BASED PRE-INVESTMENT ASSESSMENT

The reforms propose a streamlined assessment process for prospective securitisation investments. Investors would still be required to understand the transaction's material structural features and risk characteristics, but the legislation would no longer mandate review of a detailed checklist of specified elements.

In practice, investors would need to consider matters such as:

- the credit profile of the underlying exposures, including asset quality, historical performance trends, concentration risks and diversification;
- the structural mechanics of the transaction, including subordination levels, credit enhancement arrangements, liquidity support, payment waterfalls, trigger events and voting rights; and
- where applicable, whether a transaction marketed as STS meets the relevant simplicity, transparency and standardisation criteria.

However, rather than demonstrating compliance with each enumerated item in a rigid framework, investors would be expected to undertake an analysis proportionate to the scale, complexity and risk profile of the securitisation. The emphasis shifts from procedural box-ticking to substantive risk understanding.

REFORM OF ONGOING DUE DILIGENCE REQUIREMENTS

The proposals also seek to remove the more granular and prescriptive elements of the current ongoing monitoring obligations. Instead of requiring investors to perform and document specific recurring checks in accordance with a fixed template, firms would be expected to establish appropriate written policies, internal controls and reporting lines to ensure effective oversight of securitisation positions.

Under this approach, investors would need to ensure that:

- there are documented governance arrangements for monitoring securitisation exposures;
- management bodies receive regular and meaningful information on performance and risk developments; and
- monitoring intensity is calibrated to the actual risk of the position.

The regulator has indicated that the current framework is overly detailed and, in some areas, duplicative of broader sectoral risk-management rules. The revised regime would therefore focus on ensuring that investors continuously monitor the performance and risk evolution of their securitisation holdings, including changes in underlying asset performance, structural triggers, credit enhancement levels and counterparty exposures, but without imposing unnecessarily rigid procedural requirements.

Streamlining Transparency

REMOVAL OF THE PUBLIC/PRIVATE DISTINCTION IN TRANSPARENCY REQUIREMENTS

The proposals envisage eliminating the current differentiation between public and private securitisations for the purposes of applying transparency obligations. Under the existing framework, transactions that are publicly offered or admitted to trading are subject to a more extensive set of disclosure requirements than privately placed transactions.

The proposed reform would instead focus on the substance of the transaction—particularly the nature of the underlying exposures and the associated risks—rather than the method of distribution. The regulator has indicated that feedback from market participants suggests that the risk characteristics of the assets are a more meaningful determinant of disclosure needs than whether the transaction is marketed publicly or privately.

This change is intended to sit alongside broader reforms that simplify templates and move toward a principles-based approach. The objective is to ensure that investors receive decision-useful information proportionate to the risks of the asset class, while removing artificial distinctions that may no longer reflect how the market operates in practice.

INTRODUCING OF A SIMPLIFIED REPORTING TEMPLATE FOR CLOS

The reforms propose the creation of a streamlined disclosure template specifically tailored to collateralised loan obligations (**CLOs**). Compared to the current corporate securitisation reporting template, the proposed CLO template would contain substantially fewer reporting fields, reducing the reporting burden on transaction parties.

The rationale for this adjustment is that CLO structures have distinct features—including actively managed portfolios and corporate loan collateral—which make certain data fields in the generic corporate template redundant or of limited relevance. By calibrating the template to the specific characteristics of CLOs, the regulator seeks to preserve meaningful transparency while avoiding unnecessary data collection.

In addition, the regulator has indicated that it may consider suspending the obligation to complete the full reporting template during the warehouse phase of a CLO, when the portfolio is still being assembled and is not yet fully ramped. This reflects recognition that reporting at this stage may be operationally burdensome and of limited informational value to investors.

REDUCTION AND RATIONALISATION OF REPORTING TEMPLATES

This will involve a broader element of the reform package reducing the number of prescribed reporting templates and replacing them with a more flexible, principles-based disclosure regime tailored to different asset classes.

Under this approach, standardised templates would be retained where asset classes are sufficiently homogeneous to justify them. However, for asset classes where strict standardisation is less appropriate—due to structural diversity or highly granular exposures—transaction parties would be permitted to determine the most appropriate method of presenting relevant information, provided that disclosure remains clear, comprehensive and proportionate.

This more flexible approach would apply, for example, to:

- asset-backed commercial paper (ABCP) programmes;
- securitisations backed by short-term, highly granular receivables such as credit card or trade receivables;
- commercial real estate exposures;
- corporate loan portfolios; and
- more specialised or “esoteric” asset classes.

PRINCIPLES-BASED APPROACH TO INVESTOR REPORTING AND INSIDE INFORMATION

The proposals also contemplate shifting to a more principles-led framework for periodic investor reporting and the disclosure of significant events or inside information.

Rather than mandating exhaustive prescriptive reporting categories, the revised framework would require transaction parties to disclose information that is materially relevant to investors’ understanding of performance, risk developments and structural changes. This would include prompt disclosure of events that could materially affect the cash flows, credit quality or legal structure of the securitisation.

The emphasis is on ensuring that reporting is timely, accurate and decision-relevant, while reducing mechanical compliance exercises that do not materially enhance transparency.

SIMPLIFICATION OF RETAINED UNDERLYING EXPOSURES TEMPLATES

For more established and relatively homogeneous asset classes—such as residential real estate mortgages, auto loans, consumer loans and leasing exposures—the proposals would streamline the existing underlying exposure templates.

The revised templates would be simplified and, where possible, aligned with loan-level data requirements used by the Bank of England. This harmonisation aims to reduce duplication, improve consistency across reporting regimes and make compliance more efficient for transaction parties operating across multiple regulatory frameworks.

By focusing on key risk indicators and eliminating low-value data fields, the regulator seeks to maintain transparency while reducing operational complexity.

EXEMPTION FOR SINGLE-LOAN SECURITISATIONS

The reforms would also remove the requirement for single-loan securitisations to provide underlying exposure information in the standardised underlying exposure template.

Given that a single-loan structure typically involves only one identifiable asset—often large and individually analysed—requiring template-based granular reporting may offer limited additional benefit. Instead, investors would continue to receive relevant transaction documentation and asset-level information appropriate to the nature of the exposure, without being subject to a formalised template designed primarily for multi-asset pools.

REMOVAL OF MANDATORY REPORTING TO SECURITISATION REPOSITORIES

Another significant proposal is to eliminate the obligation to submit securitisation data to regulated securitisation repositories.

The regulator has noted that, as the number of mandatory templates is reduced, the cost and operational burden of reporting to repositories may outweigh the benefits—particularly where investors do not appear to make extensive use of repository data. Removing the requirement would therefore reduce compliance costs for manufacturers while maintaining direct transparency obligations to investors.

This reflects a broader policy objective of ensuring that disclosure mechanisms are proportionate and genuinely utilised by market participants.

USE OF CORRESPONDING EU TEMPLATES

To support cross-border activity and reduce duplication, manufacturers would be permitted to use equivalent EU reporting templates to satisfy UK disclosure requirements, provided that the information supplied is substantively equivalent.

This measure is intended to ease operational friction for firms active in both UK and EU markets and to prevent unnecessary parallel reporting regimes from increasing costs without delivering additional investor protection.

STS Notifications

FLEXIBILITY IN PUBLICATION OF STS NOTIFICATIONS

The proposals would grant originators and sponsors greater discretion regarding the publication of STS (Simple, Transparent and Standardised) notifications in the context of private securitisations.

In particular, transaction parties may be permitted to determine whether to publish the full STS notification or an anonymised version where appropriate. This recognises that in private transactions, full public disclosure of transaction-specific details may not always be necessary or commercially appropriate.

The objective is to preserve the integrity and credibility of the STS designation, while introducing a degree of flexibility that reflects the differing transparency expectations between public and private market segments.

Resecuritisation Ban

PRA proposes to exempt the following resecuritisations from the ban, subject to safeguards, and also proposes an alternative capital treatment to those exempted resecuritisations (plus a definitional tweak re contiguous retransching).

- The proposed exemptions are:
 - resecuritisations of positions created solely by tranching credit protection (the **tranching credit protection exemption**) on an individual exposure (for example, certain credit protection structures that segment risk on a single underlying exposure *i.e.* where technically tranching exists but the economic substance remains simple and transparent); and
 - resecuritisations of senior securitisation positions (the **senior position exemption**) (the idea being that senior positions are less risky and structurally simpler than mezzanine or first-loss tranches, so enabling their inclusion does not carry the same risk of opacity and complexity).

Safeguards include that the originator must be a PRA-authorized person, is also the originator and risk retainer of the underlying securitisation and that resecuritisation is limited to one round only. For the tranching credit protection exemption, the exposures involved should be homogeneous in terms of underlying asset classes.

For the tranching credit protection exemption, firms would be expected to calculate capital requirements ignoring the credit risk mitigation effect where appropriate. For the senior position exemption, it would be possible to treat the underlying senior positions as if they were unsecuritised *pro rata* slices of the underlying exposures.

To accommodate these proposals, the PRA also proposes to amend the definition of “resecuritisation” to exclude contiguous retransching—aligning the UK approach with international practice. This means that simply resegmenting tranches of a securitisation (without materially altering the risk profile beyond recognised exemptions) would not itself trigger the prohibition.

Risk Retention

PERMITTING L-SHAPED RISK RETENTION

The proposals include expressly allowing the use of L-shaped risk retention structures. This approach involves combining two existing retention techniques: a vertical slice taken proportionately across all tranches of the securitisation, together with a horizontal first-loss tranche that absorbs losses ahead of other investors.

Although each of these retention methods is already recognised individually, the current framework has not clearly permitted their combined use. Formal recognition of L-shaped retention is intended to remove legal

uncertainty and align the UK regime more closely with practices seen in other jurisdictions, particularly in CLO markets.

Allowing this structure is expected to give originators and sponsors greater flexibility in structuring transactions while still ensuring that meaningful economic exposure is retained. From a policy perspective, the combined approach may better align incentives by requiring exposure both to losses across the capital structure and to the first-loss position.

The regulator also notes that this structure is familiar to investors in overseas markets—especially in US CLO transactions—and that recognising it within the UK regime could support UK manufacturers' ability to access international investor demand and issue into markets where L-shaped retention is already widely understood.

Scope of the Rules

CONSIDERATION OF DIFFERENTIATED TREATMENT FOR SPECIFIC SECURITISATION TYPE

The consultation raises the possibility that certain categories of securitisation may warrant tailored regulatory treatment or additional exemptions, reflecting their structural characteristics and risk profiles. Rather than applying a uniform framework across all securitisations, the regulator is seeking views on whether adjustments could improve proportionality without undermining prudential or investor-protection objectives.

In particular, feedback is sought on whether differentiated treatment may be appropriate for:

- CLOs—given their actively managed portfolios, established investor base and distinctive structural features compared with static securitisations.
- Whole Business Securitisations (WBS)—which are backed by cash flows from operating businesses rather than pools of financial receivables, raising different considerations around performance monitoring and disclosure.
- Correlation Trading Portfolios (CTOs)—which involve exposures to structured credit positions and may raise separate prudential and complexity concerns.
- The regulator's request for views does not itself propose specific rule changes for these categories but signals openness to refining the framework so that requirements better reflect the economic substance and risk characteristics of different securitisation models.

Comparison of the FCA and PRA Consultations

While the policy directions of the FCA and PRA are aligned on the need for less prescriptive due diligence and streamlined transparency, we note some “division of remit” divergences below.

PRUDENTIAL AND REGULATORY REPORTING CHANGES

The PRA consultation includes changes that are inherently prudential/CRR-facing, including:

- COREP (the EU/UK standard Common Reporting framework—part of regulatory reporting for banks and other CRR firms on their risk-weighted assets, capital and exposures) reporting impacts (how and when detailed templates like C14 (specific templates for reporting securitisation positions and associated risk weights) are required, and how a proposed “L-shaped” retention would be reported in COREP).
- For PRA-regulated CRR firms, if the PRA finalises changes to the capital framework (for example the securitisation standardised approach’s p-factor) it could change how firms calculate risk weights for securitisation exposures and how those figures are reported in C14 templates.
- As PRA-regulated banks must report securitisation exposures in COREP, the PRA acknowledges that L-shaped retention creates reporting classification questions (*i.e.* clarity on how to report the vertical and horizontal components and how to reflect capital treatment in COREP C14) and affects attachment/detachment points and the risk weight outcome for retained pieces.
- Capital treatment proposals—as the FCA is focused on conduct/disclosure rules in the FCA Handbook, it does not mirror those prudential reporting/capital elements.

DELETION OF PRA TEMPLATES

- The PRA proposes to delete the disclosure templates from the PRA Rulebook and require use of the (revised) FCA templates where they remain applicable.
- The FCA consultation paper is where the revised template set is consulted on.

SECURITISATION REPOSITORIES

- Both PRA and FCA reduce reliance on securitisation repository disclosure delivery, but only the FCA consultation contains the operational rulebook content for securitisation repository oversight.
- PRA proposes to remove the requirement that disclosures must be made available “by means of a securitisation repository” whereas the FCA proposes ceasing mandatory reporting to regulated securitisation repositories and (because it is the conduct regulator) includes detailed FCA Handbook material relating to securitisation repository regulation/requirements (*e.g.* SECN 9 provisions).

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